RED HERRING PROSPECTUS
Dated July 14, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

GMR INFRASTRUCTURE LIMITED

(We were originally incorporated on May 10, 1996 as a public limited company called Varalakshmi Vasavi Power Projects Limited in the State of Andhra Pradesh. On May 23, 1996 we received our certificate of commencement of business. On May 31, 1999 we changed our name to GMR Vasavi Infrastructure Finance Limited. On July 24, 2000 we changed our name to GMR Infrastructure Limited. On October 4, 2004 we shifted our registered office from the State of Andhra Pradesh to the State of Karnataka. The Company is the holding company of the GMR Group, having interests in power generation, development, maintenance and operation of roads and airports)

Registered Office and Corporate Office: Skip House, 25/1 Museum Road, Bangalore 560 025
Tel: +91 80 2207 0100; **Fax**: +91 80 2299 8118; **Web site**: www.gmrgroup.co.in;
Contact Person/Compliance Officer: Mr. A. S. Cherukupalli **Email**: gmripo@gmrgroup.co.in

ISSUE OF 38,136,980 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] MILLION (REFERRED TO AS THE "ISSUE"), COMPRISING 500,000 EQUITY SHARES OF RS. 10 EACH RESERVED FOR THE ELIGIBLE EMPLOYEES OF THE COMPANY AND A NET OFFER TO PUBLIC OF 37,636,980 EQUITY SHARES OF RS. 10 EACH. THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION SHALL BE HEREINAFTER REFERRED TO AS THE 'NET OFFER TO THE PUBLIC'. THE ISSUE WILL CONSTITUTE 11.52% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET OFFER TO THE PUBLIC WOULD CONSTITUTE 11.37% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 210 TO RS. 250 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH
ISSUE PRICE IS TWENTY ONE (21) TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND TWENTY FIVE (25) TIMES AT THE HIGHER END OF THE PRICE BAND.*

*The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) will be at a 5% discount to the Issue Price determined for Bidders in the Employee Reservation portion (for Bids more than Rs. 100,000), Non Institutional Bidders and QIBs. Such differential amount shall be adjusted against the balance amount payable (in case of Payment Method I) or be refunded to the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), as the case may be. For more details, please refer to the Section Titled "Issue Procedure" on page 363 of this Red Herring Prospectus.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after such revision, subject to the Bidding/Issue Period not exceeding ten working days. Any revision in the Price Band, and the revised Bidding/Offer Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release and by indicating the change on the web sites of the Book Running Lead Managers and the terminals of the Syndicate.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Offer to the Public will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Offer to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Offer to the Public will be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

For Retail Bidders and Bidders in the Employee Reservation Portion, two payment methods are available. The details of the payment methods are given below. Please also refer to the section titled "Issue Procedure" on page 363 of this Red Herring Prospectus and the risk factor associated with Payment Method I on page xxxv of this Red Herring Prospectus. Payment Method I is not available to Non-Institutional Bidders and QIBs.

Amount payable per Equity Share	Payment Method I (only for Retail Bidders and Bidders in the Employee Reservation Portion***)			Payment Method II		
	Face value	Premium	Total	Retail Bidders and Bidders in the Employee Reservation Portion	Non-Institutional Bidders	QIBs
Amount Payable on Application	Rs. 5 (per Equity Share, irrespective of the Bid)	Rs. 120 (per Equity Share, irrespective of the Bid)	Rs. 125 (per Equity Share, irrespective of the Bid)	100% of the Bid	100% of the Bid	10% of the Bid
Amount payable on allocation but before allotment	NA	NA	NA	NA	NA	90% of the Bid
By Due Date for Balance Amount Payable	Rs. 5	Rs. ●*	Rs. ●*	NA	NA	NA
Total**	**Rs. 10**	**Rs. ●***	**Rs. ●***	**Rs. ●***	**Rs. ●***	**Rs. ●***

* *To be determined after the book building process is complete and the Issue Price is finalised.*
***The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids up to Rs. 100,000) will be Rs. [●] per Equity Share, which is at a 5% discount to the Issue Price.*
****for bids up to Rs. 100,000*

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is ● times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

The Company has not opted for IPO grading.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of investors is invited to the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in the Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai ("BSE") and the National Stock Exchange of India Limited ("NSE") and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares pursuant to letters both dated May 26, 2006. For purposes of this Issue, the Designated Stock Exchange is BSE.

BOOK RUNNING LEAD MANAGERS

JM MORGAN STANLEY
JM Morgan Stanley Private Limited
141 Maker Chambers III,
Nariman Point, Mumbai 400 021
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
Email: gmripo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person : Mr. Kushal Doshi

DSP Merrill Lynch
DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor,
Nariman Point, Mumbai 400 021
Tel: +91 22 2265 1702
Fax: +91 22 2262 1187
Email: gmr_issue@ml.com
Website: www.dspml.com
Contact Person : Mr. N.S. Shekhar

ENAM
Enam Financial Consultants Private Limited
801, Dalamal Towers,
Nariman Point
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
Email: gmr.ipo@enam.com
Web site: www.enam.com
Contact Person : Ms. Shital Shah

SSKI
SSKI Corporate Finance Private Limited
803-804, Tulsiani Chambers,
8th Floor, Nariman Point,
Mumbai 400 021
Tel: +91 22 6638 3333
Fax: +91 22 2204 0282
Email: gil.ipo@sski.co.in
Web site: www.sski.co.in
Contact Person : Mr. S. Venkatraghavan

REGISTRAR TO THE ISSUE

KARVY
Karvy Computershare Private Limited
Karvy Computershare Private Limited
"Karvy House", 46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034.
Tel: + 91 40 2331 2454
Fax: + 91 40 2331 1968
Email: gmr.ipo@karvy.com
Website: www.karvy.com
Contact Person : Mr. M. Murli Krishna

ISSUE PROGRAMME

BID / ISSUE OPENS ON : July 31, 2006	BID / ISSUE CLOSES ON : August 4, 2006

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SECTION I : DEFINITIONS AND ABBREVIATIONS

Term	Description
"GIL, the "Company", "our Company",	Unless the context otherwise requires, refers to GMR Infrastructure Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
Airport Business	Unless otherwise indicated shall include the GMR Group's initiatives in the airport sector including the activities undertaken by GHIAL, Delhi International Airport and Gateways
Bharat Sugar / BSML	Bharat Sugar Mills Limited, incorporated under the Companies Act and having its registered office at Bangur Nagar, Dandeli, Karnataka 581 325
Delhi International Airport / DIAL	Delhi International Airport Private Limited, incorporated under the Companies Act and having its registered office at 4th Floor, Birla Towers, 25, Barakhamba Road, New Delhi 110 001
Gateways / GFIAPL	Gateways For India Airports Private Limited, incorporated under the Companies Act and having its registered office at 6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 500 016
GHIAL/ Hyderabad International Airport	GMR Hyderabad International Airport Limited, incorporated under the Companies Act and having its registered office at "Aparna Crest", III Floor, Road No 2, Banjara Hills, Hyderabad 500 034
GMR (Badrinath) Hydro	GMR (Badrinath) Hydro Power Generation Private Limited, incorporated under the Companies Act and having its registered office at 140, Vasant Vihar, Phase I, Dehradun, Uttaranchal 248 006
GMR Ambala-Chandigarh / GACEPL	GMR Ambala-Chandigarh Expressways Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Energy / GEL	GMR Energy Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Estates	GMR Estates & Properties Private Limited, incorporated under the Companies Act and having its registered office at 8/1, King Street, Off Richmond Road, Bangalore 560 025
GMR Ferro Alloys	GMR Ferro Alloys & Industries Limited, incorporated under the Companies Act and having its registered office at 6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 500 016
GMR Group, "we" or "us"	Unless the context otherwise requires, refers to the Company and its Subsidiaries
GMR Highways	GMR Highways Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Holdings	GMR Holdings Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Industries / GIDL	GMR Industries Limited, incorporated under the Companies Act and having its registered office at 6-3-866/I/G2, Greenlands, Begumpet, Hyderabad 500 016
GMR Jadcherla / GJEPL	GMR Jadcherla Expressways Private Limited, incorporated under the Companies Act and having its registered office at 6-3-866/I/G2, Greenlands, Begumpet, Hyderabad 500 016
GMR Mining / GMEPL	GMR Mining & Energy Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Operations/GOPL	GMR Operations Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Pochanpalli / GPEPL	GMR Pochanpalli Expressways Private Limited, incorporated under the Companies Act and having its registered office at 6-3-866/I/G2, Greenlands, Begumpet, Hyderabad 500 016

Term	Description
GMR Power / GPCPL	GMR Power Corporation Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Projects	GMR Projects Private Limited, incorporated under the Companies Act and having its registered office at 6-2-953, 1st Floor, Krishna Plaza, Hyderabad 500 004
GMR Tambaram-Tindivanam / GTTEPL	GMR Tambaram-Tindivanam Expressways Private Limited, incorporated under the Companies Act and having its registered office at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016
GMR Tuni-Anakapalli / GTAEPL	GMR Tuni-Anakapalli Expressways Private Limited, incorporated under the Companies Act and having its registered office at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016
GMR Ulundurpet / GUEPL	GMR Ulundurpet Expressways Private Limited, incorporated under Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
GMR Varalakshmi Foundation	GMR Varalakshmi Foundation, incorporated under the Companies Act and having its registered office at GMR Nagar, Rajam, Srikakulam (District), Andhra Pradesh 532 127
GVL Investments / GVLIPL	GVL Investments Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
Ideaspace	Ideaspace Solutions Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
Power Business	Unless otherwise indicated shall include the GMR Group's initiatives in the power sector including the activities undertaken by GMR Energy, GMR Power, Vemagiri Power, GMR (Badrinath) Hydro and GMR Mining
Raxa	Raxa Security Services Private Limited, incorporated under the Companies Act and having its registered office at MTB Mahameru, # 81, 1st Cross, Wellington Street, Richmond Road, Bangalore 560 025
Road Business	Unless otherwise indicated shall include the GMR Group's initiatives in the road sector including the activities undertaken by GMR Tambaram-Tindivanam, GMR Tuni-Anakapalli, GMR Ambala-Chandigarh, GMR Jadcherla, GMR Pochanpalli and GMR Ulundurpet
Saci	Saci Sports Private Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025
Subsidiaries	Unless the context otherwise requires, refers to (i) GMR Energy; (ii) GMR Power; (iii) Vemagiri Power; (iv) GMR (Badrinath) Hydro; (v) GMR Mining; (vi) GMR Tambaram-Tindivanam; (vii) GMR Tuni-Anakapalli; (viii)GMR Ambala-Chandigarh; (ix) GMR Jadcherla; (x) GMR Pochanpalli; (xi)GMR Ulundurpet; (xii) GHIAL; (xiii) Delhi International Airport; (xiv) Gateways; and (xv) GVL Investments
Sucharitha	Sucharitha Estates Private Limited, incorporated under the Companies Act and having its registered office at 6-2-953, 1st Floor, Krishna Plaza, Khairatabad, Hyderabad 500 004
Varalakshmi Jute	Sri Varalakshmi Jute Twine Mills Private Limited, incorporated under the Companies Act and having its registered office at Rambadrapuram Road, Rajam, Andhra Pradesh 532 127
Vemagiri Power / VPGL	Vemagiri Power Generation Limited, incorporated under the Companies Act and having its registered office at Skip House, 25/1 Museum Road, Bangalore 560 025

Conventional / General Terms	
Term	**Description**
Articles/ Articles of Association	Articles of Association of GIL
Board of Directors/ Board	The Board of Directors of GIL or a committee thereof
Directors	The directors of GIL, as may be changed from time to time
Equity Shares	Equity shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
Memorandum/ Memorandum of Association	The Memorandum of Association of GIL
Statutory Auditors	Statutory auditors of the Company being, Price Waterhouse, Hyderabad, Chartered Accountants for Indian GAAP. They commenced their audit engagements with GIL and were first appointed in the AGM held on August 31, 2005

Issue Related Terms	
Term	**Description**
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Amount Payable on Application	The amount specified under Payment Method I or Payment Method II
Balance Amount Payable	Issue Price less Amount Payable on Application. This amount is payable by the Due Date for Balance Amount Payable
Banker(s) to the Issue	UTI Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank, ING Vysya Bank Limited, Standard Chartered Bank, Citibank N.A. and Hongkong and Shanghai Banking Corporation Limited each of whom is registered with SEBI and with whom the public issue account will be opened
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made

Term	Description
BRLMs	Book Running Lead Managers to the Issue, in this case being JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and SSKI Corporate Finance Private Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Co- Managers	Co- Managers to the Issue, in this case being Canara Bank, Union Bank of India and Andhra Bank
Companies Act / Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Issue Price finalised by the Company in consultation with the BRLMs. Only Retail Bidders and Bidders in the Employee Reservation Portion are entitled to bid at Cut-off Price, for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at Cut-off Price. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited, Mumbai
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus filed with SEBI on May 2, 2006
Due Date for Balance Amount Payable	Last date for payment of the Balance Amount Payable which is a date falling 21 days from the date of allotment
Eligible Employee	Means a permanent employee or Director of the Company (or its Subsidiaries) as on July 31, 2006, who is an Indian National based in India and is physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person should be an employee or Director till the Bid/Issue Closing Date. Promoter Directors are not eligible to be treated as Eligible Employees
Eligible NRI	NRIs from such jurisdictions outside India, where it is not unlawful to make an offer or invitation under the offer and in relation to whom the Red Herring Prospectus constitutes an offer to sell and an invitation to subscribe to the Equity Shares offered thereby
Employee Reservation Portion	That portion of the Issue being a maximum of 500,000 Equity Shares available for allocation to Eligible Employees
Escrow Agreement	Agreement entered into by the Company, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders
Escrow Collection Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened

Term	Description
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Issue	The fresh issue of 38,136,980 Equity Shares of Rs. 10 each at the Issue Price by the Company under this Red Herring Prospectus
Issue Price	The final price at which Equity Shares comprising the Issue will be issued and allotted in terms of this Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date. Notwithstanding the above, the Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) is Rs. [●] per Equity Share, which is at a 5% discount to the Issue Price.
Issue Size	38,136,980 Equity Shares of Rs. 10 each to be issued to the Investors at the Issue Price
Management Committee	A committee of the Board of Directors of GIL comprising Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G.B.S. Raju, Mr. G. Kiran Kumar, Mr. B.V. N. Rao, Mr. K. Balasubramanian and Mr. P. B. Vanchi appointed for the purpose of carrying out various actions in relation to the Issue
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Members of the Syndicate	JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited, SSKI Corporate Finance Private Limited, JM Morgan Stanley Financial Services Private Limited, Enam Securities Private Limited, Sharekhan Limited Edelweiss Securities Private Limited and Karvy Stock Broking Limited.
Monitoring Agency	Monitoring Agency, in this case being Industrial Development Bank of India Limited
Net Offer to the Public	37,636,980 Equity Shares of Rs. 10 each, being the Issue size less Employee Reservation Portion
Non Institutional Bidders	All Bidders that are not QIBs or Retail Bidders or Bidders in the Employee Reservation Portion and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being upto 3,763,698 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Payment Method I	Amount Payable on Application irrespective of the Bid, in case of Retail Bidders and Bidders in the Employee Reservation Portion applying for bid amount not exceeding Rs. 1,00,000. Payment Method I is not available to Bidders in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutional Bidders and QIB Bidders
Payment Method II	Amount payable on application in case of Retail Bidders, Bidders in the Employee Reservation Portion and Non-Institutional Bidders is 100% of the Bid, and in case of QIBs is 10% of the Bid with balance being payable on allocation, but before allotment
Price Band	Price band of a minimum price (floor of the price band) of Rs. 210 and the maximum price (cap of the price band) of Rs. 250 and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLMs finalizes the Issue Price
Promoters	Mr. G.M. Rao and GMR Holdings Private Limited
Prospectus	The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date

Term	Description
QIB Portion	The portion of the Issue being at least 22,582,188 Equity Shares of Rs. 10 each available for allocation to QIBs
QIB Margin	Amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, Mutual Funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
Red Herring Prospectus	This Red Herring Prospectus of the Company filed with the ROC in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue. The Red Herring Prospectus will has been filed with the ROC.
Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited having its registered office at “Karvy House”, 46, Avenue 4, Street No.1Banjara Hills, Hyderabad 500 034
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being upto 11,291,094 Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s)
Revised CAN	Revised Confirmation of Allocation Note, which is sent to the QIBs after basis of allotment is finalized in consultation with stock exchanges and which can be different from CAN that has been sent earlier to them, on account of reconciliation, technical rejections and other reasons as deemed fit by Designated Stock Exchange
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid-cum-Application Forms or any previous Revision Form(s)
SCRR	Securities Contract (Regulations) Rules, 1957
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement to be entered into among the Company, the BRLMs and the other members of the Syndicate, in relation to collection of Bids in the Issue
Syndicate Members	JM Morgan Stanley Financial Services Private Limited, Enam Securities Private Limited, Sharekhan Limited, Edelweiss Securities Private Limited and Karvy Stock Broking Limited
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	Agreement dated [●], 2006 between the Underwriters and GIL, to be entered into on the Pricing Date
You, your, yours, Investor	Unless context implies otherwise, refers to the prospective investor in the Issue and/or a reader of the Red Herring Prospectus

Company / Industry related terms	
Power Business	
Term	**Description**
AP GENCO	Andhra Pradesh Power Generation Corporation Limited
AP Transco	Transmission Corporation of Andhra Pradesh Limited
APCPDCL	Andhra Pradesh Central Power Distribution Company Limited
APDRP	Accelerated Power Development & Reform Programme
APEPDCL	Andhra Pradesh Eastern Power Distribution Company Limited
APNPDCL	Andhra Pradesh Northern Power Distribution Company Limited
APSEB	Andhra Pradesh State Electricity Board
APSPDCL	Andhra Pradesh Southern Power Distribution Company Limited
BESCOM	Bangalore Electricity Supply Company Limited
BOO	Build, Own and Operate
BOOT	Build, Own, Operate and Transfer
BPCL	Bharat Petroleum Corporation Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CLP	CLP Power India (Private) Limited
CPSUs	Central Power Sector Utilities
DISCOMs	Distribution Companies
DVB	Delhi Vidyut Board
ED	Electricity Departments
Electricity Act	The Electricity Act, 2003
EPC	Engineering, Procurement and Construction
ERC	Electricity Regulatory Commission
ERC Act	The Electricity Regulatory Commission Act, 1998
GAIL	Gas Authority of India Limited
GMR Energy PPA	Power Purchase Agreement dated December 15, 1997 between GMR Energy and Karnataka Power Transmission Corporation Limited (KPTCL) amended via Supplementary Agreement dated May 29, 1999, September 30, 1999 and January 25, 2001
HHIL	Hyundai Heavy Industries Limited
HPCL	Hindustan Petroleum Corporation Limited
IPPs	Independent Power Producers
KPSE	Korea Plant Service & Engineering Company Limited
KPTCL	Karnataka Power Transmission Corporation Limited

Term	Description
LSHS	Low sulphur heavy stock
MESCOM	Mangalore Electricity Supply Company
PGCIL	Power Grid Corporation of India Limited
PPA	Power Purchase Agreement
SEBs	State Electricity Boards
SERCs	State Electricity Regulatory Commissions
Supply Act	The Electricity (Supply) Act, 1948
T&D	Transmission & Distribution
TNEB	Tamil Nadu Electricity Board

Road Business	
Term	**Description**
ADB	Asian Development Bank
BOT	Build, Operate and Transfer
BOO	Build, Own and Operate
BOOT	Build, Own, Operate and Transfer
CRF	Central Reserve Funds
GOI	Government of India
GQ	Golden Quadrilateral
IDBI	Industrial Development Bank of India
IDF	India Development Fund
JBIC	Japan Bank for International Cooperation
MDR	Major District Roads
MORTH	Ministry of Road Transport and Highways
NH	National Highway
NHAI	National Highways Authority of India
NHDP	National Highways Development Project
ODR	Other District Roads
PMGSY	Pradhan Mantri Gram Sadak Yojana
ROW	Right of way
SH	State Highways
VR	Village Roads
WB	World Bank

Airport Business	
Term	**Description**
AAI	Airports Authority of India
AERA	Aviation Economic Regulatory Authority
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
BCAS	Bureau of Civil Aviation Security
CISF	Central Industrial Security Forces
CNS-ATM	Communications, Navigation, and Surveillance Air Traffic Management
CST	Central Sales Tax
DGCA	Directorate General of Civil Aviation
Delhi Airport	Indira Gandhi International Airport at Delhi
Fraport AG	Fraport AG Frankfurt Airport Services Worldwide
FTT	Foreign Travel Tax
IATA	International Air Transport Association
IATT	Inland Air Travel Tax
MAHB	Malaysian Airport Holdings Berhad
MCA	Ministry of Civil Aviation
Menzies	Menzies Aviation PLC
OMDA	Operation, Management & Development Agreement
Pax	Passengers
PSF	Passenger Service Fee
Reliance Airport Developers SLP	Special Leave Petition (S.L.P. No. 7663 of 2006) filed by Reliance Airport Developers Private Limited on April 24, 2006 in the Supreme Court of India against the AAI, the Union of India, GIL and GVK Industries Limited.
Reliance Airport Developers Writ Petition	Writ petition (W.P. (C) No. 1581 of 2006 filed by Reliance Airport Developers Private Limited on February 2, 2006 in the High Court of Delhi against the AAI, the Union of India, GIL and GVK Industries Limited.
Reliance Airport Developers	Reliance Airport Developers Private Limited

Abbreviations	
Term	**Description**
AGM	Annual General Meeting
AS/ Accounting Standard(s)	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BSE	Bombay Stock Exchange Limited, earlier known as The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited
EBIDTA	Earnings before interest, taxes, depreciation, and amortization
ECS	Electronic Clearing System

Term	Description
EGM	Extraordinary General Meeting
EPS	Earnings per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial public issue/ offering
NAV	Net Asset Value
NEFT	National Electronic Funds Transfer
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent Account Number
RBI	Reserve Bank of India
RoC	Registrar of Companies, Karnataka at Bangalore
RONW	Return on Net Worth
RTGS	Real Time Gross Settlement
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover	Regulations Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time

SECTION II : RISK FACTORS

Certain Conventions; Use of Market Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our consolidated financial statements prepared in accordance with Indian GAAP, beginning on page 230 of this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and U.S. GAAP. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the Offering and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between Indian GAAP and U.S. GAAP, and how such differences might affect the financial information contained herein.

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US$” or “US Dollars” are to United States Dollars, the official currency of the United States of America.

For additional definitions, please refer to the section titled “Definitions and Abbreviations” beginning on page i of this Red Herring Prospectus.

Market and industry data used throughout this Red Herring Prospectus has been obtained from publications available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

Forward-Looking Statements

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the infrastructure industry.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled “Risk Factors” beginning on page xiii of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs and we will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Risk Factors

This offering involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occur, our business, prospects, financial condition and results of operation could be seriously harmed, the trading price of our shares could decline, and you may lose all or part of your investment. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify financial implications of any of the risks mentioned below.

Any potential investor in, and purchaser of, our shares should pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the United States of America and other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Red Herring Prospectus (including the consolidated financial statements included in this Red Herring Prospectus).

Risks Associated with Our Businesses

We rely substantially on state-owned entities for our revenues. Political or financial pressures could cause them to force us to renegotiate our contracts and could adversely affect their ability to pay us.

Government authorities, as well as the relevant state electricity boards and utility companies, establish electricity rates and effect rate increases periodically. In the past, several state governments, including the governments of Tamil Nadu and Karnataka, where the Chennai power plant and the Mangalore power plant are located, respectively, have announced the intention to provide free electricity to farmers. Although changes in the retail price of electricity that is charged by the various state utility companies to their customers does not affect the tariffs we are entitled to receive under our power purchase agreements, such policies are likely to put further strain on the financial resources of the state utility companies and may lead to public and political pressure to reduce the rates we charge the state utility companies. Similarly, NHAI's revenues are dependent upon grants from the Government of India and cash flows generated by its toll road operations, and if such revenues are not sufficient to discharge its liabilities, there may be pressure to reduce the fees we are entitled to receive from NHAI. We cannot assure you that the payments we are entitled to receive under our power purchase agreements and our road concession agreements will not be subject to reductions. Any such reduction, if material, could materially and adversely affect our business, prospects and results of operations.

A large portion of our existing operations are dependent exclusively upon revenues from a small number of customers.

For the year ended March 31, 2006, we generated Rs. 9,032.6 million and Rs. 1,504.3 million in total sales and operating income, respectively, or 85.3% and 14.2% of our total sales and operating income, respectively, from our power and road operations. In the power sector, we currently generate all of our revenues from the Mangalore power plant and the Chennai power plant, and each of them either had until recently relied or is currently relying on a single customer for all of its revenues. Prior to June 2005, the Mangalore power plant supplied all of its electricity to Karnataka Power Transmission Corporation Limited, or KPTCL, under a seven-year power purchase agreement, which was due to expire in 2008. The obligations of KPTCL under the power purchase agreement have since been transferred, pursuant to a government notification, to two state-owned distribution companies. The Chennai power plant currently supplies all of its electricity to the Tamil Nadu Electricity Board, or TNEB, under a 15-year power purchase agreement, which expires in 2014. With respect to our road business, we currently generate all of our revenues in this segment through fixed semi-annual payments from the National Highways Authority of India, or NHAI, under concession agreements, which expire in 2019. The current revenues of the Delhi International Airport form a small portion our revenues.

Each of our customers in the power business is obligated to pay us fixed minimum amounts each month under the terms of the relevant power purchase agreement. KPTCL has been late in paying us on many occasions, and we have, on several occasions, drawn funds from an escrow account maintained by KPTCL following such default in payment. Similarly, TNEB has, in the past, withheld or delayed paying part of the contracted amounts to us. We cannot assure you that the two state-owned distribution companies will pay us the contracted amounts on time or at all. In addition, we cannot assure you that in the event any of our power customers fails to pay us, our existing security arrangements would adequately cover us for all payments due. Any material failure on the part of any of our customers to fulfill its respective obligations under its agreement with us would have a material adverse effect on our revenues, ability to service our debt, business, prospects, financial condition and results of operations.

Due to the fact that the power purchasers for the Mangalore and Chennai power plants have not arranged for letters of credit to be issued in favor of our lenders, we are not in compliance with our loan agreements and, as a result, our lenders may accelerate our debt.

We sell all electricity generated by the Chennai power plant to TNEB and, until recently, we sold all electricity generated by the Mangalore power plant to KPTCL. In December 2005, pursuant to a notification issued by the Government, the obligations of KPTCL under the power purchase agreement were transferred to two state-owned distribution companies. The loan agreements for the Mangalore power plant and the Chennai power plant include covenants requiring us to ensure that KPTCL (and its successors) and TNEB, respectively, open letters of credit and escrow accounts in our favor in accordance with the terms of their power purchase agreements. To date, none of KPTCL, TNEB and the two distribution companies have arranged for the letters of credit to be issued in our favor. As such, we are in default of our obligations under the loan agreements. Although our lenders have not taken any action in relation to such defaults, our legal counsel, has advised us that it is not clear whether they have or could be considered to have validly waived the defaults. If our lenders are determined not to have waived their right with respect to the default, they may take action to declare us in default of our agreements and accelerate our debt. Any action by such lenders to declare us in default may trigger cross-defaults under other loan agreements, and would have a material adverse effect on our business, prospects, financial condition and results of operations.

We are a party to a significant number of legal proceedings, including a dispute pertaining to the bidding process of the Delhi airport project.

On February 2, 2006, Reliance Airport Developers, an unsuccessful bidder for the New Delhi and Mumbai airport projects, initiated legal proceedings against us (as the awardee of the Delhi Airport project), the AAI, Union of India (Ministry of Civil Aviation) and GVK Industries Limited (as the awardee of the Mumbai airport project). In these legal proceedings, Reliance Airport Developers alleged that, among other things, the award was illegal and arbitrary and requested that the award of these contracts to GIL and GVK Industries Limited be revoked. By an order dated April 21, 2006, the Delhi High Court dismissed the petition of Reliance Airport Developer and upheld the decision of the Government to award the two contracts to GIL and GVK Industries Limited, respectively. Reliance Airport Developers filed a special leave petition in Supreme Court seeking permission to appeal against order of Delhi High Court on April 24, 2006. The Reliance Airport Developers SLP has been admitted by the Supreme Court of India vide its order dated May 5, 2006. The appeal is presently listed for arguments on July 18, 2006 before an appropriate bench of the Supreme Court.

In addition to the challenge by Reliance Airport Developer, an individual has lodged a writ petition at the Bombay High Court challenging the proposed transfer by AAI of the operation and management of the Delhi and Mumbai airports to private parties. Pursuant to an order dated April 25, 2006, the Senior and Prothonotary Master directed the petitioner to clear the technical objections raised by the registry of the Bombay High Court on the writ petition filed by him within a period of two weeks from the date of the order. As the petitioner failed to comply, the writ petition was disposed off. However, on June 14, 2006 the matter was mentioned by the petitioner's advocate before the Prothonotary and Senior Master whereupon the order of rejection was set aside and the matter was reinstated. In the order dated June 14, 2006, the petitioner was directed to remove the office objection within a further date of June 21, 2006. Based on submissions by our legal counsel for the matter and as on the date of filing this Red Herring Prospectus, the Writ Registrar has stamped the Writ Petition as rejected.

Rashtriya Mukti Morcha has filed a public interest litigation against Central Bureau of Investigation ("CBI"), Ministry of Civil Aviation, Union of India and the Delhi International Airport in the High Court of Delhi inter alia, challenging the award of the contract and granting lease of the assets of the AAI on annual lease of Rs. 100/- to Delhi Airport. The petitioner has stated that though he has filed a complaint with the CBI on May 1, 2006, no action has been taken on the same. After hearing some arguments on June 2, 2006, the High Court directed the CBI and UOI to file their affidavits in reply to the writ petition. The case will now be taken up on July 20, 2006 for hearing.

In the event of adverse ruling or alteration in any terms of the award of the contract, our investment in the Delhi airport project including investments out of Issue proceeds and the acquisition of subscription rights from GVL Investments may be adversely affected and therefore our airport business, its prospects and results of operations could materially change.

We are involved in certain other legal proceedings and claims in relation to certain criminal and taxation matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favor. Further, we may also not be able to quantify all the claims that we or any of our group companies are involved in. Any adverse decision may have a significant effect on our business, prospects, financial condition and results of operations.

Company

There are 3 civil cases filed against the Company in relation to the Delhi International Airport. The Company has also filed 3 criminal cases in relation to dishonor of cheques amounting to Rs. 2,25,000 and 1 civil case in relation to the Delhi International Airport. The Company is also involved in 6 tax matters pending at various stages of hearing with various tax authorities pertaining to disallowances, set offs, refunds, short allowance of depreciation, grant of interest etc.

Subsidiaries

Our Subsidiaries are also involved in various litigations.

(i) There is 1 civil case filed against GMR Energy where the plaintiff has claimed compensation of Rs. 308,000 with interest. GMR Energy has also filed 3 criminal cases and 7 civil cases, including 3 appeals pending before the Karnataka State Pollution Control Board for approximately Rs. 2,600,000. GMR Energy is also involved in 3 direct tax matters at the application stage with the tax authorities for short grant of refund and 1 indirect tax matter pending before the customs authority for a claim of Rs. 73.7 million and an additional penalty of the same amount.

(ii) There is 1 civil case filed against GMR Power. GMR Power has also filed 2 writ petitions in the High Court of Tamil Nadu in relation to certain central excise matters aggregating Rs. 1,527,533,959. GMR Power is also involved in 2 tax matters pending at various stages of hearing with the tax authorities relating to adding back provision for leave encashment and short grant of tax refund.

(iii) There are 7 civil cases filed against Vemagiri Power and 1 case pending with the APERC. Vemagiri Power is also involved in 1 direct tax matter for short grant of refund and 1 indirect tax matter in relation to payment of entry tax amounting to Rs. 5,855,037.

(iv) GMR Tambaram-Tindivanam is involved in 1 direct tax matter wherein an application for the refund of Rs. 2,932 has been preferred on account of the company claiming for short grant of interest.

(v) GMR Tuni-Anakapalli has been issued three demand notices by the Mines and Geology Department, Andhra Pradesh for making payment of Rs. 157,812,039 towards seigniorage fee. GMR Tuni-Anakapalli is also involved in 2 direct tax matters wherein an application for an aggregate refund of Rs. 5,951 has been preferred on account of the company claiming for short grant of interest.

(vi) GMR Hyderabad International Airport is involved in 1 tax matter where an application has been preferred for the refund of Rs. 16,359.

(vii) GVL Investments is also involved in 7 tax matters pending at various stages of hearing with various tax authorities pertaining to disallowances, refunds, excess charge of interest, short/non grant of interest etc.

(viii) There is one public interest litigation that has been filed against the Delhi International Airport. In addition, Delhi International Airport has filed four interlocutory applications in the Supreme Court requesting that they be permitted to intervene and make submissions before the court.

Companies promoted by the same Promoters

The companies which have been promoted by the Promoters are also involved in various litigations:

(i) There is 1 civil case filed against GMR Estates and 1 civil case filed by the GMR Estates. GMR Estates is also involved in 1 tax matter wherein the tax demand is Rs.12,445.

(ii) There are 11 civil cases, including 2 matters pending before appellate tribunal for electricity and 1 industrial dispute matter against GMR Industries and 2 arbitration proceedings amounting to approximately Rs. 18,613,098. GMR Industries is also involved in 8 direct tax cases pending at various stages of hearing with various tax authorities. This includes tax demands of approximately Rs. 8,526,168. GMR Industries is also involved in 20 indirect tax cases wherein the amount involved aggregates to approximately Rs. 86,845,174. GMR Industries has also filed 21 civil cases wherein the amount involved is approximately Rs.191,504,360 and 9 criminal cases. There are also 3 matters filed by GMR Industries pending before the tribunals. There also 5 potential litigations against GMR Industries.

(iii) GMR Operations is involved in 1 direct tax matter for non grant of tax refund and 1 indirect tax matter for short payment of service tax.

(iv) GMR Projects is involved in 4 direct tax matters for short grant of credit for TDS certificates, disallowance and tax refunds.

(v) Ideaspace is involved in 4 direct tax matters pertaining to various disallowances and tax refunds.

(vi) There are 2 industrial disputes filed against Sri Varalakshmi Jute and 1 criminal case filed by Sri Varalakshmi Jute. Sri Varalakshmi Jute is also involved in 5 direct tax matters pertaining to short credit of interest, tax refunds, disallowances and tax demands and 4 indirect tax matters amounting to Rs. 5,321,205 pending at various stages of hearing with various tax authorities.

Promoters and Directors

(i) Our Promoter, GMR Holdings is involved in 16 direct tax matters pending at various stages of hearing with various tax authorities. This includes a tax demand of Rs. 526,088 and various appeals/applications against disallowances made by the tax authorities and seeking of tax refunds.

(ii) Our Promoter and Director, Mr. G.M. Rao has filed one defamation case wherein the amount involved is Rs. 1,000,000. He is also involved in 5 direct tax matters including in relation to disallowances, tax refunds and short grant of interest.

(iii) Our Director, Mr. G.B.S. Raju is involved in 4 direct tax matters including in relation to disallowances and tax refunds and a tax demand for Rs. 5,381.

(iv) Our Director, Mr. G. Kiran Kumar is involved in 3 direct tax matters including in relation to disallowances/tax refunds and tax demands of Rs. 26,145,373 and interest of Rs. 5,570,676 and Rs. 1,194,373.

For additional details please refer to the section titled "Outstanding Litigations and Defaults" on page 313 of the Red Herring Prospectus. There can be no assurance that the provisions we have made for litigation will be sufficient or that further substantial litigation will not be brought against us in the future. Our failure to successfully defend these or other claims or if our current provisions prove to be inadequate, our business, prospects, financial condition and results of operations could be materially adversely affected.

Our contingent liabilities as disclosed in our audited consolidated financial statements, as per Indian GAAP as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002, were as follows:

(*Rs. in million*)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Bank guarantees outstanding	6,070.7	512.5	1,141.8	1,141.8	494.0
Corporate guarantees	2,759.6	1,229.1	444.9	6,115.1*	255.1
Performance Guarantees	-	150.8	150.8	150.8	-
Stamp Duty Payable for registration	3.0	3.0	-	-	-
Letters of Credit Outstanding	-	-	-	1,086.1	-
Income tax matters	-	5.4	-	-	-
Claims against the Company not acknowledged as debts	-	0.2	-	-	-
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL	81.6	36.5	-	-	-
Disputed Seigniorage Fee **	157.8	-	-	-	-

* *A corporate guarantee had been given by us to the consortium lenders of the road projects undertaken by GTTEPL and GTAEPL pursuant to the terms of the concession agreement for the following (i) any cost overrun beyond the estimated project cost (up to the date of commercial operations of GTTEPL and GTAEPL); (ii) any increase in operations and maintenance cost beyond the budgeted base cost; and (iii) any shortfall in the amount payable to NHAI in respect of the facility in the event of termination due to borrowers default.*

** *The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on GTAEPL levying seigniorage fee amounting to Rs. 157.8 million (including penalty). An appeal has been filed by GTAEPL and Engineering, Procurement and construction (EPC) contractor, jointly, with the DOM&G against such demand notices. Pending settlement / finalisation of this matter, no effect has been considered in these financial statements. In terms of EPC contract, any liability arising on crystallization of such matter will be born by EPC Contractor.*

The development of our new projects is subject to construction, financing and operational risks.

The development of our new projects involves various risks, including, among others, regulatory risk, construction risk, financing risk and the risk that these projects may ultimately prove to be unprofitable. We may need to undergo certain changes to our operations as a result of entering into these new projects. Entering into any new projects may pose significant challenges to our management, administrative, financial and operational resources. We cannot provide any assurance that we will succeed in any new projects we may enter into or that we will recover our investments. Any failure in the development, financing or operation of any of our material new projects is likely to materially and adversely affect our business, prospects, financial condition and results of operations. A portion of the land where the Delhi Airport is to be developed is under encroachment and this may affect our developments plans for the airport.

We have no experience in the airport development and operation, power trading, power distribution, power transmission and mining businesses. These businesses are evolving in India and are likely to be subject to substantial regulatory oversight. We cannot assure you that we will be successful or will not suffer losses in such businesses. Similarly, we have no experience in developing or operating toll roads. A number of factors, including lower than expected traffic volume and adverse changes to the tolling structure, would affect the revenues generated by toll roads, which in turn could adversely affect our business, prospects, financial condition and results of operations.

We expect to commence commercial operation of the Vemagiri power plant and the Hyderabad airport by August 2006, and the first quarter of 2008, respectively. On May 3, 2006 we took over the operation and management of the Delhi Airport and have started development work for the modernization of the Delhi Airport. We have commenced development of the Ambala-Chandigarh road project and the Faruknagar-Jadcherla road project and and expect to commence commercial operation by mid 2008. We have started development of the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulundurpet road project and expect to commence commercial operation by end 2008. We are currently undertaking a feasibility study on the Alaknanda hydro-electric power project and preparation of a detailed project report. We may be adversely affected by the development of these and other new projects because:

- the contractors hired by us may not be able to complete the construction of our project on time, within budget or to the specifications and standards we have set out in our contracts with them;
- delays in completion and commercial operation could increase the financing costs associated with the construction and cause our forecasted budget to be exceeded;
- some of the drawings provided to us for the sites on which our projects are expected to be developed may not be accurate as these drawings are generally quite dated;
- we may not be able to obtain adequate working capital or other financing to complete construction of and to commence operations of our project; and
- we may not be able to recover the amounts we have invested in our projects if the assumptions contained in the feasibility studies for these projects do not materialize.

While most of the contractors for our new projects have given us certain guarantees and indemnities as to timely completion and cost overruns in the relevant construction contracts, these guarantees and indemnities may not cover the entire amount of any cost overruns and we may not be able to recover all amounts under such guarantees and indemnities. In addition, while we maintain insurance policies to cover natural disaster risks and other insurable risks that are not assigned to our contractors, we cannot assure you that any cost overruns or additional liabilities on our part would be adequately covered by such insurance policies. There can be no assurance that our current or future projects will be completed, or, if completed, on time or within budget.

Further, under the terms of the concession agreement for the Hyderabad airport, GHIAL is obligated to ensure the Hyderabad airport achieves commercial operation by no later than 36 months from August 22, 2005, the date on which we achieved financial close, subject to certain exceptions such as the occurrence and continuance of force majeure events that are not within the control of GHIAL. If GHIAL is unable to achieve commercial operation within six months after the above target, it is required to pay to the Ministry of Civil Aviation liquidated damages equal to Rs. 100,000 for every day of delay, subject to a cap of an amount equivalent to 12 months. If the commencement of commercial operations of the Hyderabad airport is delayed such that we are required to pay a significant amount of liquidated damages, our business, prospects, financial condition and results of operations may be adversely affected.

In connection with the operation, management and development of the Delhi Airport project under the OMDA, our subsidiary DIAL is required to meet certain requirements within agreed timeframes, including ISO9001–2000 certification, certain agreed service quality criteria as well as major milestones under an agreed construction schedule. If DIAL fails to meet any of these requirements, it will be required to pay liquidated damages to the AAI pursuant to the terms of the OMDA. If DIAL is delayed in completing its milestones (including where such failure to complete is caused by difficulties in relocating existing structures), or if the passengers rate the Delhi Airport unfavorably for two successive quarters after the completion of certain construction milestones, DIAL may be required to pay a significant amount of liquidated damages, which in turn could cause our business, prospects, financial condition and results of operations to be adversely affected.

In the event one or more of the state governments that guarantee payment under our power purchase agreements are not able or willing to perform their obligations under such guarantees, we would be required to initiate legal proceedings against such governments.

The payment obligations of each of our customers for the power business are guaranteed by the respective state governments in which the power project is located. In recent years, some state governments have not performed, or have delayed in performing, their obligations under similar guarantees, on the basis that there was an outstanding dispute under the relevant power purchase agreements. We cannot assure you that the state governments of Karnataka, Tamil Nadu and Andhra Pradesh will honor their guarantees. If one or more of the guarantees given to us by the state governments is not honored in accordance with its terms, our cash flows, financial condition and results of operations will be adversely affected.

Even if our customers do not comply with their obligations under the power purchase agreement for the Mangalore power plant, we are still required to purchase naphtha under our supply agreement and to pay our operators.

Pursuant to the fuel supply agreement we have entered into with respect to the Mangalore power plant, we are required to purchase an agreed amount of naphtha per month, and if the purchased amount in any month is less than such agreed amount, we are obligated to pay an additional premium to cover such shortage. The amount of such additional premium depends on the amount of any shortage, and is calculated at a rate that is less than the unit cost of naphtha supplied under the fuel supply agreement. Although our power purchase agreement allows us to pass on our fuel costs, including the amounts payable pursuant to our obligation to pay charges, there can be no assurance that our customers will be able to make matching payments for fuel costs under the power purchase agreement. Similarly, we are obligated to pay certain fixed amounts to the operators of our power plants and road projects under the relevant operation and maintenance agreements, irrespective of whether our customers are paying us under the relevant agreements. If one or more of our power customers fails to meet its obligations under the relevant power purchase agreement, this would require us to obtain the funds necessary to pay the fuel suppliers and the power plant operators from other sources. Similarly, if NHAI fails to pay us under the relevant concession agreement for our annuity road projects, we will have to obtain funds from other sources to pay our operators. These funds may not be available on terms acceptable to us, or at all. Any of these events could materially and adversely affect our business, prospects, financial condition and results of operations.

The power purchase agreement for the Mangalore power plant expires in 2008 and we will need to secure alternative arrangements.

For the year ended March 31, 2006, the Mangalore power plant generated sales and operating income of approximately Rs. 4,386.8 million or 40.2% of our total sales and operating income. The obligations of the two distribution companies under the power purchase agreement expire in 2008, seven years from the date the Mangalore power plant entered commercial operation. Unless we are able to extend the term of such agreement or enter into a new power purchase agreement with another purchaser, we may not be able to sell our electricity and the revenues generated by the Mangalore power plant will decrease. As operators of power plants are currently not permitted to sell electricity directly to retail power customers, our potential customer base is limited to other state utility companies or electricity boards and operators of large industrial facilities. We cannot assure you that we will be able to secure new minimum purchase obligations for the Mangalore power plant with the existing two distribution companies or one or more other purchasers, or that any such obligations will be on terms acceptable to us. If we are unable to enter into any long-term arrangement for the sale of electricity generated by the Mangalore power plant, we will need to sell such electricity to the national or regional power grid at competitive tariffs. We cannot assure you that the Mangalore power plant will be able to compete effectively with other power plants, particularly those that operate on lower-cost fuel such as coal or hydro-electric power.

Each of the Mangalore power plant, the Chennai power plant and the Vemagiri power plant relies on a single supplier of fuel as well as external operators for its operation and maintenance.

The most critical feedstock required by our power plants to generate electricity is fuel. Each of the Mangalore power plant, the Chennai power plant and the Vemagiri power plant relies on a single fuel supplier – Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited and the Gas Authority of India Limited, respectively, for all of its requirements for fuel. This dependence on a single supplier leaves the operations of each of our power plants vulnerable to fuel supply delays or failures by that supplier. While we believe that alternative sources of fuel for both the Mangalore power plant and the Chennai power plant are readily available, alternative suppliers of natural gas for the Vemagiri power plant will likely not be available until the end of 2008. In addition, if a fuel supplier fails or is unable to deliver fuel to us as scheduled or the fuel supply to one or more of our power plants is otherwise disrupted, we may not be able to make alternative arrangements, either in a timely manner or at all, and any such alternative arrangements may be more costly to us. As a result, the operations of and revenues from our power plants would be adversely affected.

Furthermore, the Gas Authority of India Limited is only under a "best efforts" obligation to deliver fuel to the Vemagiri power plant, and we have no alternative arrangement for a guaranteed supply of fuel. We currently forecast that the Vemagiri power plant will not have sufficient fuel to operate at its full capacity for a period of 20 to 24 months following its expected commercial operation. If we are unable to secure sufficient quantities of fuel for the operation of the Vemagiri power plant, our revenues will be adversely affected.

In addition, we rely on external operators for the operation and maintenance of our power plants, which contain many major pieces of imported equipment. If any of these operators fails to perform its obligations in accordance with the terms of its agreement with us, or if any of the agreements is terminated, we may not have the expertise to operate and maintain our power plants, including the imported equipment, which in turn would adversely affect our revenues, the normal operation of our power plants, as well as the life-span and efficiency of such equipment. Any such failure may also cause us to be in default of our obligations under the relevant power purchase agreements and loan agreements.

We are subject to significant contractual risks under our power purchase agreements with our power purchasers.

All of the counterparties under our three power purchase agreements are state-owned entities and are the principal purchasers of wholesale electricity in the states of Karnataka, Tamil Nadu and Andhra Pradesh, respectively. Due in part to the foregoing, we had only a limited ability to negotiate the terms of our power purchase agreements. This means that these agreements are not tailored to our specific operating circumstances and contain a number of ambiguous provisions. Certain of the terms of our power purchase agreements that we believe present risks to our business are as follows:

- Each of our power purchase agreements only provides for very limited instances in which penalties are the relevant power purchaser's principal remedy for our failure to perform our contractual obligations. This means that any other material failures by us are more likely to constitute events of default under our power purchase agreements and, upon expiration of the relevant cure periods, give such purchaser the right to terminate these agreements.
- Each of our power purchase agreements may be terminated before the end of its term due to the default of either party and the remedies available to us, including a claim for damages and the right to force the government or our power purchaser to buy our power plant, may not adequately compensate us.
- Although the power purchase agreements do not include liquidated damages provisions, penalties are imposed in the form of reduced capacity or energy payments from our customers where (i) we supply less than the contracted capacity, or (ii) we provide electricity for less than the agreed number of hours in a year.
- If a force majeure event affecting our customer or a governmental force majeure event prevents us from supplying electricity to the relevant customer, such customer is required to either continue to make its capacity payment (that is, the payment that is designed to allow us to recover our fixed costs for constructing and operating the power plant over the life of the contract) to us for up to six months or buy out our power plants as per the terms of the PPA.

These contractual risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

Certain government interests as our regulator, customer, joint venture partner and indirect competitor give rise to conflicts of interest which may harm us.

We have entered into contracts with government entities and state governments, including TNEB and our other power customers, NHAI and the Airports Authority of India, or AAI. Many of these government entities are also our sole customers and in some cases are our competitors. We may face or suffer a potential conflict of interest situation, which may arise from the fact that such government authorities play multiple roles in our business model. For example, AAI holds 13.0% of the shares in our subsidiary, GHIAL, which is responsible for the development of the international airport at Hyderabad, and 26.0% of the shares in our subsidiary, Delhi International Airport Private Limited, or DIAL, which is responsible for the operation, management and development of the Delhi Airport. Further, AAI, an operator of other airports in India under the Ministry of Civil Aviation, is also the provider of air traffic control services at GHIAL and DIAL. Since AAI will be acting as a shareholder in the project, a competitor in the same sector and also a service provider, conflicts of interest may arise and there can be no assurance that they will be resolved in our favor. We cannot assure you that potential conflict of interest situations will not continue to arise in the future and any disputes arising therefrom will be resolved in a manner favorable to us. Any such adverse situation may result in loss of our business, restrictions on our operations and harm to our business, prospectus, financial condition and results of operations.

Fluctuations in the price and availability of fuel could adversely affect our power operations.

Our customers for the Mangalore power plant and the Chennai power plant are required to reimburse us for our fuel costs under the relevant power purchase agreements. However, if prices for naphtha or LSHS continue to be high in comparison to other types of fuel, we may experience difficulty in securing new long-term purchase commitments once our existing power purchase agreements expire. Additionally, our Vemagiri power project will rely on the combustion of natural gas for the generation of electricity. While we have contracted with GAIL for the long-term supply of natural gas to the Vemagiri power plant, we anticipate that the plant will not have sufficient fuel to operate at its contracted capacity for the initial 20 to 24 months of its commercial operation. Any of these situations could materially and adversely affect our business, prospects, financial condition and results of operations.

Our flexibility in managing our operations is limited by the regulatory environment in which we operate.

The infrastructure sector in India, particularly in relation to the power, road and airport industries, is highly regulated. The regulatory framework, which consists of regulations and directives issued by governmental authorities, has changed significantly in recent years and their impact and ramifications are still unclear. We expect that certain additional reforms, including change of the current regulatory bodies and existing legal framework, will take place in the next few years. For a more detailed description of the current regulatory bodies and the existing legal framework, see “Regulations and Policies”.

In addition to complying with regulations and directives, we are also required to adhere to the terms of our concession agreements. Any material breach by us of one or more of the concession agreements, or any adverse change in the applicable regulations, could have a material adverse effect on our business, prospects and financial condition. Further, for each of the power, road and airport businesses, we are restricted in our ability to, among other things, increase prices, sell our interests to third parties, undertake expansions and contract with other customers. These restrictions limit our flexibility in operating our business, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our operation, management and development of the Delhi Airport are subject to a number of risks.

Pursuant to the OMDA, our subsidiary DIAL assumed the operation and management of the Delhi Airport on May 3, 2006. We have also commenced development plans for new structures for the Delhi Airport at the same time. These development plans are subject to the approval of the Ministry of Civil Aviation. Unlike our other projects, which we have developed or are developing ourselves from their initial stages, the Delhi Airport project is an existing project that we have taken over. Consequently, we may be restricted in our ability to develop this project to the exact specifications we desire. In particular, we may experience difficulties in relocating some of the existing structures at the Delhi Airport or we may be unsuccessful in clearing the sites on which we plan to develop additional facilities, which may result in delay in achieving our construction milestones, which in turn would lead to us having to pay liquidated damages under the OMDA and could materially and adversely affect our business, prospects and results of operations.

In addition, we have assumed the obligations of the previous operator of the Delhi Airport with respect to the staff employed at such airport. Such staff has previously undertaken work stoppage, and we cannot assure you that, following our take over of the operation, management and development of such airport, the staff will not undertake further strike or work stoppage, or that we will be successful in integrating such staff into our corporate culture. Further, we may face opposition to the privatization of the Delhi Airport from local politicians and some of the staff working at the airport, and if such opposition materialized, may delay our development plans. If this were to happen, our operation of the Delhi Airport could be adversely affected, which in turn could materially and adversely affect our business, prospects and results of operations.

We are a holding company with investments in our subsidiaries and are not directly involved in any business operations.

We are a holding company, and all of our business operations are conducted through our subsidiaries, each of which owns a controlling interest in the asset that it is operating. Our financial condition and results of operations are thus heavily dependent on the performance of our subsidiaries and the dividends we receive from them. The valuations made for the purposes of this offering may undergo material change should our equity stake in our subsidiaries be diluted or should they cease to be our subsidiaries.

We may encounter problems relating to the operations of our joint ventures.

We operate a significant number of our businesses through joint ventures. We own a 51.0% interest in GMR Power Corporation Private Limited, which owns the Chennai power plant. For the road business, we own 74.0% of each of GMR Tuni-Anakapalli Expressways Limited and GMR Tambaram-Tindivanam Expressways Limited, the companies that own our two operating road projects. In the airport sector, we own 63.0% of GMR Hyderabad International Airport Limited, the company that is developing the Hyderabad airport and a 50.1% interest in DIAL, which is the company responsible for the operation, management and development of the Delhi Airport.

Although we have the majority stake in each of our joint venture companies and through such stake we are able to appoint the majority of the directors on the boards of such companies, unanimity of the board is required for major decisions relating to the business operations of some of our joint ventures. To the extent there are disagreements between us and our various joint venture partners regarding the business and operations of the joint ventures, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. Under the terms of the joint venture agreements, disagreements between the partners are required to be submitted to arbitration panels whose decisions are final. In addition, our partners in our joint ventures may:

- be unable or unwilling to fulfill their obligations, whether of a financial nature or otherwise;
- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies and objectives;
- take actions that are not acceptable to regulatory authorities;
- have financial difficulties; or
- have disputes with us.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our lenders have significant rights to determine how we conduct our businesses.

We have entered into various financing arrangements that grant our lenders certain rights to determine how we operate our relevant businesses. Our lenders have the right to nominate one director in each of the Board of Directors of GEL, GPCL, VPGL and GHIAL. Consent from these lenders is required for certain corporate and business actions, changes in shareholding and management decisions. Our finance arrangements also limit our ability to incur additional debt, create liens or other encumbrances on our property, acquire other businesses, sell or otherwise dispose of assets, make certain payments and investments, pay dividends and merge or consolidate with other entities in certain circumstances. These debt obligations are secured by a combination of security interests over our power, road and other assets, pledges over the shares of certain of our subsidiaries, hypothecation of movables and future receivables and in some cases promoter or personal guarantees. The restrictions under these financing arrangements may affect our growth, our ability to expand into targeted markets and our ability to plan for and react to changes in our business. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

Furthermore, some of our financing agreements contain cross-default or cross-acceleration provisions that would be triggered by a default or acceleration of loans under other financing agreements entered into by the same entity. A cross-default or cross-acceleration under such other financing agreements could have a material adverse effect on our business, prospects, financial condition and results of operations.

State roads may compete with the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project that we are currently developing.

We have obtained our concession to develop the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project from NHAI, an entity controlled by the central government. Unlike the two road projects that we are currently operating, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project are based on a toll structure and our revenues are dependent on the volume of traffic, as well as the amount of toll we levy on each user. While NHAI has agreed to allow us to operate these stretches exclusively for eight years, we may be subject to competition from new roads developed by the relevant state governments, which are not subject to the control of NHAI. Unlike national roads that are built pursuant to concessions granted by NHAI, which charge users toll payments for the use of such roads, state governments do not typically charge for the use of state roads. We cannot assure you that these toll road projects will be able to compete effectively against state roads that cover the same locations.

The concessions we currently hold to operate the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project may be revoked if we are unwilling to match offers to expand the capacity of these projects provided by other road operators.

Under the terms of our concessions for the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulundurpet road project NHAI may, upon the traffic volume on any such project reaching a pre-established level, solicit other road operators to submit bids for its expansion or modernization. Once NHAI has obtained the lowest bid, it will approach us with the terms of such bid, and we may either agree to carry out the work on such terms or have our concession revoked following the payment by NHAI of a termination fee calculated in accordance with our concession agreement. If we are unable or unwilling to compete with other road operators, we may lose the concessions to operate these two toll road projects, which in turn would adversely affect our business, prospects, financial condition and results of operations.

We require certain approvals or licenses in the ordinary course of business, and the failure to obtain or retain them in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled "Government Approvals" beginning on page 340 of this Red Herring Prospectus. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. Furthermore, our government approvals and licenses are subject to numerous conditions, some of which are onerous and require us to make substantial expenditure. If we fail to comply or a regulator claims we have not complied with these conditions, our business, prospects, financial condition and results of operations would be materially adversely affected.

The operation of power plants and infrastructure assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses.

Operating power plants and infrastructure assets involves many risks and hazards which may adversely affect profitability, including:

- breakdown, failure or substandard performance of equipment;
- improper installation or operation of equipment;
- labor disturbances;
- natural disasters;
- environmental hazards;
- industrial accidents; and
- terrorist activity.

We maintain insurance coverage, including business interruption insurance with respect to each of our two operating power plants and road projects, which we believe is customary for the industries in India in which we operate. Our insurance, however, may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. In particular, the insurance policies for our road projects do not cover losses caused by our failure to maintain such roads to agreed standards. Under the terms of our agreements with NHAI, if we do not remedy any defect in our roads within certain agreed periods after being made aware of the same, NHAI may fix such defect at its own cost, but we will have to promptly reimburse NHAI for an amount equal to 125% of such cost. We cannot assure you that the operation of our power plants and infrastructure assets will not be affected by any of the incidents and hazards listed above, or that the terms of our insurance policies will be adequate to cover any damage caused by any such incidents and hazards.

Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses, and we may not be able to raise the required capital.

Power and infrastructure projects are typically capital intensive and may require high levels of debt financing. Our available financial resources for implementing these projects, based on our internal studies and estimates, may be inadequate and the project development may face cost overruns. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations will increase and we may be subject to additional restrictive covenants, including restrictions on change in shareholding, constitution of the board of directors and management of the businesses. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders will be diluted. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under Indian law and the laws of the relevant foreign jurisdiction. We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms or at all. Our failure to obtain adequate financing would result in a delay or abandonment of the existing and future projects.

We have substantial indebtedness and will continue to have substantial indebtedness and debt service obligations following the Offering.

As a developer of infrastructure projects, we have substantial indebtedness, primarily for the purpose of funding the costs associated with the development of our projects. As of March 31, 2006, we had total indebtedness of Rs. 29,216.7 million, of which Rs. 25,438.5 million was secured by our assets. Our total indebtedness of Rs. 29,216.7 million represents a debt to equity ratio of 2.9 to 1. Our high degree of leverage could have significant consequences to our shareholders and on our future operations, including: (i) rendering us more vulnerable to downturns in our business, which is subject to general economic conditions in India, inflation and other factors; (ii) limiting our ability to obtain additional funds for the development of other projects or the expansion of our existing assets; (iii) limiting our ability to obtain additional financing for working capital purposes or as other needs arise; and (iv) limiting our ability to refinance existing indebtedness on terms favorable to us.

We have so far been able to arrange for debt financing on acceptable terms for the construction of our assets. We cannot assure you that market conditions and other factors will permit future project and acquisition financings on terms acceptable to us, or that we will have sufficient unencumbered assets to grant to our lenders as collateral for any loans that they may grant to us.

Our ability to arrange for financing on a substantially non-recourse basis and the costs of such capital are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of current projects, including our ability to secure favorable power purchase, fuel supply and operation agreements, and the continued existence of tax and other laws which are conducive to raising capital in this manner.

If we are unable to repay or refinance our outstanding indebtedness, or if we are unable to obtain additional financings on terms acceptable to us, we may be unable to implement our development plans and growth strategy, and our business, prospects, financial condition and results of operations may be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

We have pledged, or have agreed to pledge, a large portion of the shares we hold in our major subsidiaries in favor of the lenders, who may take control of such subsidiaries upon the occurrence and continuance of a default under the relevant financing documents.

We have pledged, or have agreed to pledge, a large portion of the shares we held in each of GMR Energy, GMR Power, Vemagiri Power, GTAEPL, GTTEPL, GACEPL and GHIAL in favor of the lenders as security for the loans provided to these companies. For example, as of the date of this Red Herring Prospectus, we and Malaysia Airports Holdings Berhad own 63.0%

and 11.0%, respectively, of GHIAL, and have pledged 43.4% and 7.6% of the outstanding share capital of GHIAL, respectively, in favor of GHIAL's lenders. If our subsidiaries default on their obligations under the relevant financing documents, the lenders may, upon the expiry of the applicable cure periods, exercise their rights under the share pledges, have the shares transferred to their names and take management control over the pledged companies. If this happens, we will lose the value of any such pledged shares and we will no longer be able to recognize any revenue attributable to them. In addition, if we lose control of any of our major subsidiaries, our ability to implement our overall business strategy would be adversely affected.

Restrictions on foreign investment in certain infrastructure sector limit our ability to raise debt or equity investment outside India.

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to acquire us. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from the relevant government authorities in India, including the Reserve Bank of India, or the RBI, and the Foreign Investment Promotion Board, or the FIPB, in certain cases. There are certain exemptions prescribed for companies in the power, road and airport sector on which we are able to rely. However, foreign investment in holding companies that own infrastructure assets, like our company, currently requires the specific approval of the RBI and FIPB. For details, please refer to the section titled "Issue Procedure-Restriction on Foreign Ownership of Indian Securities". In particular, as a company that owns infrastructure assets, GMR Infrastructure is not permitted to have any foreign shareholding without specific approval of the Government. However, under the Portfolio Investment Scheme of the Government, FIIs, NRIs and FVCIs are permitted to invest in the shares of GIL up to certain percentages stipulated by the Government. Any adverse change to the existing policies may restrict our ability to raise capital. If the Government of India does not approve the investment or acquisition, or further restricts foreign equity ownership of infrastructure companies, our ability to obtain investments and be acquired by foreign companies will be limited. In addition, making investments in, and the acquisition of, a foreign company by us requires various approvals from the Government of India. We cannot assure you that we will be able to obtain such approval from the relevant Indian or foreign authorities. Failure to obtain such approvals may have a material adverse effect on our growth, financial condition and results of operations.

Each of GMR Energy, GMR Power, Vemagiri Power and GHIAL is subject to loan agreements pursuant to which its lenders may convert any amounts that such entity has failed to pay into equity of such entity.

Under the terms of loans provided to GMR Energy, GMR Power, Vemagiri Power and GHIAL, upon defaults in payment under the loans, the lenders have the right to convert the outstanding payment amounts into fully paid-up equity shares of the respective companies at their par values. Such conversions may be exercised on more than one occasion, whenever there is a default in payment under the loans. Upon such a conversion, GMR Energy, GMR Power, Vemagiri Power or GHIAL, as the case may be, would be required to procure the listing of the equity shares so issued on the BSE, and such other stock exchanges as notified by the converting lenders. The occurrence of such conversions of payment default amounts into equity shares issued to the lenders would reduce our effective shareholding in these companies, thus reducing the value of our investments and our revenues, which in turn would have a material adverse effect on our business, prospects, financial condition and results of operations.

Our future success depends on our ability to achieve and manage growth.

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our existing businesses, as well as the development of new power or infrastructure-related businesses. Since 2003, we have commenced development of the Hyderabad airport, the Ambala-Chandigarh road project, the Adloor Yellareddy-Kalkallu road project, the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Vemagiri power plant, and have started operation of two road projects and two power plants and taken over operation and management of the Delhi Airport. We may not be successful in expanding our operations, and any expansion may not be profitable. We may have difficulty integrating newly acquired assets, businesses and employees into our existing operations. This could ultimately have a material adverse effect on our business, prospects, financial condition and results of operations.

To the extent our operations continue to expand, we may need to increase the number of our employees and the scope of our operational and financial systems to handle the increased complexity and expanded geographic area of our operations. There can be no assurance that we will be able to manage such growth efficiently, retain and attract qualified management and employees or that our current operational and financial systems and controls will be adequate as we grow. This could ultimately have a material adverse effect on our business, prospects, financial condition and results of operations.

Our ability to develop a profitable power trading business is dependent on the success of our price risk management strategies.

Our ability to develop a profitable power trading business is in large part dependent on the success of our price risk management strategies. We aim to match purchases and sales through back-to-back trades. As with any contractual arrangements, we take the risk that our counterparties may not perform their obligations. Also, we cannot assure you that our price risk management strategies will be successful in protecting us from risks, or that the counterparties we choose to transact with will perform their obligations in accordance with the terms of their agreements with us.

Increases in interest rates may materially impact our results of operations.

As of March 31, 2006, approximately 78% of our debt facilities, both secured and unsecured, carry interest at fixed rate or at a fixed rate that is subject to adjustments at specified intervals. We are exposed to interest rate risk as we do not currently enter into any swap or interest rate hedging transactions in connection with our loan agreements, although we may decide to engage in such transactions in the future. In addition, we are unable to pass any increase in interest expense to our existing customers (except for TNEB) which accounted for 11.0% and 14.3% of our total income for the year ended March 31, 2005 and the year ended March 31, 2006, respectively. Any such increase in interest expense may have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, if we decide to enter into agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially reasonable terms, that our counterparties will perform their obligations, or that these agreements, if entered into, will protect us fully against our interest rate risk.

Infrastructure projects carry many risks, which, to the extent they materialize, could adversely affect our business.

Infrastructure projects carry many risks, which, to the extent they materialize, could adversely affect our business, prospects, financial condition and results of operations. These risks include:

- political, regulatory and legal actions that may adversely affect project viability;
- changes in government and regulatory policies;
- delays in construction and operation of projects;
- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the willingness and ability of consumers to pay for infrastructure services;
- shortages of or adverse price movement for raw materials;
- environmental risk, including rehabilitation and resettlement costs; and
- adverse developments in the overall economic environment in India.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

The Hyderabad airport, when built, will compete, and the Delhi Airport will continue to compete, with other modes of transport to and from Hyderabad and New Delhi, respectively, as well as other airports in India.

The airport business is dependent on passenger and air cargo traffic of airlines, which compete with each other and with alternative modes of transportation, particularly transport by highways and rail. In India, although air travel is generally significantly more convenient and comfortable for passenger traffic, the cost of air travel is usually much higher than the cost of travel by highways and rail. Cargo transport by highways and rail are the principal sources of competition to air cargo traffic, particularly in the case of large or heavy loads or goods for which speed is not a priority. In recent years, large amounts of investment have been made in the improvement of the rail network and highways in India. This may further intensify the competition for passenger and freight traffic between air transport and transport by highways or rail.

We expect that the Hyderabad airport, once built, will compete with other airports in India for international airlines and passengers. We also expect that the Delhi Airport will continue to compete with other airports in India for international airlines and passengers. According to the Indian press, the Airports Authority of India is expected to invite bids for the privatization, operation, management and development of a large number of airports in India in the next few years, and so we expect competition to intensify in this sector in the future.

If GHIAL and DIAL are unable to effectively compete with other modes of transport or other Indian airports or the relative costs of air traffic are too high, our financial condition and results of operations are likely to be materially adversely affected.

Demand for power and infrastructure services in India depends on domestic and regional economic growth.

Each of the power, road and airport businesses, like that of many other countries, is dependent on the level of domestic, regional and global economic growth, international trade and consumer spending. The rate of growth of India's economy and of the demand for power and infrastructure services in India may not be as high, or may not be sustained for as long, as we have anticipated. During periods of robust economic growth, demand for such services may grow at a rate as great as, or even greater than, that of the GDP. On the other hand, during periods of slow GDP growth, such demand may exhibit slow or even negative growth. In particular, the civil aviation sectors of most Asian countries, including India, were negatively affected by the slowdown in economic growth during the Asian financial crisis in the late 1990's, leading to substantially reduced load factors among airlines and significant decreases in passenger throughput and aircraft movements at airports. There can be no assurance that future fluctuations of the economic or business cycle, or other events that could influence GDP growth, will not have a material adverse effect on our business, prospects, financial condition and results of operations.

We face margin pressure as a large number of power and infrastructure-related contracts are awarded by the central and state governments following competitive bidding processes.

A large number of power and infrastructure-related contracts are awarded by the central and state governments following competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the lowest bidder. We face intense competition from domestic and international companies, many of which operate on a much larger scale than us and so may be able to achieve better economies of scale than us. In addition, new entrants to these industries may reduce their margin in order to gain market share. The nature of the bidding process may cause us and our competitors to lower prices for award of the contract, so as to maintain our respective market share. As a result of this competition, we face substantial margin pressure, which can have a material adverse effect on our business, prospects, financial condition and results of operations.

We depend on the expertise of our senior management and skilled employees; our results of operations may be adversely affected by the departure of our senior management and experienced employees.

We are dependent on our directors and senior management for setting our strategic direction and managing our business, which are crucial to our success. Our continued success also depends upon our ability to attract and retain a large group of experienced professionals and staff. The loss of the services of our senior management or our inability to recruit, train or retain a sufficient number of experienced personnel could have a material adverse effect on our operations and profitability. Our ability to retain experienced staff members as well as senior management will in part depend on us having in place appropriate staff remuneration and incentive schemes. We cannot be sure that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and skilled employees.

Our operations are, and in the next few years will continue to be, dependent on a small number of operating assets. If the operation of one or more of these assets is disrupted, it would have a material adverse effect on our financial condition and results of operations.

Our revenues are currently dependent exclusively on the operation of five assets – the Mangalore power plant, the Chennai power plant, the Tuni-Anakapalli road project, the Tambaram-Tindivanam road project and the Delhi Airport project. We expect the natural gas for the Vemagiri power plant to be available by end July, 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas. Our other projects that are currently under development, including the Hyderabad airport project, the Ambala-Chandigarh road project, the Adloor Yellareddy-Kalkallu road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project are not expected to be operational until 2008 or later. Consequently, we expect that, for the next two fiscal years, our revenues would depend principally on six operating assets. If one or more of these six assets is damaged and our losses are not adequately covered by the relevant insurance policies, or if such asset undergoes maintenance for a longer period than we expected, our business, prospects, financial condition and results of operations would be materially adversely affected.

The operation of our assets may be disrupted for reasons that are beyond our control, including natural disasters, industrial accidents, arson (including terrorist attacks), technical failures and labor disputes. Because our power plants are complex, involve potentially dangerous processes and involve the use of hazardous materials, our business is particularly susceptible to industrial accidents. Further, we rely on extremely sophisticated and complex machinery that is built by third parties and is susceptible to malfunction. This is particularly true in the current industry environment, which involves rapid technological developments and often involves the installation of newly developed equipment which has not been extensively field-tested. Although in certain cases manufacturers are required to compensate us for certain equipment failures and defects, such arrangements are subject to fixed caps and may not fully compensate us for the damage that we suffer as a result of equipment failures and defects or the penalties under our agreements with our customers. There can be no assurance that any accidents or malfunctions involving our assets will not have an adverse effect on our business, prospects, financial condition and results of operations.

In the first phase of development, the operations of the Hyderabad airport will be at greater risk of disruption due to dependence on a single commercial runway.

In the first phase of development, the Hyderabad airport will include a single commercial runway. While we will seek to keep the runway in good working order and to conduct scheduled maintenance during off-peak hours, we cannot assure you that the operation of Hyderabad airport's runways will not be disrupted due to required maintenance or repairs. In addition, the Hyderabad airport's runway may require unscheduled repair or maintenance due to natural disasters, aircraft accidents and other factors that are beyond our control. The closure of the runway for a significant period of time could have a material adverse effect on our business, prospects, financial condition and results of operations.

The regular operation of the Hyderabad and Delhi airports will rely on authorities and service providers.

As is the case with most airports, the safe and efficient operation of the Hyderabad airport will in large measure be dependent on the services provided by third parties, such as air traffic control authorities and airlines. The Hyderabad and Delhi airports will also be dependent upon various companies and government entities for the provision of services such as power, supply of fuel to aircraft, food catering and immigration and custom services for international passengers. In particular, the airport industry has been subject to frequent work stoppages and strikes. The previous operator of the Delhi Airport has experienced at least one labor strike and we cannot assure you that our subsidiary DIAL will be able to prevent its employees from undertaking work stoppages. We are not responsible for and cannot control the services provided by the third party service providers. There can be no assurance that any disruption or failure of the operation of these third parties will not have an adverse effect on the operation of the Hyderabad airport and on our business, prospects, financial condition and results of operations.

Our controlling shareholders and certain officers may take actions that are not in, or may conflict with, our or our shareholders' best interests.

Our controlling shareholder, GMR Holdings, and our ultimate controlling shareholder, Mr. G M Rao, will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our shareholders' best interests, including matters relating to our management and policies and the election of our directors and senior management, the approval of lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. Additionally, many of our directors and senior management also serve as directors of, or are employed by, our affiliated companies. Mr. G M Rao will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. Such control may also discourage third parties from seeking to effect a change of control transaction for our shares.

For more information, see "Management", "History and Corporate Structure" and "Related Party Transactions" beginning on pages 148, 119 and 166 of this Red Herring Prospectus.

GIDL, one of our affiliates, has in the past used funds raised through its securities offering for purposes other than those described in the prospectus for such offering.

GIDL made a public offering of 4,289,100 equity shares in 1994, raising Rs. 107.2 million. In its prospectus, GIDL disclosed that it would use the proceeds to, among other things, set up a brewery plant and for investments in the downstream fishery industry. GIDL did not apply the proceeds for these purposes, in part because of a change in law making the manufacture and sale of Indian-made foreign liquor, including beer, illegal in the state of Andhra Pradesh, which was the principal place of business of GIDL. With the permission of GIDL's shareholders, the proceeds were ultimately used for the expansion of GIDL's ferroalloy production capacity, meeting long-term working capital requirements and investment in GMR Power. For more information relating to GIDL and its offering, see "Financial and Other Information of Group Companies" on page 279 of the Red Herring Prospectus.

Our long-term agreements expose us to certain risks.

As of the date of this Red Herring Prospectus, we derive all of our revenues from long-term power purchase agreements and concession agreements. These arrangements restrict our operational and financial flexibility in certain important respects and restrict our ability to grow our revenues from existing businesses. For example, business circumstances may materially change over the life of one or more of our contracts and we may not have the ability to modify our contracts to reflect these changes. Further, being committed under these contracts may restrict our ability to implement changes in our business plan. This limits our business flexibility, exposes us to an increased risk of unforeseen business and industry changes and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Given that our revenue structure under each such contract is set over the life of the contract (and fluctuates subject to the built-in adjustment mechanisms contained in such contract), our profitability is largely a function of how effectively we are able to manage our costs during the terms of our contracts. If we are unable to effectively manage costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

If the operation of our assets do not meet certain agreed performance requirements, we may be liable for penalties.

We are required to guarantee to our power customers certain minimum performance standards of our power plants. If the Mangalore power plant, the Chennai power plant and the Vemagiri power plant do not meet the required performance standards, our power customers will reduce the fixed charge components of our tariffs. In addition, if we do not operate the power plants in accordance with certain agreed guidelines and prudent operating principles, we will have to bear the additional costs associated with such inefficiencies. Similarly, if we do not maintain our road projects in accordance with agreed standards, NHAI may, at its own cost, remedy any defect in such projects, and we are obligated to reimburse NHAI an amount equal to 125% of such cost. In the case of the Hyderabad airport project, GHIAL is required to achieve a score of 3.5 out of 5 for surveys set by the International Air Transport Association, or IATA, an autonomous body that regulates international air transport among its member states, commencing in the third year of its operation. If GHIAL fails to achieve the required standard in three consecutive years, GHIAL would need to prepare an improvement plan for achieving the required standard for the following year. If in the following year GHIAL fails to obtain the required standard, the Government of India may require that GHIAL develop a revised plan for improvement for the following year. In the event such revised improvement plan does not result in GHIAL meeting the required IATA standard in the following year, or if GHIAL fails to develop such revised improvement plan, the Government may impose damages on GHIAL. The amount of such damages will be agreed between the Government and GHIAL. The Government may terminate the concession agreement for the Hyderabad airport in the event GHIAL fails to meet the required IATA standard in the two years of first paying the damages. With respect to the Delhi Airport project, the OMDA specifies certain performance standards for various operational parameters of the airport. DIAL's inability to meet the performance standards may result in financial penalties. Non-compliance with such standards for a prolonged period may lead to the termination of the OMDA.

If we are not able to operate and maintain our assets in accordance with the agreed performance standards, we may be liable for the payment of damages, which may in turn have an adverse effect on our business, prospects, financial condition and results of operations.

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, prospects, financial condition and results of operations.

Some of our operations are subject to risks generally associated with the storage and transportation of fuels and waste materials, including the discharge of toxic or hazardous substances, which can cause personal injury, loss of life, environmental damage and severe damage to property. We are subject to environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of the relevant states. We are required by the Government of Karnataka to establish certain facilities that monitor pollution impact and effluent discharge by the Mangalore power plant. While our power purchase agreements provide for the reimbursement to us of any increased costs incurred by us as a result of a change in law, we do not have similar arrangements for our road and airport projects.

We believe environmental regulation of industrial activities in India will become more stringent in the future. The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted with certainty. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, could adversely affect our business, prospects, financial condition and results of operations.

Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

Although we attempt to maintain the latest international technology standards, the technology requirements for businesses in the infrastructure sector are subject to continuing change and development. Some of our existing technologies and processes in the power business may become obsolete, performing less efficiently compared to newer and better technologies and processes in the future. The cost of upgrading or implementing new technologies, upgrading our existing equipment or expanding capacity could be significant and could adversely affect our results of operations.

We plan to adopt a number of high-tech equipment and devices for the Hyderabad airport, including automatic self-check-in kiosks and common user terminal equipment. We cannot assure you that such equipment and devices will not be obsolete by the time the Hyderabad airport achieves commercial operation, or that they will perform efficiently.

We do not own the trademarks used in all of our businesses.

We use the trademarks "GMR" and its associated logos, for some of our businesses. GMR Holdings, the principal shareholder of GMR Infrastructure, has applied for registration of the trademark "GMR" under various clauses under the Trademarks Act, 1999. GMR Holdings has been granted registration under certain clauses and is awaiting registration for the remaining. Through license agreements dated July 5, 2006 for use of the trademark, the associated logo and the artistic work/copyright, entered into by and among GMR Holdings with GMR Infrastructure and the subsidiaries of GMR Infrastructure, each such entity is granted a non-exclusive personal right to use the "GMR" trademark, associated logo and the artistic work/copyright in its ordinary course of business, in consideration for the payment of an annual license fee between GMR Holdings and such subsidiary. The license granted by GMR Holdings to any such entity may be terminated, if GMR Holdings ceases to hold at least 26% equity stake in GMR Infrastructure, a default in the payment of the required license fee or on default of any of the provisions of the license agreements. Loss of the right to use the "GMR" trademark, the associated logo and the artistic work/copyright would have a material adverse effect on our reputation, goodwill, business, prospects and results of operations. Furthermore, GMR Holdings has applied for the registration of the "INDIASTRUCTURE" trademark, which is a mark that we use in some of our infrastructure businesses. We cannot assure you that the application for registration by GMR Holdings will be granted by the relevant authorities.

We are subject to various Indian taxes and avail ourselves of tax benefits offered by the Government. Our profitability would decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

Except for DIAL, each of our subsidiaries that has developed, or is developing, an infrastructure project has been granted a 10-year tax concession by the Government, during which time such subsidiary is only subject to Indian income tax at the minimum alternate tax rate (currently 10%), instead of the normal income tax rate (currently 30%). The relevant subsidiary may at its option decide on the commencement date of the 10-year tax concession. The amount of income tax payable does not currently affect the financial performance of GMR Energy and GMR Power as under the power purchase agreements for the Mangalore power plant and the Chennai power plant, the power purchasers are required to reimburse us for any current income tax paid on income from operation. However, if the rates of current income tax for our road and airport businesses change, our results of operations would be impacted.

Other statutory taxes and other levies may similarly affect the margins in the event of our inability to pass on such expense to customers. An increase in any of these taxes or levies, or the imposition of new taxes and levies in the future, may have a material adverse impact on our business, results of operations and financial condition.

The power sector in India is in the process of deregulation and our success will depend on our ability to respond to the changes that are taking place.

We may not be able to respond in a timely or effective manner to the many changes taking place in the power sector. These changes are, among other things, intended to increase competition. The Electricity Act of 2003 passed by the Indian Parliament in May 2003 provides for significant deregulation of the power sector and envisions a comprehensive change in the current regulatory structure, pursuant to which the Government owns nearly all generation and transmission and distribution businesses and there are only a limited number of distribution licensees and independent power producers, such as us. The Electricity Act permits new generation plants to come into existence without restriction, except for limited approval requirements for hydro generation plants.

The Electricity Act only provides a framework, and we cannot predict whether and in what manner the Government will adopt implementing legislation relating to deregulation of the power sector. There can be no assurance that we will be able to respond to such changes, compete effectively or acquire or develop new power plants in the future, and any failure to do so could have a material adverse effect on our business prospects and results of operations.

The appraisal of the Delhi Airport project, the GMR Pochanpalli project and the GMR Ulundurpet project have not yet been completed and are subject to certain limitations.

The appraisal of the Delhi Airport project, the GMR Pochanpalli project and the GMR Ulundurpet project have not yet been completed. All other projects for which the proceeds of the Issue are being utilized have been appraised by a specific bank/ financial institution. Please refer to the section titled "Objects of the Issue" on page 34 of this Red Herring Prospectus. The estimated costs for the various projects is based on quotations we have received from third-party appraisers and our internal estimates. These quotes are valid for a limited period of time and may be subject to an adverse change resulting in time and cost over run. There can be no assuarance that the appraised costs will reflect actual costs for such projects.

Commercial operation of Vemagiri Power plant is expected to be delayed.

The commercial operation of the Vemagiri Power plant is expected to be delayed further due to the non-availability of natural gas to fuel such plant. We expect that the natural gas will be available to us by the end of July 2006 and the plant to begin commercial operation within one month of such date of the availability of the natural gas. However, we cannot assure you that we will be able to commence operations of Vemagiri Power Plant as indicated.

The estimated cost of project for some of our road projects to be executed by GMR Pochanpalli and GMR Jadcherla has increased as against the earlier management estimates and the cost of project being executed by Vemagiri Power has increased as against the appraised cost of project.

The estimated costs for the Adloor Yellareddy - Kalkallu road project to be executed by GMR Pochanpalli increased from Rs. 5,990 million to Rs. 6,900 million and the estimated cost of project for the Faruknagar - Jadcherla road project to be executed by GMR Jadcherla increased from Rs. 3,852 million to Rs. 4,713 million. The increase in estimated costs were primarily due to an increase in procurement costs on account of rise in the cost of raw materials such as cement, steel and bituminous. The cost of development of the Vemagiri Power project increased as against the appraised cost mainly on account of liquidated damages payable due to delay in commercial operation. A similar increase in the cost of our other projects would require an additional investment from the Company and could adversely affect our results of operations and business.

Objects of the Issue include payment to our Promoter and Promoter Group Company from the Issue proceeds.

We have acquired a 100% equity stake in GVL Investments from our Promoter, GMR Holdings and our Promoter group, GMR Operations for a consideration of Rs. 3,993 million on April 15 2006. GVL Investments, a member of the GMR consortium for the Delhi Airport with a 9% equity stake, also has other equity investments. We have paid Rs. 1,334 million to GMR Holdings out of the proceeds of private placement of our Equity Shares to certain investors. We intend to pay the balance Rs. 1,559 million to GMR Holdings and GMR Operations from the net proceeds of the Issue. If we cannot raise sufficient funds from the Issue, we may need to seek alternate sources of funding, which may either not be available to us at terms we find acceptable, or at all. See the section titled "History and Corporate Structure - details of Subsidiaries" on page 124 of the Red Herring Prospectus for details of the equity investments made by GVL Investments.

Forward-looking information may prove inaccurate.

This Red Herring Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate", "believe", "estimate", "expect", "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Red Herring Prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our business, prospects, financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

We cannot guarantee the accuracy of facts and other statistics with respect to India, the Indian economy, and the Indian power, road and airport industries contained in this Red Herring Prospectus.

Facts and other statistics in this Red Herring Prospectus relating to India, the Indian economy and the Indian power, road and airport industries have been derived from various government publications and obtained in communications with various Indian government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics include the facts and statistics included in the sections entitled "Industry Overview", "Power Sector", "The Road Sector in India" and "The Civil Aviation Sector". Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Certain companies forming part of our promoter group companies have accumulated losses.

The following companies forming part of our promoter group companies have accumulated losses:

(Rs. in million)

Name of the company	Loss for the year ended March 31,			Accumulated losses as on March 31,		
	2005	2004	2003	2005	2004	2003
Bharat Sugar Mills Limited	(0.01)	(0.01)	0.3	(0.34)	(0.33)	(0.33)
GMR Holdings Private Limited	25.7	(4.2)	442.4	1,282.1*	1,256.4*	451.3
GMR Estates & Properties Private Limited	0.4	(0.1)	0.1	1.2	0.8	0.9
GMR Projects Private Limited	(1.7)	(1.0)	2.9	6.9	8.6	9.5
GMR Varalakshmi Foundation	(26.1)**	(9.7)**	-	(56.6)	(30.4)	-
Sri Varalakshmi Jute Twine Mills Private Limited	(12.4)	2.0	7.0	46.5	58.9	56.9
Ideaspace Solutions Limited	1.2	33.1	(29.6)	26.0	24.9	(8.2)

* *Due to merger of companies*

** *Represents expenditure over income, since the Varalakshmi Foundation is a non profit making organization.*

None of our subsidiaries or the companies forming part of the promoter group companies have a negative net worth.

Risks Associated with Investments in an Indian Company

A slowdown in economic growth in India could cause our business to suffer.

Our performance and the quality of growth of our business are necessarily dependant on the health of the overall Indian economy. India's economy could be adversely affected by general rise in interest rates, adverse conditions affecting the agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business including our ability to implement our strategy and increase our participation in the infrastructure sector. The Indian economy currently seems to be in a state of transition and it is difficult to gauge the impact of certain fundamental economic changes on our business. While the recent governments have been keen on encouraging private participation in the infrastructure sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the continued movement of private capital into infrastructure development. Further, since infrastructure services in India have historically been provided by central and/or state governments without charge or at a nominal charge, the growth of the private infrastructure industry will be impacted by consumer income levels and the extent to which they would be willing to pay or can be induced to pay for infrastructure services. Any downturn in the macroeconomic environment in India or in specific sectors could adversely affect the price of our shares and our business and financial performance.

Any downgrading of India's debt rating by a domestic or international rating could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of our shares.

Political instability or changes in the Government could adversely affect economic conditions in India generally and our business in particular.

The Government of India has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Governments have pursued policies of economic liberalization and financial sector reforms. The Government dissolved parliament in February 2004 and following the general elections held during April and May 2004, a new coalition Government, the United Progressive Alliance, led by the Indian National Congress party was formed. The new cabinet was sworn in on May 22, 2004. The new Government has announced its general intention to continue India's current economic and financial sector liberalization and deregulation policies. However, there can be no assurance that such policies will be continued and a significant change in the Government's policies in the future could affect business and economic conditions in India and could also adversely affect our business, prospects, financial condition and results of operations.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, prospects, financial condition and results of operations.

Terrorist attacks, such as the bomb blasts that occurred in Mumbai on August 25, 2003 and recently on July 11, 2006, the October 2004 bomb blasts that occurred in Northeast India, the World Trade Center attack on September 11, 2001 and the bomb blast in London on July 7, 2005, as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, prospects, financial condition and results of operations. Travel restrictions as a result of such attacks may have an adverse impact on our ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, the health of which our business depends upon.

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including those between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan are nuclear powers. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our shares.

We are subject to risks arising from exchange rate fluctuations.

The exchange rate between the Rupee and the US dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. From December 31, 1999 to May 31, 2002, the value of the Rupee declined by 12.8%. From May 31, 2002 to June 30, 2006, the value of the Rupee against the dollar rose by approximately 6.5%. Some of our subsidiaries in the power sector (GEL, GPCL and VGPL) have foreign exchange exposure. For fiscal 2006, the proportion of our operation and maintenance expenditure denominated in USD for GEL and GPCL was approximately 4.5% and 3.3% respectively. In addition, as on March 31 2006, the USD denominated borrowing (including working capital, term-loan & non-fund based borrowings) for GEL, GPCL and VGPL was $48.23 million, $7.28 million and $44.24 million respectively. Further, a certain portion of the tariff payments receivable by these companies and other project related costs are denominated in USD. See "Business - Risk Management" on page 96 of the Red Herring Prospectus. Accordingly, our operating and financial results would be negatively affected when rupee depreciates against dollar. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operation.

Risks Related to Our Shares

GMR Holdings will retain majority control of our Company after the Issue, which will enable it to control the outcome of matters submitted to shareholders for approval.

Upon completion of the Issue, GMR Holdings will beneficially own 79.1% of our share capital. As a result, GMR Holdings will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election, termination or appointment of our officers and directors. This control could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. Furthermore, GMR Holdings may influence our material policies in a manner that could conflict with the interests of other shareholders. We cannot guarantee that any conflicts of interest will be resolved in our favor.

We have issued Equity Shares to certain investors in the last 6 months prior to the date of this Red Herring Prospectus at a price which may be at variance with the Issue price to be determined though the book building process.

Prior to the filing of this Red Herring Prospectus, the Company has allotted (i) 11,737,404 Equity Shares for a cash consideration at a premium of Rs. 75.20 per Equity Share to India Development Fund on April 22, 2006; (ii) 9,578,544 Equity Shares for a cash consideration at a premium of Rs. 251 per Equity Share to ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund) on April 25, 2006; (iii) 2,490,555 Equity Shares for a cash consideration at a premium of Rs. 260 per Equity Share to Quantum (M) Limited on May 13, 2006; (iv) 1,000,000 Equity Shares for a cash consideration at a premium of Rs. 260 per Equity Share to Punjab National Bank; and (v) 3,703,703 Equity Shares for a cash consideration at a premium of Rs. 260 per equity share to Citigroup Venture Capital International Mauritius Limited. For more details please refer to section titled "Capital Structure" on page 24 of this Red Herring Prospectus. The price at which the above Equity Shares have been issued prior to the filing of this Red Herring Prospectus may be at variance with the Issue Price that will be determined pursuant to the book building process.

You will not be able to trade any of the Equity Shares you purchase in the Issue immediately on an Indian Stock Exchange.

Under SEBI Guidelines, we are permitted to allot equity shares within fifteen days of the closure of the public issue. The Equity Shares you purchase in the Issue may not be credited to your book or demat account until approximately fifteen days after the issuance of the Equity Shares. You can start trading the Equity Shares once they have been credited to your demat account and listing and trading approvals are received from the Stock Exchanges. There can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

There is no existing market for the Equity Shares, and we do not know if one will develop to provide you liquidity. Our stock price may be highly volatile after the Issue and, as a result, you could lose a significant portion or all of your investment.

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market on the Indian Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty selling the Equity Shares that you purchased. The initial public offering price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue. The market price of the Equity Shares on the Indian Stock Exchanges may fluctuate after listing as a result of several factors, including the following:

- volatility in the Indian and other global securities markets;
- risks relating to our business and industry, including those discussed above;
- our ability to complete the Project in time;
- strategic actions by us or our competitors;
- investor perception of the investment opportunity associated with the Equity Shares and our future performance;
- significant development in the regulation of financial services markets;
- adverse media reports about us, GMR Holdings or its Affiliates or any individual in the GMR group companies;
- future sales of the Equity Shares, including sales by GMR Holdings;
- variations in our quarterly results of operations; and
- differences between our actual financial and operating results and those expected by investors and analysts; and
- changes in analysts' recommendations or perceptions of us or India.

A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

Future sales of Equity Shares by us or any of our major shareholders, may adversely affect the market price of the Equity Shares.

We will have 331,084,000 Equity Shares outstanding after the completion of the Issue. The market price of our Equity shares could decline as a result of future sales of a large number of our Equity Shares by us or by any of our major shareholders. Additionally, the perception that such sales may occur might make it more difficult for our shareholders to sell their Equity Shares in the future at a time and at a price that they deem appropriate. Pursuant to SEBI Guidelines the entire pre-Issue share capital of the Company will be locked-up for a period of one year from the date of allotment in this issue.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies and are more volatile than the securities markets in other countries. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. During the first and second quarters of 2006, the NSE and the BSE have suffered from a high level of intra-day volatility. It is believed that the average daily volatility of the BSE Sensex index in the past five years was approximately 1.79%. However, since April 2006, volatility has risen noticeably. In mid-May 2006, daily volatility rose to over 8.00%. On May 22, 2006, the BSE suffered its largest ever intraday fall of 1,111 points and volatility reached 12.55%, the highest ever recorded. The previous highest recorded volatility rations were 8.21% and 7.31% reached in the trading sessions on May 19 and May 18, respectively.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the Equity Shares.

Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends. Additionally, we may be restricted by the terms of our proposed debt financing to make dividend payments only after a certain time period as will be agreed with the lenders.

Any future equity offerings by us could lead to dilution of your shareholding or adversely affect the market price of the Equity Shares.

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through equity financing. As a purchaser of the Equity Shares in the Issue, you could experience dilution to your shareholding in the event that we conduct future equity offerings. Such dilution can adversely affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our equity securities. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of the Equity Shares.

If investors do not pay the Balance Amount Payable, the amount raised through the Issue will be lower than the proposed Issue size. Further, shares issued to such investors will not be traded until the time these shares become fully paid.

The Balance Amount Payable, if any, may not be paid by some or all investors and the amount raised through the Issue may be lower than the proposed Issue. Further, equity shares issued cannot be traded after the date of allotment until the Balance Amount Payable is received and corporate action for appropriation of the amounts received is taken and the shares are made full paid-up. In accordance with the terms of the Issue, relevant Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) bidding under Payment Method I, shall be required to make the payment of the Balance Amount Payable by the Due Date for Balance Amount Payable. Relevant Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) bidding under Payment Method I, shall be notified of the Balance Amount Payable simultaneously with the approval of the Basis of Allotment by the Stock Exchanges. The process of corporate action may take about two weeks from the date of payment of the Balance Amount Payable. During this period shareholders who pay the Balance Amount Payable for the partly paid shares will not be able to trade those shares. For further details, please refer to the section titled "Issue Procedure" on page 363 of the Red Herring Prospectus.

Notes

1. Public issue of 38,136,980 Equity Shares at a price of Rs. [•] for cash aggregating Rs. [•] million (referred to as the "Issue"), comprising 500,000 Equity Shares reserved for Eligible Employees of the Company and a Net Offer to the Public of 37,636,980 Equity Shares. The Issue will constitute 11.52% of the fully diluted post issue paid-up capital of the Company. The Net Offer to the Public would constitute 11.37% of the fully diluted post Issue paid-up capital of the Company.
2. The net worth of the Company was Rs. 3,643.3 million as on March 31, 2006 and Rs. 3, 291.6 million as on March 31, 2005 as per our restated unconsolidated financial statements under Indian GAAP. The book value of each Equity Share of Rs. 10 each was Rs. 13.78 as on March 31, 2006.
3. The net asset value per Equity Share of Rs. 10 each was Rs. 13.78 as on March 31, 2006 as per our restated unconsolidated financial statements under Indian GAAP and Rs. 20.75 as on March 31, 2005.
4. Investors are advised to refer to the section titled "Basis for Issue Price" on page 45 of this Red Herring Prospectus.
5. The average cost of acquisition of our Equity Shares by our Promoters, Mr. G.M Rao and GMR Holdings Private Limited is Rs. 6.01 and Rs. 7.71, respectively.
6. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
7. In terms of Article 47 of the Articles of Association of the Company, the Company shall have a first and paramount lien upon all the partly paid up shares and upon the proceeds of sale thereof for all monies called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that the said Article will have full effect. The Article further provides that such lien shall extend to all dividends and bonuses from time to time declared in respect of such partly paid up shares.

8. Any clarification or information relating to the Issue, investors are free to contact the BRLMs who will be obliged to provide the same to the investors.

9. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.

10. For details of our related party transactions, please refer to the section titled "Related Party Transactions" as per our Audited Consolidated Financial Statement on page 164 of this Red Herring Prospectus.

11. In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Offer to the Public will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Offer to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Offer to the Public will be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

12. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Investors, Non-Institutional Bidders, Retail Bidders and Bidders in the Employee Reservation Portion shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 384 of this Red Herring Prospectus.

13. Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 1,129,110 Equity Shares (assuming QIB Portion is 60% of the Net Offer to the Public, i.e. 22,582,188 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum allotment of 60% of the Net Offer to the Public is not made to the QIBs, the entire subscription monies shall be refunded.

14. We issued the following shares in the last six months prior to the date of the filing of the Red Herring Prospectus.

Sl. No.	**Shareholders**	**Number of Equity Shares**	**Issue Price per Equity Share (Rs.)**	**Date of Issue of Equity Shares**
1	India Development Fund	11,737,404	85.20	April 22, 2006
2.	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544	261.00	April 25, 2006
3	Quantum (M) Limited	2,490,555	270.00	May 13, 2006
4	Punjab National Bank	1,000,000	270.00	May 13, 2006
5	Citigroup Venture Capital International Mauritius Limited	3,703,703	270.00	June 5, 2006

Items (3), (4) and (5) were issued pursuant to the pre-Issue private placement of Equity Shares as disclosed in the Draft Red Herring Prospectus.

Other than as mentioned in the sections titled "History and Corporate Structure" and "Management" on pages 119 and 148 respectively of this Red Herring Prospectus, we have not issued any further Equity Shares to our Directors, employees or any other parties.

SECTION III : INTRODUCTION

Summary

I. Industry Overview

Overview of the Indian Economy

India, the world's largest democracy in terms of population (1,080 million people) had a GDP on a purchasing power parity basis of approximately U.S.$3,678 billion in 2005. This makes it the fourth largest economy in the world after the United States of America, China and Japan (*Source: CIA World Fact book*).

In 1991, the Government of India initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. The key policy reforms that were initiated by the Government were focused on implementing fundamental economic reforms, deregulation of industry, accelerating foreign investment and pushing forward a privatization program for disinvestment in public sector units. Consequent to the reform's program, India's economy registered robust growth with an average real GDP growth of 6.3% over the period fiscal 2000 to fiscal 2006. (*Source: CMIE*)

(A) Power Sector

Source: Central Electricity Authority's General Review, Ministry of Power Performance Report, the Planning Commission (Power and Energy Division) Annual Report on the Working of the State Electricity Boards and Electricity Departments and NTPC Annual Report

Power Generation

As of March 31, 2006, India's power system had an installed generation capacity of approximately 124,311 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for 66.4% of total power capacity in India as of March 31, 2006, hydroelectric stations for 26% and others (including renewable sources of energy and nuclear stations) accounted for 7.6%.

Installed Capacities

As of March 31, 2006, thermal (includes power generated from wind and other non-conventional sources) was 88,228 MW i.e. 71.5% of total capacity. The Ministry of Power is projecting an installed capacity of 212,000 MW by 2012.

Future Capacity Additions

The Government adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity addition targets. The Ninth Plan targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. The Ministry of Power estimates indicate that only 19,015 MW, or 47% of the planned capacity addition, was added in the aggregate during the Ninth Plan. The target for capacity addition has been set at 41,110 MW under the Tenth Plan.

The likely achievement in capacity addition for the Xth plan (2002-2007) is estimated at ~34000 MW. That means the capacity addition for the Xth plan to exceed the capacity addition during the VIIIth (16,400 MW) and the IXth plan (19,015 MW). Additionally, the Government has set an ambitious target of providing "Power for All" during the Tenth and Eleventh Plans by adding around 100,000 MW of generation capacity by 2012.

Consumption

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. From April 2005 – February 2006, India faced an energy shortage of approximately 8.3% of total energy requirements and 12.5% of peak demand requirements.

According to the Ministry of Power, the demand for electricity during April 2005- February 2006 has been 575,384 MU while the supply was only 527,539 MU, thus indicating a shortfall of 47,845 MU.

The per-capita consumption in India has grown phenomenally from about 15 kWh/year in 1950 to 408 kWh/year in 2001 to 606 kWh/year in 2005, but in comparison with other leading developed and emerging economies it still lags by a large margin. The Ministry of Power is projecting a per-capita consumption of 932 kWh/year in 2012.

(B) Road Sector

Source: NHAI's website, the website of Ministry of Shipping, Road Transport and Highways and the Annual report of Financial Year (FY) 2005 of Ministry of Shipping, Road Transport and Highways

India has one of the largest road networks in the world comprising about 3.3 million kilometers. Roads form the most common mode of transportation and accounted for about 85% of passenger traffic and 70% of freight, making it the main artery for commuting across the country. The National Highways, which account for 65,569 kms of network (i.e. less than 2 % of the total road network), carry nearly 40% of the total road traffic. The growth has been both in quantitative and qualitative terms. Road length of National Highways has increased from 22,255 km in 1951 to 65,569 km in December 2004. The traffic on the Indian roads, more specifically the National Highways traffic has been growing at a very rapid pace at 7% to 10% per annum and is expected to continue to grow in the future.

Out of 65,569 kms of NH network, only 9% of the total length was four-lanes, 56% two-lanes and 35% being single-lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance) which is 20% higher due to poor road conditions. Also, the average distance covered on highways per day in India is significantly lower than developed countries.

Key Growth Drivers for the Road Sector in India

- Scarcity of Quality Roads
- Strong Economic Growth
- Growth in Vehicles
- Growth in Tourism

National Highways Development Project (NHDP)

In 2000, the central government initiated the National Highway Development Program (NHDP), in an effort to improve highway infrastructure. The two key arterial highway network upgrade programs initiated in 2000 are now referred to as Phase I and II. Recently, the government has added five additional phases that will further upgrade about 45,000 kms of national highways or other road networks.

(C) Airport Sector

(Source: World Development Report 2005, the Bureau of Transportation Statistics, Department of Transportation, U.S.A and the DGCA, AAI, Flightbase)

Overview

India now has the fourth largest economy in the world but for an economy of its size, use of air travel is extremely low. This is also reflected in the fact that Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) respectively in the world instead of being considered among the world's largest. Standard expectations for air travel growth are usually of the order of twice the level of GDP growth but India has achieved nowhere near this level of growth leading observers to believe that, given the right regulatory conditions and product pricing, there is significant pent-up demand for air travel. Similarly India has failed to exploit its tourism potential, attracting only 0.4% of the world's total tourists, and 1% of total spending on tourism.

With increasing evidence of air transport liberalization in India, there is great interest on the part of airlines and airport operators and also a widespread consensus that the potential for growth in the Indian air transport market - both domestically and internationally - is enormous.

One of the major reasons, which could explain the sluggish growth realized in the Indian market, is the poor infrastructure. This includes unreliable power sources, lack of hotels, severe congestion on roads and inadequate airport facilities. Although there is a vast railway network and more than 5 billion journeys are taken by rail in India each year, the railway network requires significant investment. Given the difficulty of traveling around the country, airlines able to offer low fares across a network of air services between regional cities and the largest conurbations would have a potentially large market.

Over the past couple of years positive developments in the sector have led to strong growth of the Civil Aviation sector:

- Abolition of IATT (Inland Air Travel Tax) and FTT (Foreign Travel Tax) on domestic and international fares respectively;
- International growth due to private airlines' overseas expansion plans;
- Open-sky policy during peak season;
- Review of existing Air Service Agreements and addition of new international routes;
- The progressive liberalization of bilateral agreements;
- The development of low cost carriers;
- Hike in FDI announced in the budget 2004-05 and
- In addition to the above, the construction of greenfield airports has the potential to enhance the growth further

Airports in India

There are 449 airports and airstrips in India of which Airport Authority of India (AAI) owns and manages 126 airports, including 12 international airports (including civil enclaves at Bangalore, Goa and Srinagar), 88 domestic airports and 26 civil enclaves at defence airfields (excluding Bangalore, Goa and Srinagar).

Indian airports, in FY 05, handled total passenger traffic of about 59 million passengers and about 1.28 million tonnes of cargo. Indian airports registered a 21.7% growth in passenger traffic and 19.9% growth in cargo handled for the year FY05.

Airport Modernization Initiative

In its report, A Road Map for the Civil Aviation Sector, India's Ministry of Aviation acknowledged that the industry's development is hampered by outdated infrastructure, inadequate ground handling systems and night landing facilities, poor passenger amenities and the poor utilization of existing and limited capacity. In this regard the GOI has initiated a number of policy measures to attract the private sector. The Airports Authority of India has taken the necessary steps for inviting both private and foreign interests to participate in the process, both in revitalizing the key existing gateways, as well as in building new facilities in cities that are likely to attract traffic flows in the near future.

The most visible manifestation of this process is the revamping of the airports in Mumbai and Delhi with the private sector holding a majority stake. The AAI signed the operation management and development agreements (OMDA) with the GMR led group and GVK led group for the Delhi and Mumbai airports respectively. The two private consortia had won the airport modernization contracts in January, after an elaborate bidding process.

II. Business Overview

We are a major power and infrastructure group in India having substantial experience in the development and operation of power plants and road projects. We offer investors an opportunity to participate directly in the ownership of such businesses, which traditionally have been owned predominantly by government authorities or government-controlled entities. Our assets consist of four power plants, of which two are in commercial operation, one is being constructed and is almost complete, and one we have recently started to develop; six road projects, of which two are in commercial operation and four are under development; and two airport projects, one of which is a greenfield airport under development and the other one is an existing airport undergoing modernization and re-development. We play an active role in all stages of development of our projects, including the supervision of construction services, financing and operation.

While we currently generate all of our revenues from the power and road businesses, we are in the process of developing an international airport adjacent to the city of Hyderabad, the fifth largest city in India with a population of approximately 7.3 million. We expect the Hyderabad airport to commence commercial operations towards the end of the first quarter of 2008. In addition, we have recently won the contract to operate, manage and develop the Delhi Airport and have taken over the operations of the Delhi Airport from May 3, 2006. Our principal assets, all of which are either wholly-owned or majority-owned by us, consist of the following:

- *Power*. We currently own the following assets in our power business:
  - a 220MW naphtha-fired power plant in Mangalore in the state of Karnataka, or the Mangalore power plant, which commenced commercial operation in 2001;
  - a 200MW LSHS-fired power plant in Chennai in the state of Tamil Nadu, or the Chennai power plant, which commenced commercial operation in 1999; and
  - a 388.5MW gas-fired power plant in Vemagiri in the state of Andhra Pradesh, or the Vemagiri power plant, which we are in the process of developing and expect that the natural gas will be available to us for use by the end of July 2006 and the plant to begin commercial operations within one month of such date of the availability of the natural gas.

We own 100% of each of the Mangalore power plant and the Vemagiri power plant, and 51% of the Chennai power plant.

In addition, we have the right to develop, pursuant to a concession that we won in May 2005 through a competitive bidding process, a 140MW hydroelectric power plant on the river Alaknanda in the Chamoli district of Uttaranchal. We are also seeking to enter the power trading, transmission and distribution business in India, and we hold a trading license issued by the Central Electricity Regulatory Commission to undertake power trading activities.

- *Roads*. We hold concessions to develop, operate and maintain the following annuity road projects:
  - a 59 kilometers stretch on the Chennai-Kolkata (NH-5) highway, or the Tuni-Anakapalli road project, which commenced commercial operation in December 2004;
  - a 93 kilometers stretch on the Chennai-Dindigul (NH-45) highway, or the Tambaram-Tindivanam road project, which commenced commercial operation in October 2004; and

– a 86 kilometers stretch between Adloor Yellareddy and Kalkallu and an additional 17 kilometers stretch on the Hyderabad-Nagpur (NH7) highway, or the Adloor Yellareddy-Kalkallu road project, which project is currently under development and we expect that it will enter into commercial operation by the end of 2008.

We have developed, or are developing, these annuity road projects on a "Build-Operate-Transfer" basis, pursuant to concession agreements entered into with the National Highways Authority of India, or NHAI. Under each of the concession agreements, we are entitled to receive fixed semi-annual payments from NHAI, for a period of 15 years, commencing on the date the relevant road entered into commercial operation. We do not collect toll payments from users of these two roads; instead NHAI is entitled to collect all toll payments generated by such roads.

In addition, we have won three concessions to develop, operate and maintain, and are currently developing, the following toll road projects:

– a 35 kilometers stretch between Ambala and Chandigarh on the New Delhi-Chandigarh (NH21/NH22) highway, or the Ambala-Chandigarh road project, which project we expect to enter into commercial operation by mid-2008;

– a 46 kilometers stretch between Faruknagar and Jadcherla and an additional 12 kilometers stretch on the Hyderabad-Bangalore (NH7) highway, or the Faruknagar-Jadcherla road project, which project we expect to enter into commercial operation by mid-2008; and

– a 73 kilometers stretch between Tindivanam and Ulundurpet on the Chennai-Dindigul (NH-45) highway, or the Tindivanam-Ulundurpet road project, which project we expect to enter into commercial operation by the end of 2008.

We own 74.0% of each of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, and 100% of each of the Adloor Yellareddy-Kalkallu road project, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulundurpet road project.

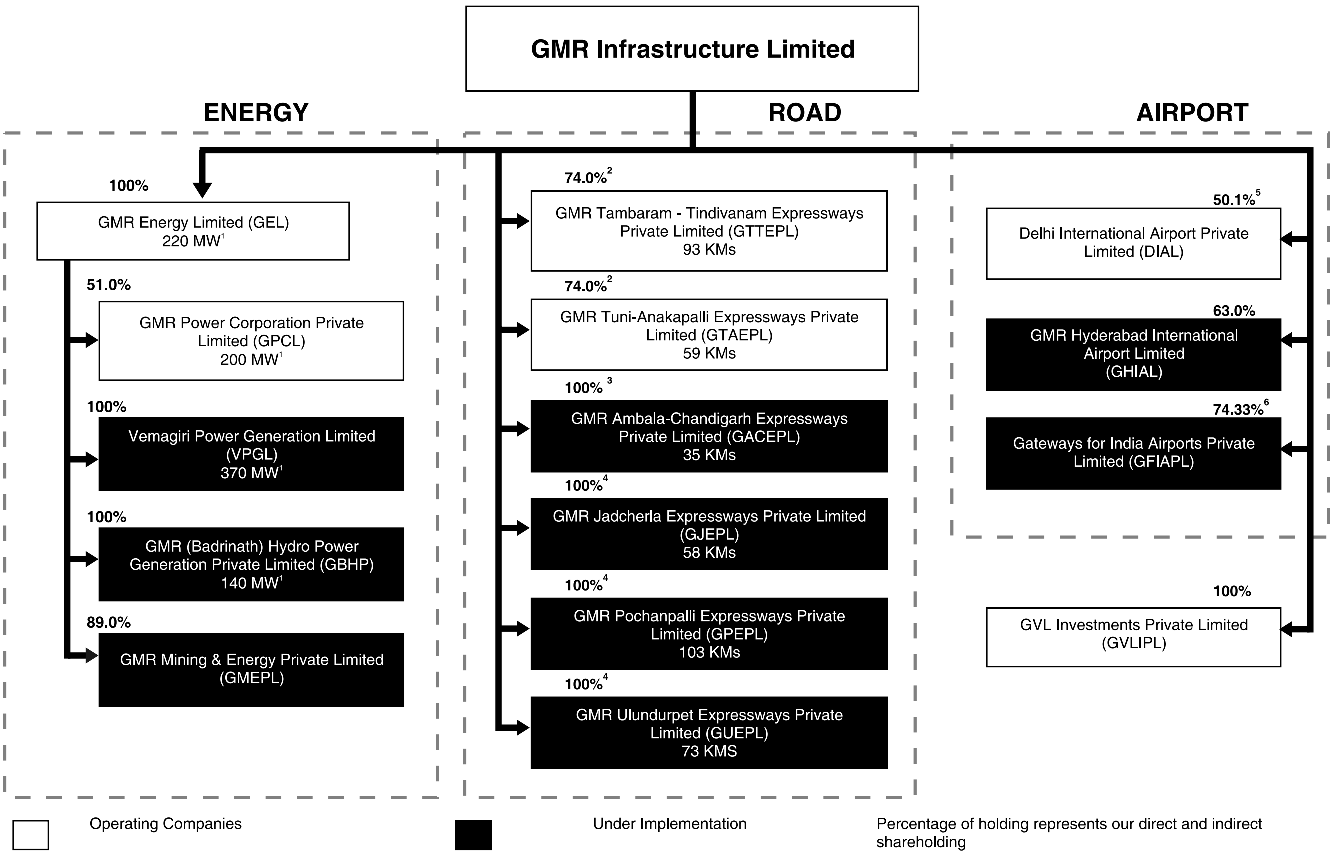
- *Airport*. We hold concessions to develop, operate and maintain the Hyderabad international airport located in the state of Andhra Pradesh, or the Hyderabad airport, and the Indira Gandhi International Airport in New Delhi, or the Delhi Airport.

  – *The Hyderabad airport*. We own 63.0% of GMR Hyderabad International Airport Limited, or GHIAL, the company that is developing the Hyderabad airport pursuant to a 30-year concession granted by the Government of India acting through the Ministry of Civil Aviation. Not less than three years prior to the end of such 30-year period, GHIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the concession agreement. The Hyderabad airport will initially consist of, among other items, a single runway, a passenger terminal building, a separate cargo terminal building and retail facilities, all of which will be built to international standards. In addition, we plan to equip the Hyderabad airport with modern technology and facilities superior to that of most other existing airports in India. We expect the Hyderabad airport to be operational towards the end of the first quarter of 2008.

  – *The Delhi Airport*. In January 2006, a consortium led by us, was awarded a long-term agreement to operate, manage and develop the Delhi Airport following a competitive bidding process. Other members of the consortium consist of Fraport AG, Malaysia Airports (Mauritius) Private Limited and The India Development Fund. Subsequently, DIAL, our 50.1% subsidiary, entered into an Operation, Management and Development Agreement, or the OMDA, on April 4, 2006 with the AAI. The initial term of the agreement is 30 years. Not less than three years prior to the end of such 30-year period and subject to fulfillment of conditions specified in the agreement, DIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the terms of the long-term agreement. We have taken over the operations and management of the Delhi airport from May 3, 2006.

All of our businesses are located in India, and all of our investments are in companies that operate businesses in India, however, we have recently submitted a qualification materials with respective the competitive bidding of the development and operation of a gas fired combined cycle power station in Bangladesh on a BOO basis**.** A significant part of our strategy is to capitalize on our belief that India will continue to experience strong and growing demand for electricity, road and air traffic. In a speech given by Dr. Manmohan Singh, the Prime Minister of India, on the 57th anniversary of India's Independence Day on August 15, 2004, the Government announced its policy to focus spending on seven sectors, including the power and infrastructure sectors, pursuant to various initiatives. This focus is most recently confirmed in a speech given by Mr. P. Chidambaram, the Finance Minister of India, on February 28, 2006, during which he reiterated the government's commitment to infrastructure development and highlighted the progress in the development of ports, airports and rural roads in India.

The following diagram shows the group structure of our subsidiaries:



1. MW figures listed in this chart relates to each power plant's contracted capacity.
2. Our 74.0% interest in each of GTTEPL and GTAEPL is made up of the following: (i) a 51.0% interest held by GPCL; (ii) a 10.0% interest held by GIL; and (iii) a 13.0% interest held by GEL.
3. Our 100.0% interest in GACEPL is made up of the following: (i) a 47.4% interest held by GIL; and (ii) a 52.6% interest held by GEL.
4. Our 100.0% interest in each of GJEPL, GPEPL and GUEPL is made up of the following: (i) a 90.0% interest held by GIL and (ii) a 10.0% interest held by GEL.
5. Our 50.1% interest in DIAL is made up of the following: (i) a 31.1% interest held by GIL; (ii) a 10.0% interest held by GEL; and (iii) a 9.0% interest held by GVLIPL.
6. Our 74.33% interest in GFIAPL is made up of the following: (i) a 37.84% interest held by GIL and (ii) a 36.49% interest held by GVLIPL.

III. Competitive Strengths

We believe that our operations and financial condition will benefit from the following strengths:

- *We have extensive experience in developing projects in the power and infrastructure sectors, and have established a reputation for reliability and completing projects on schedule*. We believe our strong reputation in the power and infrastructure sectors, as well as our industry knowledge, allow us to value new projects effectively, properly assess risks and benchmark conclusions against experiences in other markets. We have traditionally been successful in reducing our risks, including commodity, interest rate, foreign exchange rate risk and documentation risks, through, among others, the use of back-to-back contracts and the engagement of technical, legal and other professional firms. We believe that we have earned a reputation for reliability and completing projects on schedule within the sectors in which we operate and among our customers. For example, we received an early completion bonus from NHAI as we were able to achieve early commercial operation of the Tambaram-Tindivanam road project. Except in the case of the Vemagiri power plant, whose commercial operation is expected to be further delayed due to the non-availability of natural gas to fuel such plant, all of our projects have so far achieved project completion on or before the scheduled dates of completion.

- *We are one of the few dedicated infrastructure developers in India and are well positioned to benefit from the robust growth of India's economy*. India has recorded strong economic and real income growth for the last decade. For the 2004 and 2005 fiscal years, India had a GDP growth rate of 8.5% and 6.9%, respectively. As India's economy grows, we expect that demand for electricity will also increase, particularly in the fast-growing states and regions, and that a greater percentage of the disposable income of the domestic population will be spent on traveling. This in turn would lead to a stronger demand for services offered by the power, road and airport sectors. We are well positioned to benefit from the expected growth in the Indian economy primarily through the development of three toll road projects and two airport projects, as our revenues under these projects are directly linked to the demand for the services offered under such projects. In connection with the concession to develop the Hyderabad airport, we have been granted a lease for a site covering approximately 5,500 acres of land at Shamshabad, near Hyderabad. We believe the large area of this site will provide us with sufficient room to expand our airport and related facilities over the longer term, including hotels, commercial venues and business parks, while many other airports in India may face significant restraints on expansion due to limited land availability in the areas surrounding them. Additionally, the location of the Hyderabad airport in central India makes it well positioned to act as a potential "hub" for routes throughout not only India but cities in Southeast Asia and the Middle East.

- *We have stable and predictable revenues that either are guaranteed by, or are direct obligations of, the state governments or government-owned entities*. As of the date of this Red Herring Prospectus, all of our revenues either are guaranteed by state governments in which the projects are located, or are direct obligations of entities that are controlled by the Government of India. The payment obligations of the electricity off takers for our two operating power plants are guaranteed by the state governments of Tamil Nadu and Karnataka, whereas the payment obligations under our two operating road projects are owed by NHAI, an autonomous entity that has been established by the Ministry of Shipping, Road Transport and Highways. In the power sector, our customers have to pay us a tariff that is comprised of a fixed component and a variable component. In addition, we are protected to a considerable extent from any adverse movements in the Indian economy, as well as demand for our power and road businesses, as each of our current customers is required to pay us a fixed charge linked to the availability of the power plants, irrespective of the demand for or utilization of our services. This arrangement is known as a "take-or-pay" obligation. Similarly, the revenues that we receive each year from NHAI for our two operating road projects are fixed under their respective concession agreements, irrespective of any change in traffic demand or the amount of toll levied on the end-user.

- *We benefit from the use of the GMR brand*. We are the flagship infrastructure company of the group of companies held by GMR Holdings Private Limited, or GMR Holdings. Our affiliates have been operating in India for over 28 years in a wide variety of businesses, including manufacturing, transportation and power. Our affiliates have also made substantial investments and have played significant roles in setting up banking and insurance businesses in the past. Due to the long-standing history of the GMR group of companies in India, we believe the GMR brand enjoys strong brand recognition. We believe our customers, as well as Indian financial institutions, associate the GMR brand with reliability, trust and value. We currently use the GMR brand in each of our power, road and airport businesses.

- *We either wholly-own or have a majority interest in all of our material assets, and through these ownership interests, we have management control over such assets*. We either wholly-own or have a majority interest in each of our power, road and airport projects. Through such ownership interests, we have management control over such assets and can control all important business decisions relating to such assets, subject to any contractual agreement between us and other shareholders in the relevant subsidiaries. Furthermore, we are able to closely monitor the management and operation of our businesses, as well as to apply a uniform management philosophy, including standardized processes for accounting, business and management review, to such businesses. As a result, we believe we are able to optimize revenues and minimize capital and operational costs.

- *The relevant government or government entities granting the concessions to develop our road and airport projects have undertaken not to permit other companies to operate competing businesses in the areas where our projects are located.* Under the concession agreement for the Hyderabad airport, the Government of India has agreed not to grant, for a period of 25 years from the date the Hyderabad airport begins operation, any licenses for the development and operation of another airport within a 150 kilometers radius of the Hyderabad airport. In addition, the Government of India will, upon the start of the commercial operation of the Hyderabad airport project, close the existing airport at Begumpet, Hyderabad for civil aviation operations and direct the existing traffic to the new Hyderabad airport. As such, once the Hyderabad airport is built, it will be the only civil airport serving Hyderabad, the fifth largest city in India with a population of approximately 7.3 million, and its neighboring cities. Similarly, under the state support agreement for the Delhi Airport, the Government has agreed that for so long as our concession remains in place, in the event it initiates a bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, to the extent we participated in such bidding process, have the right to match the most competitive bid, provided that our initial bid is within a 10% range of the most competitive bid. Furthermore, under each of the concession agreement for the

Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulundurpet road project, NHAI has undertaken not to grant, for a period of eight years from the commencement date of our concession, any concession for the development, operation or maintenance of roads that serve the same region as such project, though state roads may still compete with our roads. This commitment by NHAI will give us exclusive operational rights for national highways covering the relevant stretch. See "Risk Factors¯State roads may compete with the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulundurpet road project that we are currently developing".

- *We have extensive experience working with international corporations and leading Indian financial institutions*. We have entered into joint ventures and enjoy good working relationships with many international corporations and investors, including Malaysia Airports Holding Berhad, United Engineers (Malaysia) Berhad, Fraport AG and the India Development Fund. In addition, we have contractual relationships with subsidiaries of General Electric Company, Hyundai Heavy Industries Limited and the Korea Electric Power Corporation, and in the past had contractual relationships with CMS Energy and PSEG Global, among others. Given that our affiliates have operated in various industries in India for over two decades, most of the leading Indian financial institutions would have dealt with, or would otherwise be familiar with, the GMR group of companies. We believe our good working relationships with international corporations and Indian financial institutions, as well as our extensive experience in working with them, will enhance our ability to find strategic partners and source additional funding.

IV. Business Strategy

Our strategy is to build upon our competitive strengths and business opportunities to become a leading power and infrastructure company in India. We intend to pursue suitable opportunities in India, as well as other parts of Asia. Historically, we have been most active in Southern India, in the states of Tamil Nadu, Andhra Pradesh and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Alaknanda, in the state of Uttaranchal (where we are developing a hydroelectric power plant), in the states of Haryana and Punjab (where we are developing the Ambala-Chandigarh toll road project), and in the state of Delhi (where we recently won a bid for an airport project). Our business strategy consists of the following principal elements:

- *Capture the high growth opportunities in the India power and infrastructure sectors*. We believe that spending on the power and infrastructure sectors by the government will be a key component of India's goal of sustained annual GDP growth. This belief is based in part on several public statements made, and acts carried out, by the Government of India, including the speech given by the Prime Minister to the nation on August 15, 2004, in which he set a target to provide "Power for All" by the year 2012, and the initiation of a seven-phase National Highway Development Program by NHAI for the upgrading of 45,000 kilometers of national highways at an approximate cost of US$38 billion. We believe that our demonstrated expertise and experience in the development, operation and management of power and infrastructure projects, as well as our established reputation in the power and infrastructure sectors, will provide us with a significant advantage in pursuing opportunities in these fast-growing sectors.

- *Identify new investment opportunities*. We have recently entered into the airport infrastructure business and are in the process of developing the Hyderabad and Delhi airports. We have also won concessions to develop a hydroelectric power plant, three toll roads and an annuity road, all of which are businesses that are complementary to our current businesses. We also hold a trading license issued by the Central Electricity Regulatory Commission for power trading. We intend to make further investments in the infrastructure sector as and when attractive opportunities become available. We seek to distinguish ourselves from other companies operating in our sectors through active participation in each of the development, operation and maintenance phases of our projects. In making investment decisions, we will continue to pursue the following investment objectives: (i) to focus on businesses that are located in, or are designed to serve, growth regions; (ii) to seek to exercise control or significant influence over management; and (iii) to invest in opportunities that are strategically aligned or complement our existing businesses and can benefit from our expertise. By pursuing these objectives, we intend to maintain a balance between the generation of stable cash flow and strong growth opportunities to maximize long-term profitability.

- *Build upon existing relationships*. We believe that one of our strengths stems from the knowledge and experience gained from the long operating history of the GMR group of companies in India, as well as the good working relationships such companies have established with government entities and international corporations. In the power sector, we have worked, or are currently working, with PSEG Global, CMS Energy Limited, Hyundai Heavy Industries Limited, General Electric Company and the Korea Plants Services & Engineering Company Limited. For our road projects, we have a strategic partnership with United Engineers (Malaysia) Berhad, a diversified infrastructure company listed on Bursa Malaysia that has substantial experience operating road projects. For the Hyderabad airport project, we have a strategic partnership with Malaysia Airports Holdings Berhad, a company listed on Bursa Malaysia that is operating and managing 39 airports in Malaysia, including five international airports. In March 2004, we established a relationship with India Development Fund, one of the largest infrastructure-focused private equity funds in India, through its purchase of a 15.1% interest in our core power subsidiary, GMR Energy, and its recent purchase of a 4.25% interest in our Company. IDF has since sold its stake in GMR Energy. Most recently, we have, in partnership with Malaysia Airports (Mauritius) Private Limited, Fraport AG and The India Development Fund, submitted and won a bid for the operation, management and development of the Delhi Airport. In developing our power and road projects, we have acquired skills and experience, as well as developed business relationships, many of which we believe can be applied to the development of projects in the same and other sectors. For instance, we have acquired substantial experience in construction risk allocation and mitigation, as well as raising debt financing for our projects from financial institutions and commercial banks on competitive terms. We intend to apply these skills and experience to the development of projects in the same and other sectors, including the Hyderabad and Delhi airports projects and the four road projects that we are currently developing.

- *Improve performance and competitiveness of existing core businesses*. In addition to committing to grow through expansion, we seek to improve the performance and competitiveness of our existing businesses. For the power business, we are exploring options for alternative fuel and conducting feasibility studies for the development of a hydroelectric power project so as to allow us to generate electricity at a lower cost and reduce our reliance on any one type of fuel. For the road business, we are focusing on improving our profit margin by reducing costs through efficient project management, as well as increasing our cash flows through the development of new toll road projects, which, unlike annuity fee-based projects, allow us to benefit from any increase in road traffic volume, though with greater volatility of earnings. With respect to the Hyderabad and Delhi Airport projects, we intend to concentrate on maximizing capacity and utilization of our passenger and cargo terminals through the use of technologically-advanced equipment such as automatic self-check-in kiosks (CUSS), Common user terminal equipment (CUTE), flight information display system (FIDC). For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview".

- *Continue to enhance training and development*. Qualified management personnel and employees are key to our future success. We seek to attract and retain the most talented individuals in the industry and improve their skills, productivity and career development opportunities through advanced human resources management. In addition to on-the-job training, we will continue to send selected employees to leading educational institutions both in India and abroad for advanced training.

Selected Financial Information

The following tables present consolidated summary financial information for GIL and should be read in conjunction with the Auditors' Reports and with the consolidated financial statements and notes thereto contained in this Red Herring Prospectus and the sections entitled "Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" on page 242, 295 and 76 of this Red Herring Prospectus. The summary financial information presented below as of and for the years ended March 31, 2002, 2003, 2004, 2005 and 2006 were derived from the audited consolidated financial statements of GIL, audited by Price Waterhouse, Chartered Accountants, in accordance with Indian GAAP. The summary consolidated financial information presented below does not purport to project our results of operations or financial condition.

Balance Sheet

(Rs in million)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I. Sources of Funds					
1. Shareholders' Funds					
(a) Capital	2,644.37	1,586.62	1,771.62	1,771.62	771.62
(b) Reserves and Surplus	3,059.93	2,806.17	2,191.09	1,245.88	619.80
	5,704.30	**4,392.79**	**3,962.71**	**3,017.50**	**1,391.42**
2. Minority Interest	4,243.38	3,709.30	3,329.54	2,220.12	14.12
3. Loan Funds					
(a) Secured Loans	25,438.48	18,037.20	14,004.78	14,401.16	686.12
(b) Unsecured Loans	3,778.17	1,117.36	379.43	1,994.98	-
4. Deferred Tax Liabilities (Net)	1.79	2.61	71.77	88.06	-
(Refer Note 4(xvii) on schedule 20)					
Total	**39,166.12**	**27,259.26**	**21,748.23**	**21,721.82**	**2,091.66**
II. Application of Funds					
1. Fixed Assets					
(a) Gross Block	24,558.88	24,274.84	17,658.93	18,042.23	209.74
(b) Less: Depreciation	11,051.19	8,856.68	6,943.60	5,068.34	2.21
(c) Net Block	**13,507.69**	**15,418.16**	**10,715.33**	**12,973.89**	**207.53**
(d) Capital Work-in-Progress (including capital advances)	13,868.34	7,058.02	4,768.02	1,157.16	23.73
(e) Expenditure during construction pending allocation (net)	period, 2,450.04	890.33	1,268.18	577.13	78.08
	29,826.07	**23,366.51**	**16,751.53**	**14,708.18**	**309.34**
2. Investments	2,556.98	1,754.79	365.53	921.13	867.94
3. Current Assets, Loans and Advances					
(a) Inventories	358.64	306.30	311.46	268.06	-
(b) Sundry Debtors	2,433.34	1,832.31	1,683.36	2,808.76	463.62
(c) Cash and Bank Balances	6,754.21	4,509.43	4,810.88	4,883.60	380.38
(d) Other Current Assets	841.35	32.63	48.60	99.71	79.71
(e) Loans and Advances	1,051.46	507.63	917.98	1,235.94	262.04
	11,439.00	**7,188.30**	**7,772.28**	**9,296.07**	**1,185.75**
Less: Current Liabilities and Provisions					
(a) Liabilities	3,859.20	4,092.78	2,599.02	2,646.85	245.84
(b) Share Application Money	-	400.00	-	14.58	-
(c) Provisions	796.76	557.72	552.30	556.36	33.01
	4,655.96	**5,050.50**	**3,151.32**	**3,217.79**	**278.85**
Net Current Assets	**6,783.04**	**2,137.80**	**4,620.96**	**6,078.28**	**906.90**
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	0.03	0.16	10.21	14.23	7.48
Total	**39,166.12**	**27,259.26**	**21,748.23**	**21,721.82**	**2,091.66**

Consolidated Profit And Loss Account

(Rs in million)

	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
I. Income					
Sales and Operating Income	10,585.49	9,929.10	9,732.77	4,747.69	157.94
Other Income	315.14	285.43	300.67	184.83	85.43
	10,900.63	**10,214.53**	**10,033.44**	**4,932.52**	**243.37**
II. Expenditure					
Generation and Operating Expenses	5,057.84	5,134.22	5,329.02	2,642.93	-
Administration and Other Expenses	1,028.24	858.21	552.42	343.87	53.98
Interest and Finance Charges	1,557.77	1,129.15	1,215.63	712.37	84.68
Depreciation	2,199.71	1,911.65	1,874.81	796.36	1.32
Amortisation of Miscellaneous Expenditure (Net)	-	10.06	5.40	17.22	2.09
	9,843.56	**9,043.29**	**8,977.28**	**4,512.75**	**142.07**
III. Profit Before Taxation and before Minority Interest/Share of profits of Associate	**1,057.07**	**1,171.24**	**1,056.16**	**419.77**	**101.30**
Provision for Taxation					
- Current	112.29	121.85	93.34	45.07	22.50
- Deferred	(0.80)	(69.15)	(16.29)	20.57	-
- Fringe Benefit	13.59	-	-	-	-
IV. Profit after Taxation and before Minority Interest/Share of profits of Associate	**931.99**	**1,118.54**	**979.11**	**354.13**	**78.80**
Minority Interest	230.59	430.24	299.12	99.04	-
Share of Profits of Associate	4.09	2.17	0.01	-	8.06
V. Net Profit after Minority Interest/Share of profits of Associate	**705.49**	**690.47**	**680.00**	**255.09**	**86.86**
Surplus brought forward	679.04	618.96	88.52	26.71	5.47
VI. Amount available for appropriation	**1,384.53**	**1,309.43**	**768.52**	**281.80**	**92.33**
Appropriations:					
Debenture Redemption Reserve	37.50	370.00	7.50	7.50	7.50
Capital Redemption Reserve	-	185.00	-	-	-
Special Reserve (under Section 45IC of The Reserve Bank of India Act, 1934)	-	-	114.93	80.41	25.10
Preference dividend	-	15.48	24.05	24.05	3.69
Issue of bonus shares	99.31	-	-	-	-
Proposed Equity Dividend	-	-	-	16.17	29.33
Dividend Distribution Tax	73.17	59.91	3.08	65.15	-
VII. Available Surplus carried to Balance Sheet	**1,174.55**	**679.04**	**618.96**	**88.52**	**26.71**

The Issue

Equity Shares offered	
Fresh Issue	38,136,980 Equity Shares, constituting 11.52% of the fully diluted post Issue paid-up capital of the Company, aggregating Rs. • million *of which:* (1)
Employees Reservation Portion (2)	500,000 Equity Shares (Allocation on a proportionate basis)
And	
Net Offer to the Public	37,636,980 Equity Shares, constituting 11.37% of the fully diluted post Issue paid-up capital of the Company
Comprising:	
Qualified Institutional Buyers portion	At least 22,582,188 Equity Shares, constituting at least 60% of the Net Offer to the Public, of which 5% shall be allotted to Mutual Funds (Allocation on a proportionate basis)
Non Institutional portion	Up to 3,763,698 Equity Shares, constituting up to 10% of the Net Offer to the Public (Allocation on a proportionate basis)
Retail portion	Up to 11,291,094 Equity Shares, constituting up to 30% of the Net Offer to the Public (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	292,947,020 Equity Shares
Equity Shares outstanding after the Issue	331,084,000 Equity Shares
Objects of the Issue	The proceeds of the Issue would be used to meet the Objects of the Issue. For more information, please refer to the section titled "Objects of the Issue" beginning on page 34 of this Red Herring Prospectus.

(1) Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 1,129,110 Equity Shares (assuming QIB Portion is 60% of the Net Offer to the Public, i.e. 22,582,188 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum allotment of 60% of the Net Offer to the Public is not made to the QIBs, the entire subscription monies shall be refunded.

General Information

Incorporation and change of name

We were originally incorporated on May 10, 1996 as a public limited company called Varalakshmi Vasavi Power Projects Limited in the State of Andhra Pradesh. On May 23, 1996, we received our certificate of commencement of business. On May 31, 1999, we changed our name to GMR Vasavi Infrastructure Finance Limited. On July 24, 2000 we changed our name to GMR Infrastructure Limited. On October 4, 2004 we shifted our registered office from the State of Andhra Pradesh to the State of Karnataka.

Registered and Corporate office
GMR Infrastructure Limited
Skip House,
25/1 Museum Road,
Bangalore 560 025
CIN Number: U45203KA2004PLC034805
Tel: +91 80 2207 0100
Fax: +91 80 2299 8118
Web site: www.gmrgroup.co.in

Address of the relevant Registrars of Companies

(i) We were incorporated on May 10, 1996 as a public limited company called Varalakshmi Vasavi Power Projects Limited in State of Andhra Pradesh. On May 23, 1996, we received our certificate of commencement of business. On May 31, 1999 we changed our name to GMR Vasavi Infrastructure Finance Limited. On July 24, 2000 we changed our name to GMR Infrastructure Limited. The Registrar of Companies, Andhra Pradesh at Hyderabad is located at:

2nd floor, CPWD Building.
Kendriya Sadan, Sultan Bazar, Koti,
Hyderabad 500195
Tel: +91 40 4657937/4652807
Fax: +91 40 4652807
Website: www.mca.gov.in

(ii) Our registered office was shifted from the State of Andhra Pradesh to the State of Karnataka. In this behalf, a fresh certificate of incorporation was issued on October 4, 2004. Our Company, bearing Registration Number, 34805 is registered with the Registrar of Companies, Bangalore at Karnataka which is located at:

'E' wing, 2nd floor
Kendriya Sadana
Koramangala,
Bangalore 560034
Tel: +91 80 2553 7449
Fax: +91 80 2552 8531
Website: www.mca.gov.in

Board of Directors

Sl. No.	Name, Designation, Occupation, Age	Address
1.	Mr. G. M. Rao Chairman and Managing Director Occupation: Entrepreneur 56 years	Varalakshmi Nilayam, 486/76, 38th Cross, 8th Block, 1st Main Road, Jayanagar Bangalore 560 082
2.	Mr. Srinivas Bommidala Group Director Occupation: Entrepreneur 42 years	309, IIIrd Cross, 2nd Block,II Stage, Devasandra, RMV Extension, Bangalore 560 094
3.	Mr. G. B. S. Raju Group Director Group Chief Financial Officer Occupation: Entrepreneur 31 years	Varalakshmi Nilayam,486/76, 38th Cross, 1st Main Road, 8th Block, Jayanagar Bangalore 560 082
4.	Mr. G. Kiran Kumar Group Director Occupation: Entrepreneur 30 years	Varalakshmi Nilayam,486/76, 38th Cross, 1st Main Road, 8th Block, Jayanagar Bangalore 560082
5.	Mr. B. V. N. Rao Group Director Occupation: Service 51 years	1230/A, 34th Cross,4th T Block, Jayanagar, Bangalore 560 041
6.	Mr. K. Balasubramanian Director Occupation: Consultant 62 years	KunchitapadamFlat No. 708, Olympus- III Prestige Acropolis Hosur Road, Bangalore 560 029
7.	Mr. P. B. Vanchi Director Occupation: Service 54 years	Plot No. 1839, 1st Block, 20th Main Road, Annanagar West, Chennai 600040

Sl. No.	Name, Designation, Occupation, Age	Address
8.	Mr. Arun K. Thiagarajan Independent Director Occupation: Consultant 61 years	"Grace Home", No.37, Kanakapura Road, Basavanagudi, Bangalore 560 004
9.	Mr. K. R. Ramamoorthy Independent Director Occupation: Consultant 65 years	#1915, Cross 5, Main 18 A, Phase 2, J.P.Nagar,Bangalore 560078
10.	Mr. Luis Miranda Director Occupation: Private Equity Investor 44 years	17 Vaswani Mansion, 3rd Floor, Dinshaw Vachha Road, Churchgate, Mumbai 400 020
11.	Dr. Prakash G. Apte Independent Director Occupation: Consultant/Professor 58 years	ProfessorIndian Institute ofManagement, Bannerghatta Road, Bangalore 560 076
12.	Mr. R.S.S.L.N.Bhaskarudu Independent Director Occupation: Consultant 65 years	House No.2210, Sector-D, Pocket 2, Vasant Kunj, New Delhi 110030
13.	Mr. T.R. Prasad Independent Director Occupation: Retired IAS officer 64 years	Plot no. 18, Ocean View Lay Out, Opposite Acqua Sports Complex, Vishakapatnam 530003
14.	Mr. Udaya Holla Independent Director Occupation: Consultant/Lawyer and Advocate General, State of Karnataka 55 years	M/s Holla & Holla, 102/103, Embassy Square, 148, Infantry Road, Bangalore 560001
15.	Mr. Uday M. Chitale Independent Director Occupation: Chartered Accountant 56 years	167/C, Poonawadi, Dr. Ambedkar Road, Dadar, Mumbai 400014

For more details on our Directors, please refer to the section titled "Management" beginning on page 148 of this Red Herring Prospectus.

Compliance Officer/Company Secretary
Mr. A. S. Cherukupalli
GMR Infrastructure Limited
Skip House,
25/1 Museum Road,
Bangalore 560 025
Tel: +91 80 2207 0100
Fax: +91 80 2299 8118
Email: gmripo@gmrgroup.co.in

Legal Counsel to the Company
Link Legal
109, Golf Apartments, Sujan Singh Park,
Maharishi Ramanna Marg,
New Delhi 110 003
Tel: +91 11 2461 0080-82
Fax: +91 11 2461 0083

Domestic Legal Counsel to the Underwriters

Amarchand and Mangaldas and Suresh A. Shroff and Co.
201, Midford House,
Midford Garden,
M.G.Road,
Bangalore 560 001
Tel: +91 80 2558 4870/4112 4950
Fax: +91 80 2558 4266

International Legal Counsel to the Underwriters
Skadden, Arps, Slate, Meagher & Flom LLP
42/F, Edinburgh Tower, The Landmark,
15 Queens Road Central, HongKong,
Tel: + 852 3740 4700
Fax : + 852 3740 4727

Book Running Lead Managers
JM Morgan Stanley Private Limited
141 Maker Chambers III,
Nariman Point,
Mumbai 400 021
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
Email: gmripo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person: Mr. Kushal Doshi

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor,
Nariman Point,
Mumbai 400 021
Tel: +91 22 2265 1702
Fax: +91 22 2262 1187
Email: gmr_issue@ml.com
Web site: www.dspml.com
Contact Person: Mr. N.S. Shekhar

Enam Financial Consultants Private Limited
801, Dalamal Towers,
Nariman Point
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
Email: gmr.ipo@enam.com
Web site: www.enam.com
Contact Person: Ms. Shital Shah

SSKI Corporate Finance Private Limited
803-804, Tulsiani Chambers,
8th Floor, Nariman Point,
Mumbai 400 021
Tel: +91 22 6638 3333
Fax: +91 22 2204 0282
Email: gil.ipo@sski.co.in
Web site: www.sski.co.in
Contact Person: Mr. S. Venkatraghavan

Syndicate Members
JM Morgan Stanley Financial Services Private Limited
Apeejay House,
3, Dinshaw Waccha Road,
Churchgate, Mumbai 400 021
Tel :+91 22 6704 3184 / 3185
Fax +91 22 6654 1511
Email: gmripo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person : Mr. Deepak Vaidya / Mr. T. N. Kumar

Enam Securities Private Limited
Khatau Building, IInd Floor,
44B, Bank Street, Off Shahid Bhagat Singh Road,
Fort, Mumbai 400 001
Tel: +91 22 2267 7901
Fax: +91 22 2266 5613
Email: gmr.ipo@enam.com
Web site: www.enam.com
Contact Person : Mr Ajay Seth

Sharekhan Limited
A - 206, Phoenix House,
2nd Floor, Senapati Bapat Marg,
Lower Parel, Mumbai 400013.
Tel: +91 22 24982000 / 24989670
Fax: +91 22 24982626
Email: pankajp@sharekhan.com
Website: www.sharekhan.com
Contact Person: Mr. Pankaj Patel

Edelweiss Securities Private Limited
14th Floor, Express Towers,
Nariman Point, Mumbai 400 021
Tel: +91 22 22864400
Fax: +91 22 22882119
Email: bakul.mehta@edelcap.com
Website: www.edelcap.com
Contact Person: Mr. Bakul Mehta

Karvy Stock Broking Limited
8-2-609/K, Avenue-4, Street No. 1,
Banjara Hills, Hyderabad 500 034
Tel: +91 40 23312454
Fax: +91 40 66621474
Email: shridhark@karvy.com
Website: www.karvy.com
Contact Person: Mr. Shridhar K.

Co- Managers to the Issue
Canara Bank
Merchant Banking Division
Varma Chambers
11, Homji Street, Fort
Mumbai 400 001
Tel: +91 22 2267 7405
Fax: +91 22 2667 7404
Email: mbdcomcity@canbank.co.in
Contact Person: Mr. P. Sitaram

Union Bank of India
Merchant Banking Division
9th Floor, Union Bank Bhavan
239, Vidhan Bhavan Marg
Nariman Point,
Mumbai 400 021
Tel: +91 22 22896319 / 22896322
Fax: +91 22 2282 4689
Email: mohantysatyajit@unionbankofindia.com
Contact person: Mr. Satyajit Mohanty

Andhra Bank
Dr. Pattabhi Bhawan
5-9-11, Saifabad,
Hyderabad 500 004.
Tel : +91 40 23230001
Fax : +91 40 23230883
Email : mbd@andhrabank.co.in
Contact Person : Mr. T. R. Ramabhadran

Registrar to the Issue
Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
Tel: + 91 40 2331 2454
Fax: + 91 40 2331 1968
Email: gmr.ipo@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murli Krishna

Bankers to the Company
ICICI Bank Ltd.
ICICI Bank Towers
5th Floor, Bandra Kurla Complex, Bandra East
Mumbai 400 051
Tel: +91 22 2653 1414
Fax: +91 22 2653 1122
Email: anjaligupta@icicibank.com

Industrial Development Bank of India Limited
IDBI House, 58, Mission Road
Bangalore 560 027
Tel: +91 80 2210 6139
Fax: +91 80 2221 5194
Email: k.ramaswamy@idbi.co.in

Bank of Baroda
No.26, Richmond Road
Bangalore 560 025
Tel: +91 80 2227 0567
Fax: +91 80 2227 1569
E mail: corban@bankofbaroda.com

UTI Bank Ltd.
Maker Towers 'F',
13th Floor, Cuffe Parade
Mumbai 400 005.
Tel: +91 22 2218 9106
Fax: +91 22 2218 6944
Email: apurva.mehta@utibank.co.in

Indian Overseas Bank
97/1, Residency Road
Bangalore 560 025
Tel: +91 80 2295 0270
Fax: +91 80 2248 3391
Email: resrdbr@bangrco1.iobnet.co.in

Corporation Bank
IFB, I Floor, Indian Express Building
No. 1, Queen's Road
Bangalore 560 001
Tel: +91 80 2286 0958
Fax: +91 80 2286 3293
E-mail: cb438@corpbank.com

State Bank of Hyderabad
IFD, Sheriff House, I Floor
85, Richmond Road
Bangalore 560 025
Tel: +91 80 2212 1239
Fax: +91 80 2227 1482
Email : sbhif743@vsnl.com

United Bank of India
No 40, Kempegowda Road
Bangalore 560 009
Tel: +91 80 2226 5626
Fax: +91 80 2225 0412
E-mail: bmbgl@unitedbank.co.in

ING Vysya Bank Limited
Car Street, Ulsoor,
Bangalore 560 008
Tel: +91 80 2557 0226/2557 0279
Fax: +91 80 2257 0279
E mail: ulswrbm@ingvysyabank.com

Our Subsidiaries have also availed of certain credit facilities (fund and/or non-fund based) from specific banks and/or financial institutions. For more details, please refer to the section titled 'Description of Certain Indebtedness' beginning on page 348 of this Red Herring Prospectus.

Bankers to the Issue and Escrow Collection Banks
ICICI Bank Ltd.
Capital Market Division
30, Mumbai Samachar Marg,
Mumbai 400 001
Tel: +91 22 2262 7600
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Shankar Routray

HDFC Bank Limited
26A, Narayanan Properties,
Chandivali Farm Road,
Saki Naka, Andheri (East)
Mumbai 400 072
Tel: +91 22 2856 9009
Fax: +91 22 2856 9256
Email: viral.kothari@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Viral Kothari

UTI Bank Ltd.
Central Office
Maker Towers 'F'
13th Floor, Cuffe Parade
Colaba, Mumbai 400 005
Tel : +91 22 6707 4407
Fax : +91 22 2218 6944
Email : y.hari @utibank.co.in
Website: www.utibank.com
Contact Person : Mr. Y. Hari

Kotak Mahindra Bank Limited
13th Floor, Nariman Bhavan
227, Nariman Point
Mumbai 400 021
Tel : +91 22 56596022
Fax : +91 22 22817527
Email : ibrahim.sharief@kotak.com; sunil.sawant@kotak.com
Website: www.kotak.com
Contact Person : Mr Ibrahim Sharief / Mr Sunil Sawant

ING Vysya Bank Ltd
22, MG Road
Bangalore 560 001
Tel : +91 80 2500 5280
Fax : +91 80 2500 5262
Email : nagarathanam@ingvysyabank.com; anupamapr@ingvysyabank.com
Website: www.ingvysyabank.com
Contact Person : Mr. P. Nagarathanam / Ms. Anupama P. R.

Standard Chartered Bank
270, D.N. Road,
Fort, Mumbai 400 001
Tel : +91 22 2268 3965
Fax : +91 22 2209 6069
Email : Banhid.bhattacharya@in.standardchartered.com; Rajesh.Malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person : Mr. Banhid Bhattacharya / Mr. Rajesh Malwade

Citibank N.A
D. N. Road, Fort,
Mumbai 400 001
Tel: +91 22 2844 6350
Fax: +91 22 2653 5824
Email: divyesh.dalal@citigroup.com / delshad.billimoria@citigroup.com
Website: www.citibank.co.in
Contact Person: Mr. Divyesh Dalal / Ms. Delshad Billimoria

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road
P.O. Box 128,
Mumbai 400 001
Tel : +91 22 2268 1673
Fax : +91 22 22734388
Email : dhirajbajaj@hsbc.co.in
Website: www.hsbc.co.in
Contact Person : Mr. Dhiraj Bajaj

Statutory Auditors to the Company
Price Waterhouse
6-3-550
2nd Floor, L.B. Bhavan
Somajiguda
Hyderabad 500 082
Tel: +91 40 2330 1364/65
Fax: +91 40 2332 6117
Email: gmr.ipo@in.pwc.com

Monitoring Agency
Industrial Development Bank of India Limited
IDBI Tower,
WTC Complex, Cuffe Parade,
Mumbai 400 005
Tel: +91 22 6655 2151
Fax: +91 22 2215 5742
Email: pr.joshi@idbi.co.in
Contact Person: Mr. Prashant Joshi

Inter Se Allocation of Responsibilities of the Book Running Lead Managers

No.	Activities	Responsibility	Co-ordinator
1	Capital Structuring with relative components and formalities such as type of instruments, etc.	JMMS, DSPML, Enam, SSKI	JMMS
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	JMMS, DSPML, Enam, SSKI	JMMS
3	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	JMMS, DSPML, Enam, SSKI	DSPML
4	Appointment of Registrar, Bankers,	JMMS, DSPML, Enam, SSKI	DSPML
5	Appointment of Printer and Ad agency	JMMS, DSPML, Enam, SSKI	DSPML
6	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, ● Formulating marketing strategies, preparation of publicity budget ● Finalize Media & PR strategy ● Finalizing centers for holding conferences for brokers, etc. ● Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material ● Finalize collection centers	JMMS, DSPML, Enam, SSKI	Enam
7	Domestic Institutional marketing of the Issue, which will cover, inter alia, ● Finalizing the list and division of investors for one to one meetings, and ● Finalizing road show schedule and investor meeting schedules	JMMS, DSPML, Enam, SSKI	JMMS
8	International Institutional marketing of the Issue, which will cover, inter alia, ● Finalizing the list and division of investors for one to one meetings, and ● Finalizing road show schedule and investor meeting schedules	JMMS, DSPML, Enam, SSKI	DSPML
9	Finalisation of pricing in consultation with company	JMMS, DSPML, Enam, SSKI	JMMS

No.	Activities	Responsibility	Co-ordinator
10	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow-up steps, which must include finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue, and the bank handling refund business. BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company	JMMS, DSPML, Enam, SSKI	DSPML
11.	Any other activities in connection with the offering which are not covered above	JMMS, DSPML, Enam, SSKI	JMMS

The selection of various agencies like Registrar to the Issue, Bankers to the Issue, Bank Collection Centres, Domestic and International Legal Advisors, Underwriters to the Issue, Advertising Agencies, Public Relations Agencies etc. will be or have been finalised by the Company in consultation with the BRLMs.

Credit Rating

As this is an issue of Equity Shares, credit rating is not required.

IPO Grading

The Company has not opted for IPO grading of the Issue.

Trustees

As this is an issue of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. The BRLMs
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs; and
4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 (“SCRR”), this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Offer to the Public will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Offer to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Offer to the Public will be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” on page 361 of this Red Herring Prospectus.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 364);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure -'PAN' or 'GIR' Number" on page 381); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason therefor.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**July 31, 2006**
BID/ISSUE CLOSES ON	**August 4, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	**Indicated Number of Equity Shares to be Underwritten**	**Amount Underwritten (Rs. in million)**
JM Morgan Stanley Private Limited 141 Maker Chambers III,Nariman Point, Mumbai 400 021Tel: +91 22 6630 3030 Fax: +91 22 2204 7185 Email: gmripo@jmmorganstanley.com Web site: www.jmmorganstanley.com Contact Person : Mr. Kushal Doshi	[●]	[●]
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021 Tel: +91 22 2265 1702Fax: +91 22 2262 1187 Email: gmr_issue@ml.com Web site: www.dspml.com Contact Person : Mr. N.S. Shekhar	[●]	[●]
Enam Financial Consultants Private Limited 801, Dalamal Towers,Nariman Point Mumbai 400 021 Tel: +91 22 6638 1800Fax: +91 22 2284 6824 Email: gmr.ipo@enam.com Web site: www.enam.com Contact Person : Ms. Shital Shah	[●]	[●]
SSKI Corporate Finance Private Limited 803-804, Tulsiani Chambers,8th Floor, Nariman Point,Mumbai 400 021 Tel: +91 22 6638 3333Fax: +91 22 2204 0282 Email: gil.ipo@sski.co.in Web site: www.sski.co.in Contact Person : Mr. S. Venkatraghavan	[●]	[●]
JM Morgan Stanley Financial Services Private Limited Apeejay House, 3, Dinshaw Waccha Road,Churchgate, Mumbai 400 021Tel :+91 22 6704 3184 / 3185 Fax +91 22 6654 1511Email: gmripo@jmmorganstanley.com Website: www.jmmorganstanley.com Contact Person : Mr Deepak Vaidya / Mr T N Kumar	[●]	[●]
Enam Securities Private Limited Khatau Building, IInd Floor, 44B, Bank Street, Off Shahid Bhagat Singh Road,Fort, Mumbai 400 001 Tel :+91 22 2267 7901 Fax +91 22 2266 5613 Email: gmr.ipo@enam.comWebsite: www.enam.com Contact Person : Mr Ajay Seth	[●]	[●]
Sharekhan Limited A - 206, Phoenix House, 2nd Floor, Senapati Bapat Marg, Lower Parel, Mumbai 400013.Tel: +91 22 24982000 / 24989670 Fax: +91 22 24982626Email: pankajp@sharekhan.com Website: www.sharekhan.com Contact Person: Mr. Pankaj Patel	[●]	[●]

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
Edelweiss Securities Private Limited 14th Floor, Express Towers,Nariman Point, Mumbai 400 021 Tel: +91 22 22864400Fax: +91 22 22882119 Email: bakul.mehta@edelcap.com Website: www.edelcap.com Contact Person: Mr. Bakul Mehta	[●]	[●]
Karvy Stock Broking Limited 8-2-609/K, Avenue-4, Street No. 1, Banjara Hills, Hyderabad 500 034 Tel: +91 40 23312454 Fax: +91 40 66621474 Email: shridhark@karvy.com Website: www.karvy.com Contact Person: Mr. Shridhar K.	[●]	[●]

The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchange(s). The Management Committee, at their meeting held on [●], have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 (“SCRR”), this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Offer to the Public will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Offer to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Offer to the Public will be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Capital Structure

Our Share capital as at the date of filing of the Red Herring Prospectus with SEBI and after the Issue is set forth below.

			Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A.	Authorised Capital			
	400,000,000	Equity Shares of Rs. 10 each	4,000,000,000	
B.	Issued, Subscribed and Paid-Up Capital before the Issue			
	292,947,020	Equity Shares of Rs. 10 each	2,929,470,200	
C.	Issue in terms of this Red Herring Prospectus			
	38,136,980	Equity Share of Rs. 10 each	381,369,800	[●]
	Out of which			
	500,000	Equity Shares of Rs. 10 each are reserved for allotment to Eligible Employees on a proportionate basis.	5,000,000	[●]
D.	Net Offer to the Public			
	37,636,980	Equity Share of Rs. 10 each	376,369,800	[●]
E.	Equity Share Capital after the Issue			
	331,084,000	Equity Shares of Rs. 10 each	3,310,840,000	[●]
F.	Share Premium Account			
		Before the Issue	5,157,374,450	[●]
		After the Issue*	[●]	[●]

** The share premium account will be determined after Book Building Process.*

The present Issue has been authorized by the Board of Directors pursuant to a resolution dated September 2, 2005 read with Board resolution dated February 2, 2006. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on February 28, 2006. Pursuant to the Board resolution dated July 12, 2006, the price band of the Issue has been fixed at Rs. 210 (floor) to Rs. 250 (ceiling). Our Company has received letters dated December 19, 2005 and June 2, 2006 from the FIPB stating that the proposal of FII/NRI investment under the Portfolio Investment Scheme for FIIs registered with SEBI and NRIs does not require FIPB approval. Similarly, FVCIs registered with SEBI also are governed under SEBI's Regulation in consonance with FDI Policy.

a) *The initial authorised share capital of Rs. 10,000,000 divided into 1,00,000 Equity Shares was increased to Rs. 150,000,000 divided into 15,000,000 Equity Shares pursuant to a resolution of the shareholders at the EGM held on May 25, 1999.*

b) *The authorised share capital of Rs. 150,000,000 divided into 15,000,000 Equity Shares of Rs. 10 was increased to Rs. 250,000,000 divided into (i) equity share capital of Rs. 150,000,000 divided into 15,000,000 Equity Shares of Rs. 10; and (ii) Preference share capital of Rs. 100,000,000 divided into 10,000,000 preference shares of Rs. 10 each, pursuant to a resolution of the shareholders at the EGM held on September 14, 1999.*

c) *The aforesaid authorized share capital of Rs. 250,000,000 was increased to Rs. 600,000,000 divided into (i) equity share capital of Rs. 500,000,000 divided into 50,000,000 Equity Shares of Rs. 10 and (ii) preference share capital of Rs. 100,000,000 divided into 10,000,000 preference shares of Rs. 10 each, pursuant to a resolution of the shareholders at the EGM held on March 10, 2000.*

d) *The aforesaid authorized share capital of Rs. 600,000,000 was increased to Rs. 720,000,000 divided into (i) equity share capital of Rs. 600,000,000 divided into 60,000,000 Equity Shares of Rs. 10 and (ii) preference share capital of Rs. 120,000,000 divided into 1,200,000 preference shares of Rs. 100 each, pursuant to a resolution of the shareholders at the EGM held on November 22, 2001.*

e) *The aforesaid authorized share capital of Rs. 720,000,000 was increased to Rs. 1,000,000,000 divided into (i) equity share capital of Rs. 700,000,000 divided into 70,000,000 Equity Shares of Rs. 10 and (ii) preference share capital of Rs. 300,000,000 divided into 3,000,000 preference shares of Rs. 100 each, pursuant to a resolution of the shareholders at the EGM held on December 29, 2001.*

f) *The aforesaid authorized share capital of Rs. 1,000,000,000 was increased to Rs.2,050,000,000 divided into Equity share capital of Rs.1,750,000,000 divided into 175,000,000 Equity Shares of Rs. 10 each and Preference share capital of Rs. 300,000,000 divided into 3,000,000 Preference shares of Rs. 100 each, pursuant to a resolution of the shareholders at the EGM held on February 24, 2003.*

g) *The aforesaid authorized share capital of Rs.2,050,000,000 was reclassified and increased to Rs. 3,000,000,000 divided into 300,000,000 Equity Shares, pursuant to a resolution of the shareholders at the EGM held on September 29, 2005.*

h) *The aforesaid authorized share capital of Rs. 3,000,000,000 was increased to Rs. 4,000,000,000 divided into 400,000,000 Equity Shares, pursuant to a resolution of the shareholders at the EGM held on February 28, 2006.*

Notes to the Capital Structure

1. Equity Share Capital History of our Company:

The following is the history of the Equity Share capital of our Company through the date of this Red Herring Prospectus:

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of payment of Consideration	Reasons for Allotment	Cumulative Paid -up Capital (Rs.)	Cumulative Share Premium (Rs. in million)
May 10, 1996	700	10	10	Cash	Subscribers to Memorandum and Articles	7,000	Nil
June 16, 1999	2,080,000	10	10	Cash	Further Allotment	20,807,000	Nil
October 28, 2000	24,540,000	10	10	Cash	Further Allotment	266,207,000	Nil
January 31, 2001	9,000,000	10	10	Cash	Further Allotment	356,207,000	Nil
March 28, 2001	23,041,391	10	34	Cash	Private placement to Marble Arch Investments Private Limited and Utility Investments Limited	586,620,910	552.99
March 10, 2003	100,000,000	10	10	Cash	Right Issue	1,586,620,910	552.99
September 30, 2005	105,774,723	10	10	Bonus Issue	Bonus Issue in the ratio 2:3	2,644,368,140	Nil*
April 22, 2006	11,737,404	10	85.20	Cash @	Private Placement to India Development Fund	2,761,742,180	882.65
April 25, 2006	9,578,544	10	261	Cash	Private Placement to ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	2,857,527,620	3,286.87
May 13, 2006	2,490,555	10	270	Cash	Private Placement to Quantum (M) Limited	2,882,433,170	3,934.41
May 13, 2006	1,000,000	10	270	Cash	Punjab National Bank	2,892,433,170	4,194.41
June 5, 2006	3,703,703	10	270	Cash	Citigroup Venture Capital International Mauritius Ltd	2,929,470,200	5,157.37

* *Share Premium accumulated and used for bonus issue*

@ *Payments received by way of settlement against amounts payable to them and also partly by way of cash*

2. The share capital history of the Promoters and the Promoter group have been provided below:

Sl. No.	Promoters/ Promoter Group	Nature of issue (bonus, consideration other than cash)	Date of allotment/ acquisition	No. of Equity Shares	Consideration (per Equity Shares)	Pre Issue shareholding Percentage	Post Issue shareholding Percentage
1	Mr. G.M.Rao	Acquired on Allotment	May 10, 1999	100	10	<0.0001	<0.0001
		Acquired on Allotment	June 16, 1999	30,000	10		
		Acquired by way of purchase	August 19, 2002	500	10		
		Sold	August 19, 2002	(30,100)	10		
		Sold	October 23, 2002	(200)	10		
		Sold	May 31, 2004	(100)	10		
		Acquired on Bonus Allotment	September 30, 2005	133	Nil		
	Total Equity Shares held			**333**			
2	GMR Holdings Private Limited	Acquired on Allotment	June 16, 1999	510,000	10	89.42	79.12
		Acquired on Allotment	October 28, 2000	97,500	10		
		Acquired by way of purchase	August 19, 2002	30,100	10		
		Acquired by way of purchase	August 19, 2002	5,100	10		
		Acquired by way of purchase	August 19, 2002	5,000	10		
		Acquired on Allotment	March 10, 2003	1,000,000	10		
		Acquired by way of purchase	July 20, 2004	7,328,342	34		
		Sold	September 14, 2004	(100)	10		
		Sold	September 14, 2004	(100)	10		
		Acquired by way of Merger	December 24, 2004	149,685,549	Merger		
		Acquired on Bonus Allotment	September 30, 2005	105,774,260	Nil		
		Sold	June 5, 2006	(1,650,000)	10		
		Sold	June 8, 2006	(50,000)	10		
		Sold	June 8, 2006	(100,000)	10		
		Sold	June 28, 2006	(100,000)	10		
		Sold	July 3, 2006	(400,000)	10		
		Sold	July 10, 2006	(175,000)	10		
	Total Equity Shares held			**261,960,651**			

Sl. No.	Promoters/ Promoter Group	Nature of issue (bonus, consideration other than cash)	Date of allotment/ acquisition	No. of Equity Shares	Consideration (per Equity Shares)	Pre Issue shareholding Percentage	Post Issue shareholding Percentage
3	Mrs. G.Varalakshmi	Acquired on Allotment	May 10, 1996	100	10	0.02	0.02
		Acquired on Allotment	June 16, 1999	5,000	10		
		Sold	August 19, 2002	(5,100)	10		
		Acquired by way of purchase	October 23, 2002	200	10		
		Sold	May 31, 2004	(100)	10		
		Acquired on Bonus Allotment	September 3 0, 2005	66	Nil		
		Acquired by way of purchase	June 9, 2006	50,000	10.5		
	Total Equity Shares held			**50,166**			
4	Mr. Srinivas Bommidala	Acquired by way of purchase	May 18, 2006	166	10	0.01	0.01
		Acquired by way of purchase (By HUF of which he is the Karta)	June 9, 2006	20,000	10.5		
	Total Equity Shares held			**20,166**			
5	Mrs. B Ramadevi	Acquired by way of purchase	September 25, 2005	100	10	<0.00025	<0.00025
		Acquired on Bonus Allotment	September 30, 2005	66	NIL		
		Sold	May 18, 2005	166	10		
		Acquired by way of purchase	June 9, 2006	5,000	10.5		
	Total Equity Shares held			**5,000**			
6	Mr. G.B.S. Raju	Acquired on Allotment	June 16, 1999	5,000	10	0.01	0.01
		Sold	August 19, 2002	(5,000)	10		
		Acquired by way of purchase	May 31, 2004	100	10		
		Acquired on Bonus Allotment	September 30, 2005	66	Nil		
		Acquired by way of purchase (By HUF of which he is the Karta)	June 9, 2006	20,000	10.5		
	Total Equity Shares held			**20,166**			

Sl. No.	Promoters/ Promoter Group	Nature of issue (bonus, consideration other than cash)	Date of allotment/ acquisition	No. of Equity Shares	Consideration (per Equity Shares)	Pre Issue shareholding Percentage	Post Issue shareholding Percentage
7	Mr. G.Kiran Kumar	Acquired by way of purchase	May 31, 2004	100	10	0.01	0.01
		Acquired on Bonus Allotment	September 30, 2005	66	Nil		
		Acquired by way of purchase (By HUF of which he is the Karta)	June 9, 2006	20,000	10.5		
	Total Equity Shares held			**20,166**			

None of the aforesaid natural persons hold equity shares equal to or more than 10% of the share capital in the Company or any body corporate forming part of the promoter group.

3. Promoters Contribution and Lock-in:

In terms of Chapter IV of the SEBI DIP Guidelines, the shareholding of the Promoter, GMR Holdings will be offered as the Promoters Contribution for this Issue and the following Equity Shares would be locked-in for a period of three years as under:

Name of Promoter	Date on which fully paid up Equity Shares were acquired/ transferred	Nature of payment of consideration	Par Value (Rs.)	Number of Equity Shares of Rs. 10 each (Rs.)	Issue Price (Rs.)	Nominal Value of Equity Shares (Rs.)	% of Post-Issue Paid up capital
GMR Holdings	September 30, 2005	Bonus issue	10	66,216,800	10	662,168,000	20.0%

The additional 195,743,851 Equity Shares (in excess of the aforesaid 20%) held by the Promoter, GMR Holdings shall be locked in for a period of one year. Further, the 333 Equity Shares held by the individual Promoter, Mr. G.M.Rao shall also be locked in for a period of one year.

In terms of Clause 4.14.1 of the SEBI DIP Guidelines, other than the Equity Shares mentioned above which are locked in for three years, the entire remaining pre-Issue share capital shall be locked in for a period of one year from the date of allotment in this Issue.

As per Clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

Under Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeovers Regulations.

Further, under Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.

4. Shareholding Pattern of our Company

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

Name of the shareholder	**Pre-Issue (As on the date of filing of this Red Herring Prospectus)**		**Post-Issue**	
	Number of Equity Shares	**Percentage Equity Share capital (%)**	**Number of Equity Shares**	**Percentage Equity Share capital (%)**
Promoters				
- GMR Holdings	261,960,651		261,960,651	
- G.M. Rao	333		333	
Sub Total	**261,960,984**	**89.42**	**261,960,984**	**79.12**
Promoter Group/Directors of GMR Holding				
-Mrs. G. Varalakshmi	50,166	0.04	50,166	0.03
Mr. Srinivas Bommidala**	20,166*		20,166*	
Mr. G.B.S. Raju**	20,166 *		20,166*	
Mr. G. Kiran Kumar**	20,166*		20,166*	
Mrs. B. Ramadevi	5,000		5,000	
GMR Operations Private Limited	166		166	
Sub Total	**115,830**		**115,830**	
Private Equity Investors				
India Development Fund	11,737,404	4.01	11,737,404	3.55
ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544	3.27	9,578,544	2.89
Quantum (M) Limited	2,490,555	0.85	2,490,555	0.75
Punjab National Bank	1,000,000	0.34	1,000,000	0.30
Citigroup Venture Capital International Mauritius Ltd	3,672,966	1.25	3,672,966	1.11
Sub Total	**28,479,469**	**9.72**	**28,479,469**	**8.60**
Others				
Public	2,390, 737	0.82	40,527,717	12.24
Total	**292,947,020**	**100.00**	**331,084,000**	**100.00**

** Out of the total shareholding disclosed, 20,000 shares are held in the name of the respective HUF*

*** Presently is a Director on the Board of the Company and the board of directors of GMR Holdings, the Promoter.*

5. The list of our top ten shareholders and the number of Equity Shares held by them is as under:

(a) Our top ten shareholders and the number of Equity Shares of Rs.10 each held by them on the date of filing this Red Herring Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	As at date of filing with the SEBI
1.	GMR Holdings Private Limited	261,960,651
2.	India Development Fund	11,737,404
3.	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544
4.	Citigroup Venture Capital International Mauritius Ltd	3,672,966
5.	Quantum (M) Limited	2,490,555
6.	Punjab National Bank	1,000,000
7.	Sanjay Kumar Banka, Trustee - Harvest Welfare Trust	358,075
8.	Cosmos Soft-Tech Services (Private)Limited	100,000
9.	Amol Commercial Private Limited	100,000
10.	Forward Commercial Private Limited	100,000
11.	N B Commercial Private Limited	100,000
12.	Dhruvi Commercial Private Limited	100,000
	TOTAL	**291,298,195**

(b) Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them 10 days prior to date of filing this Red Herring Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	10 days prior to date of filing
1.	GMR Holdings Private Limited	262,635,651
2.	India Development Fund	11,737,404
3.	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544
4.	Citigroup Venture Capital International Mauritius Ltd	3,703,703
5.	Quantum (M) Limited	2,490,555
6.	Punjab National Bank	1,000,000
7.	Sanjay Kumar Banka, Trustee - Harvest Welfare Trust	887,175
8.	Cosmos Soft-Tech Services (P) Ltd	100,000
9.	Wonil Toys Private Limited	75,000
10.	G Varalakshmi	50,166
	TOTAL	**292,258,198**

(c) Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of this Red Herring Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	Two years prior to date of filing
1.	GMR Holdings*	151,333,249
2.	Marble Arch Investments PCC Limited	7,328,342
3.	Mr. G.M. Rao	200
4.	Mrs.G.Varalakshmi	100
5.	Mr. G.B.S. Raju	100
6.	Mr. G. Kiran Kumar	100
7.	-	-
8.	-	-
9.	-	-
10.	-	-
	TOTAL	**158,662,091**

** Pursuant to a scheme of amalgamation filed under Section 391 of the Companies Act, GMR Investments Private Limited, Vasavi Finance Private Limited, Varalakshmi Investments Private Limited and Vasavi Securities Limited were merged into GMR Holdings (previously known as Rao Investments Private Limited) with effect from April 1, 2003 due to which all the Equity Shares held by the respective transferor companies were held by the transferee company, GMR Holdings.*

6. There are no outstanding financial instruments or any other rights, which would entitle promoters or shareholders or any other person any option to acquire our Equity Shares after the IPO.

7. We, nor our Directors / Promoters / Promoter Group, nor their respective Directors and the BRLMs have entered into any buy-back and/or standby or similar arrangements for purchase of Equity Shares of our Company from any person, save as described in the section entitled "Shareholders Agreement" on page 140 of this Red Herring Prospectus.

8. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalising the basis of allotment.

9. Equity Shares in respect of which the Balance Amount Payable remains unpaid may be forfeited, at any time after the Due Date for payment of Balance Amount Payable. The Company reserves the right to charge interest at the rate of 15 percent per annum on the Balance Amount Payable from the Due Date for payment of Balance Amount Payable till the date of payment or forfeiture.

10. Investors may note that in case of an over-subscription in the Issue, allotment to Qualified Institutional Investors, Non-Institutional Bidders, Retail Bidders and Bidders in the Employee Reservation Portion shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 384 of this Red Herring Prospectus.

11. Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 1,129,110 Equity Shares (assuming QIB Portion is 60% of the Net Offer to the Public, i.e. 22,582,188 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum allotment of 60% of the Net Offer to the Public is not made to the QIBs, the entire subscription monies shall be refunded.

12. The Company issued the following Equity Shares before the date of the filing of the Red Herring Prospectus.

Sl. No.	Shareholders	Number of Equity Shares	Issue Price per Equity Share (Rs.)	Date of Issue of Equity Shares
1	India Development Fund	11,737,404	85.20	April 22, 2006
2.	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544	261.00	April 25, 2006
3	Quantum (M) Limited	2,490,555	270.00	May 13, 2006
4	Punjab National Bank	1,000,000	270.00	May 13, 2006
5	Citigroup Venture Capital International Mauritius Limited	3,703,703	270.00	June 5, 2006

Items (3), (4) and (5) were issued pursuant to the pre-Issue private placement of Equity Shares as disclosed in the Draft Red Herring Prospectus.

13. The Company made an allotment of its Equity Shares to the following persons during the preceding one year:

Sl. No.	Name of the allottee	Date of allotment	Whether member Promoter of Group	No. of Equity Shares allotted	Consideration paid per Equity Shares (in Rs.)	Reasons for allotment
1.	GMR Holdings Private Limited	September 30, 2005	Yes	105,774,260	Nil	Bonus Issue
2	Mr. G M Rao	September 30, 2005	Yes	133	Nil	Bonus Issue
3	Mr. G B S Raju	September 30, 2005	Yes	66	Nil	Bonus Issue
4	Mr. G Kiran Kumar	September 30, 2005	Yes	66	Nil	Bonus Issue
5	Mrs. G Varalakshmi	September 30, 2005	Yes	66	Nil	Bonus Issue
6	Mrs. B Ramadevi	September 30, 2005	Yes	66	Nil	Bonus Issue
7	GMR Operations Private Limited	September 30, 2005	Yes	66	Nil	Bonus Issue
8	India Development Fund	April 22, 2006	No	11,737,404	85.20	Private Placement
9	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	April 25, 2006	No	9,578,544	260.00	Private Placement
10	Quantum (M) Limited	May 13, 2006	No	2,490,555	270.00	Private Placement
11	Punjab National Bank	May 13, 2006	No	1,000,000	270.00	Private Placement
12	Citigroup Venture Capital International Mauritius Ltd	June 5, 2006	No	3,703,703	270.00	Private Placement

14. Except as stated below, none of our Promoters, members of our promoter group or Directors of Corporate Promoter have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI

Sl. No.	Purchaser	Seller	No. of Shares	Consideration paid per share (in Rs.)	Date of purchase/sale (as applicable)
1.	Mr. Srinivas Bommidala	Mrs. B. Ramadevi	166	10.00	May 18, 2006
2.	Mr. Sanjay Kumar Banka, Trustee - Harvest Welfare Trust	GMR Holdings Private Limited	2,475,000	10.00	June 5, 2006, June 8, 2006, June 28, 2006 July 3, 2006 and July 10, 2006
3.	Mrs. G. Varalakshmi	Mr. Sanjay Kumar Banka, Trustee	50,000	10.50	June 9, 2006
4.	Mr. G.B.S. Raju HUF	Mr. Sanjay Kumar Banka, Trustee	20,000	10.50	June 9, 2006
5.	Mr. G. Kiran Kumar HUF	Mr. Sanjay Kumar Banka, Trustee	20,000	10.50	June 9, 2006
6.	Mr. Srinivas Bommidala HUF	Mr. Sanjay Kumar Banka, Trustee	20,000	10.50	June 9, 2006
7.	Mrs. B. Ramadevi	Mr. Sanjay Kumar Banka, Trustee	5,000	10.50	June 9, 2006

15. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

16. Except as disclosed in the section titled “Management” on page 148 of this Red Herring Prospectus, none of our Directors and key managerial personnel holds any Equity Shares.

17. Our Company has received letters dated December 19, 2005 and June 2, 2006 from the FIPB stating that the proposal of FII/NRI investment under the Portfolio Investment Scheme for FIIs registered with SEBI and NRIs does not require FIPB approval. Similarly, FVCIs registered with SEBI also are governed under SEBI’s Regulation in consonance with FDI Policy.

18. Only Eligible Employees would be eligible to apply in the Issue under the Employees Reservation Portion on proportionate basis. Eligible Employees can also make Bids in the Net Public Offer and such Bids shall not be treated as multiple Bids.

19. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, exercise of employee stock options or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.

20. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

21. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

22. Except for the repayment of unsecured loans which have been availed of and as further described in the section titled “Objects of the Issue” on page 34 of this Red Herring Prospectus, the Company has not raised any bridge loans against the proceeds of the Issue.

23. One of our Promoters, GMR Holdings Private Limited, has pledged its shareholding in the Company in the following manner:

Equity Shares pledged in favour of	**Equity Shares pledged**	**Facilities in relation to which Equity Shares were pledged**
Life Insurance Corporation of India Limited	1,875,000	10% Non Convertible Debenture for an aggregate amount of Rs. 240 million
General Insurance Corporation of India Limited	2,031,250	10% Non Convertible Debenture for an aggregate amount of Rs. 130 million
United Bank of India	7,352,950	Financial assistance of Rs. 250 million
UTI Bank Ltd	41,253,000	Listed Non Convertible Debenture for an aggregate amount of Rs. 1,500 million
TOTAL	**52,512,200**	

For the purpose of satisfying the Promoter’s lock-in requirements under the SEBI DIP Guidelines, the 52,512,200 Equity Shares, held in demat form, of GMR Holdings Private Limited will need to be temporarily released from the provisions of the respective pledge(s). Upon earmarking of the aforesaid Equity Shares for the purpose of lock-in, which will be completed at the earliest, the said Equity Shares will again be subject to the terms of the pledge (as was prevailing prior to the release as mentioned above). These Equity Shares will continue to be locked-in for the full term required under law and will not be transferable, except as provided for in Chapter IV of the SEBI DIP Guidelines.

In addition, the Promoters have entered into a ‘Non disposal & safety arrangement’ (the Arrangement) with ICICI Bank Limited dated February 4, 2006. Under the terms of the Arrangement, the Promoters are required to obtain prior consent of the Bank in writing before creating any lien, charge, mortgage or encumbrance in favour of any person on Assets, including 145,440,248 shares held by the Promoters in the Company.

The Promoters may pledge further or the same Equity Shares in the future with specific banks and/or financial institutions as additional security for loans availed or to be availed, if required as a condition for availing loans from banks or financial institutions.

24. No Equity Shares have been issued by the Company for consideration other than cash or out of revaluation reserves as on the date of this Red Herring Prospectus.

25. The Company has not revalued its assets since inception.

26. As on the date of filing this Red Herring Prospectus, the total number of holders of Equity Shares is 1,741.

Objects of the Issue

The objects of the Issue are:

1. **Investment in various infrastructure SPVs promoted by us**

   We are a leading power and infrastructure group in India having interests in power generation, development, maintenance and operations of roads and airports. As part of our business strategy, we bid for various infrastructure projects and when bids are successful, as part of the contractual terms, we are required to form Special Purpose Vehicles (SPVs) to facilitate execution of such projects. The Company currently has a substantial ownership in a number of SPVs across various infrastructure sectors.

   The Company intends to use part of the Issue proceeds for investment in the following infrastructure SPVs, which are currently in various stages of development:

   (i) GMR Hyderabad International Airport Limited (GHIAL)

   (ii) Delhi International Airport Private Limited (Delhi International Airport)

   (iii) GMR Ambala-Chandigarh Expressways Private Limited (GMR Ambala-Chandigarh)

   (iv) GMR Pochanpalli Expressways Private Limited (GMR Pochanpalli)

   (v) GMR Jadcherla Expressways Private Limited (GMR Jadcherla) and

   (vi) GMR Ulundurpet Expressways Private Limited (GMR Ulundurpet)

2. **Repayment of unsecured loans**

   Repayment of unsecured loans borrowed by us to meet the investment requirements and for pre-operative expenditure of projects which we have bid for.

3. **Payment to Sundry Creditors, GMR Holdings, our Promoter and GMR Operations, a promoter group company, for acquisition of GVL Investments, an investment company**

   The Company intends to use part of the Issue proceeds to repay part of the consideration for the acquisition of 100% equity stake of GVL Investments Private Limited (GVL Investments), an investment company. We have paid a portion of the outstanding from funds raised through private placement of our equity shares.

4. **General corporate purposes**

   To meet the expenditure for general corporate purposes including for:

   (i) Working capital requirements, including bidding expenses and project development expenditure

   (ii) Investment in SPVs, for projects which we are currently bidding for or may bid in the future

   (iii) Additional investment obligation in any of the projects currently in progress

   (iv) Investment in any acquisition opportunity or strategic initiatives

5. **To achieve benefits from listing of equity shares**

   We believe that the listing of our Equity Shares will also enhance our brand name and provide liquidity to our shareholders.

   The net proceeds of the Issue, after deducting Issue related expenses, are estimated to be Rs. [•] million.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The funds requirement for GHIAL, GMR Jadcherla and GMR Ambala-Chandigarh has been appraised by Infrastructure Development Finance Company Limited (IDFC), ICICI Bank Limited (ICICI) and UTI Bank Limited (UTI Bank) respectively. The funds requirement for Delhi International Airport, GMR Pochanpalli and GMR Ulundurpet is based on management estimates.

The details of proceeds of the Issue are summarized in the following table:

(Rs. in million)

Gross proceeds of the Issue	[•]
Issue related expenses	[•]
Net proceeds of the Issue	[•]

In addition, we have completed private placement of equity shares to various investors after filing the DRHP with SEBI aggregating to Rs. 1,942 million, which we have utilized towards the objects of the Issue as described below. For details of these private placements, please refer to the sections titled "Capital Structure" and "History and Corporate Structure" on pages 24 and 119 of the Red Herring Prospectus. The intended use of proceeds of the Issue and the private placement of Equity Shares is summarized in the table below:

(Rs. in million)

Project/Activity	
Investment in various infrastructure SPVs promoted by us	
• Investment in GHIAL	1,025
• Investment in Delhi International Airport (1)	932
• Investment in GMR Ambala-Chandigarh(1) (2)	1,048
• Investment in GMR Pochanpalli(1) (2)	1,186
• Investment in GMR Jadcherla (1) (2)	948
• Investment in GMR Ulundurpet (1) (2)	1,449
Repayment of unsecured loans	550
Payment to Sundry Creditors, GMR Holdings, our Promoter and GMR Operations, a promoter group company, for acquisition of GVL Investments, an investment company (3)	2,893
General Corporate Purposes	[●]
Issue Expenses (4)	[●]
Total	[●]

Note:

(1) Consists of the capital contribution (including sub-debt, if any) to be infused in the SPVs or projects directly by GIL and through its subsidiaries

(2) As on June 30, 2006, we have invested Rs. 522 million in GMR Ambala Chandigarh, Rs. 28 million in GMR Pochanpalli, Rs. 32 million in GMR Jadchelra and Rs. 26 million in GMR Ulundurpet out of the proceeds of private placement of our Equity Shares to certain investors. The balance amount of Rs. 526 million towards GMR Ambala Chandigarh, Rs. 1,158 million towards GMR Pochanpalli, Rs. 916 million towards GMR Jadcherla and Rs. 1,423 million is proposed to be financed out of the net proceeds of the Issue.

(3) As on June 30, 2006, we have repaid Rs. 1,334 million to GMR Holdings, our Promoter and GMR Operations, a Promoter group company, out of the proceeds of private placement of our Equity Shares to certain investors. The balance Rs. 1,559 million is proposed to be repaid out of net proceeds of the Issue.

(4) Issue expenses will be decided after the finalization of the issue size

The means of finance of the aforesaid objects of the Issue are as under:

(Rs. in million)

Means of finance	**Amount**
Gross proceeds of the Issue	[●]
Receipts from private placement of Equity Shares (after filing the DRHP with SEBI)	1,942
Internal Accruals	[●]
Total	[●]

The funds requirement in the table above is based on our current business plan. In view of the dynamic and competitive environment of the industries in which we operate, we may have to revise our business plan from time to time and consequently our capital requirements may also change. This may include rescheduling of our capital expenditure programmes and increase or decrease in the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of management. In case of any increase in the actual utilization of funds earmarked for the above activities, such additional funds for a particular activity will be met from a combination of internal accruals of the Company, additional equity or debt infusion. If the actual utilization towards any of the aforesaid objectives is lower than what is stated above, such balance will be used towards meeting future growth opportunities and general corporate purposes. In the event any surplus is left out of the Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used towards general corporate purposes and meeting future growth opportunities.

The proposed investment in Delhi International Airport may be affected by the outcome of the Reliance Airport Developers SLP and other litigations involving Delhi International Airport, which may be related to award of the Delhi Airport contract to GMR Infrastructure Limited and its consortium members or other matters. For more details, please refer to the sections titled 'Risk Factors' and 'Outstanding Litigations and Defaults' on pages xiv and 313, respectively of this Red Herring Prospectus. In the event, of an adverse outcome of these judicial proceedings, the proposed amount of Rs. 932 million shall be used for other investment requirements of the Company and / or for general corporate purposes.

The total requirement of funds in relation to the objects of the Issue as estimated by the Management for various projects is as follows:

(Rs. in million)

Project/Activity	Invested till FY2006	Invested from April 1, 2006 to June 30, 2006	Balance to be funded in FY 2007	FY 2008	FY 2009	Total	Utilisation of Issue proceeds
Investment in SPVs							
• Investment in GHIAL	1,356	-	-	1,025	-	2,381	1,025
• Investment in Delhi International Airport	-	1,002	462	470	-	1,934	932
• Investment in GMR Ambala-Chandigarh	48	522	-	459	67	1,096	526
• Investment in GMR Pochanpalli	12	28	571	78	509	1,198	1,158
• Investment in GMR Jadcherla	15	32	444	382	90	963	916
• Investment in GMR Ulundurpet	-	26	713	257	453	1,449	1,423
Repayment of unsecured loans	-	-	550	-	-	550	550
Payment to Sundry Creditors, GMR Holdings, our Promoter and GMR Operations, a promoter group company, for acquisition of GVL Investments, an investment company	-	1,334	1,559	-	-	2,893	1,559

Deployment of funds and means of finance

As per the certificate of, M/s K.H. Rao & Co., Chartered Accountant, dated July 4, 2006, the funds deployed on the activities described in the objects of the issue and their means of finance as on June 30, 2006 are provided below:

(Rs. in million)

Project/Activity	Funds Deployed
Investment/Share application money in SPVs	
• Investment in GHIAL	-
• Investment in Delhi International Airport	-
• Investment in GMR Ambala-Chandigarh	522
• Investment in GMR Pochanpalli	28
• Investment in GMR Jadcherla	32
• Investment in GMR Ulundurpet	26
Repayment of unsecured loans	-
Payment to Sundry Creditors, GMR Holdings, our Promoter and GMR Operations, a promoter group company, for acquisition of GVL Investments, an investment company	1,334
Total	**1,942**

(Rs. in million)

Means of finance	Amount
Private placements of equity shares	
(i) Quantum (M) Limited	672
(ii) Punjab National Bank	270
(iii) Citigroup Venture Capital International Mauritius Ltd	1,000
Total	**1,942**

Details of the Use of Proceeds

1) Investment in GHIAL

We own 63% of GHIAL, which will develop, operate and maintain the new international airport in Hyderabad under a concession awarded by the Ministry of Civil Aviation.

The Hyderabad airport is being built to international standards with modern technology and facilities and will be built in phases. For more details on GHIAL, please refer to 'Business' section on page 91 of this Red Herring Prospectus.

The total capital contribution for Phase I by us in the project is estimated at Rs. 2,381 million, out of which Rs. 1,356 million has already been infused as of June 30, 2006. The balance of Rs. 1,025 million capital infusion is proposed to be funded out of the issue proceeds and is expected to be invested in FY 2008. GHIAL proposes to use the capital contribution towards meeting a portion of the estimated Phase I project cost of Rs. 17,600 million, out of which EPC cost is estimated to be Rs. 13,345 million, pre-operating expenses are estimated to be Rs. 2,817 million, interest during construction is estimated to be Rs. 735 million and contingency & working capital margin is estimated to be Rs. 703 million.

The project has been appraised by IDFC. The total estimated project cost of GHIAL for Phase I, as appraised by IDFC, is Rs. 17,600 million out of which Rs. 7,897 million has already been invested as of June 30, 2006. GHIAL has achieved financial closure of the project in August 2005. The project will be financed with a debt-to-equity ratio of around 55:45 (equity includes grants and long term interest free loans extended by Government of Andhra Pradesh). The said investment of Rs. 7,897 million has been funded by (i) raising equity funds of Rs. 1,903 million (of which GIL's share is Rs. 1,356 million), (ii) grant of Rs. 717 million (iii) interest free loan of Rs. 2,174 million from Government of Andhra Pradesh, (iv) Rs. 2,950 million through debt from project lenders, (v) Rs. 84 million received from Government of Andhra Pradesh towards value added tax (VAT) credit and (vi) other investment income of Rs. 69 million.

The other shareholders of GHIAL are Malaysia Airports Holdings Berhad (11%), the Airports Authority of India (13%) and the Government of Andhra Pradesh (13%).

As on June 30, 2006, the equity contribution by various stakeholders in GHIAL is as under:

(Rs. in million)

Name of the stakeholder	Equity contribution
GMR Infrastructure Limited	1,356
Malaysia Airports Holdings Berhad	208
Government of Andhra Pradesh	246
Airports Authority of India	93
Total equity investment as of June 30, 2006	**1,903**

2) Investment in Delhi International Airport

We own equity of 50.1% of Delhi International Airport, (out of which GIL holds 31.1%, GMR Energy holds 10% and GVL Investments holds 9%) which would operate, maintain, develop, design, construct, upgrade, modernize and manage the Delhi Airport. The consortium has commenced operations from May 3, 2006 after fulfilling certain conditions stipulated by the Government. For more details on Delhi International Airport, please refer to 'Business' section on page 93, 'Risk factors' section on page xiv and 'Outstanding Litigation' section on page 313 of this Red Herring Prospectus.

The total capital contribution by us in Phase I of the project is estimated at Rs. 1,934 million, out of which Rs. 1,002 million has already been infused as on June 30 2006. The balance of Rs. 932 million capital infusion is proposed to be funded out of the issue proceeds. The capital contribution is estimated at Rs. 462 million for FY 2007 and Rs. 470 million for FY 2008.

Delhi International Airport proposes to use the capital contribution towards meeting a portion of the estimated Phase I project cost of Rs. 28,399 million, out of which capital expenditure is estimated to be Rs. 26,184 million, interest during construction and financing cost is estimated to be Rs. 715 million and upfront fee of Rs. 1,500 million.

The total estimated cost for Phase I of this project is Rs. 28,399 million out of which Rs. 3,939 million has been invested as on June 30, 2006. The said investment of Rs. 3,939 million has been funded from (i) equity contribution by various shareholders of Rs. 2,000 million, (ii) short-term loan of Rs. 1,000 million, (iii) revenue receipts of Rs. 439 million and (iv) share application money from GMR Infrastructure of Rs. 500 million. Delhi International Airport has already received firm commitments from certain banks and financial institutions for debt funding the project and plans to finance the project with a debt-equity ratio of 86:14 (debt including deposits).

The other shareholders of Delhi International Airport are Malaysia Airports (Mauritius) Private Limited (10%), Fraport AG (10%), India Development Fund (3.9%) and AAI (26%).

As on June 30, 2006 the equity contribution by various stakeholders in DIAL is as under:

(Rs. in million)

Name of the stakeholder	Equity contribution	
GMR Infrastructure Limited (along with subsidiaries)		1,002
- GMR Infrastructure Limited (31.1%)	622	
- GMR Energy Limited (10%)	200	
- GVL Investments Limited (9%)	180	
Airports Authority of India (26%)		520
Fraport AG (10%)		200
Malaysia Airports (Mauritius) Private Limited (10%)		200
India Development Fund (3.9%)		78
Total equity investment as of June 30, 2006		**2,000**
GMR Infrastructure Limited (Share application money)		500

3) Investment in GMR Ambala-Chandigarh

We own 100% of GMR Ambala-Chandigarh (out of which GIL holds 47.4% and GMR Energy holds 52.6%), a toll based BOT project, which will develop, operate and maintain a 35 kilometers stretch of the Ambala-Chandigarh (NH21/NH22) highway, which forms part of the New Delhi-Chandigarh highway. For more details on GMR Ambala-Chandigarh, please refer to 'Business' section on page 103 of this Red Herring Prospectus.

The total capital contribution by us (directly by GIL and indirectly through GMR Energy) in the project is estimated at Rs. 1,096 million, out of which Rs. 570 million has already been infused as equity contribution as of June 30, 2006. The balance Rs. 526 million of capital infusion is proposed to be funded out of the issue proceeds. The capital contribution is estimated at Rs. 459 million for FY 2008 and Rs. 67 million for FY 2009. GMR Ambala-Chandigarh proposes to use the capital contribution towards meeting a portion of the estimated project cost of Rs. 3,911 million, out of which EPC cost is estimated to be Rs. 2,821 million, preliminary and pre-operating expenses are estimated to be Rs. 291 million, interest during construction is estimated to be Rs. 238 million, negative grant estimated at Rs. 559 million and contingency and working capital margin is estimated to be Rs. 2 million.

The project has been appraised by UTI Bank Limited. The total appraised cost of this project is Rs. 3,911 million, out of which Rs. 570 million has already been invested as of June 30, 2006. This investment has been financed through equity contributions of (i) Rs. 270 million by GMR Infrastructure (47.4% shareholding) and (ii) Rs. 300 million by GMR Energy (52.6% shareholding). The project will be financed with a debt-to-equity ratio of around 2.57:1 (equity component includes equity and subordinated debt). GMR Ambala-Chandigarh achieved financial closure on May 11, 2006.

4) Investment in GMR Pochanpalli

We own 100% in GMR Pochanpalli (out of which GIL holds 90% and GMR Energy holds 10%), an annuity based BOT project, which will (i) develop, operate and maintain a 86 Kms stretch from Adloor Yellareddy to Kalkallu; (ii) would also improve, operate and maintain an additional 17 Kms stretch from Kalkallu to Gundla Pochanpalli and (iii) maintain a stretch of 10 kilometers, as and when such stretch is constructed and its operation is transferred to us by NHAI. For more details on GMR Pochanpalli, please refer to 'Business' section on page 104 of this Red Herring Prospectus.

The total capital contribution by us (directly by GIL and indirectly through GMR Energy) in the project is estimated at Rs. 1,380 million, out of which Rs. 40 million has already been infused as on June 30, 2006 (Rs. 1 million collectively as equity contribution by GMR Infrastructure and GMR Energy and Rs. 39 million as share application money by GMR Infrastructure). Out of the balance Rs. 1,340 million, we intend to finance Rs. 1,158 million of capital infusion out of the net Issue proceeds and the balance Rs. 182 million through internal accruals or surplus in the general corporate purpose, if any. The capital contribution is estimated at Rs. 664 million for FY 2007, Rs. 79 million for FY 2008 and Rs. 597 million for FY 2009. GMR Pochanpalli proposes to use the capital contribution towards meeting a portion of the estimated project cost of Rs. 6,900 million, out of which (i) EPC cost is estimated to be Rs. 5,706 million, (ii) preliminary and pre-operating expenses are estimated to be Rs. 387 million, (iii) interest during construction estimated to be Rs. 458 million and (iv) contingency & working capital margin estimated to be Rs. 349 million.

The total cost of this project is Rs. 6,900 million out of which Rs. 40 million has already been invested as of June 30, 2006. This investment has been financed through equity contributions of Rs. 0.9 million from GMR Infrastructure Limited and Rs. 0.1 million from GMR Energy Limited and share application money of Rs. 39 million from GMR Infrastructure Limited. The project is being appraised by ICICI Bank. GMR Pochanpalli plans to finance the project with a debt-to-equity ratio of around 4:1.

5) Investment in GMR Jadcherla

We own 100% of GMR Jadcherla (out of which GIL holds 90% and GMR Energy holds 10%), a toll based BOT project, which will (i) develop, operate and maintain a 46 Kms stretch from Farukhnagar to Jadcherla; (ii) would also improve, operate and maintain an additional 12 Kms stretch from Thondapalli to Farukhnagar on NH-7 in the State of Andhra Pradesh under North-South Corridor (NHDP Phase II); and (iii) maintain a stretch of 13 kilometers, as and when such stretch is constructed and its operation is transferred to us by NHAI. For more details on GMR Jadcherla, please refer to 'Business' section on page 103 of this Red Herring Prospectus.

The total capital contribution by us (directly by GIL and indirectly through GMR Energy) in the project is estimated at Rs. 1,178 million, out of which Rs. 47 million has already been infused as of June 30, 2006 (Rs. 1 million as equity contribution by GMR Infrastructure and GMR Energy and Rs. 46 million as share application money by GMR Infrastructure). Out of the balance Rs. 1,131 million of capital infusion, we intend to finance Rs. 916 million out of the net Issue proceeds and the balance Rs. 215 million through internal accruals or surplus in the general corporate purpose, if any. The capital contribution is estimated at Rs. 554 million for FY 2007, Rs. 271 million for FY 2008 and Rs. 306 million for FY 2009. GMR Jadcherla proposes to use the capital contribution towards meeting a portion of the estimated project cost of Rs. 4,713 million, out of which (i) EPC cost is estimated to be Rs. 3,222 million, (ii) preliminary and pre-operating expenses are estimated to be Rs. 264 million, (iii) interest during construction estimated to be Rs. 269 million, (iv) negative grant of Rs. 827 million and (v) contingency and working capital margin estimated to be Rs. 131 million.

The project has been appraised by ICICI Bank. The total cost of this project is Rs. 4,713 million out of which Rs. 47 million has already been invested as of June 30, 2006. This investment has been financed through equity contributions of Rs. 0.9 million from GMR Infrastructure Limited and Rs. 0.1 million from GMR Energy Limited and share application money of Rs. 46 million from GMR Infrastructure Limited. GMR Jadcherla plans to finance the project with a debt-equity ratio of around 3:1.

6) Investment in GMR Ulundurpet

We own 100% of GMR Ulundurpet (out of which GIL holds 90% and GMR Energy holds 10%), which will develop, operate and maintain a 73 kms stretch from Tindivanam to Ulundurpet. For more details on GMR Ulundurpet, please refer to 'Business' section on page 103 of this Red Herring Prospectus.

The total capital contribution by us (directly by GIL and indirectly through GMR Energy) in the project is estimated at Rs. 1,449 million, out of which Rs. 26 million has been infused as on June 30, 2006 (Rs. 1 million as equity contribution by GMR Infrastructure and GMR Energy and Rs.26 million as share application money by GMR Infrastructure). The balance contribution of Rs. 1,423 million is proposed to be funded out of the issue proceeds. The capital contribution is estimated at Rs. 713 million for FY 2007 and Rs. 257 million for FY 2008 and Rs. 453 million for FY 2009. GMR Ulundurpet proposes to use the capital contribution towards meeting a portion of the estimated project cost of Rs. 7,244 million, out of which (i) EPC cost is estimated to be Rs. 5,116 million, (ii) preliminary & pre-operating expenses are estimated to be Rs. 351 million, (iii) interest during construction estimated to be Rs. 498 million, (iv) negative grant of Rs. 1,177 million and (v) contingency & working capital margin estimated to be Rs. 102 million.

The total cost of this project is Rs. 7,244 million out of which Rs. 27 million has been invested as of June 30, 2006. This investment has been financed through equity contributions of Rs. 0.9 million from GMR Infrastructure Limited and Rs. 0.1 million from GMR Energy Limited and share application money of Rs. 26 million from GMR Infrastructure Limited. GMR Ulundurpet plans to finance the project with a debt-to-equity ratio of around 4:1 and the project will be appraised by a financial institution/commercial bank.

7) Repayment of unsecured loans

We have borrowed unsecured loans amounting to Rs. 550 million for meeting working capital requirements and to fund the pre-operative expenditure (including bidding costs and related expenses) for the projects which we have bid for. We intend to repay such unsecured loans aggregating to approximately Rs. 550 million from the net issue proceeds.

(Rs. in million)

Name	Amount
United Bank of India	250
Indian Overseas Bank	300
Total	**550**

8) Payment of sundry creditors, GMR Holdings, our Promoter and GMR Operations, a Promoter Group Company, for acquisition of GVL Investments, an investment company

We have acquired 100% equity stake of GVL Investments on April 15, 2006, which holds a 9% equity stake in Delhi International Airport and certain other equity investments, from GMR Holdings and GMR Operations. The acquisition has enabled us to acquire a majority stake in Delhi International Airport with our post acquisition holding increasing to 50.1% in Delhi International Airport. Consequently, Delhi International Airport has become our subsidiary. The purchase consideration payable for the acquisition of the equity stake of GVL Investments is Rs. 3,993 million, out of which we have paid Rs. 1,100 million to GMR Holdings. Out of the balance Rs. 2,893 million, we have further paid Rs. 1,334 million out of the proceeds of private placement of our Equity Shares to certain investors and the balance of Rs. 1,559 million is intended to be financed from the net proceeds of the Issue. The valuation for purchase consideration of GVL Investments is based on an independent valuation carried out by Earnst & Young for the transfer of shares to GIL. Earnst & Young has estimated the equity value of GVL Investments at Rs. 4,388 million. For details of equity investments held by GVL Investments as on March 31, 2006, please refer to details of GVL Investments Limited on page 138 of the Red Herring Prospectus.

Our Promoters, GMR Holdings, and our Promoter Group Company, GMR Operations, would receive consideration for the purchase of GVL Investments.

9) General Corporate Expenses

We are in the business of developing, operating and maintaining infrastructure assets. We intend to continue to grow and strengthen our operations and control in the infrastructure space by exploring both organic and inorganic growth opportunities including acquisitions and strategic initiatives.

Accordingly, we intend to use a part of the net proceeds from the Issue towards such growth plans. We continue to evaluate various opportunities and we would bid for new projects. We cannot assure you that any or all of our bids will be successful. Our management will have the flexibility in utilizing these proceeds under the overall guidance and policies laid down by our Board.

We may have to revise our business plans or project costs from time to time and consequently our capital requirements may also change including revision of our capital expenditure programmes or changes in capital structure. We intend to use part of the net proceeds from this Issue towards fulfilling our investment obligations towards such changes and also for any other investment obligations towards our existing projects.

In addition, we also intend to use part of the net proceeds of the Issue for general corporate purposes including for working capital requirements like funding of bidding expenses, initial development expenses for new business opportunities, repayment of loans.

Benefits of Listing

We believe that equity capital markets is an ideal source for meeting long term funding requirements of a growing infrastructure development company like ours. In addition, the listing of our Equity Shares will, *inter alia,* enhance our visibility and brand name among our existing and potential customers. We also believe as a listed entity we would be able to attract high quality and talented personnel.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Expenses	Expense breakdown*		
	Rs. in million	% of total issue expenses	% of total issue size
Lead management fee and underwriting commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Others (Registrars fee, legal fee, listing fee, insurance, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	**[•]**	**[•]**	**[•]**

** Issue expenses will be decided after finalization of issue size*

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration and other investment grade interest bearing securities as may be approved by the Board. Such transactions would be at the prevailing commercial rates at the time of investment.

We may apply a part of the net proceeds of the Issue, pending utilization for the purposes described above, towards our working capital requirements. Should we utilize the funds towards our working capital requirements, we undertake that we would ensure consistent and timely availability of the issue proceeds so temporarily used for working capital requirements to timely meet the fund requirement for the objects of the Issue contained herein.

Shortfall of funds

The shortfall in funds, if any, shall be met by our internal accruals. As on March 31 2006, the working of the cash internal accruals as per Consolidated Profit & Loss Statement of the Company is as under:

(Rs. in million)

Details	**Amount**
Net Profit after Minority Interest / share of profits of associates	705
Add: Depreciation	2,200
Cash internal accruals for the year ended March 31, 2006	**2,905**

Monitoring of Utilization of funds

GIL has appointed Industrial Development Bank of India Limited as the Monitoring Agency for the Issue, in terms of clause 8.17 of the SEBI DIP Guidelines. The Monitoring Agency along with our Board will monitor the utilization of the proceeds of the issue. Also, we will disclose the utilization of proceeds of the issue in the notes to the accounts of financial statements of GIL.

Except for payment of sundry creditors on account of GVL Investments acquisition as discussed above, no part of the issue proceeds will be paid by us as consideration to our Promoters, our Directors, Key Management Personnel or companies promoted by our Promoters, except in the usual course of business.

Basic Terms of Issue/ Issue Structure

The present Issue of 38,136,980 Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million (referred to as the "Issue"), is being made through a 100% book building process. The Issue will constitute 11.52% of the fully diluted post Issue paid-up capital of the Company.

Particulars	**Eligible Employees**	**Net Offer to the Public**		
		QIBs	**Non Institutional Bidders**	**Retail**
Number of Equity Shares (available for allocation)*	Up to 500,000 Equity Shares	At least 22,582,188 Equity Shares	3,763,698 Equity Shares	11,291,094 Equity Shares
Percentage of Issue size available for allocation	Up to 1.31% of Issue size	At least 60% or Net Offer to the Public, (of which 5% shall be allotted to Mutual Funds) less allocation to Non Institutional Portion and Retail Portion	10% or Net Offer to the Public less allocation to QIBs and Retail Portion	30% or Net Offer to the Public less allocation to QIBs and Non Institutional Portion
Basis of Allocation or Allotment if respective category is oversubscribed (subject to sectoral cap and specified investment limits)	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	25 Equity Shares and thereafter in multiples of 25 Equity Shares thereafter	Such number of Equity Shares, that bid amount exceeds Rs. 1,00,000 and in multiples of 25 Equity Shares thereafter	Such number of Equity Shares, that bid amount exceeds Rs. 1,00,000 and in multiples of 25 Equity Shares thereafter	25 Equity Shares and in multiples of 25 Equity Shares thereafter
Maximum Bid	Not exceeding 500,000 Equity Shares	Such number of Equity Shares not exceeding the size of the Net Offer to the Public, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Net Offer to the Public, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsory in Dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading/Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Eligible Employees being permanent employee(s) or Director(s) of the Company (or its Subsidiaries) as on July 31, 2006, who is an Indian Nationals based in India and is physically present in India on the date of submission of the Bid-cum-	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 100,000.

Particulars	Eligible Employees	Net Offer to the Public		
		QIBs	**Non Institutional Bidders**	**Retail**
	Application Form. In addition such person should be an employee or director till the Bid/Issue closing date. Promoter Directors are not eligible to be treated as Eligible Employees.	investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million.		
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Amount Payable on Application at the time of submission of Bid cum Application Form, depending upon the Payment Method.
Margin Money	In case of Bidders (for bids upto Rs.1,00,000) opting for Payment Method I - Rs. 125 per Equity Share, and in case of Bidders opting for Payment Method II - Full Bid Amount on Bidding.	At least 10% of the Bid Amount	Full Bid Amount on submission of Bid-cum-Application Form	In case of Bidders (for bids upto Rs.1,00,000) opting for Payment Method I - Rs.125 per Equity Share, and in case of Bidders opting for Payment Method II - Full Bid Amount on Bidding.

* *Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 1,129,110 Equity Shares (assuming QIB Portion is 60% of the Net Offer to the Public, i.e. 22,582,188 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum allotment of 60% of the Net Offer to the Public is not made to the QIBs, the entire subscription monies shall be refunded.*

** *In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

Payment Methods

Amount payable per Equity Share	Payment Method I (only for Retail Bidders and Bidders in the Employee Reservation Portion)***			Payment Method II•		
	Face value	Premium	Total	Retail Bidders and Bidders in the Employee Reservation	Non-Institutional Bidders	QIBs
Amount Payable on Application	Rs. 5 (per Equity Share, irrespective of the Bid)	Rs.120 (per Equity Share, irrespective of the Bid)	Rs.125 (per Equity Share, irrespective of the Bid)	100% of the Bid	100% of the Bid	10% of the Bid
Amount payable on allocation but before allotment	NA	NA	NA	NA	NA	90% of the Bid
By Due Date for Balance Amount Payable	Rs.5	Rs. •*	Rs. •*	NA	NA	NA
Total**	**Rs. 10**	**Rs. •***	**Rs. •***	**Rs. •***	**Rs. •***	**Rs. •***

** To be determined after the book building process is complete and the Issue Price is finalised.*

*** The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) is Rs. [●] per Equity Share, which is at a 5% discount to the Issue Price. For more details, please refer to the section titled "Issue Procedure" on page 363 of this Red Herring Prospectus*

**** for Bids upto Rs. 1,00,000*

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum- Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Withdrawal of this Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with this Issue at any time, including after the Bid/ Issue Opening Date without assigning any reason therefore.

Basis for Issue Price

The Issue Price will be determined by us in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is Twenty One (21) times the face value at the lower end of the Price Band and Twenty Five (25) times the face value at the higher end of the Price Band.

QUALITATIVE FACTORS

INTERNAL FACTORS

- We have extensive experience in developing projects in the power and infrastructure sectors, and have established a reputation for reliability and completing projects on schedule.
- We are one of the few dedicated infrastructure developers in India and are well positioned to benefit from the robust growth of India's economy.
- We have stable and predictable revenues that either are guaranteed by, or are direct obligations of, the state governments or government-owned entities
- We either wholly-own or have a majority interest in all of our material assets, and through these ownership interests, we have management control over such assets.
- The relevant government or government entities granting the concessions to develop our road and airport projects have undertaken not to permit other companies to operate competing businesses in the areas where our projects are located, subject to certain conditions. (For more details, please see 'Business' on page 76 of the red herring prospectus and 'Risk Factors' on page xi of the red herring prospectus.)
- We have extensive experience working with international corporations and leading Indian financial institutions.
- We are in the process of developing two power projects, four BOT road projects and international airports at Hyderabad and at New Delhi.
- We benefit from the use of 'GMR' brand. We believe that due to the long-standing history of the GMR group of companies in India, the 'GMR' brand enjoys strong brand recognition. (For more details on the licensing arrangements, please refer to the sections titled 'Business' and "Risk Factors" on pages 78 and xxix, respectively of this Red Herring Prospectus)

EXTERNAL FACTORS

- India has exhibited strong growth with an average real GDP growth of approximately 6.3% over the period fiscal 2000 to fiscal 2006.
- The Government has taken initiated policy measures for development of power and infrastructure sectors:
- "Power for All" during the Tenth and Eleventh Plans by adding around 100,000 MW of generation capacity by 2012.
- A number of policy initiatives by the National Highway Development Program (NHDP), in an effort to improve highway infrastructure. Recently, the government has added five additional phases that will further upgrade about 45,000 kms of national highways or other road networks.
- Public-Private partnerships for airport development and modernization initiatives.

For detailed discussion on the above factors, please refer to the sections titled "Industry" and "Business" on pages 55 and 76 of this Red Herring Prospectus.

QUANTITATIVE FACTORS

Some of the quantitative factors, which may form the basis for computing the Issue Price, are as follows:

1. Basic Earning Per Share (EPS) *

Year	**Basic EPS (Rs.)***		**Weight**
	Restated Unconsolidated	**Consolidated**	
Fiscal 2004	2.08	2.47	1
Fiscal 2005	0.89	2.41	2
Fiscal 2006	1.33	2.50	3
Weighted Average**	**1.31**	**2.47**	

* *Earning per share represents basic earnings per share calculated as net profit after tax and before extraordinary items divided by weighted average number of shares outstanding during the year.*

****** *Weighted average computed on the basis of fiscal years 2004, 2005 and 2006.*

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●]**

   a. Basic EPS as per restated unconsolidated financials and consolidated financials for fiscal 2006 is Rs. 1.33 and Rs 2.50 respectively.

   b. P/E based on the above EPS is [●] and [●] respectively, at the issue price

   c. Peer Group [(2)] P/E[(1)] (unconsolidated)

(i)	Highest	48.0
(ii)	Lowest	6.7
(iii)	Peer group average	18.0

   We are an infrastructure holding company having stake in various companies in the power, road and airport sectors. Though there are no listed companies with business mix similar to us, we have used the data of listed companies engaged in power generation business for the purposes of peer group analysis.

   [(1)] Source: Capital Markets Vol. XXI/08 dated June 19, 2006 – July 2, 2006. Data based on Trailing Twelve Months ended March 31, 2006

   [(2)] Peer group includes Tata Power, NTPC, GIPCL, Neyveli Lignite, Reliance Energy, CESC and GVK Power Infrastructure

The figures below are based on restated standalone financial statements of GMR Infrastructure Limited.

3. **Annualized Return on Net Worth (RoNW) based on restated unconsolidated financials**

Year	**RoNW (%)****	**Weight**
Fiscal 2004	17.78%	1
Fiscal 2005	7.72%	2
Fiscal 2006	9.65%	3
Weighted Average***	**10.36%**	

* *Return on Net Worth is arrived at by dividing net profit after tax and before extraordinary items by net worth excluding revaluation reserve Standalone restated financials*

** *Weighted average computed on the basis of fiscal years, 2004, 2005 and 2006*

4. **Minimum return on increased Net Worth required to maintain pre-Issue EPS of Rs. [·] is [·] %**

5. **Net Asset Value per share (NAV)**

	NAV (Rs.) *	
	Restated unconsolidated	**Consolidated**
As at March 31, 2006	13.78	37.67
After the Issue	[●]	[●]
Issue Price	[●]	[●]

* *Net Asset Value per share, computed by dividing net worth excluding revaluation reserve by weighted number of outstanding Equity Shares during the year*

6. **Comparison with industry peers**

We are a holding company having interests in power, road and airport industries. In the absence of listed companies with business mix similar to us in Road Development and Airport Development, we have used the data of listed companies engaged in power generation business for the purposes of peer group analysis.:

FY 2006	**Price (Rs.)**	**EPS (Rs.)**	**NAV (Rs.)**	**P/E**	**RONW**
GMR Infrastructure Limited (1)	[●]	2.5	37.6	[●]	9.65%
Peer Group (2)					
Tata Power Company Limited	431.25	30.8	251.5	14.0	12.24%
National Thermal Power Corporation	111.50	7.1	54.5	15.7	13.02%
Gujrat Industries Power Company Limited	51.30	7.6	61.5	6.7	12.35%
Neyveli Lignite CorporationLimited	56.4	3.7	47.7	15.2	12.89%
Reliance Energy Limited	441.05	30.2	331.2	14.6	7.75%
CESC Limited	261.35	21.7	196.7	12.0	11.03%
GVK Power Infrastructure Limited	163.35	3.4	174.3	48.0	1.95%
Peer Group Average		n.a.	n.a.	**18.0**	n.a.

(1) EPS, NAV and RONW have been computed as per the consolidated financials based on the Trailing Twelve Months ended March 31, 2006.

(2) Source: Capital Markets Vol. XXI/08 dated June 19, 2006 – July 2, 2006. Price per share has been taken as the closing price on June 20, 2006. Data based on Trailing Twelve Months ended March 31, 2006

The BRLMs believe that the Issue Price of Rs [●] is justified in view of the above qualitative and quantitative parameters. Please refer to the sections titled “Risk Factors”, “Business” and “Financial Statements” on pages xi, 76 and 169 of this Red Herring Prospectus to have a more informed view.

7. We have made the following issuances of Equity Shares after March 31, 2006. The above ratios have been computed without considering these issuances:

Name	**Date of Allotment**	**No. of Equity Shares**	**Issue Price per Equity Shares (Rs.)**
India Development Fund	April 22, 2006	11,737,404	85.20
ICICI Emerging Sectors Fund	April 25, 2006	9,578,544	261.00
Quantum (M) Limited	May 13, 2006	2,490,555	270.00
Punjab National Bank	May 13, 2006	1,000,000	270.00
Citigroup Venture Capital International Mauritius Limited	June 5, 2006	3,703,703	270.00

Statement of Possible Tax Benefits available to the Company and its shareholders

The Board of Directors,
GMR Infrastructure Limited
SKIP House, 25/1,
Museum Road,
Bangalore- 560 025.

Dear Sirs,

We hereby certify that the enclosed "Annexure 1" states the tax benefits available to GMR Infrastructure Limited (the "Company") and its Shareholders under the provisions of the Income-tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions which based on business imperatives the company faces in the future, the company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares.

This certificate is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the India Companies Act, 1956. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if had been carried out in accordance with those standards.

P. Ramakrishna
Partner

Membership Number 22795

For and on behalf of

Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: July 3, 2006

ANNEXURE

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO GMR INFRASTRUCTURE LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

1. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, the Company will be eligible for exemption of income by way of dividend from domestic company referred to in Section 115-O of the Act.

1.2 **Income from units of Mutual Funds exempt under Section 10(35)**

The Company will be eligible for exemption of income received from units of mutual funds specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of Section 10(35) of the Act.

1.3 **Computation of capital gains**

1.3.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(36) or 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.3.5 *Exemption of capital gain from income tax*

- Under Section 10(36) of the Act, long term capital gains arising on eligible equity share in a company (acquired on or after the 1st day of March 2003 and before the 1st day of March 2004) sold through a recognised stock exchange in India will be exempt from tax.
- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.4 **Other specified deductions**

Subject to fulfillment of conditions, the Company will be eligible, *inter alia*, for the following specified deductions in computing its business income:-

1.4.1 Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.4.2 Section 35(1)(ii) and (iii) of the Act, in respect of any sum paid to a Scientific Research Association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid.

1.4.3 Subject to compliance with certain conditions laid down in Section 32 of the Act, the Company will be entitled to deduction for depreciation:

- In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax Rules, 1962;
- In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article of thing, a further sum of 20% of the actual cost of such machinery or plant;

1.4.4 Subject to compliance with certain conditions laid down in Section 80-IA of the Act, the Company will enjoy 100% tax exemption for any 10 consecutive Assessment Years out of 15/20 years, as the case may be, in respect of profits earned from an undertaking set up for developing or operating and maintaining or developing, operating and maintaining any notified infrastructure facility.

1.4.5 Subject to compliance with certain conditions laid down in Section 80-IA (12) of the Act, the Company will enjoy 100% tax exemption for residual period out of 15/20 years, as the case may be, in respect of profits earned from an undertaking or an enterprise engaged in notified infrastructure facility and which amalgamates with the company.

1.4.6 Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

2. Benefits available to resident shareholders

2.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

2.2 **Computation of capital gains**

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, Long term Capital Gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non-Resident Indian shareholders (Other than FIIs and Foreign venture capital investors)

3.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

3.2 **Computation of capital gains**

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 *Options available under the Act*

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the Act:

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under Section 10(38), will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.

- According to the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in Section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) & (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

  In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.

  However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. **Benefits available to other Non-resident Shareholders (Other than FIIs and Foreign venture capital investors)**

4.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

4.2 **Computation of capital gains**

4.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

  In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.

  However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. **Benefits available to Foreign Institutional Investors ('FIIs')**

5.1 **Dividends exempt under section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

5.2 **Taxability of capital gains**

5.2.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

5.2.2 The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge & education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 10% (plus applicable surcharge and education cess)
- Long Term capital gains @ 10% (plus applicable surcharge and education cess) (without cost indexation)

It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

5.2.3 According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

5.4 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. **Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

7. **Venture Capital Companies / Funds**

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including profit on sale of shares of the Company.

8. **Tax Treaty benefits**

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

9. **Benefits available under the Wealth-tax Act, 1957**

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

Notes:

1. *All the above benefits are as per the current tax law as amended by the Finance Act, 2006.*
2. *The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.*
3. *In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.*

SECTION IV : ABOUT THE ISSUER COMPANY

Industry Overview

Overview Of The Indian Economy

Unless otherwise indicated, all financial and statistical data relating to the Indian Economy in the following discussion is derived from the Monthly Review of the Indian Economy, Center for Monitoring Indian Economy ("CMIE"), June 2006 edition.

India, the world's largest democracy in terms of population (1,080 million people) had a GDP on a purchasing power parity basis of approximately U.S.$3,678 billion in 2005. This makes it the fourth largest economy in the world after the United States of America, China and Japan (*Source: CIA World Fact book*).

In 1991, the Government of India initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. The key policy reforms that were initiated by the Government were focused on implementing fundamental economic reforms, deregulation of industry, accelerating foreign investment and pushing forward a privatization program for disinvestment in public sector units. Consequent to the reform's program, India's economy registered robust growth with an average real GDP growth of 6.3% over the period fiscal 2000 to fiscal 2006.

For the fiscal year of 2005-06, India had a real GDP growth rate of 8.4%. In the same period, industry and service sectors grew by 8.7% and 10.0% respectively, while agriculture grew by 3.9%. CMIE projects a real GDP growth rate of 7.9% for fiscal 2007.

Growth was driven by a 9.0% rise in the manufacturing sub-segment of the industrial sector and a 11.5% growth in the trade, hotel, transport & communication sub-segment of the services sector. During fiscal 2005, these two sub-segments recorded a growth of 8.1% and 10.6% respectively. Real growth in the industrial sector was a tad higher at 8.7% during 2005-06 against 8.6% increase during the previous year. Agriculture and allied activities also performed better than was earlier expected.

The following table shows the annual percentage change in some key indicators of the Indian economy.

	As of and for the year ended March 31, (Annual percentage change, except for foreign exchange reserves)						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Real GDP growth	6.1	4.4	5.8	3.8	8.5	7.5	8.4
Industrial Production	6.6	5.1	2.6	5.8	7.0	8.4	8.0
Inflation Rate based on Wholesale Price Index (Average)	3.3	7.1	3.7	3.4	5.4	6.4	4.4
Imports (% to GDP)	11.0	10.8	10.7	12.1	13.0	15.6	NA
Exports (% to GDP)	8.1	9.6	9.2	10.4	10.6	12.0	NA
Foreign Exchange Assets (in U.S.$ billions)	35.1	39.6	51.0	71.9	107.4	135.6	145.1

The following table shows the inflow into India of foreign direct investment and portfolio investment.

(US$ Million)

	Year Ended March 31,						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Foreign Direct Investment	2,167	4,031	6,125	5,036	4,322	5,589	NA
Portfolio Investment	3,024	2,760	2,021	979	11,356	8,907	NA

Power Sector

Unless otherwise indicated, all financial and statistical data relating to the power industry in India in the following discussion is derived from the Ministry of Power's Annual Report (2004-2005), the Central Electricity Authority's General Review (2004-2005), Ministry of Power Performance Report 2004-05, the Planning Commission (Power and Energy Division) Annual Report on the Working of the State Electricity Boards and Electricity Departments (2001-2002) and NTPC Annual Report 2004-05. The data may have been re-classified by us for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive capacity & generation. The term "units" as used herein refers to kilowatt-hours (kWh).

Overview of the Indian Power Sector:

India commissioned its first electric generation unit, a 130 kW generator at Sidrapong in Darjeeling in 1897. That signified the start of the power industry. This was followed by the first steam-driven power plant (1,000 kW) two years later at Calcutta in 1899. Pre-Independence, power supply was mainly in the hands of the private sector, restricted to urban areas. Post-colonisation, the Government of India felt the need to broaden the supply base to stimulate growth throughout the country. The Electricity (Supply) Act, 1948 of India (the "Supply Act") created the institutional framework under which the industry was developed.

The Supply Act led to the creation of the State Electricity Boards ("SEBs") — state government agencies with the sole responsibility for generation, transmission and distribution of electricity within each state. Most states established SEBs; the smaller states and Union Territories established Electricity Departments ("EDs") to manage and operate power systems. Under the act several states have restructured their boards into separate entities for generation, transmission & distribution while others are attempting to corporatise the former SEB entities. To date, 13 states have unbundled / corporatised their SEBs, under the Accelerated Power Development and Reform Program ("APDRP"). In addition, Delhi and Orissa have privatised their SEBs. As of March 31, 2006, the state entities own or control approximately 57% of India's total generating capacity and have substantial control of most of the distribution assets. But due to systemic deficiencies and to overcome the failures of the existing regime where reforms were focused primarily on generation and not on Transmission & Distribution ("T&D"), the Electricity Act (the "Electricity Act") was passed in 2003.

The Electricity Act is a comprehensive legislation replacing the Indian Electricity Act, 1910, Electricity (Supply) Act, 1948 and Electricity Regulatory Commission Act, 1998 (the "ERC Act"). The aim was to push the sector onto a trajectory of sound commercial growth and to enable the States and the Centre to move in harmony and co-ordination.

The Act has liberalised and de-licensed the Generation and requirement of techno-economic clearance has been done away with (except for hydro projects). Captive plants have been freed from controls. Open access has been allowed in transmission lines, both to distribution licensees as well as generating companies. Distribution licensees will be free to take up generation and generation companies will be free to take up distribution. Trading has been permitted as a distinct activity. The Act also provides for multiple distribution licensees in a single area

Recent Developments

The Government has announced the National Electricity Policy which aims at accelerated development of the power sector providing supply of electricity to all areas. The Government has also issued guidelines for Competitive Bidding for determination of tariff for procurement of power by distribution licensees as provided under the Electricity Act 2003. Additionally, the Government has notified the National Tariff Policy (NTP) on January 6, 2006. This NTP has given a fillip to power reforms by outlining guidelines for multi-year tariffs, rate of returns for generation and transmission projects, tariff modalities for utilities, subsidy to consumers and cross subsidy calculations. The objectives of the tariff policy are :

- Ensure availability of electricity to consumers at reasonable and competitive rates
- Ensure financial viability of the sector and attract investments
- Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks
- Promote competition, efficiency in operations and improvement in quality of supply.

Organisation and regulation of the electricity industry

The Electricity Act, 2003 provide the statutory framework for the regulation of electricity in India. There is also state-level legislation in the power sector in a number of states, including Andhra Pradesh, Haryana, Karnataka, Orissa, Rajasthan and Uttar Pradesh.

In India, control over the development of the power industry is shared between the Central and the State Governments. The Ministry of Power is the highest authority governing the power industry in India. The Central Electricity Authority (CEA), a statutory organisation constituted under the Supply Act, is the technical branch of the Ministry of Power assisting in technical, financial, economic and planning matters relating to the electricity industry

The Central Electricity Regulatory Commission (CERC) constituted under the ERC Act is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs. Subsequently, 24 states have constituted SERCs and 18 have issued tariff orders in the direction of rationalizing the tariffs. The SERCs are engaged in regulating the purchase, distribution, supply and utilisation of electricity, tariff and charges payable, as well as the quality of service.

Organisation of the power industry

The following diagram depicts, in schematic form, the structure of the Indian power industry including figures for generation, transmission & distribution and consumption:

1. *Power Generation*

   As of March 31, 2006, India's power system had an installed generation capacity of approximately 124,311 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for 66.4% of total power capacity in India as of March 31, 2006, hydroelectric stations for 26% and others (including renewable sources of energy and nuclear stations) accounted for 7.6%. The CPSUs accounted for approximately 32% of total power generation capacity as of March 31, 2006; the various state entities accounted for 57% and private sector companies accounted for approximately 11%.

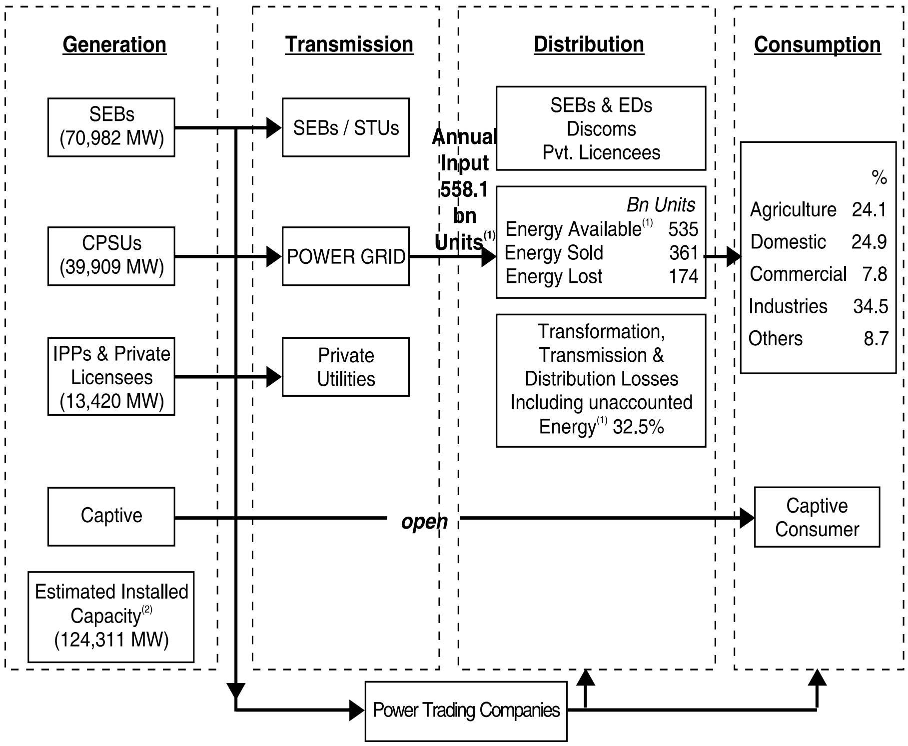
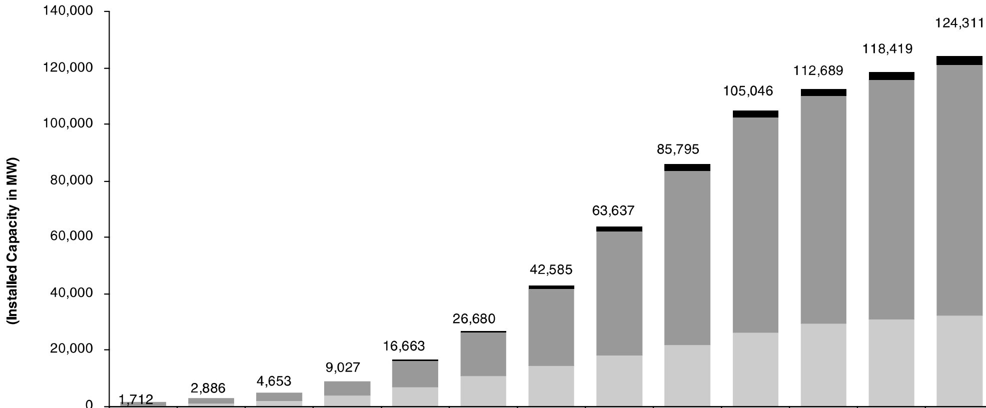


Figure 1

(1) Figures of energy available, sold, lost and consumed are of all India Utilities (i.e. excluding 23 bn units generation of non-utilities) for FY 2003-04; Source : CEA, NTPC Annual Report 2004-05
(2) Installed Capacity is given as on March 31, 2006, Source : Ministry of Power website accessed on April 13, 2006

Installed Capacities

Installed Generation Capacities, Fiscal 2000-Fiscal 2006 by Generation (1)



	31.12.50	31.03.56, 1st Plan End	31.03.61, 2nd Plan End	31.03.66, 3rd Plan End	31.03.74, 4th Plan End	31.03.79, 5th Plan End	31.03.85, 6th Plan End	31.03.90, 7th Plan End	31.03.97, 8th Plan End	31.03.02, 9th Plan End	31.03.04, 10th Plan 2nd Yr	31.03.05, 10th Plan 3rd Yr	31.03.06, 10th Plan 4th Yr End
Nuclear	0	0	0	0	640	640	1,095	1,565	2,225	2,720	2,720	2,770	3,310
Thermal	1,153	1,825	2,736	4,903	9,058	15,207	27,030	43,764	61,912	76,057	80,462	84,713	88,666
Hydro	559	1,061	1,917	4,124	6,965	10,833	14,460	18,308	21,658	26,269	29,507	30,936	32,335

Figure 2

Source: Annual Report, Ministry of Power, 2004-05, Ministry of Power, Performance Report, 2004-05, Ministry of Power website, accessed on April 13, 2006
(1) Thermal includes power generated from wind and other non-conventional sources

The above chart present the installed generation capacity in India by type of generation and by sector. As of March 31, 2006, thermal (includes power generated from wind and other non-conventional sources) was 88,228 MW i.e. 71.5% of total capacity. The Ministry of Power is projecting an installed capacity of 212,000 MW by 2012.

The table below shows that majority of the generation capacity is owned by state-controlled entities.

Installed Generating Capacity as on March 2006

Sector wise	State	Private	Central
Capacity (MW)	70,982	13,420	39,909
Percentage	57.1%	10.8%	32.1%

Source: Ministry of Power website, accessed on April 13, 2006

Future Capacity Additions

The Government adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity addition targets. The Ninth Plan targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. The Ministry of Power estimates indicate that only 19,015 MW, or 47% of the planned capacity addition, were added in the aggregate during the Ninth Plan. The target for capacity addition has been set at 41,110 MW under the Tenth Plan, as described below:

	Xth Plan Status* (As on April 3, 2006) (in MW)			
	Target	**Commissioned**	**Under Execution**	**Overall Capacity Addition now Anticipated**
Central	22,832	8,325	8,900	17,225
State	11,157	4,481	7,410	11,901
Private	7,121	1,379	3,520	4,899
	41,110	14,185	19,840	34,025

** Including 2,520 MW nuclear projects under construction. (Source: Ministry of Power website)*

**Source: CEA, Annual review of Power Sector 2005, note error in totaling of 'Under Execution'*

The likely achievement in capacity addition for the Xth plan (2002-2007) is estimated at ~34000 MW. That means the capacity addition for the Xth plan to exceed the capacity addition during the VIIIth (16,400 MW) and the IXth plan (19,015 MW). Additionally, the Government has set an ambitious target of providing "Power for All" during the Tenth and Eleventh Plans by adding around 100,000 MW of generation capacity by 2012.

2. *Transmission and Distribution*

In India, the T&D system is a three-tier structure comprising regional grids, state grids and distribution networks. The distribution network and the state grids are mostly owned and operated by SEBs or state governments through SEBs / Electricity Departments.

Most of the inter-state transmission links are owned and operated by POWERGRID. In order to facilitate the transfer of power between neighbouring states, state grids are interconnected to form regional grids. There are five regional grids, namely the Northern region, Eastern region, Western region, Southern region, and the North-Eastern region that have been constituted.

These regional grids facilitate transfers of power from a power-surplus state to a power-deficit state and are to be gradually integrated to form a national grid. At present the national grid has a capacity of 9,000 MW and POWERGRID plans to achieve national grid capacity of 30,000 MW by fiscal 2012.

In 1998, the Central Government enacted the Electricity Laws (Amendment) Act, which recognized transmission as an independent activity (distinct from generation and distribution) and allowed private investment in the sector.

Delhi and Orissa are two states where power distribution is done by private companies. Additionally, Tata Power, CESC, Reliance Energy, Torrent Power AEC & SEC and Noida Power Company Limited own and operate distribution networks in their respective license areas. Also, there are nine distribution companies ("DISCOMs") in the country. The share of DISCOMs and private utilities is coming up as seen from the table given below.

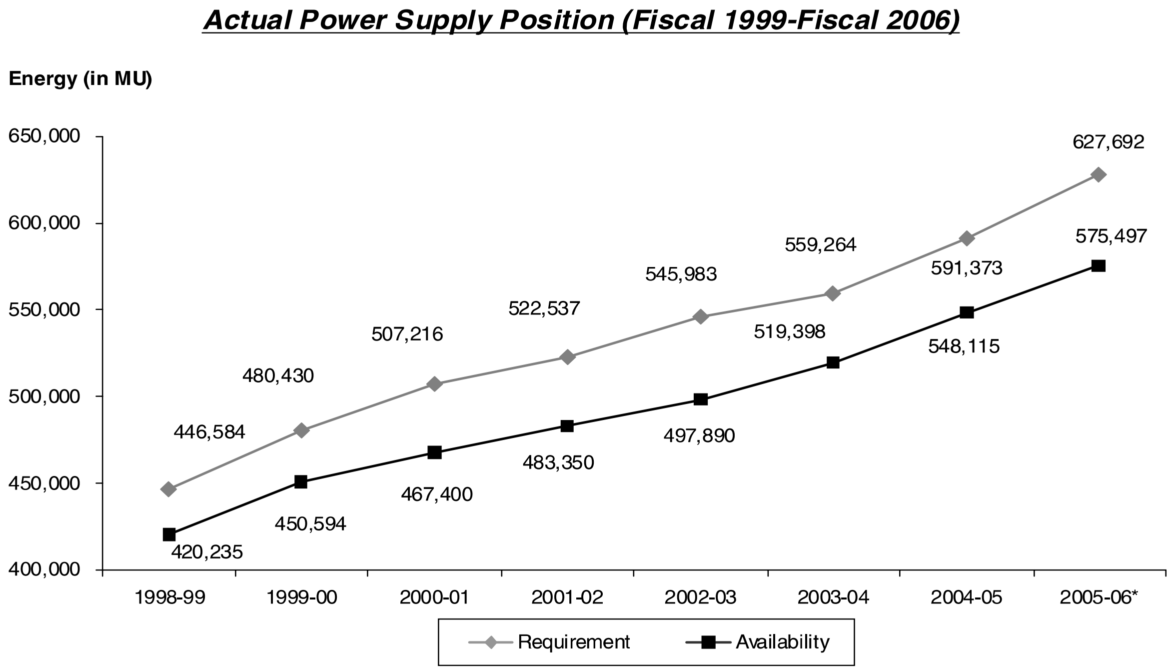
	1996	**2004**
Public Utilities	93%	56%
Private Utilities	7%	11%
DISCOM	0%	33%

Source: Ministry of Power

3. *Consumption*

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. From April 2005 – February 2006, India faced an energy shortage of approximately 8.3% of total energy requirements and 12.5% of peak demand requirements.

The following table presents data showing the gap between the total requirement for electricity versus the total amount of electricity made available from fiscal 2000 to fiscal 2005.

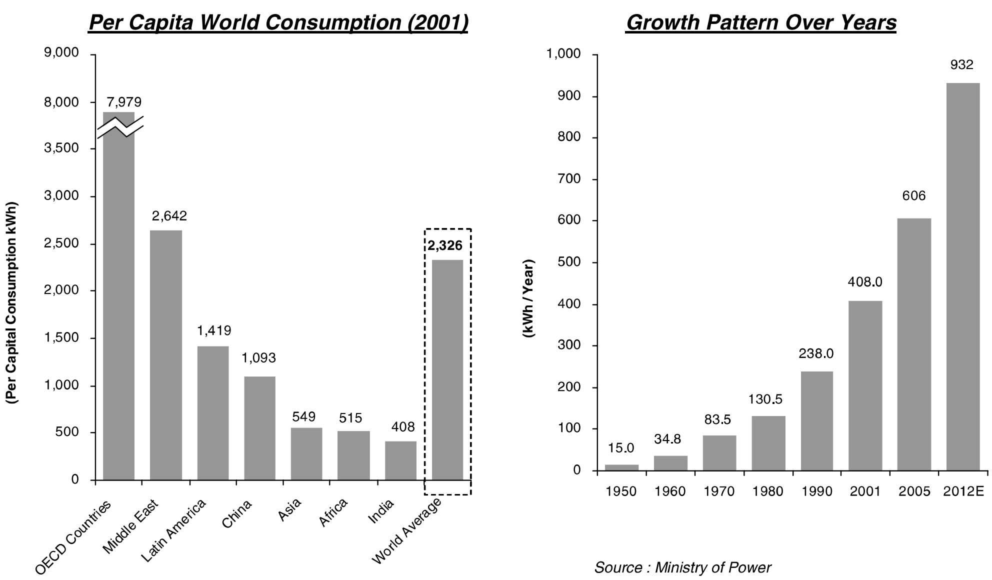


Source: Ministry of Power Annual Report, 2004-2005; Ministry of Power website accessed on April 17, 2006;
** - Data for 2005-06 has been annualised from February 2006*

Figure 3

The industrial, domestic and agriculture sectors are the main consumers of electrical energy consuming 83.5% of total electrical energy, as shown in Figure 1. According to the Ministry of Power, the demand for electricity during April 2005- February 2006 has been 575,384 MU while the supply was only 527,539 MU, thus indicating a shortfall of 47,845 MU.

The per-capita consumption in India has grown phenomenally from about 15 kWh/year in 1950 to 408 kWh/year in 2001 to 606 kWh/year in 2005, but in comparison with other leading developed and emerging economies it still lags by a large margin. The Ministry of Power is projecting a per-capita consumption of 932 kWh/year in 2012. The following charts compare per capita electricity consumption in India, other countries and the world average consumption.



Source: Key World Energy Statistics (2003); as quoted on Ministry of Power website, December 2005

Figure 4

4. *Power Trading*

Power trading involves the exchange of power from suppliers with surplus capacity to pockets where there are deficits. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to inter-state trading in electricity. Under the rules notified, the regulatory intention is the promotion of competition. Several entities have started trading operations or have applied for trading licenses. Current participants in the power trading business include, among others, PTC, NTPC's subsidiary NTPC Vidyut Vyapar Nigam Limited and the Tata Power Trading Company Private Limited.

5. *Tariff Setting*

Tariff Setting for Generators

Tariffs for state sector generators are regulated by the SERCs. Tariffs for independent power producers are regulated through bilateral agreements between the power generator and power purchaser i.e. PPA (Power Purchase Agreement). The Electricity Act empowers the CERC to set the tariff of generating companies owned or controlled by the Government and other entities with interstate generation or transmission operations. The Government has notified the National Tariff Policy (NTP) on January 6, 2006. This NTP has given a fillip to power reforms by outlining guidelines for multi-year tariffs, rate of returns for generation and transmission projects, tariff modalities for utilities, subsidy to consumers and cross subsidy calculations. For more details, please refer to the section titled "Regulations & Policies" beginning on page 108 of this Red Herring Prospectus.

In the meantime, CERC has issued tariff regulations effective from April 1, 2004 for a period of five years. These regulations provide for tariffs on a cost-plus basis consisting of a capacity charge, a variable charge and an unscheduled interchange charge and are meant for fixation of tariff for State sector generators, CPSUs (Central Public Sector Undertakings) and other generators, tariff for whom are to be determined by CERC or the SERCs. But, if the tariff is fixed through a transparent bidding process, then these guidelines for setting the tariff are not applicable. As per the latest gazette issued by the Ministry of Power dated February 12, 2005, the Ministry believes that competition will bring significant benefits to consumers and that competition would determine the price rather than any cost-plus exercise on the basis of operating norms and parameters.

Tariff Setting for End Consumers

Under the Electricity Act, the SERCs will regulate tariffs for customers of the SEBs and EDs. The Act allows state governments to provide power at subsidised rates, but requires them to fund the subsidy upfront out of their respective state government budgets.

While setting the tariff for consumers of SEBs and EDs, some states have attempted to cross-subsidise tariffs by charging lower rates for agricultural and domestic consumers, and charging higher rates for industrial and commercial consumers. Tariffs, even with cross-subsidisation, have not kept pace with the cost of supply. The cost of supply for distribution licensees averaged Rs. 3.49/- per unit in fiscal 2002, up from Rs. 1.09/- per unit in fiscal 1989. The increase in the total cost of supply is mainly due to the increase in power purchase costs. The average tariff has not increased proportionately with the increase of the cost of supply. The average revenue per unit was Rs. 2.40/- per unit in fiscal 2002, leaving a gap of Rs. 1.10/- for every unit of power supplied. This has adversely affected most of the SEBs and their commercial losses totalled approximately Rs. 330 billion in fiscal 2002. The gap has progressively reduced to 63 paise in 2002-03 and 38 paise in 2003-04.

Addressing the SEB crisis

The SEB crisis was principally attributable to the States' management of the power sector, which had been driven by local populist politics. As per CRISINFAC report of April 2006, roughly 65-70 per cent of all electricity generated in India was billed, with up to 30-35 per cent lost to theft or T&D Losses. The deteriorating financial health of central and state utilities translated into under-investment, continued loss and theft, and perpetuated cash leakage To improve the financial condition of the SEBs, the government launched a combination of regulatory and development initiatives. Anti-theft laws have been made more stringent and special courts are being established to expedite the prosecution of power theft cases. Unfunded subsidies, which drained the SEBs' cash flows in the past, are no longer allowed (the Electricity Act, 2003 requires the states to fund subsidies upfront).

Meanwhile, T&D initiatives are focusing on the poor T&D infrastructure and the dilapidated metering systems. Under the Accelerated Power Development & Reform Programme (APDRP), launched in 2001, the Government of India earmarked Rupees 200 billion in matching funds for the States' T&D projects (extended as concessional loans to fund half of the cost of qualified projects). The Government made available another Rupees 200 billion under APDRP as incentive payments to the states, which are set to equal half of the reduction in annual cash losses of the States' SEBs. These programs are complemented by the Electricity Act, 2003 requirement of 100 per cent metering for all states. Despite apparent progress, it will take substantial time for the sector to fully recover from past mismanagement. SEBs remain weak, and most SERCs have been in place for less than five years.

Privatisation

Since 1991, a total capacity of around 7,400 MW from 37 private power plants has so far been commissioned. Another capacity of around 4,500 MW from 12 projects is reported to be under construction. As per CEA, the total generation done by captive power plants (having installed Plant Capacity of 1 MW and above) have a total plant capacity of 18,740.31 MW as on March 2004. Orissa was the first state in the country to privatise the state's electricity distribution. This was followed by the privatisation of Delhi Vidyut Board ("DVB"). Various other states including Uttar Pradesh, Haryana, Karnataka, Andhra Pradesh, Madhya Pradesh, Delhi and Rajasthan have restructured their boards into separate entities for generation, transmission and distribution. Some states are also attempting to corporatise the former SEB entities

Private power players in India

The private sector in India for generation is dominated by Tata Power and Reliance Energy. Tata Power, with a generation capacity of 2,278MW, has thermal assets in Trombay, Maharashtra; Belgaum and Wadi, Karnataka; and Jojobera, Jharkhand. It also has three hydropower plants in Maharashtra at Khopoli, Bhivpuri and Bhira.

Reliance Energy has a 500 MW coal-based power plant at Dahanu, Maharashtra, and a 220MW naphtha-based plant at Samalkhot in Andhra Pradesh, a 165 MW plant in Kerala and a 48MW plant in Goa.

GMR Infrastructure with a combined generation capacity of 420MW and an additional 388.5 MW plant to be commissioned soon is another serious private-sector player.

In Transmission & Distribution, Tata Power and Reliance Energy, again, dominate with almost 60% of the sales for private sector players, as shown by the following table. The remaining is split between CESC and Torrent Power.

Player	**Power Sales (2003-04) Million kWh**	**(%)**
Tata Power	9,358	33%
Reliance Energy	7,691	27%
CESC	5,718	21%
Torrent Power (SEC and AEC)	5,459	19%

Source: CRISINFAC

The Road Sector in India

Unless otherwise indicated, all financial and statistical data relating to the road industry in India in the following discussion is derived from the NHAI's website, the website of Ministry of Shipping, Road Transport and Highways and the Annual report of Financial Year (FY) 2005 of Ministry of Shipping, Road Transport and Highways.

India has one of the largest road networks in the world comprising about 3.3 million kilometers. For the purpose of management and administration, roads in India are divided into the following categories: (1) National Highways (NH) which are intended to facilitate medium and long distance inter-city/state passenger and freight traffic across the country (2) State Highways (SH) which are supposed to carry the traffic along major centres within the State (3) Major District Roads (MDR) having the secondary function of linkage between main roads and rural roads and (4) Other District Roads (ODR) and Village Roads (VR) provide villages accessibility to meet their social needs as also the means to transport agriculture produce from village to nearby markets.

Indian Road Network	**Kms**
National Highways	65,569
State Highways	131,899
Major District Highways	467,763
Rural and Other Roads	2,650,000
Total Length	**3,300,000 approximate**

Source: NHAI Website: www.nhai.org accessed on April 16, 2006

Roads form the most common mode of transportation and accounted for about 85% of passenger traffic and 70% of freight, making it the main artery for commuting across the country. This share has improved significantly from 32% of passenger traffic and 12% of freight as of 1950-51. The National Highways, which account for 65,569 kms of network (i.e. less than 2 % of the total road network), carry nearly 40% of the total road traffic. The growth has been both in quantitative and qualitative terms. Road length of National Highways has increased from 22,255 km in 1951 to 65,569 km in December 2004. The traffic on the Indian roads, more specifically the National Highways traffic has been growing at a very rapid pace at 7% to 10% per annum and is expected to continue to grow in the future.

Out of 65,569 kms of NH network, only 9% of the total length was four-lanes, 56% two-lanes and 35% being single-lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance) which is 20% higher due to poor road conditions. Also, the average distance covered on highways per day in India is significantly lower than developed countries. In addition, a large number of traffic deaths each year are attributable to poor and choked road conditions.

Key Growth Drivers for the Road Sector in India

- **Scarcity of Quality Roads:** One of the key macro constraints on the Indian economy, restraining its average growth at 6.0–6.5%, is low infrastructure spending, particularly on developing a high-quality transportation network. Of the total 65,000kms of national highways, only 9% are four lanes, 56% are two lanes, and 35% are single lane. India's spend on road development is low compared to China where India spent USD2.5-3.0 billion per annum. compared to China's spend of USD25 billion per annum. The government has realized that developing a quality road network is critical for strong economic growth and has created a road map for the same.

- **Strong Economic Growth:** The Indian economy has been growing at the rate of 8.2%, 6.4% and 6.2% in FY2004, FY2005 and FY2006 respectively. As the economy grows, economic activities, such as industrial production and personal consumption will increase which will in turn drive road cargo and passenger traffic growth.

- **Growth in Vehicles:** There has been a consistent growth in the number of vehicles in India which has prompted the government in investing in road infrastructure development. The compounded annual growth in total number of vehicles between CY2000 to CY2004 has been 21.1%. With better road connectivity and improved road conditions, further growth in vehicles is expected which will fuel further road development. Also with improved quality of vehicles road travel is fast becoming the most convenient means of transport.

- **Growth in Tourism:** Several initiatives have been taken by the Indian government to promote tourism in India including increasing the budgetary allocation for tourism from Rupees 325Cr. in 2003-04 to Rupees 5000 million in 2004-05. Tourism industry registered a growth rate of 17.3% in foreign tourist arrivals in FY2005. The growth in tourism is expected to increase road passenger traffic growth.

Development and Management of Roads

Responsibility for the development and maintenance of National Highways rests with the Central Government authorities while all other roads are the responsibility of the concerned State Governments and the local state bodies. To give a boost to the development of National Highways, a National Highways Authority of India (NHAI) has been formed to implement important projects .

National Highways Authority of India (NHAI)

The National Highways Authority of India was constituted by, the National Highways Authority of India Act 1988. Its primary mandate is time and cost bound implementation of National Highways Development Project (NHDP) through host of funding options including tax revenues, fuel cess, government borrowings, private participation, external multilateral agencies like World Bank, Asian Development Bank and others. Some of its other key functions include improvement, maintenance and augmentation of the existing National Highways network and implementation of road safety measures and environmental management. It is also actively involving the private sector in financing the construction, maintenance & operation of National Highways and wayside amenities. NHAI has introduced information technology in construction, maintenance and all operations.

Funding for Road Projects

Private participation for National Highway Development Projects

NHAI has offered projects on 'build, operate and transfer' basis (BOT) to contractors to promote private investments in roads and highways. Under such contracts, the contractor invests in building the road and maintaining it for up to 30 years, and then transfers it back to the NHAI at zero cost. A BOT project may be of one of these three kinds:

Toll-based: The contractor recovers its costs and earns its revenues by collecting toll on the route. Hence, the contractor takes the risk of traffic volume and toll rates and his returns are linked to the collections. The developer can either opt for a positive grant from NHAI (which is currently capped up to 40% of project cost as estimated by NHAI) or bid for a negative grant The bidding variable for such projects is the grant amount (either positive or negative)

Annuity: The contractor receives periodic payments on a yearly or six-monthly basis from the government, for a period of up to 15 years. The contractor has to maintain the road for this period, and then transfer it to the government at zero cost. In this system, the government/ NHAI collects toll and the contractor's returns are independent of traffic volumes or toll rates. The bidding variable for such projects is the amount of annuity quoted.

Grant: This variant is a hybrid of the toll-based and annuity systems: the government pays a capital grant to make up for the difference between the BOT operator's return expectation, and toll revenue. The grant is capped at 25% to 40% of the required funds, and may be either a one-time payment, or spread over up to ten years, depending on the project. The bidding variable for such projects is the amount of the capital grant.

Levies on Petrol and Diesel and the Central Road Fund

To meet the challenges of accelerated funding requirements for all categories of roads in India, the Union Budget for the year 1998-1999 provided for a levy of cess on petrol and diesel to the tune of Rupee 1 per litre. Further the cess on petrol and diesel has been increase by Rupee. 0.50 in the year 2003 and another Rupee 0.50 in the year 2004.The revenue generated was decreed by the Indian Parliament to be put aside in a Central Road Fund exclusively to finance the development of all categories of roads. This fund was given statutory status by the Central Road Fund Act, enacted in December 2000.

Loan assistance from international funding agencies

Loan assistance is available from multilateral development agencies like Asian Development Bank (ADB) and World Bank (WB) or other overseas lending agencies like Japan Bank for International Cooperation (JBIC).

Market borrowing

NHAI proposes to tap the market by issuing bonds and loans from LIC.

Policy Initiatives for Attracting Private Investment

Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows:

- Government to carry out initial preparatory work including land acquisition and utility removal. Right of way (ROW) to be made available to concessionaires free from all encumbrances.
- NHAI / GOI may provide capital grant up to 40% (maximum) of project cost to enhance viability on a case to case basis
- Tax benefits under Sec 80(IA)
- Concession period are generally allowed up to a maximum 20 years
- Duty free import of specified modern high capacity equipment for highway construction
- Government of India has approved 100% foreign direct investments for road and highway construction through the automatic route
- Planning Commission, NHAI and MORTH have initiated steps to modify the draft concession agreement to mitigate the traffic risks of toll based projects – concession agreement will be extended or reduced based on actual traffic

National Highways Development Project (NHDP)

In 2000, the central government initiated the National Highway Development Program (NHDP), in an effort to improve highway infrastructure. The two key arterial highway network upgrade programs initiated in 2000 are now referred to as Phase I and II. Recently, the government has added five additional phases that will further upgrade about 45,000 kms of national highways or other road networks. Below is a summary of the current plan to improve the national highway or other road networks as outlined in the present government's first year performance review document.

Phase I : Phase I includes the Golden Quadrilateral (GQ) project connecting four metro cities, with total length 5,846 kms. Total cost of the project is Rupees 300 billion (US$6.8 billion), funded largely by the government's special petroleum product tax revenues and government borrowing. About 90% of the Golden Quadrilateral has been completed by March 2006.

Phase II : North-South and East-West corridors comprising national highways connecting four extreme points of the country. Total length of the network is 7,300 kms. As of April 2005, 812 kms (11%) of the project had been completed, while 4,726 kms is under construction. Contracts for the balance of 1,762 kms have yet to be awarded. The official target for completing this project is December 2007 at a cost of Rupees 350 billion (US$8 billion), with funding similar to Phase I.

Phase III : The government recently approved NHDP-III to upgrade 10,000 kms of national highways on a Build, Operate and Transfer (BOT) basis, which takes into account high-density traffic, connectivity of state capitals via NHDP Phase I and II, and connectivity to centres of economic importance. Phase III will be executed in two parts: 4,000 kms are scheduled for completion by December 2009; 6,000 kms will be completed by December 2012.

Phase IV : The government is considering widening 20,000 kms of highway that are not part of Phase I, II, or III. Phase IV will convert existing single lane highways into two-lanes with paved shoulders. The plan will soon be presented to the government for approval.

Phase V : As road traffic increases over time, a number of four lane highways will need to be upgraded/expanded to six lanes. The current plan calls for upgrade of about 5,000 kms of four-lane roads, along the Golden Quadrilateral and the Government has already identified about 2,000 kms along the GQ for initial development during the year 2005-06.

Phase VI : The government is working on constructing expressways that would connect major commercial and industrial townships. It has already identified 400 km of Baroda-Mumbai section that would connect to the existing Baroda-Ahmedabad section.. The expressways will be funded on BOT basis. Besides, in the budget, it has been stated that 1,000 kms of expressways would be executed under Phase VI and six high density corridors are identified for carrying out feasibility study.

Phase VII : This phase calls for improvements to city road networks by adding ring roads to enable easier connectivity with national highways to important cities. In addition, improvements will be made to stretches of national highways that require additional flyovers and bypasses given population and housing growth along the highways and increasing traffic. The government has not yet identified a firm investment plan for this phase.

Source: NHAI Website www.nhai.org accessed on April 16, 2006 and Press Reports

National Highways Development Project Map

Source: NHAI Website www.nhai.org accessed on August 25,2005 and Press Reports

I. MORTH Projects (Non-NHDP)

The erstwhile Ministry of Road Transport and Highways and Ministry of Shipping were merged in September 2004 into a single Ministry of Shipping, Road Transport and Highways, with two Departments (1) Department of Shipping and (2) Department of Road Transport and Highways. The Department of Road Transport and Highways has been entrusted primarily with the task of construction and maintenance of National Highways (NH), formulation of broad policies relating to road transport, environmental issues, automotive norms, etc. besides making arrangements for movement of vehicular traffic with neighboring countries.

The ministry is currently developing 10,000km of national highways (non-NHDP) over the next 4-5 years. These will all be BOT projects with grants; the grant will be one of the bidding variables, and will in no case exceed 25% of the BOT operator's project cost.

II. State Highway Projects

Road and highway development by states has been funded by contributions from the central reserve funds (CRF), loans from multilateral lending agencies such as the World Bank and Asian Development Bank, and state funds. Among states, Gujarat, Maharashtra, Haryana, Madhya Pradesh, Punjab, Kerala, Karnataka, and Tamil Nadu lead the others in road projects.

III. Rural Road Projects

The Pradhan Mantri Gram Sadak Yojana (PMGSY), launched in December 2000, is a project aimed at improving rural roads and connectivity of villages. The project will provide road connectivity to 160,000 unconnected rural habitations with populations of 500 persons or more by the end of the Tenth Plan period (2007), at an estimated cost of Rupees 600 billion. The programme is being executed as a centrally sponsored scheme in all the states and six Union Territories. The project is to be funded with a mix of fuel cess, market borrowings, and private participation.

Implementation Schedule for Road Projects

GMR believes

- NHAI awards projects on the basis of competitive bidding. NHAI announces potential projects for bidding by issuing the tender documents. Either two stage bidding process or single stage bidding process can be followed by NHAI.
- In two stage bidding, prequalification of bidder forms the first part and then the tender documents will be issued to only those got prequalified for bidding. Pre-qualification is based on the technical and financial capability of the bidder based on certain criteria as set forth by NHAI. In single stage bidding both pre-qualification and bidding documents will be submitted at one time and the order of evaluation is first the pre-qualification documents will be opened and then the other bidding proposals will be evaluated
- NHAI issues tenders on BOT basis and it may be either toll or annuity based. In annuity based projects, the bidders who are quoting the lowest annuity will be awarded the project whereas in toll basis a bidder can quote either a positive grant or zero grant or a negative grant. The bid will be awarded to the bidder who quotes the highest negative grant (on NPV basis) or the lowest positive grant as the case may be. In case of negative grant, for some projects entire grant has to be given upfront (i.e., on the date of Financial closure of the project) but in majority of the cases the payment of negative grant will be computed on NPV basis and the grant is allowed to spread over a period of 10 to 13 years during the concession period. Whereas, in case of positive grant, NHAI releases a portion of grant to the extent of equity commitment after spending of 80% of equity amount during construction period and the balance grant to be released on a quarterly basis @1% every quarter.
- Normally the range for tenure of the concession will be around 15 – 25 years which includes about 24 – 30 months for implementation of the project and the remaining period for the operation and maintenance of the project.
- The BOT operator is eligible for annuity payment in case of annuity projects once the project has achieved commercial operation whereas in toll based projects, the BOT operator has the right to collect toll once the project achieved commercial operation. The right to toll rests with NHAI in case of annuity based projects. Toll amounts will be linked with WPI and therefore will be revised every year in accordance with WPI.

Civil Aviation Sector

Overview

India now has the fourth largest economy in the world but for an economy of its size, use of air travel is extremely low. This is also reflected in the fact that Mumbai and Delhi airports are ranked only 80th and 109th (Ministry of Civil Aviation) respectively in the world instead of being considered among the world's largest. Standard expectations for air travel growth are usually of the order of twice the level of GDP growth but India has achieved nowhere near this level of growth leading observers to believe that, given the right regulatory conditions and product pricing, there is significant pent-up demand for air travel. Similarly India has failed to exploit its tourism potential, attracting only 0.4% of the world's total tourists, and 1% of total spending on tourism.

With increasing evidence of air transport liberalization in India, there is great interest on the part of airlines and airport operators and also a widespread consensus that the potential for growth in the Indian air transport market - both domestically and internationally - is enormous.

One of the major reasons, which could explain the sluggish growth realized in the Indian market, is the poor infrastructure. This includes unreliable power sources, lack of hotels, severe congestion on roads and inadequate airport facilities. Although there is a vast railway network and more than 5 billion journeys are taken by rail in India each year, the railway network requires significant investment. Although there have been plans to improve the rail links for the "Golden Quadrilateral", these have yet to be implemented. The poor rail / road infrastructure also offers opportunities for domestic airline operators. Given the difficulty of traveling around the country, airlines able to offer low fares across a network of air services between regional cities and the largest conurbations would have a potentially large market.

Over the past couple of years positive developments in the sector have led to strong growth of the Civil Aviation sector:

- Abolition of IATT (Inland Air Travel Tax) and FTT (Foreign Travel Tax) on domestic and international fares respectively;
- International growth due to private airlines' overseas expansion plans;
- Open-sky policy during peak season;
- Review of existing Air Service Agreements and addition of new international routes;
- The progressive liberalization of bilateral agreements;
- The development of low cost carriers;
- Hike in FDI announced in the budget 2004-05 and
- In addition to the above, the construction of greenfield airports has the potential to enhance the growth further

Despite recent growth in air passenger traffic, India continues to have gross under penetration of air services with an average air travel of 0.014 trips per person per year as compared to an average of 2.02 trips per person per year in the United States. This signals the level of potential demand, which may be generated as the economy grows and air travel becomes more affordable for a larger population, which otherwise uses road or rail transports.*

The main organisations in the civil aviation sector are:

- The Ministry of Civil Aviation ("MCA"), responsible for national policies for the development and regulation of the civil aviation sector
- The Directorate General of Civil Aviation ("DGCA"), responsible for the regulation of air transport services and the enforcement of civil aviation regulations, air safety and air worthiness
- The Bureau of Civil Aviation Security ("BCAS") establishes standards for pre-embarkation security and anti-sabotage measures.
- The Airports Authority of India ("AAI"), which manages 126 airports and the entire Indian airspace

Airports

A. *Introduction*

There are 449 airports and airstrips in India of which Airport Authority of India (AAI) owns and manages 126 airports, including 12 international airports (including civil enclaves at Bangalore, Goa and Srinagar), 88 domestic airports and 26 civil enclaves at defence airfields (excluding Bangalore, Goa and Srinagar).

Indian airports, in FY 05, handled total passenger traffic of about 59 million passengers and about 1.28 million tonnes of cargo. Indian airports registered a 21.7% growth in passenger traffic and 19.9% growth in cargo handled for the year FY05.

Performance of All Airports in India

Category	FY 2005	FY 2004	% Change
Aircraft Movement (in '000)			
International	162.03	132.97	21.9
Domestic	557.05	505.66	10.2
Total	**719.08**	**638.63**	**12.6**
Passengers (in million)			
International	19.41	16.63	16.7
Domestic	39.86	32.09	24.2
Total	**59.27**	**48.72**	**21.7**
Cargo (in '000 tonnes)			
International	822.03	693.18	18.6
Domestic	458.52	375.09	22.2
Total	**1,280.55**	**1,068.27**	**19.9**

Traffic is heavily concentrated around the gateway airports; with the top six airports in 2004-05 (Mumbai, Delhi, Kolkata, Hyderabad, Bangalore, and Chennai) handling 75% of total passenger traffic in India.

B. Airport Businesses And Activities

The principal activities undertaken at an airport are as follows:

- Airport operations – revenue under this category comprises landing, parking and housing charges and passenger service fees
- Commercial operations – this largely relates to trading concessions at the airport
- Cargo operations – revenue under this category is earned from the processing of international cargo
- Property development and management operations – revenue under this category is primarily rent for land/area leased out, and, services rendered, to airlines and various 3rd parties.

i. Airport Operations

The full range of airport operations is shown below together with information on who undertakes each function.

Activities	**Provider**
Terminal Management	AAI
Terminal maintenance	Concessionaire
Duty Free Shops	
Car Rental	
Restaurants, bars	
Ground Handling	
Refuelling	Public sector oil companies
Baggage handling	Air India, Indian Airlines, Jet Airways, Air Sahara, Cambatta Aviation, several international airlines
Cargo loading and unloading	Terminal handling - international cargo by AAI and Air India, domestic cargo by respective airlines Ramp handling – Air India, Indian Airlines, foreign airlines
Passenger handling	Air India, Indian Airlines, Air Sahara, Jet Airways, Air Deccan, several international airlines, Globe Ground
Parking stand allocation	AAI
Aviation Services	
Aircraft Maintenance	Air India, Indian Airlines, Air Sahara and Jet Airways each maintain their own aircraft. Air India, Indian Airlines and Air Works also provide maintenance services to other airlines
Freight and cargo	AAI, Air India
In-flight Catering	Chef Air, Ambassador Flight Kitchen, Oberoi Air Caterers, Sky Gourmet, Taj SATS Flight Kitchen etc
Air Traffic Services	
En-route and approach control	AAI, which is undertaken separately from its airport operator role
Aerodrome control	AAI
Landing and ATC System	Visual navigation aids, all other navigation aids and landing systems are provided and maintained by AAI separate from its airport operator role Meteorological Services Meteorological Department, Government of India (GOI)
Safety and Security	
Airport Security Perimeter and terminal	Central Industrial Security Force (CISF)
Aircraft	Respective airlines
Rescue and Fire Fighting Services	AAI
Counter Terrorist	First Response National Security Guard and CISF
Passenger Screening	
Cabin baggage	CISF
Check-in baggage	Airlines
Passengers	CISF and airlines
Cargo security	CISF and sponsored security agency

Activities	Provider
Other	
Customs	Customs Department, Ministry of Finance
Immigration	Immigration Department, Ministry of Home Affairs
Quarantine	Airport Health Officers deputed by the Government of India
Flight Information	AAI, Airlines
Wireless	AAI

Source: AAI

ii. Airport Charges

Aeronautical charges are set by the GOI based on principles of cost recovery and after consultation with IATA. All charges, other than the route navigation facilities charges and terminal navigation charges, will be levied by the airport. Route navigation facilities charges and terminal navigation charges can be levied only by AAI. Route Navigation Facilities Charges and Terminal Navigation Landing Charges are used to fund CNS-ATM services provided at the airport. The CNS-ATM function is provided by AAI, solely, for which it collects Route Navigation Facilities Charges and Terminal Navigation Landing Charges. The only exceptions are in case of x-ray baggage charges and the Passenger Service Fee (PSF).

Both AAI and Air India currently provide x-ray inspection systems, for use of which they levy charges. These charges are collected by airlines and passed on to the agency providing the x-ray inspection facilities. The Passenger Service Fee (PSF) is collected by airlines and passed on to AAI. It comprises a facilitation component (35%) and a security component (65%). The security component is used to fund expenditure on security.

C. Profiles Of Existing Airports

The Indian airports under the control of AAI can be divided into four categories.

- International Airports: International airports are declared as such and have scheduled international operations. Currently, there are 12 international airports.
- Customs Airports: These airports have custom and immigration facilities and hence can be operated for international operations, subject to prior arrangements being made to have the customs and immigration facilities manned. Currently, there are 9 customs airports.
- Domestic Airports: All domestic airports, other than civil enclaves are included in this category, which covers 77 airports. Model airports are domestic airports, with a minimum runway length of 7,500 feet and adequate terminal capacity to handle Airbus 320 type aircraft and cater to limited international traffic. There are 5 model airports, these being Lucknow, Bhubaneswar, Guwahati, Nagpur, Coimbatore and Indore.
- Civil Enclaves at Defence Airfields: There are 26 civil enclaves at defence airfields.

The distribution of traffic across each of the above airport categories is summarized below:

Distribution of traffic across each airport category

Airport Category (Nos.)	AIRCRAFT MOVEMENTS ('000)			PASSENGERS (millions)			CARGO ('000 tonnes)		
	FY 2005	**FY 2004**	**% Change**	**FY 2005**	**FY 2004**	**% Change**	**FY 2005**	**FY 2004**	**% Change**
International Airports (11)	525.54	458.07	14.7	49.19	40.52	21.4	1,198.26	1,006.32	19.1
Cochin Int'l Airport	18.10	16.59	9.1	1.60	1.33	19.8	22.18	15.96	38.9
Custom Airports (9)	46.50	43.17	7.7	2.94	2.35	25.3	24.57	19.83	23.9
Domestic Airports (24)	103.29	99.09	4.2	4.83	4.03	19.9	32.06	24.78	29.4
Others	25.65	21.71	18.1	0.71	0.49	46.1	3.49	1.38	152.6
Total	**719.08**	**638.63**	**12.6**	**59.27**	**48.72**	**21.7**	**1,280.55**	**1,068.27**	**19.9**

Source: AAI

Traffic distribution is fairly concentrated with the 12 international airports (11 administered by AAI and 1 by Cochin International Airport Limited) accounting for 86% of the passenger traffic and 96% of the cargo traffic. A summary profile of the traffic for FY04 and FY05 at these 12 major airports is provided below:

Profile of 12 major Airports

Airport category (nos.)	Aircraft Movements ('000)			Passengers Movements (millions)			Cargo Movements ('000 tonnes)		
	FY 2005	**FY 2004**	**% Change**	**FY 2005**	**FY 2004**	**% Change**	**FY 2005**	**FY 2004**	**% Change**
Mumbai	153,166	137,212	11.6	15,665,777	13,284,445	17.9	402,715	326,477	23.4
Delhi	122,123	105,540	15.7	12,782,979	10,394,164	23.0	344,501	295,807	16.5
Chennai	61,233	51,251	19.5	5,628,142	4,555,821	23.5	185,870	154,123	20.6
Bangalore	55,641	46,913	18.6	4,113,383	3,181,248	29.3	110,701	91,489	21.0
Kolkata	42,374	38,820	9.2	3,494,564	3,090,853	13.1	69,628	62,272	11.8
Hyderabad	35,707	28,077	27.2	2,844,917	2,211,766	28.6	34,007	27,753	22.5
Trivandrum	10,424	10,476	-0.5	1,161,720	1,073,582	8.2	23,665	26,260	-9.9
Goa	13,029	11,074	17.7	1,265,410	987,681	28.1	4,856	3,486	39.3
Ahmedabad	14,893	13,126	13.5	1,289,747	976,687	32.1	16,692	13,153	26.9
Guwahati	13,921	13,403	3.9	598,932	541,233	10.7	4,310	4,376	-1.5
Amritsar	3,030	2,175	39.3	347,911	225,292	54.4	1,312	1,126	16.5
Cochin (CIAL)	18,097	16,590	9.1	1,596,126	1,332,601	19.8	22,175	15,961	38.9
Total	**543,638**	**474,657**	**14.7**	**50,789,608**	**41,855,373**	**21.4**	**1,220,432**	**1,022,283**	**19.1**

Source: AAI

Mumbai & Delhi are the major gateway airports to India, and account for about 56% of the total passenger traffic. Hyderabad is the 6th largest airport, with a 6% share of the total passenger traffic in India.

Summary of Traffic at Top Indian Airports

Airport	Weekly Seats	Weekly Flights	Average Capacity	Non-stop Destinations (Dom)	Non-stop Destinations (Intl)	Total Non-stop Destinations	Countries Served Non-stop	Countries Served Thro	Total Countries Served	No. of Airlines Operating
MUMBAI	214,408	1,363	157	33	36	69	31	7	38	42
Delhi	161,080	1,022	158	29	44	73	38	2	40	44
Chennai	75,540	518	146	13	12	25	11	2	13	17
Bangalore	54,575	466	117	12	13	25	9	1	10	12
Kolkata	45,977	396	116	24	10	34	8	1	9	13
Hyderabad	34,644	261	133	11	8	19	7	-	7	10
Cochin (CIAL)	25,483	167	153	7	10	17	8	-	8	12
Ahmedabad	19,779	126	157	6	6	12	6	2	8	5
Trivandrum	16,170	96	168	6	10	16	9	-	9	7
Kozhikode	16,077	88	183	7	13	20	7	-	7	4
Goa	12,676	88	144	5	2	7	2	-	2	4
Guwahati	11,163	106	105	11	-	11	-	-	-	3
Pune	9,978	96	104	5	-	5	-	-	-	4
Coimbatore	7,373	62	119	5	-	5	-	-	-	4

Source: Flight Base October 2004

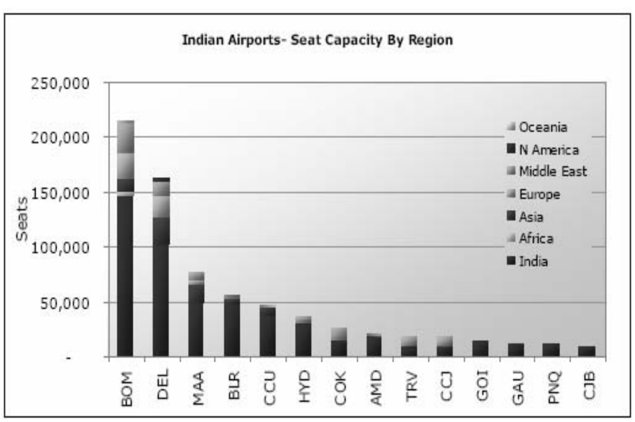
In a deregulated market, Mumbai and Delhi would be natural competitors. However, the historical protection afforded by the regulatory regime means that their dominance should not be assumed. Other, currently smaller, airports could grow rapidly with the benefit of infrastructure expansion, better geographical positioning and effective marketing.

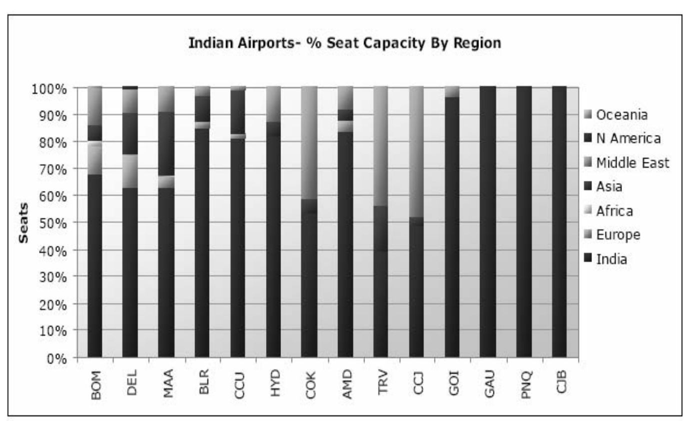
D. *Analysis Of Capacity & Traffic Flows*

Mumbai and Delhi are the only airports to offer more than 150,000 seats each week to the market, and more than 1,000 weekly flights. While Mumbai leads Delhi in all other traffic / capacity numbers, Delhi has a greater presence in international markets. Led by the boom in IT/ITES sectors, other smaller airports like Hyderabad, Bangalore and Chennai are also rapidly increasing their international reach and presence.

In October 2004, there were typically 700,000 scheduled seats each week from Indian Airports. Almost 500,000, or 70%, of these were to other airports within India. Mumbai and Delhi are the major airports for domestic capacity-68% or 145,000 of the 214,000 seats available at Mumbai each week are on domestic services, and 63% or 101,000 of the 161,000 seats at Delhi are domestic.

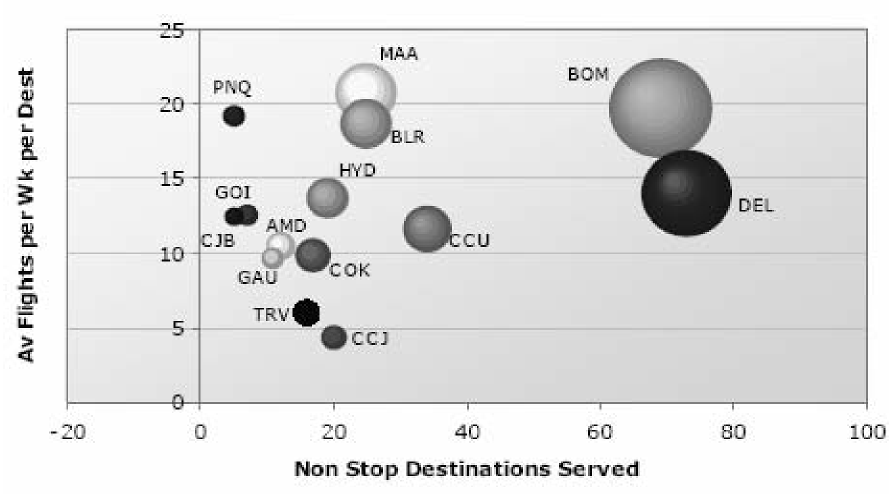
Three regions share the bulk of the 215,000 international seats available to and from India. The Middle East region is the largest of these with some 83,000 seats offered to the markets each week, followed by Asia with slightly fewer seats and then by Europe with just under 50,000 seats from Indian airports each week.





Source: Flight Base October 2004

Indian Airports – Comparative Capacity Analysis (Size of circle reflects total weekly seats)



Source: Flight Base Octob er 2004

While in absolute numbers Mumbai and Delhi have registered the largest growth in international traffic, the growth rates at some of the smaller airports have far outpaced the two largest airports due to liberalization of the bilateral agreements.

Total International Passenger Traffic (millions)

Year	Ahmedabad	Bangalore	Mumbai	Kolkata	Cochin	Delhi	Goa	Hyderabad	Chennai	Trivandrum
1999			4.41	0.57		3.43			1.64	0.77
2000			4.61	0.57		3.50			1.75	0.75
2001			4.48	0.56		3.57			1.74	0.74
2002	0.12	0.33	4.52	0.52	0.54	3.45	0.19	0.43	1.86	0.77
2003	0.16	0.43	4.66	0.54	0.80	3.95	0.25	0.56	1.92	0.81
2004	0.25	0.48	5.34	0.59	0.86	4.33	0.28	0.61	2.05	0.83
2005	0.37	0.68	6.09	0.64	1.01	4.94	0.36	0.75	2.39	0.87
Avg. Annual Growth Rate	**46%**	**27%**	**6%**	**2%**	**23%**	**6%**	**24%**	**20%**	**7%**	**2%**

Total Domestic Passenger Traffic (millions)

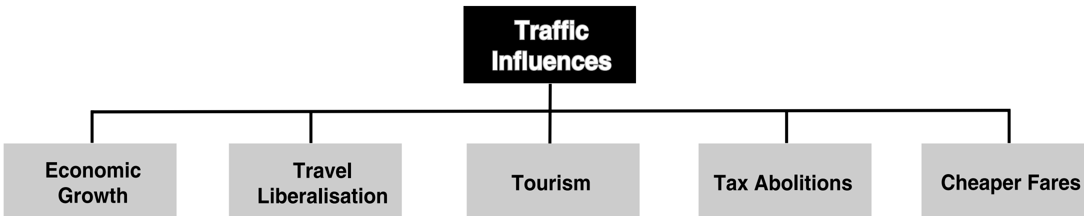
Year	Ahmedabad	Bangalore	Mumbai	Kolkata	Cochin	Delhi	Goa	Hyderabad	Chennai	Trivandrum
1999			6.38	1.970		4.339			1.880	0.28
2000			6.93	2.049		4.901			2.167	0.26
2001			6.64	1.991		4.884			2.109	0.23
2002	0.62	2.56	7.00	2.167	0.525	5.056	0.616	1.416	2.166	0.23
2003	0.69	2.58	7.63	2.410	0.445	5.748	0.666	1.523	2.354	0.24
2004	0.72	2.70	7.95	2.50	0.47	6.07	0.71	1.60	2.50	0.25
2005	0.92	3.44	9.58	2.86	0.59	7.84	0.91	2.10	3.23	0.29
Avg. Annual Growth Rate	**14%**	**10%**	**7%**	**6%**	**4%**	**10%**	**14%**	**14%**	**9%**	**1%**

E. Traffic Drivers

Indian air transport is one of the fastest growing markets in the world in both passenger and cargo traffic. Over the last 10 years, domestic and international air passenger traffic (including transit passengers) registered a compounded annual growth rate (CAGR) of 4.6% and 4.3% per annum respectively at the four major Indian airports at Mumbai, Delhi, Chennai and Kolkata.

There are a number of factors that influence the air transport market in India. Some of the factors that have influenced the traffic profile in the past and are expected to do so in the future are described below.

Factors influencing Traffic



i. Economic Growth

There are indications that the Indian economy is in the early stages of a significant structural change with the following key trends evident:

- higher private consumption driven by the growth of greater value-added services and the creation of a sizeable middle class;
- low interest rates and change in demographics;
- higher investment driven by public investment in roads and railways and private investment spurred by policy changes in the ports and power sector; and
- higher net exports driven by exports / outsourcing of information technology, pharmaceuticals, automobiles, auto parts and textiles.

Given the good economic prospects and the direct positive influence between economic growth and growth in air transport demand, it is assessed that the economy will play a major role in the development of air transport in India.

ii. Travel Liberalisation

In October 2004, GOI decided to extend an "open-sky" policy to all foreign airlines, including those from the Persian Gulf, for six months in the peak winter season. This is a better step compared to the earlier 3 months open sky policy allowed by Government of India during winter peak travel periods. This has allowed all foreign carriers to operate additional capacity by way of larger aircraft to cater to enhanced tourist traffic. This open-sky policy has been running for three years, but had previously been limited to 3 winter months only (December to February). Such liberalisation has increased the seats on offer by foreign carriers.

iii. Tourism

Tourism is a key driver of air transport demand and is projected to be a growth sector for India. There is a heavy concentration of visitors in the 'Golden Zone' in the north of the country, and towards the coastal part of southern India.

iv. Tax Abolitions

The Government of India announced on 8 January 2004 its decision to reduce excise duty on aviation turbine fuel (ATF) from 16 to 8% and to abolish the Inland Air Travel Tax (IATT) of 15% on domestic airfares, as well as the Foreign Travel Tax (FTT) of INR 500 per passenger. In the same month, the Government decided to reduce landing charges by 15% for domestic flights and completely waive them for domestic scheduled flights with a seating capacity lower than 80. Finally, navigational charges have also been rationalised. The recent abolition of these travel taxes has reduced the cost of travel to a point where some of the lowest airfares are lower than first class train fares. This will stimulate demand from the growing Indian middle class, which is likely to shift from ground transportation to air travel with cheaper fares. Given sufficient competitive pressures, cost of travel may reduce further as the benefits of reduction in excise duties on ATF and lower landing and navigational charges have not been passed on to the consumer. Moreover, there is scope for further reduction of taxes such as the high rates of sales tax levied by states on ATF (average 25%, as high as 39% in some states), leaving in turn room for further declines in airfares. Government of India based on the recommendation of the Naresh Chandra Committee report has made its intentions clear by requesting states to consider CST rates for ATF.

v. Cheaper Fares

Most domestic airlines in India have implemented or are in the process of implementing revenue management systems, increasing the range of different fares and bookings classes, allowing more Indians to fly. Introduction of apex fares (advance purchase fares) has allowed airlines to increase the load factor by attracting new passengers without diluting from the high yield passengers. Also, the development of low cost / low fare carriers like Air Deccan, Kingfisher Airlines and SpiceJet will play a major role in making air travel more affordable.

vi. Cargo Traffic

Air cargo services were liberalized in 1990 resulting in a healthy increase in domestic and international cargo volumes at Indian airports since liberalization. Apart from the impact of liberalization, the exceptional performance of international cargo traffic demand recorded in the past 20 years was due to the opening up of India to international markets and to the outstanding growth of the Indian economy. However, air cargo volumes were severely affected by the adverse effects of the first Gulf War on the worldwide air transport industry in 1990-1991. The Asian crisis and the 11 September events also impacted negatively on the development of cargo traffic, especially on the international network.

Domestic cargo is mostly carried in the belly hold capacity of passenger aircraft. Domestic cargo is therefore dependent on domestic passenger development. Moreover, according to historic data, average volume of cargo carried by passenger (cargo kg / pax) has consistently increased over the past 10 years. Although it is expected to increase for a few more years, it is believed that once cargo and passenger traffic have reached a similar maturity level, the average cargo kg / passenger will stabilise.

Recent Developments in the Aviation Industry

Naresh Chandra Committee Report – Road map for the civil aviation sector In July 2003, the Ministry of Civil Aviation set up a five-member committee under the chairmanship of Mr. Naresh Chandra, an eminent former bureaucrat, to prepare a comprehensive roadmap for the promotion of Indian civil aviation sector that will provide the basis for a new National Civil Aviation Policy. The Committee held detailed consultations with airlines, chambers of commerce, the travel and tourism industries and the public, and studied representations received from them. The Committee submitted the first part of its report in December 2003, which recommended certain structural changes to strengthen the aviation sector and make air travel more affordable.

The Committee's recommendations included the following:

- Allow domestic private airlines to provide international air transport services to and from India.
- Reduce excise duty and sales tax on ATF.
- Rationalize IATT (Indian Air Travel Tax), FTT (Foreign Travel Tax) and PSF (Passenger Service Fee).
- Enable private sector oil companies to sell ATF at airports.
- Removal of minimum fleet size (five aircraft) and capital requirements (Rs.100 million) for setting up operations.
- Privatization of Indian Airlines and Air India.
- Increase the limit of foreign investment in an airline from 40% to 49% and permitting foreign airlines to invest in Indian air carriers.
- Allow foreign investment up to 100% in non-scheduled services such as chartered aircraft and helicopter services.
- Airport charges to be reduced in line with international levels and reduction in route navigation and landing charges.
- Corporatization of Air Traffic Control.
- Setting up of an Aviation Economic Regulatory Authority ("AERA").

The second part of the Naresh Chandra Committee Report which deals with the implementation of the proposed roadmap has been presented to the Government in October 2004. This part deals with training, aviation security, safety regulations and steps required to be taken with respect to airport management and infrastructure.

The following developments have taken place in the Indian aviation sector subsequent to the Committee's findings and recommendations:

- Private domestic airlines permitted to fly certain international destinations in the SAARC region with effect from December 2003.
- IATT and FTT abolished from January 9, 2004.
- Excise duty on ATF reduced from 16% to 8% from January 9, 2004.

- Landing charges for aircraft with less than 80 seats have been abolished and reduced by 15% for larger aircraft with effect from February 11, 2004.
- Navigation charges for aircraft weighing less than 20 tonnes have been substantially reduced with effect from February 11, 2004. For other aircraft, the method of calculating the charges had already been rationalized to reflect both the weight of the aircraft and the distance flown.
- Increased the foreign investment limit from 40% to 49% vide a notification dated November 10, 2004, while maintaining its earlier position of not allowing foreign airlines to invest in domestic airlines.
- Domestic airlines permitted to fly to certain additional international destinations.
- A greenfield airport operator is entitled to levy a user development fee at such rate as the Central Government may specify.
- Private sector participation will be a major thrust area in the civil aviation sector for promoting investment, improving quality and efficiency and increasing competition.
- Private sector investment in the construction/ up gradations/ operation of new as well as existing airports including cargo related infrastructure is being encouraged.
- Private sector investment in non-aeronautical activities like shopping complex, golf course, entertainment park, aero-sports etc. near airports will be encouraged to increase revenue, improve viability of airports and to promote tourism.

Airport Modernization Initiative

In its report, A Road Map for the Civil Aviation Sector, India's Ministry of Aviation acknowledged that the industry's development is hampered by outdated infrastructure, inadequate ground handling systems and night landing facilities, poor passenger amenities and the poor utilization of existing and limited capacity. In this regard the GOI has initiated a number of policy measures to attract the private sector. The Airports Authority of India has taken the necessary steps for inviting both private and foreign interests to participate in the process, both in revitalizing the key existing gateways, as well as in building new facilities in cities that are likely to attract traffic flows in the near future.

The most visible manifestation of this process is the revamping of the airports in Mumbai and Delhi with the private sector holding a majority stake. The AAI signed the operation management and development agreements (OMDA) with the GMR led group and GVK led group for the Delhi and Mumbai airports respectively. The two private consortia had won the airport modernisation contracts in January, after an elaborate bidding process. OMDA is one of the mother agreements governing the development of the two airports with the help of private developers. The agreement holds operational guidelines, duties and extent of control of the respective shareholders in the two government-private ventures over the two airports. This public-private partnership vehicle will see a 74% equity stake in the respective airports held for 30 years by private parties, with AAI holding the balance 26%.

In addition to the above, the Government has already initiated the development of 2 new airport projects in Hyderabad and Bangalore. A consortium of GMR Infrastructure Limited and Malaysian Airport Holdings Berhad is implementing the Hyderabad airport project while a consortium of Larsen & Toubro, Siemens AG and Siemens India and Zurich Airport is implementing the Bangalore airport project.

Additionally the government has designated 30 smaller cities around the country as candidates for potential modernization.

Business

Overview

We are a major power and infrastructure group in India having substantial experience in the development and operation of power plants and road projects. We offer investors an opportunity to participate directly in the ownership of such businesses, which traditionally have been owned predominantly by government authorities or government-controlled entities. Our assets consist of four power plants, of which two are in commercial operation, one is being constructed and is almost complete, and one we have recently started to develop; six road projects, of which two are in commercial operation and four are under development; and two airport projects, one of which is a greenfield airport under development and the other one is an existing airport undergoing modernization and re-development. We play an active role in all stages of development of our projects, including the supervision of construction services, financing and operation.

While we currently generate substantial part of our revenues from the power and road businesses, we are in the process of developing an international airport adjacent to the city of Hyderabad, the fifth largest city in India with a population of approximately 7.3 million. We expect the Hyderabad airport to commence commercial operations towards the end of the first quarter of 2008. In addition, we have recently won the contract to operate, manage and develop the Delhi Airport and have taken over the operations of Delhi Airport from May 3, 2006. Our principal assets, all of which are either wholly-owned or majority-owned by us, consist of the following:

- *Power*. We currently own the following assets in our power business:
  - a 220MW naphtha-fired power plant in Mangalore in the state of Karnataka, or the Mangalore power plant, which commenced commercial operation in 2001;
  - a 200MW LSHS-fired power plant in Chennai in the state of Tamil Nadu, or the Chennai power plant, which commenced commercial operation in 1999; and
  - a 388.50MW gas-fired power plant in Vemagiri in the state of Andhra Pradesh, or the Vemagiri power plant, which we are in the process of developing and expect that natural gas to be available to us for use by the end of July 2006 and the plant to begin commercial operations within one month of such date of the availability of the natural gas.

  We own 100% of each of the Mangalore power plant and the Vemagiri power plant, and 51% of the Chennai power plant.

  In addition, we have the right to develop, pursuant to a concession that we won in May 2005 through a competitive bidding process, a 140MW hydroelectric power plant on the river Alaknanda in the Chamoli district of Uttaranchal. We are also seeking to enter the power trading, transmission and would consider appropriate opportunities to enter into distribution business in India. We hold a trading license issued by the Central Electricity Regulatory Commission to undertake power trading activities.

- *Roads*. We hold concessions to develop, operate and maintain the following annuity road projects:
  - a 59 kilometers stretch on the Chennai-Kolkata (NH-5) highway, or the Tuni-Anakapalli road project, which commenced commercial operation in December 2004;
  - a 93 kilometers stretch on the Chennai-Dindigul (NH-45) highway, or the Tambaram-Tindivanam road project, which commenced commercial operation in October 2004; and
  - an 86 kilometers stretch between Adloor Yellareddy and Kalkallu and an additional 17 kilometers stretch on the Hyderabad-Nagpur (NH7) highway, or the Adloor Yellareddy-Kalkallu road project, which project is currently under development and we expect that it will enter into commercial operation by the end of 2008.

  We have developed, or are developing, these annuity road projects on a "Build-Operate-Transfer" basis, pursuant to concession agreements entered into with the National Highways Authority of India, or NHAI. Under each of the concession agreements, we are entitled to receive fixed semi-annual payments from NHAI, for a period of 15 years, commencing on the date the relevant road entered into commercial operation. We do not collect toll payments from users of these two roads; instead NHAI is entitled to collect all toll payments generated by such roads.

  In addition, we have won three concessions to develop, operate and maintain, and are currently developing, the following toll road projects:

  - a 35 kilometers stretch between Ambala and Chandigarh on the New Delhi-Chandigarh (NH21/NH22) highway, or the Ambala-Chandigarh road project, which project we expect to enter into commercial operation by mid-2008;
  - a 46 kilometers stretch between Faruknagar and Jadcherla and an additional 12 kilometers stretch on the Hyderabad-Bangalore (NH7) highway, or the Faruknagar-Jadcherla road project, which project we expect to enter into commercial operation by mid-2008; and
  - a 73 kilometers stretch between Tindivanam and Ulundurpet on the Chennai-Dindigul (NH-45) highway, or the Tindivanam-Ulundurpet road project, which project we expect to enter into commercial operation by the end of 2008.

We own 74.0% of each of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, and 100% of each of the Adloor Yellareddy-Kalkallu road project, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulundurpet road project.

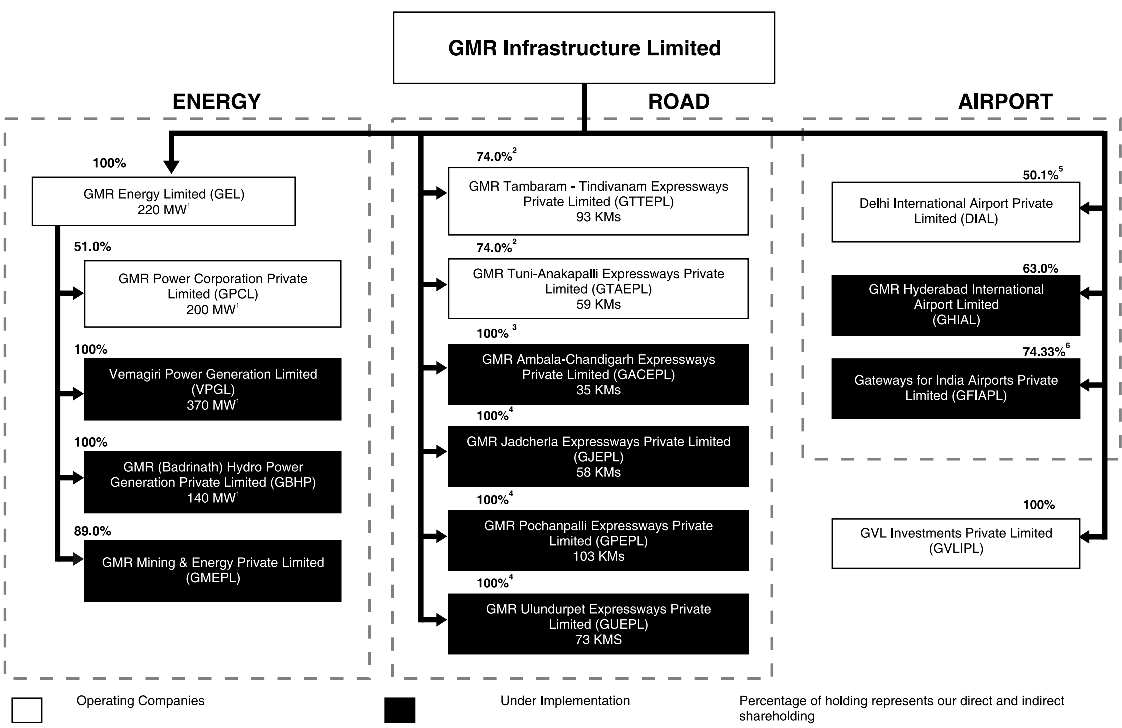
- *Airport*. We hold concessions to develop, operate and maintain the Hyderabad international airport located in the state of Andhra Pradesh, or the Hyderabad airport, and the Indira Gandhi International Airport in New Delhi, or the Delhi Airport.

  – *The Hyderabad airport*. We own 63.0% of GMR Hyderabad International Airport Limited, or GHIAL, the company that is developing the Hyderabad airport pursuant to a 30-year concession granted by the Government of India acting through the Ministry of Civil Aviation. Not less than three years prior to the end of such 30-year period, GHIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the concession agreement. The Hyderabad airport will initially consist of, among other items, a single runway, a passenger terminal building, a separate cargo terminal building and retail facilities, all of which will be built to international standards. In addition, we plan to equip the Hyderabad airport with modern technology and facilities superior to that of most other existing airports in India. We expect the Hyderabad airport to be operational towards the end of the first quarter of 2008.

  – *The Delhi Airport*. In January 2006, a consortium led by us, was awarded a long-term agreement to operate, manage and develop the Delhi Airport following a competitive bidding process. Other members of the consortium consist of Fraport AG, Malaysia Airports (Mauritius) Private Limited and The India Development Fund. Subsequently, DIAL, our 50.1% subsidiary, entered into an Operation, Management and Development Agreement, or the OMDA, on April 4, 2006 with the AAI. The initial term of the agreement is 30 years. Not less than three years prior to the end of such 30-year period, DIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the terms of the long-term agreement. We have taken over the operation and management of the Delhi Airport with effect from May 3, 2006.

All of our businesses are located in India, and all of our investments are in companies that operate businesses in India, we have recently submitted a qualification materials with respect to the competitive bidding of the development and operation of gas fired combined cycle power station in Bangladesh on a BOO basis**.** A significant part of our strategy is to capitalize on our belief that India will continue to experience strong and growing demand for electricity, road and air traffic. In a speech given by Dr. Manmohan Singh, the Prime Minister of India, on the 57th anniversary of India's Independence Day on August 15, 2004, the Government announced its policy to focus spending on seven sectors, including the power and infrastructure sectors, pursuant to various initiatives. This focus is most recently confirmed in a speech given by Mr. P. Chidambaram, the Finance Minister of India, on February 28, 2006, during which he reiterated the government commitment to infrastructure development and highlighted the progress in the development of ports, airports and rural roads in India.

The following diagram shows the group structure of our subsidiaries:



1. MW figures listed in this chart relates to each power plant's contracted capacity.
2. Our 74.0% interest in each of GTTEPL and GTAEPL is made up of the following: (i) a 51.0% interest held by GPCL; (ii) a 10.0% interest held by GIL; and (iii) a 13.0% interest held by GEL.
3. Our 100.0% interest in GACEPL is made up of the following: (i) a 47.4% interest held by GIL; and (ii) a 52.6% interest held by GEL.
4. Our 100.0% interest in each of GJEPL, GPEPL and GUEPL is made up of the following: (i) a 90.0% interest held by GIL and (ii) a 10.0% interest held by GEL.
5. Our 50.1% interest in DIAL is made up of the following: (i) a 31.1% interest held by GIL; (ii) a 10.0% interest held by GEL; and (iii) a 9.0% interest held by GVLIPL.
6. Our 74.33% interest in GFIAPL is made up of the following: (i) a 37.84% interest held by GIL and (ii) a 36.49% interest held by GVLIPL.

Competitive Strengths

We believe that our operations and financial condition will benefit from the following strengths:

- *We have extensive experience in developing projects in the power and infrastructure sectors, and have established a reputation for reliability and completing projects on schedule*. We believe our strong reputation in the power and infrastructure sectors, as well as our industry knowledge, allow us to value new projects effectively, properly assess risks and benchmark conclusions against experiences in other markets. We have traditionally been successful in reducing our risks, including commodity, interest rate, foreign exchange rate risk and documentation risks, through, among others, the use of back-to-back contracts and the engagement of technical, legal and other professional firms. We believe that we have earned a reputation for reliability and completing projects on schedule within the sectors in which we operate and among our customers. For example, we received an early completion bonus from NHAI as we were able to achieve early commercial operation of the Tambaram-Tindivanam road project. Except in the case of the Vemagiri power plant, whose commercial operation is expected to be delayed due to the non-availability of natural gas to fuel such plant, all of our projects have so far achieved project completion on or before the scheduled dates of completion.

- *We are one of the few dedicated infrastructure developers in India and are well positioned to benefit from the robust growth of India's economy*. India has recorded strong economic and real income growth for the last decade. For the fiscal years 2005 and 2006, India had a GDP growth rate of 6.9% and 8.4%, respectively. As India's economy grows, we expect that demand for electricity will also increase, particularly in the fast-growing states and regions, and that a greater percentage of the disposable income of the domestic population will be spent on traveling. This in turn would lead to a stronger demand for services offered by the power, road and airport sectors. We are well positioned to benefit from the expected growth in the Indian economy primarily through the development of three toll road projects and two airport projects, as our revenues under these projects are directly linked to the demand for the services offered under such projects. In connection with the concession to develop the Hyderabad Airport, we have been granted a lease for a site covering approximately 5,500 acres of land at Shamshabad, near Hyderabad. We believe the large area of this site will provide us with sufficient room to expand our airport and related facilities over the longer term, including hotels, commercial venues and business parks, while many other airports in India face significant restraints on expansion due to limited land availability in the areas surrounding them. Additionally, the location of the Hyderabad airport in central India makes it well positioned to act as a potential "hub" for routes throughout not only India but cities in Southeast Asia and the Middle East.

- *We have stable and predictable revenues that either are guaranteed by, or are direct obligations of, the state governments or government-owned entities*. As of the date of this Red Herring Prospectus, most of our revenues either are guaranteed by state governments in which the projects are located, or are direct obligations of entities that are controlled by the Government of India. The payment obligations of the electricity off takers for our two operating power plants are guaranteed by the state governments of Tamil Nadu and Karnataka, whereas the payment obligations under our two operating road projects are owed by NHAI, an autonomous entity that has been established by the Ministry of Shipping, Road Transport and Highways. In the power sector, our customers have to pay us a tariff that is comprised of a fixed component and a variable component. In addition, we are protected to a considerable extent from any adverse movements in the Indian economy, as well as demand for our power and road businesses, as each of our current customers is required to pay us a fixed charge linked to the availability of the power plants, irrespective of the demand for or utilization of our services. This arrangement is known as a "take-or-pay" obligation. Similarly, the revenues that we receive each year from NHAI for our two operating road projects are fixed under their respective concession agreements, irrespective of any change in traffic demand or the amount of toll levied on the end-user.

- *We benefit from the use of the GMR brand*. We are the flagship infrastructure company of the group of companies held by GMR Holdings Private Limited, or GMR Holdings. Our affiliates have been operating in India for over 28 years in a wide variety of businesses, including manufacturing, transportation and power. Our affiliates have also made substantial investments and have played significant roles in setting up banking and insurance businesses in the past. Due to the long-standing history of the GMR group of companies in India, we believe the GMR brand enjoys strong brand recognition. We believe our customers, as well as Indian financial institutions, associate the GMR brand with reliability, trust and value. We currently use the GMR brand in each of our power, road and airport businesses.

- *We either wholly-own or have a majority interest in all of our material assets, and through these ownership interests, we have management control over such assets*. We either wholly-own or have a majority interest in each of our power, road and airport projects. Through such ownership interests, we have management control over such assets and can control all important business decisions relating to such assets, subject to any contractual agreement between us and other shareholders in the relevant subsidiaries. Furthermore, we are able to closely monitor the management and operation of our businesses, as well as to apply a uniform management philosophy, including standardized processes for accounting, business and management review, to such businesses. As a result, we believe we are better able to optimize revenues and minimize capital and operational costs.

- *The relevant government or government entities granting the concessions to develop our road and airport projects have undertaken not to permit other companies to operate competing businesses in the areas where our projects are located.* Under the concession agreement for the Hyderabad airport, the Government of India has agreed not to grant, for a period of 25 years from the date the Hyderabad airport begins operation, any licenses for the development and operation of another airport within a 150 kilometers radius of the Hyderabad airport. In addition, the Government of India will, upon the start of the commercial operation of the Hyderabad airport project, close the existing airport at Begumpet, Hyderabad for civil aviation operations and direct the existing traffic to the new Hyderabad airport. As such, once the Hyderabad airport is built, it will be the only civil airport serving Hyderabad, the fifth largest city in India with a population of approximately 7.3 million, and its neighboring cities. Similarly, under the state support agreement for the Delhi Airport, the Government has agreed that for so long as our concession remains in place, in the event it initiates a bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, to the extent we participated in such bidding process, have the right to match the most competitive bid, provided that our initial bid is within a 10% range of the most competitive bid. Furthermore, under each of the concession agreement for the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulundurpet road project, NHAI has undertaken not to grant, for a period of eight years from the commencement date of our concession, any concession for the development, operation or maintenance of roads that serve the same region as such project, though state roads may still compete with our roads. This commitment by NHAI will give us exclusive operational rights for national highways covering the relevant stretch. See "Risk Factors - State roads may compete with the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, and the Tindivanam-Ulundurpet road project that we are currently developing".

- *We have extensive experience working with international corporations and leading Indian financial institutions*. We have entered into joint ventures and enjoy good working relationships with many international corporations and investors, including Malaysia Airports Holding Berhad, United Engineers (Malaysia) Berhad, Fraport AG and the India Development Fund. In addition, we have contractual relationships with subsidiaries of General Electric Company, Hyundai Heavy Industries Limited and the Korea Electric Power Corporation, and in the past had contractual relationships with CMS Energy and PSEG Global, among others. Given that our affiliates have operated in various industries in India for over two decades, most of the leading Indian financial institutions would have dealt with, or would otherwise be familiar with, the GMR group of companies. We believe our good working relationships with international corporations and Indian financial institutions, as well as our extensive experience in working with them, will enhance our ability to find strategic partners and source additional funding.

Business Strategy

Our strategy is to build upon our competitive strengths and business opportunities to become a leading power and infrastructure company in India. We intend to pursue suitable opportunities in India, as well as other parts of Asia. Historically, we have been most active in Southern India, in the states of Tamil Nadu, Andhra Pradesh and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Alaknanda, in the state of Uttaranchal (where we are developing a hydroelectric power plant), in the states of Haryana and Punjab (where we are developing the Ambala-Chandigarh toll road project), and in the state of Delhi (where we recently won a bid for an airport project). We have also submitted a request for qualification proposal on May 30, 2006, in response to an international competitive bid, for development of a 450 MW+/- 10% Gas based combined cycle power project (CCGT) at Sirajganj (near Dhaka) in Bangladesh on a build own operate (BOO) basis. Our business strategy consists of the following principal elements:

- *Capture the high growth opportunities in the India power and infrastructure sectors*. We believe that spending on the power and infrastructure sectors by the government will be a key component of India's goal of sustained annual GDP growth. This belief is based in part on several public statements made, and acts carried out, by the Government of India, including the speech given by the Prime Minister to the nation on August 15, 2004, in which he set a target to provide "Power for All" by the year 2012, and the initiation of a seven-phase National Highway Development Program by NHAI for the upgrading of 45,000 kilometers of national highways at an approximate cost of US$38 billion. We believe that our demonstrated expertise and experience in the development, operation and management of power and infrastructure projects, as well as our established reputation in the power and infrastructure sectors, will provide us with a significant advantage in pursuing opportunities in these fast-growing sectors.

- *Identify new investment opportunities*. We have recently entered into the airport infrastructure business and are in the process of developing the Hyderabad and Delhi Airports. We have also won concessions to develop a hydroelectric power plant, three toll roads and an annuity road, all of which are businesses that are complementary to our current businesses. We also hold a trading license issued by the Central Electricity Regulatory Commission for power trading. We intend to make further investments in the infrastructure sector as and when attractive opportunities become available. We seek to distinguish ourselves from other companies operating in our sectors through active participation in each of the development, operation and maintenance phases of our projects. In making investment decisions, we will continue to pursue the following investment objectives: (i) to focus on businesses that are located in, or are designed to serve, growth regions; (ii) to seek to exercise control or significant influence over management; and (iii) to invest in opportunities that are strategically aligned or complement our existing businesses and can benefit from our expertise. By pursuing these objectives, we intend to maintain a balance between the generation of stable cash flow and strong growth opportunities to maximize long-term profitability.

- *Build upon existing relationships*. We believe that one of our strengths stems from the knowledge and experience gained from the long operating history of the GMR group of companies in India, as well as the good working relationships such companies have established with government entities and international corporations. In the power sector, we have worked, or are currently working, with PSEG Global, CMS Energy Limited, Hyundai Heavy Industries Limited, General Electric Company and the Korea Plants Services & Engineering Company Limited. For our road projects, we have a strategic partnership with United Engineers (Malaysia) Berhad, a diversified infrastructure company listed on Bursa Malaysia that has substantial experience operating road projects. For the Hyderabad airport project, we have a strategic partnership with Malaysia Airports Holdings Berhad, a company listed on Bursa Malaysia that is operating and managing 39 airports in Malaysia, including five international airports. In March 2004, we established a relationship with The India Development Fund, one of the largest infrastructure-focused private equity funds in India, through its purchase of a 15.1% interest in our core power subsidiary, GMR Energy, and its recent purchase of a 4.25% interest in our Company. IDF has since sold its stake in GMR Energy. Most recently, we have, in partnership with Malaysia Airports (Mauritius) Private Limited, Fraport AG and The India Development Fund, submitted and won a bid for the operation, management and development of the Delhi Airport. In developing our power and road projects, we have acquired skills and experience, as well as developed business relationships, many of which we believe can be applied to the development of projects in the same and other sectors. For instance, we have acquired substantial experience in construction risk allocation and mitigation, as well as raising debt financing for our projects from financial institutions and commercial banks on competitive terms. We intend to apply these skills and experience to the development of projects in the same and other sectors, including the Hyderabad and Delhi Airports projects, the four road projects that we are currently developing.

- *Improve performance and competitiveness of existing core businesses*. In addition to committing to grow through expansion, we seek to improve the performance and competitiveness of our existing businesses. For the power business, we are exploring options for alternative fuel and conducting feasibility studies for the development of a hydroelectric power project so as to allow us to generate electricity at a lower cost and reduce our reliance on any one type of fuel. For the road business, we are focusing on improving our profit margin by reducing costs through efficient project management, as well as increasing our cash flows through the development of new toll road projects, which, unlike annuity fee-based projects, allow us to benefit from any increase in road traffic volume, though with greater volatility of earnings. With respect to the Hyderabad and Delhi Airport projects, we intend to concentrate on maximizing capacity and utilization of our passenger and cargo terminals through the use of technologically-advanced equipment such as automatic self-check-in kiosks (CUSS), Common user terminal equipment (CUTE), flight information display system (FIDC). For further details, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview” on page 295 of the Red Herring Prospectus.

- *Continue to enhance training and development*. Qualified management personnel and employees are key to our future success. We seek to attract and retain the most talented individuals in the industry and improve their skills, productivity and career development opportunities through advanced human resources management. In addition to on-the-job training, we will continue to send selected employees to leading educational institutions both in India and abroad for advanced training.

Our Power Business

Overview of business

We currently operate two power plants: a 220MW naphtha-fired combined cycle power plant in Mangalore in the state of Karnataka, or the Mangalore power plant, and a 200MW diesel-fired power plant in Chennai in the state of Tamil Nadu, or the Chennai power plant. We expect the natural gas for our third power plant, a 388.5 MW gas-fired combined cycle power plant in Vemagiri in Andhra Pradesh, or the Vemagiri power plant to be available by end July 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas. We have also won, through a competitive bidding process, the concession to develop and operate a 140MW hydroelectric power plant on the Alaknanda River in the state of Uttaranchal, or the Alaknanda power plant, for which we have commenced preliminary development activities.

We seek to expand our power business primarily through organic growth. We have been recently been qualified to submit a bid for development of an ultra mega power project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the State of Madhya

Pradesh on a build own operate basis and have submitted requests for qualification for development of a 450 MW+/- 10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOO basis. We expect that our future focus will be on coal-fired power projects and hydroelectric power projects, as they will help us to diversify our portfolio of power assets and make us less susceptible to increases in oil and naphtha prices. In addition, coal-fired and hydroelectric power plants are generally able to generate electricity at a lower cost than oil or naphtha-based power plants, which makes them more competitive over a long period of time.

The following table summarizes certain of the key features of the Mangalore, Chennai and Vemagiri power plants:

Facility	**Mangalore**	**Chennai**	**Vemagiri^**
Owner	**GMR Energy**	**GMR Power**	**VPGL**[1]
Specifications			
Gross Capacity	235MW	200MW	388.5MW[2]
Contracted Capacity[2]	220MW	200MW	370MW
Type	Barge mounted, naphtha-fired combined cycle	Low sulfur heavy stock-fired cycle	Natural gas-fired combined
Commercial Operation Date	Simple cycle June 2001; combined cycle November 2001	February 1999	Expected by August 2006, subject to availability of natural gas (1)
Financial Information			
Project Cost	Rs. 9,779 million	Rs. 8,703 million	Rs. 11,834 million*
Project Debt Outstanding as of March 31, 2006	Rs. 3,977.3 million	Rs. 2,371 million	Rs. 6,831.7 million
Equity Injected as of March 31, 2006	Rs. 3,263.4 million	Rs. 2,475 million	Rs. 2,511 million
Power Purchase Agreement			
Off takers	2 distribution companies on a several (but not joint) basis[3]	TNEB	4 distribution companies on a several (but not joint) basis[4]
Expires	7 years from the commercial operation date	15 years from the commercial operation date	15 years from the commercial operation date
Minimum "Take-or-Pay" Quantity	85.0% plant load factor	68.5% plant load factor	80.0% plant load factor
Fuel Supply Agreement			
Supplier	Bharat Petroleum Corporation Limited	Hindustan Petroleum Corporation Limited	Gas Authority of India Limited
Term Expires	7 years from the commercial operation date	15 years from the commercial operation date	15 years from the commercial operation date
O&M Agreement			
Contractor	GMR Operations Pvt. Ltd. and subsidiaries of General Electric Company[5]	Hyundai Heavy Industries Company Limited	Korea Plant Service & Engineering Co. Ltd. (a subsidiary of Korea Electric Power Corporation and subsidiaries of General Electric Company)
Minimum Availability	92%	90%	92%

**Estimated project cost as against the appraised project cost Rs. 11,250 million*

Notes:

1 *We expect the natural gas for the Vemagiri power plant to be available by end July 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas*

2 *Gross capacity is the maximum power which could be produced continuously throughout a prolonged period of operation, as rated by the manufacturers of the turbines in the power plant. Contracted capacity is the electricity output rating for which we have agreed with our customers for the calculation of our tariffs.*

3 *The 2 distribution companies are: Bangalore Electricity Supply Company and Mangalore Electricity Supply Company.*

4 *Pursuant to a government notification issued on June 7, 2005, the obligations of AP Transco under the Vemagiri power purchase agreement have been assigned to the following four distribution companies: APCPDCL, APSPDCL, APEPDCL and APNPDCL.*

5 *GMR Energy has entered into a Long Term Service Agreement with GE International Inc. and a Long Term Assured Parts Supply Agreement with GE Energy Parts Inc.*

Recent Development in Our Power Business

We have recently been qualified to submit a bid for development of Ultra Mega Power Project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the state of Madhya Pradesh on a BOO basis and have submitted a request for qualification for development of a 450 MW +/-10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOO basis. We are also evaluating the feasibility of two coal-fired power projects that are situated near the coal mines in any two of the states of Orissa, Jharkhand and Madhya Pradesh, with the targeted market largely being the power deficient states in southern and western India. We have applied to the relevant government authorities to engage in captive coal mining, as well as to grant us the necessary approval so that we can enter into long term coal supply agreements with state-owned coal mining companies for fuel supply to our coal-fired power projects. We are also evaluating two power transmission projects (each on a “Build, Own, Operate and Transfer” basis), tenders for which have been issued in November 2005. We have entered into a MOU with KEC International Limited in November 2005 for participating in submission of bids to establish power transmission lines associated with certain projects of PGCIL’s Western Region System. We also seek to explore opportunities for the development of additional hydroelectric power plants so that we can reduce our reliance on high-cost fuel.

We are planning to bid for the development of a power trading business, which would involve the sale and purchase of power from surplus pockets to deficit areas. Revenues would be generated through differences between the price we pay for electricity and the price we sell to third parties. Under the Electricity Act 2003, operators of power trading business must be licensed. We were granted a power trading license by the Central Electricity Regulatory Commission in October 2004, with a term of 25 years. We plan initially to trade power generation capacity generated by our power plants as and when it becomes available. We would also actively consider entry into the power distribution business as and when such opportunities arise.

The Mangalore Power Plant

GMR Energy owns and operates a barge-mounted, naphtha-based combined cycle power plant with a contracted capacity of 220MW off the coast of Mangalore, in the state of Karnataka. The Mangalore power plant has been built and maintained to international standards, and has been certified by DNV Certification, Netherlands, to be ISO 14001, ISO 9001 and OHSAS 18001 compliant in June 2003, March 2005 and February 2005, respectively.

The following table sets forth the plant’s performance details for the last four financial years:

Particulars	**For the year ended March 31,**			
	2003	**2004**	**2005**	**2006**
Plant Availability[1]	95.2%	89.4%	98.4%	97.8%
Actual Plant Load Factor	61.2%	45.0%	32.7%	12.5%
Units Generated (millions Kwh)	1,231.8	909.9	661.4	253.5
Power Sold (millions Kwh)	1,179.9	866.4	630.3	241.6

Notes:

(i) *Calculated as the ratio of the total number of hours in a year that the plant is available to supply power to the grid to the total number of hours in a year (8,760 hours).*

(ii) *Actual P L F is computed based on Power Sold*

Operation and Maintenance

The Mangalore power plant is managed, operated and maintained by our affiliate GMR Operations Private Limited, or GOPL, pursuant to an Operations and Maintenance Agreement. GOPL is responsible for all aspects of the operation and maintenance of the plant and is required to ensure that the plant's availability rate does not fall below 92% in any year during the term of the agreement. The agreement runs for a period of seven years expiring upon the termination of the power purchase agreement, and may be renewed upon mutual agreement. In consideration for these services, GMR Energy, with effect from September 1, 2004, pays a fixed amount of Rs. 3.0 million per month for operations and coordination of maintenance services. For a detailed description of such agreement, see "Description of Important Project Contracts" on page 98 of the Red Herring Prospectus.

In addition to the Operations and Maintenance Agreement with GOPL, GMR Energy entered into a Long Term Service Agreement with GE Energy Plant Operations LP, (which was later assigned to GE International Inc by way of an assignment agreement dated May 9, 2001) and a Long Term Assured Parts Supply Agreement with GE Energy Parts Inc., for the maintenance of the gas and steam turbines. Pursuant to these two agreements, the relevant General Electric company has agreed to supply all the parts and services for the planned maintenance of all four of the gas turbines, as well as the steam turbine. Under the Long Term Service Agreement, GE International Inc. has guaranteed 92% average availability the gas turbines. GMR Energy has also secured the use of a spare engine through an agreement with GE Packaged Power Inc. in the event one of its engines malfunctions. For more information on the Long Term Service Agreement, the Long Term Assured Parts Supply Agreement and the Spare Engine Lease Agreement, see "Description of Important Project Contracts" on page 98 of the Red Herring Prospectus.

Power Purchase Agreement

We sell the electricity generated by the Mangalore power plant to two distribution companies pursuant to a long-term power purchase agreement entered into by us with KPTCL, and the obligations of KPTCL under such agreement have subsequently been transferred to the two distribution companies pursuant to a government order. This power purchase agreement expires in 2008. The tariff payable by these two distribution companies is the same and it consists of a fixed charge component and a variable charge component. The fixed charge component is made up of (i) US dollar-denominated amount, US$0.03741 per KWh, a portion of which is converted into Rupees at the then prevailing market rate, with the balance converted at an agreed base reference exchange rate; and (ii) a Rupee-denominated amount, Rs.0.145 per Kwh, which is subject to escalation at a rate of five per cent per annum based on an agreed portion of the total project cost. The distribution companies take the risk for the difference between the agreed base reference exchange rate and the applicable prevailing exchange rate. The fixed charge amount is designed to cover debt service, all operation and maintenance expenses and return on equity. The variable charge component is designed to compensate GMR Energy for the actual costs of fuel used in generating the electricity.

We have been advised by our legal advisor that the obligations of the two distribution companies under the power purchase agreement are several, but not joint. In the event one or more of the distribution companies fails to honor its obligation to purchase or pay for its share of electricity, the other non-defaulting distribution companies may, but are not obligated to, buy such share at the same tariff from us.

The power purchase agreement also provides for incentive payments to be made to GMR Energy in the event generation exceeds 85% of plant load factor, as well as penalties to be paid by GMR Energy in the event the availability of the power plant falls below that level. See "Description of Important Project Contracts" on page 98 of the Red Herring Prospectus for more information as to this power purchase agreement, including the amount of such incentives and penalties.

Payments due from the two distribution companies under the power purchase agreement are required to be supported by a 3-tier credit support mechanism comprised of a revolving letter of credit, an escrow account and a guarantee from the government of Karnataka. The escrow arrangement and the state government guarantee have been put into place. Although establishment of a letter of credit is also required by the power purchase agreement, no such letter of credit has been established. The escrow arrangement is utilized and amounts are taken from the escrow by GMR Energy when there is a default in payment of our monthly invoices. GMR Energy first utilized the escrow arrangement in July 2002 and has since used it from time to time.

Under the terms of the escrow, each of the two distribution companies is required to deposit all collections from certain identified collection centers into an escrow account established for GMR Energy's benefit until the amount deposited equals 1.25 times of such distribution company's monthly invoice. Under normal conditions, money deposited into an escrow account flows directly to another account maintained by the relevant distribution company. However, in the event a payment notice is served by GMR Energy, all funds on deposit in the escrow account will flow directly to a GMR Energy account maintained until a cure notice is served by GMR Energy. The escrow account is maintained only for the benefit of GMR Energy and the escrow bank is authorized to take instruction only from GMR Energy.

Under the terms of the guarantee, the state government of Karnataka guarantees to pay to GMR Energy all obligations due from each of the two distribution companies under the power purchase agreement, including penal interest, if any, at the demand of GMR Energy in the event any such distribution company fails to discharge its payment obligations.

Fuel Supply

We currently estimate that the Mangalore power plant requires an annual requirement of 302,000 tonnes of naphtha to maintain a 85% plant load factor. GMR Energy has entered into a long-term fuel supply agreement with BPCL for the supply of naphtha, pursuant to which GMR Energy is obligated to purchase no less than 285,000 tonnes of naphtha per annum. GMR Energy is obligated to purchase an agreed amount of naphtha per month, and if the purchased amount in any month is less than such agreed amount, it is obligated to pay BPCL an additional premium to cover such shortage. The amount of such additional premium depends on the amount of any shortage, and is calculated at a rate that is less than the unit cost of naphtha supplied under the fuel supply agreement. While fuel cost, including the obligation to pay the additional premium, is a pass-through item under the power purchase agreement, this does not eliminate all the risks associated with our purchase obligations under the fuel supply agreement. See "Risk Factors - If our customers do not comply with their obligations under their power purchase agreements and operation and maintenance agreements, we are still required to 'take or pay' for naphtha and diesel under our supply agreements and to pay our operators" on page xviii of the Red Herring Prospectus. The tenure of the fuel supply agreement is the same as the power purchase agreement.

The Chennai Power Plant

The Chennai power plant is a LSHS-powered 200MW facility located at Basin Bridge in the heart of Chennai, the capital of the state of Tamil Nadu. The power plant is owned by GMR Power, a 51.0% subsidiary of GMR Energy, and was the first project in India to obtain final completed project cost approval from the Central Electricity Authority under the Independent Power Producer guidelines issued in 1992. See "Other Regulatory and Statutory Disclosures". DNV Certification of Netherlands has certified the power plant to be ISO 14001 and OHSAS 18001 compliant in May 2002 and June 2003, respectively. In 1999, the Chennai power plant received the prestigious Dr MS Swaminathan Award for Environment Conservation, in recognition of its efforts in conserving fresh water resources. In addition, the Chennai power plant is one of the few power and infrastructure projects in India whose project cost has been approved by the Central Electricity Authority of India.

The Chennai power plant commenced commercial operations in February 1999 and sells all of its electricity output to TNEB pursuant to a 15-year power purchase agreement expiring in February 2014. The plant is fueled by LSHS obtained from HPCL pursuant to a 15-year fuel supply agreement expiring in February 2014.

The following table sets out the Chennai power plant's performance details for the last four financial years:

Particulars	**For the year ended March 31,**			
	2003	**2004**	**2005**	**2006**
Plant Availability[1]	96.5%	95.6%	99.0%	92.5%
Actual Plant Load Factor	67.4%	57.5%	44.9%	43.9%
Units Generated (millions Kwh)	1,189.5	1,017.1	798.5	776.3
Power Sold (millions Kwh)	1,181.0	1,007.0	786.4	769.6

Notes:

1. *Calculated as the ratio of the total number of hours in a year that the plant is available to supply power to the grid to the total number of hours in a year (8,760 hours).*
2. *Actual P L F is computed based on Power Sold*

Operation and Maintenance

The Chennai power plant is managed by Hyundai Heavy Industries Company Limited, or HHIL, pursuant to an Operation and Maintenance Agreement entered into with GMR Power. Under the agreement, HHIL guarantees a minimum plant availability of 90.0% and is responsible for all aspects of the operation and maintenance of the plant. HHIL is responsible for all operating expenses incurred in performing its obligations under the agreement, including labor costs and the cost of personnel, costs of spare parts and insurance, as well as import duties and taxes.

The Operation and Maintenance Agreement is for a term of ten years, expiring in 2009. In consideration for HHIL's services, GMR Power pays a pre-determined fee each year. Such fee has both a US dollar component (based on a variable exchange rate) and a Rupee component, and the only variable component of such fee is towards the cost of imported spare parts. Through this structure, GMR Power is substantially insulated from any increase in operational and maintenance costs over the contractual term, other than increases due to exchange rate fluctuations and the cost of spare parts.

Power Purchase Agreement

We sell all electricity generated by the Chennai power plant to TNEB under a long-term power purchase agreement expiring in 2014. The tariff payable by TNEB under the power purchase agreement consists of a fixed charge component and a variable charge component. The fixed charge component is structured to cover all fixed costs of the plant and return on equity, including:

- interest on term loans based on the financing plan approved by the CEA,
- operating and management expenses at 2.5% of approved capital cost in the base year (with annual escalation based on the wholesale and consumer price index),
- depreciation at the rates set forth in guidelines issued by the Government of India,
- interest on working capital loans, and
- 16% after tax return on equity based on the financing plan and capital cost approved by the CEA.

The variable charge component of the tariff is structured to cover the cost of consumables such as fuel and lubricating oil, based on certain assumptions relating to heat rate and oil consumption norm.

In addition, the agreement provides for incentive payments to GMR Power by way of additional return in the event generation exceeds 68.5% of plant load factor and restricts TNEB's right to give GMR Power dispatch instructions below specified plant load factor levels. The agreement also provides for certain rebates in the event of early payment by TNEB.

Payments due from TNEB under the Chennai power purchase agreement are required to be supported by a 3-tier credit support mechanism comprising a revolving letter of credit, an escrow account and a guarantee from the government of Tamil Nadu. The state government guarantee has been put into place. Under the terms of the guarantee, the state government of Tamil Nadu has promised to pay all obligations due from TNEB under the agreement, including penal interest, if any, at the demand of GMR Power in the event TNEB fails to pay such obligations within seven days of the same becoming due under the agreement. Although establishment of an escrow arrangement and a letter of credit are also required by the power purchase agreement, neither mechanism has been established. See "Risk Factors - We are not in compliance with certain covenants in our debt agreements and our lenders may, as a result, decide to accelerate our debt" on page xiv of the Red Herring Prospectus. However, the track record for payment by TNEB has been satisfactory in the past year, with TNEB paying all amounts due under the power purchase agreement on schedule since April 2005.

Fuel Supply

GMR Power has entered into a long-term fuel supply agreement for the supply of LSHS with HPCL. See "Other Regulatory and Statutory Disclosures". The fuel supply agreement, like the Chennai power purchase agreement, expires in February 2014. In the event HPCL fails to provide sufficient quantity or quality of fuel, we may approach the Ministry of Petroleum and the Ministry of Commerce for the necessary approvals to import LSHS from outside of India. See "Description of Important Project Contracts" on page 99 of the Red Herring Prospectus.

The Vemagiri Power Plant

The Vemagiri power plant is a natural gas-fired combined cycle power plant with a gross capacity of 388.5MW and a contracted capacity of 370MW located near Rajahmundry in the East Godavari District of Andhra Pradesh. The Vemagiri power plant was developed by GMR Energy's wholly-owned subsidiary VPGL. The project achieved financial close in December 2003 and construction started on January 1, 2004. We expect the natural gas for the Vemagiri power plant to be available by end July 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas.

Larsen & Toubro Limited, or Larson & Toubro, a major construction company with its headquarters in India, was appointed the contractor pursuant to a lump-sum fixed-price turnkey construction contract. General Electric Company in the United States supplied the gas turbine, with Alstom of Germany supplying the steam turbine. VPGL appointed Korea Plant Service & Engineering Company Ltd., a wholly-owned subsidiary of Korea Electric Power Corporation, as the entity responsible for operation and maintenance. In addition, VPGL entered into a Long Term Assured Parts Supply Agreement with GE Energy Parts Inc. and a Long Term Maintenance Contract with GE International Inc. for maintenance of the gas and steam turbines.

The project was awarded through competitive bidding invited by the Andhra Pradesh State Electricity Board, or APSEB. Subsequently, pursuant to the Andhra Pradesh Electricity Reform Act of 1998, APSEB was divided into a generation company, AP GENCO, a transmission company, AP Transco, and various distribution companies. Until recently, AP Transco was, pursuant to a 15-year power purchase agreement, supposed to be the sole purchaser of electricity from this project. Pursuant to a notification issued by the state government under the Electricity Act 2003, the obligations of AP Transco under power purchase agreement have been transferred to four state-owned distribution companies, namely, APCPDCL, APEDCL, APNPDCL and APSPDCL.

The plant is fueled by natural gas obtained from Gas Authority of India Limited, or GAIL, pursuant to a 15-year fuel supply contract. GAIL is only under a "best efforts" obligation to deliver fuel to the Vemagiri power plant, and we have no alternative arrangement for a guaranteed supply of fuel. See "Risk Factors - Each of the Mangalore power plant, the Chennai power plant and the Vemagiri power plant relies on a single supplier of fuel as well as external operators for its operation and maintenance" on page xix of the Red Herring Prospectus.

Construction Contract

VPGL entered into a construction contract in June 2003 with Larsen & Toubro for the engineering, procurement and construction on a turnkey basis of the Vemagiri power plant. Larsen & Toubro is to receive a fixed, lump-sum payment for its services under the construction contract. Construction is scheduled to be completed in mid-2006. Under the terms of the construction contract, reliability tests and performance acceptance tests are to be conducted upon completion of the project, and if the plant fails to meet certain performance guarantees, Larsen & Toubro is required to pay liquidated damages for such performance shortfall. In addition, if Larsen & Toubro is unable to complete the project on time, it is liable to pay us liquidated damages for such delay. In the case of performance shortfall, we may also require Larsen & Toubro to redesign and rectify the plant as required to meet the performance guarantees, at no extra cost to us.

Operation and Maintenance Agreement

VPGL entered into an Operation and Management Agreement in September 2003 with Korea Plant Service & Engineering Co. Ltd., or KPSE. Under the Operation and Maintenance Agreement, KPSE guarantees a minimum plant availability of 92%, and is responsible for all aspects of the operation and maintenance of the plant, including operating the plant's various units and systems, monitoring of the Term Assured Parts Supply Agreement and the Long Term Service Agreement, coordinating plant outages, equipment inspections and power deliveries, obtaining and maintaining all permits, providing and maintaining insurance, implementing safety and environmental management plans, performing all environmental reporting, disposing of all hazardous wastes and providing the personnel and training necessary to accomplish its obligations.

In addition to the Operation and Maintenance Agreement, we have entered into a Long Term Assured Parts Supply Agreement with GE Energy Parts Inc. and a Long Term Maintenance Agreement with GE International Inc. for the maintenance of the gas and steam turbines used in the Vemagiri power plant.

The Operation and Maintenance Agreement is for a term of six years from the date of commencement of commercial operations. In consideration for KPSE's services, VPGL pays a pre-determined fee each year, which has both a US dollar component and a Rupee component. All costs to be incurred by KPSE for performance of its obligations under the agreement are covered in the pre-determined fee. Through this structure, VPGL is substantially insulated from any increase in operational and maintenance costs over the contractual term. See "Risk Factors - We are subject to risks arising from exchange rate fluctuations" on page xxxiii of the Red Herring Prospectus.

Power Purchase Agreement

We have entered into a power purchase agreement to sell all the electricity generated by the Vemagiri power plant to AP Transco, for a period of 15 years from the commencement of commercial operations. Pursuant to a government notification issued on June 7, 2005, the obligations of AP Transco under this agreement have been transferred to four distribution companies. The tariff payable consists of a capacity charge component, made up of a fixed foreign debt service charge and other fixed charges, and an energy charge component, which varies with the cost of fuel. The fixed charge component is structured to cover all fixed costs of the plant and a return on equity.

In addition, the agreement provides for incentive payments to VPGL by way of additional return in the event generation exceeds 80% of plant load factor and restricts the off takers' right to give VPGL dispatch instructions below specified plant load factor levels. The agreement also provides for certain rebates in the event of early payment by the offtakers.

Payments due from the four electricity distribution companies under the Vemagiri power plant's power purchase agreement are required to be supported by a 3-tier credit support mechanism comprising a revolving letter of credit, an escrow account and a guarantee from the government of Andhra Pradesh. The state government guarantee and the escrow agreement have been put into place, and pursuant to the terms of the power purchase agreement, the escrow arrangement is required to be operational at least 30 days prior to the plant's commercial operation date.

We are in the process of re-negotiating key terms of the power purchase agreement with AP Transco, which is acting as the nodal agency for the four distribution companies. The key terms under negotiation include (i) an extension of the duration of the power purchase agreement; (ii) the sale of an additional 18.5MW over the contracted capacity to a third party; (iii) the deletion of the alternate fuel clause; (iv) the recovery of certain expenses relating to our foreign currency debt service and (v) an extension of the scheduled date of commercial operation from January 18, 2006 to March 31, 2006. The draft amendment agreement incorporating the said terms have been initialed by VPGL and the four distribution companies and the initialed draft has been sent to the APERC for its approval before execution.

Fuel Supply

VPGL entered into a long-term take-or-pay gas supply agreement with GAIL in August 2001, which term expires in March 2020 but may be renewed by mutual agreement. Vemagiri has agreed to certain minimum monthly off takes of natural gas under this agreement. In addition to the price of the gas, determined by reference to market prices, VPGL is required to pay a monthly transmission charge. See "Risk Factors - Each of the Mangalore power plant, the Chennai power plant and the Vemagiri power plant relies on a single supplier of fuel as well as external operators for its operation and maintenance" on page xix of the Red Herring Prospectus.

The Alaknanda Power Project

The Alaknanda power project consists of a hydroelectric 140MW facility to be constructed on the Alaknanda River in the Chamoli district of the state of Uttaranchal. The project is part of the Prime Minister's 50,000MW hydroelectric power initiative and was awarded to us by the state of Uttaranchal through a two-stage competitive bidding process. If we exercise our right to undertake the project, we are required to supply 12% of the net deliverable energy (generated energy reduced by auxiliary consumption and transmission loss) to the state of Uttaranchal as royalty energy.

Project Development Agreement

GEL entered into a project development agreement on October 22, 2005, pursuant to which it is entitled to undertake feasibility studies for the construction and operation of the Alaknanda hydroelectric power project. GEL may carry out techno-economic viability studies and prepare a project report for submission to the Government of Uttaranchal within 36 months of the date of execution of the agreement.

GEL has as part of the agreement made payments amounting to Rs. 235.6 million to the Government of Uttaranchal and also furnished a bank guarantee of Rs. 185.6 million. The bank guarantee is encashable by the Government of Uttaranchal at the time of financial closure of the project.

Upon its satisfaction of the results of the feasibility studies, GEL may choose to enter into an implementation agreement with the Government of Uttaranchal, pursuant to which it will be given the right to develop, own, operate and maintain the project. The term of the implementation agreement is expected to be 45 years from the date of execution of the agreement, with an option of extension thereafter. In the event, the project is financially not viable and GEL opts not to enter into an implementation agreement with the Government of Uttaranchal, GEL is entitled to a refund of Rs. 185.6 million and release of the bank guarantee.

Pursuant to the project development agreement, GEL has the right to sell the power generated from the facility to any customer within or outside the state of Uttaranchal. However, GEL is required to supply 12% of the net deliverable energy to the state of Uttaranchal free of charge as royalty energy. A rebate on such royalty power will be granted to GEL for each month the project is completed prior to the schedule commercial operational date. If the completion of the project is delayed by more than three years, the state of Uttaranchal may terminate the project.

Our Road Business

Overview of Business

Our subsidiaries GMR Tuni-Anakapalli Expressways Private Limited, or GMR Tuni-Anakapalli, and GMR Tambaram-Tindivanam Expressways Private Limited, or GMR Tambaram-Tindivanam, have developed and are operating a 59 kilometers stretch of the Chennai-Kolkata (NH5) expressway and a 93 kilometers stretch of the Chennai-Dindigul (NH45) expressway, respectively. We are operating each of these two projects on a "Build-Operate-Transfer" basis, pursuant to concessions granted by the National Highways Authority of India, or NHAI. Under each of the concession agreements, we are entitled to receive fixed semi-annual payments from NHAI, for a period of 15 years, commencing on the date the relevant road entered into commercial operation. We do not collect toll payments from end-users of these two roads; instead NHAI is entitled to collect all toll payments generated by such roads.

In addition, in the past two years, we have won four concessions to develop, operate and maintain, and are currently developing, the following road projects:

- a 35 kilometers stretch toll road between Ambala and Chandigarh on the New Delhi-Chandigarh (NH21/NH22) highway, or the Ambala-Chandigarh road project, which project we expect to enter into commercial operation by mid-2008;
- a 46 kilometers stretch toll road between Faruknagar and Jadcherla and an additional 12 kilometers stretch on the Hyderabad-Bangalore (NH7) highway, or the Faruknagar-Jadcherla road project, which project we expect to enter into commercial operation by mid-2008;
- an 86 kilometers stretch annuity road between Adloor Yellareddy and Kalkallu and an additional 17 kilometers stretch on the Hyderabad-Nagpur (NH7) highway, or the Adloor Yellareddy-Kalkallu road project, which project we expect to enter into commercial operation by the end of 2008; and
- a 73 kilometers stretch toll road between Tindivanam and Ulundurpet on the Chennai-Dindigul (NH45) highway, or the Tindivanam-Ulundurpet road project, which project we expect to enter into commercial operation by the end of 2008.

We own 74.0% of each of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, and 100% of each of the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulundurpet road project.

We seek to expand our road business through organic growth, as well as acquisitions. We plan to submit bids for new projects, as well as bids under the capacity augmentation program established by NHAI. This program permits NHAI to solicit bids for the expansion of any national road that operates on a toll or annuity basis once the traffic volume on such road reaches a pre-established level. Once

NHAI has obtained the lowest bid for such augmentation project, it will approach the existing operator of such road with the terms of such bid, and the operator may either agree to carry out the expansion work on such terms or have its concession revoked by NHAI (upon payment by NHAI of the appropriate termination amounts calculated in accordance with the relevant concession agreement). Through this program, we may be able to acquire road projects that are being operated by our competitors. Conversely, we may lose our toll road projects if we are unable to match the terms of any offer given by one or more of our competitors. See "Risk Factors - The concession we currently hold to operate our road projects may be revoked if we are unable to compete effectively with other road operators" on page xxii of the Red Herring Prospectus**.**

Recent Development in Our Road Business

In May 2005, our subsidiaries, GTTEPL and GTAEPL, entered into an arrangement with a consortium of banks and financial institutions led by the Industrial Development Bank of India, pursuant to which they granted to such banks and financial institutions their right to receive, for the then remaining balance of the 15 year concession period (which remaining balance was 14.5 years from May 2005), amounts to approximately 73% and 68% of the semi-annual annuity payments from NHAI under the concession agreements for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road projects, respectively. In return for such grant, they received an upfront payment of Rs. 8,711.0 million from the consortium of banks and financial institutions. The amounts received have been classified as secured loans. Due to this arrangement, they will, for the remaining term of the concession periods for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, be entitled to receive from NHAI only 27% and 32%, respectively of the semi-annual amounts .

In May 2006, we entered into an arrangement with a consortium of banks and financial institutions led by the Central Bank of India, pursuant to which we were granted a loan of Rs. 2,820 million in relation to the development of the Ambala-Chandigarh road project.

Our Annuity Road Projects

As of the date of this Red Herring Prospectus, we hold concessions for the development, operation and maintenance of three annuity road projects: the Tuni-Anakapalli road project, the Tambaram-Tindivanam road project and the Adloor Yellareddy-Kalkallu road project. The Tuni-Anakapalli road project and the Tambaram-Tindivanam road project entered into commercial operation in December 2004 and October 2004, respectively, while the Adloor Yellareddy-Kalkallu road project is expected to achieve commercial operation by the end of 2008. The following table summarizes certain of the key features of these three projects:

	The Tuni-Anakapalli road project	**The Tambaram-Tindivanam road project**	**The Adloor Yellareddy-Kalkallu road project**
Description of project	GMR Tuni-Anakapalli was awarded the concession in October 2001 to expand an existing two-lane expressway to a four-lane dual carriageway on the Chennai-Kolkata stretch.	GMR Tambaram-Tindivanam was awarded the concession in October 2001 to expand an existing two-lane expressway to a four-lane dual carriageway on the Chennai-Dindigul highway.	GMR Pochanpalli was awarded the concession in December 2005 and signed the concession agreement in March 2006 to build a 86 kilometers stretch from Adloor Yellareddy to Kalkallu on the Hyderabad Nagpur highway.
Our ownership interest	74.0%	74.0%	100.0%
Key terms of concession	17.5 years, commencing in May 2002 and ending in November 2019, of which the initial 2.5 years is for construction and the remaining 15 years for operation.	17.5 years, commencing in May 2002 and ending in November 2019, of which the initial 2.5 years is for construction and the remaining 15 years for operation.	20.0 years, commencing October 2006, including the initial 2.5 years for construction and the remaining 17.5 years for operation. The company will also be required to operate, at no extra cost, a 17 kilometers stretch on the Hyderabad Nagpur highway once this project achieves commercial operation.In addition, we are required to maintain stretch of 10 kilometers, as and when such stretch is constructed and its operation is transferred to us by NHAI, in return for an additional annuity payment to be paid by NHAI in accordance with the concession agreement.

	The Tuni-Anakapalli road project	The Tambaram-Tindivanam road project	The Adloor Yellareddy-Kalkallu road project
Bonuses and penalties	Not applicable	Pursuant to our concession contract, we received a bonus of Rs. 65.1 million.	The company is entitled to an early completion bonus but is subject to penalties for late delivery. Both bonus and penalties are calculated with reference to the annuity payment.
Amount of annuity payment	Rs. 294.8 million, payable in May and November of each calendar year.[1]	Rs. 418.6 million, payable in May and November of each calendar year.[1]	Rs. 541.8 million
Project Cost	Rs. 2.9 billion (actual cost incurred)	Rs. 3.6 billion (actual cost incurred)	Rs. 6.9 billion (forecast amount)
Amount of loan outstanding as of March 31, 2006	Rs. 3.8 billion	Rs. 4.8 billion	Nil
Security arrangement	The loans were secured by: (i) a pledge of shares amounting to 51% of GMR Tuni-Anakapalli given by us and our partner United Engineers (Malaysia) Berhad; (ii) an assignment of GMR Tuni-Anakapalli's rights under the concession agreement, including the right to receive the semi-annual fee; and (iii) a charge over the bank accounts owned by GMR Tuni-Anakapalli.	The loans were secured by: (i) a pledge of shares amounting to 51% of GMR Tambaram-Tindivanam given by us and our partner United Engineers (Malaysia) Berhad; (ii) an assignment of GMR Tambaram-Tindivanam's rights under the concession agreement, including the right to receive the semi-annual fee; and (iii) a charge over the bank accounts owned by GMR Tambaram-Tindivanam.	No security arrangement is in place as of the date of this Red Herring Prospectus.

Notes:

1 *As described above, we have agreed to transfer the right to receive 73% and 68% of the Annuity Receivables from NHAI in respect of GMR Tambaram- Tindivanam and GMR Tuni Anakapalli respectively to a consortium of banks and financial institutions with effect from May 2005.*

Our Toll Road Projects

We are currently developing three toll road projects: the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project. The following table summarizes certain of the key features of these three projects:

	The Ambala-Chandigarh road project	The Faruknagar-Jadcherla road project	The Tindivanam-Ulundurpet road project
Description of project	GMR Ambala Chandigarh Expressways Private Limited was awarded the concession in June 2005 and executed a concession agreement in November 2005 to build a 35 kilometers stretch of the Ambala-Chandigarh (NH21/ NH22) highway, which forms part of the New Delhi-Chandigarh highway.	GMR Jadcherla Expressways Private Limited was awarded the concession in September 2005 and executed a concession agreement in February 2006 to build a 46 kilometers stretch from Faruknagar to Jadcherla and an additional stretch of 12 kilometers on the Bangalore-Hyderabad (NH7) highway in the state of Andhra Pradesh.	GMR Ulundurpet Expressways Private Limited was awarded the concession in February 2006 and executed a concession agreement in April 2006 to build a 73 kilometers stretch toll road from Tindivanam to Ulundurpet on the Chennai-Dindigul (NH45) highway.

	The Ambala-Chandigarh road project	The Faruknagar-Jadcherla road project	The Tindivanam-Ulundurpet road project
Our ownership interest	100%	100%	100%
Key terms of concession	20 years, commencing in May 2006 and ending in May 2026, of which the initial 2.5 years is for construction and the remaining 17.5 years for operation.	20 years, commencing in August 2006 and ending in August 2026, of which the initial 2.5 years is for construction and the remaining 17.5 years for operation. In addition, we are required to maintain a stretch of 13 kilometers, as and when such stretch is constructed and its operation is transferred to us by NHAI, in return for 28.2% of the toll payments generated by the operation of such stretch.	20 years, commencing in October 2006, of which the initial 2.5 years is for construction and the remaining 17.5 years for operation.
Projected project cost	Rs. 3.9 billion	Rs. 4.7 billion	Rs. 7.2 billion

For each of these three toll road projects, if we were to complete the construction ahead of schedule, we would be entitled to collect toll payments early. In essence, this amounts to an early completion bonus. However, in the case of completion after the scheduled commercial operation date for any project, a fee of 0.01% of the total project cost (as estimated by NHAI) is payable by us on a weekly basis. As of the date of this Red Herring Prospectus, no security arrangement exists for Farukhnagar-Jadcherla and Tindivanam-Ulundurpet road projects. The security agreement for Ambala- Chandigarh road project have been signed in May, 2006. As of June 30, 2006, no loans are outstanding in connection with these projects.

In each of these three toll road projects, NHAI has undertaken not to grant, for a period of eight years from the commencement date of the relevant concession, any other concession for any other alternative road that covers the stretch as such toll road project. Following the expiry of such eight-year period, NHAI may only grant concessions to other companies covering the same stretch if the toll charges applicable to the roads covered by such new concessions will be at least 133% of the toll charges for our project.

Operation and Maintenance of Our Road Projects

Each of the concession agreements for our road projects requires us to maintain the road to certain standards during the concession period. NHAI has in the past used, and will likely to continue to use, one or more firms of engineers to carry periodic tests to assess the quality of the road and its related maintenance. In the case of an annuity road project, if we are determined to have failed to maintain the roads to the standards set forth in the relevant concession agreements and such failure results in one or more of the lanes of such project becoming unavailable for use, NHAI may deduct a penalty amount from our annuity payment. For toll road projects, if we are determined to have failed to carry out our maintenance obligations, NHAI may, following the issuance of notices and expiry of cure periods, terminate the relevant concession.

State Support Agreement

For the Tuni-Anakapalli road project, the Tambaram-Tindivanam road project and the Ambala-Chandigarh road project, we have entered into state support agreements with the state governments of Andhra Pradesh, Tamil Nadu, Punjab and Haryana, respectively. These agreements obligate the relevant state government to provide certain support services to us in connection with our development of the road projects. These services include the provision of assistance in obtaining access to all necessary infrastructure facilities and utilities, the grant of all necessary permits for the implementation of the project and the regulation of traffic at the project site.

Construction Contracts

For each of the Tuni-Anakapalli and the Tambaram-Tindivanam road projects, we used one construction company, an affiliate of United Engineers, as our turnkey construction contractor, which in turn was responsible for ensuring that subcontractors perform their obligations in accordance with the terms of their respective contracts. One advantage of using a turnkey contractor is that the owner has only one point of contact, as the turnkey contractor is responsible for all issues pertaining to the construction of the project, as well as all defects and liabilities of the subcontractors. The main disadvantage of a turnkey structure is that it is generally of a higher cost compared to other contracts. We believe we have acquired , through the development of the Tuni-Anakapalli and Tambaram-Tindivanam road projects and our three power projects, considerable project management expertise in the various stages of construction and development of road projects, and that such expertise will help us to coordinate the construction and development process of our new roads efficiently, putting us in a position to manage multiple contractors for project construction. We intend to reduce the construction costs of our new projects, including road projects, through the use of multiple contractors.

GMR Ambala Chandigarh entered into an Engineering Procurement and Construction Agreement with GMR Projects Private Limited ("**EPC Contractor**") on May 2, 2006 ("**EPC Contract**"). The scope of the EPC Contract includes performance and execution of the project by the EPC Contractor of all design, engineering, procurement, construction of the project highway in strict compliance with the design requirements and all other terms and conditions of the agreement in a timely manner and to the satisfaction of GMR Ambala Chandigarh.

Our Airport Business

Overview of Business

Our airport business consists of two airport projects: the Hyderabad airport project and the Delhi Airport project. We are in the process of constructing the Hyderabad international airport and expect it to commence commercial operation towards the end of the first quarter of 2008. We have recently won a contract to operate, manage and develop the Indira Gandhi International Airport in New Delhi and have taken over the operations of the Delhi Airport with effect from May 3, 2006.

Prior to 2003, airports in India were developed, owned and managed by the Airports Authority of India, a government entity constituted under the Airports Authority of India Act, 1994. In its attempt to attract private sector participation, the Government of India, in 2003, amended the Airports Authority of India Act 1994 to permit private sector companies to participate in the development and operation of airports.

We seek to expand our airport business through selectively bidding on new projects based on the projected costs, location and rate of return. The Airports Authority of India has announced its intention to invite tenders for other projects, including airport operation, management and development projects at Chennai, Kolkata, Goa, Pune, Nagpur, Ahmedabad and Srinagar. We selectively bid for projects which we believe possess strategic importance and future growth potential.

In addition to bidding for airport operation, management and development projects in India, we intend to seek opportunities to participate in airport projects in other countries in Asia in the future.

The Hyderabad Airport Project

GHIAL, a 63.0% subsidiary, was awarded the concession by the Ministry of Civil Aviation on December 20, 2004 to develop, operate and maintain an international airport in Hyderabad. The other shareholders of GHIAL are Malaysia Airports Holdings Berhad (11%), the Airports Authority of India (13%) and the state government of Andhra Pradesh (13%).

The site for the Hyderabad airport is located near Shamshabad in Rangareddy District, in the state of Andhra Pradesh, which is approximately 22 kilometers south of the present Hyderabad (Begumpet) airport. The site is accessible via the Hyderabad-Bangalore national highway (NH-7), the Srisailam state highway and the Umdanagar railway station. The highways and the rail station are located approximately 1.5 kilometers and 2.0 kilometers, respectively, from the site. Airplanes can fly from Hyderabad to most major locations in India in less than two hours, and most major locations in Southeast Asia and the Middle East in less than four hours.

The Hyderabad airport will be developed in phases. Once all the phases are developed, we expect the airport to have the capacity to cater for over 40 million passengers and one million tons of cargo per year. The first phase will consist of a single runway, a passenger terminal building, a separate cargo terminal building and retail facilities, all of which will be built to international standards. In addition, we plan to equip the Hyderabad airport with modern technology and facilities superior to that of most other airports in India. We expect that the first phase of the Hyderabad airport will be able to handle up to seven million passengers per year and 100,000 metric tonnes of cargo per year. The Hyderabad airport is expected to be able to handle all commercial aircraft presently in use by major airlines. The runway is planned to be 4,260 meters in length, making it the longest runway in India to date. With a width of 75 meters, this runway would have the capability to handle wide-bodied aircraft as large as the Airbus A-380 (to be used by airlines such as Emirates, Lufthansa and other carriers commencing in 2006). Currently, most airports in India do not have the ability to accommodate wide-bodied aircraft such as the Airbus A-380. Existence of a single run way in the first phase is to an extent supported by a parallel taxiway (2860 meters) which can be used as emergency take off runway and the approval for the same has been given by DGCA.

The first phase is expected to be operational towards the end of the first quarter of 2008. Pursuant to the terms of our concession contract, we are required expand facilities in tune with traffic volume. Accordingly, it is proposed to construct a second runway when traffic volume exceeds 15 million passengers per year, at which point the terminal building would be expanded in modular fashion to accommodate up to 20 million passengers. In subsequent phases, a second terminal building capable of accommodating an additional 20 million passengers, as well as capacity additions in cargo and other associated facilities, would also be built in modular fashion.

The Hyderabad airport will include a range of facilities enhancing its potential to develop as a hub airport in the medium to long term. It is planned that GHIAL will develop or offer on a concession basis facilities such as fuel farms, flight kitchens, hotels, retail shops and maintenance facilities by appointing selected concessionaires, and will obtain a share of the revenues of these concessionaires. We expect that some of these facilities (such as retail facilities, restaurants and lounges) will be located within the airport terminal building, while others will be constructed on land adjacent or close to such building. GHIAL will also be responsible for marketing the airport to the relevant airlines. In addition to above, we propose to build a business hotel and a fuel-farm at the site of GHIAL.

The GHIAL Concession Agreement

The project is structured on a "Build-Own-Operate" basis, with an initial concession term of 30 years, which is extendable for another 30 years at the option of GHIAL, subject to certain terms and conditions. GHIAL could request for an extension beyond 60 years, which however is subject to mutual agreement between GHIAL and GoI.

GHIAL has agreed to pay to the Ministry of Civil Aviation an annual concession fee amounting to four per cent of gross revenue generated in the immediately preceding year. Payment of this annual fee is deferred until the 11th year of commercial operation, following which the accumulated amount due from the first ten years of commercial operation would be paid in semi-annual installments over the following ten years along with the regular half-yearly payments.

Under the terms of the concession agreement, GHIAL is obligated to ensure the Hyderabad airport achieves commercial operation by no later than 36 months from August 22, 2005, the date on which we achieved financial close, subject to certain exceptions such as the occurrence and continuance of force majeure events that are not within the control of GHIAL. If GHIAL is unable to achieve commercial operation by the date falling six months after the above target, it is required to pay to the Ministry of Civil Aviation liquidated damages equal to Rs. 100,000 for every day of delay, subject to a cap of an amount equivalent to 12 months. See "Risk Factors - The development of our new projects is subject to construction, financing and operational risks." on page xvii of the Red Herring Prospectus.

The Ministry of Civil Aviation has agreed that, for a period of 25 years from the date on which the Hyderabad airport achieves commercial operation, it will not allow any other civil airport within a radius of 150 kilometers of the Hyderabad airport to carry on civil aviation operations. The Ministry of Civil Aviation has agreed to ensure that the existing airport at Begumpet, Hyderabad will be closed for civil aviation operations as soon as GHIAL achieves commercial operation at the Hyderabad airport. The Government also agreed that for so long as our concession remains in place, in the event it grants a concession for the development and operation of another airport and the terms of such concession are more favorable to those enjoyed by us, we would have the right to require that the Government amend our concession agreement to include such favorable terms. Additionally, freedom is provided to GHIAL with regards to the allocation of time slots to airlines (with due regard to existing time slots) and to night operations.

State Support

The Government of Andhra Pradesh has entered into an agreement with GHIAL in September 2003, pursuant to which it has agreed to provide certain support services and incentives to GHIAL for the development of the Hyderabad airport. These services and incentives include the provision to GHIAL of a non-refundable grant of Rs. 1,070 million, as well as an interest-free loan of Rs. 3,150 million repayable in five equal installments beginning on the 16th anniversary of the commercial operation of the airport or in one installment on or prior to the twentieth year of commercial operations. In addition, GHIAL will be reimbursed for VAT paid on all construction-related expenses, and has been exempted from stamp duty and registration fees on the initial transfer of the land on which the airport will be situated.

Land Lease

Pursuant to a lease dated September 30, 2003, GHIAL was granted a leasehold interest of approximately 5,500 acres at Shamshabad, near Hyderabad, on which the Hyderabad airport is to be located. The term of such lease is the same as the term of the concession agreement, and will be extended automatically with any extension of the concession agreement.

Under the lease, GHIAL is granted the exclusive right to develop facilities (either directly or through third party agreements) which are capable of being developed and operated in conjunction with the airport, including hotels, resorts, flight catering, aircraft maintenance, cargo, convention center, golf courses, recreational and entertainment facilities, industrial facilities, power plants, storage terminals, water treatment facilities and commercial and residential buildings. GHIAL has the right to sublease any such facilities as well as the land.

An annual lease rent equal to two per cent of the site's Rs. 1,550million land cost is payable by GHIAL to the Government of Andhra Pradesh commencing on the 8th anniversary of the date on which the Hyderabad airport achieves commercial operation. The lease rental is to be escalated at a rate of 5% every year, calculated on a compound basis, from the end of the 8th year.

Construction Contracts

GHIAL has, in August 2005, entered into a contract with China State Construction Engineering (Hong Kong) Limited, or China State, for the construction of the passenger terminal building and the air traffic building, and a contract with Larsen & Toubro Limited, or L&T, for the construction of the cargo terminal, runways, taxiways and aprons (that can accommodate Airbus A-380s), access roads, car park facilities and utility buildings. GHIAL has also awarded two advanced work contracts for the construction of the boundary wall and for general site preparation with Consolidated Construction Company Limited and Soma Enterprises Limited, respectively. The value of these two advanced work contracts are approximately Rs. 70 million and Rs. 785 million, respectively.

The contracts we have with China State and L&T are fixed-price turnkey contracts, subject to certain adjustments. Pursuant to these contracts, China State or L&T, as the case may be, is responsible for all action carried out by its subcontractors and is obligated to deliver the relevant completed facilities to us by a fixed date. Under our contracts, we are obligated to pay China State a price of approximately Rs. 6,880 million and L&T a fixed price of Rs. 5,190 million with Rs. 380 million for direct procurement by GHIAL for items such as fire tenders. If China State and L&T, as the case may be, is unable to deliver the relevant facilities to us within 30 months of the date on which we gave it notice to commence work, it is liable (subject to certain agreed exceptions) to pay to us liquidated damages calculated in accordance with the terms of the relevant contracts. In addition, once the facilities are completed, we will have three months to test such facilities, and if they do not meet the performance standards set out in the relevant construction contract, China State and L&T, as the case may be, will have to either remedy such performance shortfall (if it is capable of being remedied) or pay us liquidated damages. See "Summary of Our Material Agreements" on page 92 of the Red Herring Prospectus for a more detailed description of these contracts.

Sources of Revenues

As operator of the airport, our revenues could be broadly classified into four categories:

- *Aeronautical revenues*: these revenues would include fees levied for flights and passengers passing through the airport, by way of landing charges, parking charges, passenger service fees and user development fees. These fees are currently regulated by the Ministry of Civil Aviation.
- *Aero-related revenues*: these revenues would include proceeds accrued through various aviation related activities such as cargo handling, aircraft refueling, aircraft maintenance and catering.
- *Non-aeronautical revenues*: these revenues would include proceeds from advertising fees, lease rental from retail and commercial space, car parking fees and public admission fees.
- *Commercial revenues*: these revenues would include earnings through real estate development in the vicinity of the airport, including hotel and business park developments, which we may either operate ourselves or lease the relevant areas or developments to third party operators.

Most of these revenues are directly dependent on the general success of the Hyderabad airport, including the volume of passenger and cargo traffic to be handled by GHIAL, with the exception of commercial revenues, which are indirectly affected. Commercial revenues would be derived from commercial development opportunities created due to the development of the area surrounding the airport. GHIAL would earn these revenues in consideration for providing the land, supporting infrastructure and the right to do business in the area. See "Risk Factors - The Hyderabad airport, when built, will compete with other modes of transport to and from Hyderabad, as well as other airports in India" and "Risk Factors - Demand for power and infrastructure services in India depends on domestic and regional economic growth" on page xxv and xxvi respectively of the Red Herring Prospectus.

The Delhi Airport Project

On January 31, 2006, the Government of India awarded a consortium led by us the contract to operate, manage and develop the Delhi Airport and we received control of the operation and development on May 3, 2006. Other members of the consortium consist of Fraport AG, Malaysia Airports (Mauritius) Private Limited and The India Development Fund. We, along with our consortium partners, had submitted bids for the operation, management and development of the Mumbai and Delhi Airports, the two most profitable airports in India, which together accounted for approximately 76% of the total profits of the Airports Authority of India in 2004. We have 50.1% interest in DIAL, the company that is designated to operate, manage and develop the Delhi Airport, with Fraport AG, Malaysia Airports (Mauritius) Private Limited and the India Development Fund holding 10%, 10% and 3.9%, respectively. The Airports Authority of India, or the AAI holds the remaining 26.0%.

Operation, Management and Development Agreement

Our subsidiary DIAL entered into an Operation, Management and Development Agreement, or the OMDA, on April 4, 2006 with the AAI. Pursuant to the OMDA, DIAL has been appointed to undertake certain functions relating to the operation, maintenance, development, design, construction, modernization and management of the Delhi Airport, as well as certain aeronautical services and non-aeronautical services at the airport, for an initial term of 30 years, which may, subject to the satisfaction of certain requirements, be extended for another 30 years. To assist DIAL in its services, the AAI has agreed to provide operational support and personnel to it for a period of three years from the effective date of the OMDA. DIAL and the AAI will not, however, commence its operations and services until certain conditions stipulated in the OMDA are fulfilled by both parties, including the delivery of performance bonds by DIAL and the execution of state support agreements with the Indian government and the local New Delhi government. In the event that such conditions precedents have not been fulfilled within three months from the execution date of the OMDA, either party may terminate the OMDA.

Pursuant to the OMDA, the prime consortium members may not transfer, create any encumbrance or deal with any equity shares in DIAL held by them for a period of seven years from the effective date of the OMDA. However, the prime consortium members may transfer the shares held by them to certain qualified institutional buyers and entities in India during such seven-year period, provided that subsequent to such transfer, each original consortium member continues to hold at least 10%, and the original consortium members collectively hold at least 26%, of the issued and paid-up share capital in DIAL. After the expiry of such seven-year period, the consortium members' beneficial ownership and control in DIAL may not be altered without the prior written permission of the AAI, which permission cannot be denied unless AAI reasonably believes that the technical, financial and operational capability of DIAL would suffer as a result of the transfer.

The OMDA is for an initial term of 30 years from the effective date of the OMDA, renewable for an additional term of 30 years subject to fulfillment of certain conditions. In consideration for AAI's services, DIAL has paid to AAI an upfront fee of Rs. 1,500 million and has agreed to pay an amount equal to 45.99% of the airport's gross revenues for each year during the term of the OMDA.

State Support Agreement

The Government of India has entered into an agreement with DIAL in April 2006, pursuant to which it has agreed to provide certain support services and incentives to DIAL for the development of the Delhi Airport. Specifically, the Government of India has agreed to provide customs control, immigration services, plant and animal quarantine services, health services, meteorological services and security services at the Delhi Airport. In addition, the Government is required to use all reasonable efforts to grant all clearances and approvals necessary to operate, manage and develop the Delhi Airport project. The Government has agreed that for so long as our concession remains in place, in the event it initiates a competitive bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, subject to us having submitted a bid for such new project, have the right to match the terms of the most competitive bid, provided that our initial bid was within a 10% range of the most competitive bid.

Competition

While we compete with other Indian and foreign companies in each of the power, road and airport sectors, we believe there are currently only a few companies that compete with us in all of our businesses. Some of our competitors have more experience than us in the development and operation of power and infrastructure assets, particularly those that are constructed to international standards. In addition, a number of these companies may have more resources than us. See "Risk Factors - We face margin pressure as a large number of power and infrastructure-related contracts are awarded by the central and state governments following competitive bidding processes" on page xxvi of Red Herring Prospectus.

Power Business

We do not currently face any material competition in our power business, as pursuant to the terms of their respective power purchase agreements, the power purchasers for the Mangalore power plant and the Chennai power plant owe take-or-pay obligations to us. However, this guaranteed payment is only with respect to 85.0% and 68.5% of the plant load factors of the Mangalore power plant and the Chennai power plant, respectively. These power purchasers are not obligated to purchase from us any surplus power over and above our contractual amounts. Once the terms of our power purchase agreements expire, we may be required to compete on price with other power plant operators by selling our power in the open market. In addition, we may face future competition in acquiring new projects and assets from government entities or other power companies.

The regulatory environment for the power sector has undergone significant changes in the last two years. These changes include the removal of licensing requirements for the establishment and operation of thermal power plants, open access to transmission and distribution networks and the removal of certain restrictions on the right to build captive power plants. These changes may increase the financial viability of private generation investment, and increase the competition we face in the expansion of our power business.

We believe other companies that are active in the power sector include National Thermal Power Corporation, Reliance Energy Limited, Tata Power Limited, CESC, GVK Power, the Torrent Group, the Lanco Group, the Essar Group, the Jaiprakash Group, AES Corporation and Gujarat Industries Power Company Limited.

Road Business

Currently we do not face any material competition in our road business, as NHAI is obligated to make fixed semi-annual annuity payments to us irrespective of the demand for and utilization of our two road projects and, when built, for the Adloor Yellareddy-Kalkallu road project. We will, however, be exposed to competition through the Ambala-Chandigarh toll road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project, once they enter into commercial operation. We expect this competition to come predominantly from state roads that operate in the same areas, as NHAI has undertaken not to grant, for a period of eight years from the commencement date of our concession, any other concession that covers these stretches.

We also face competition from a number of Indian and international infrastructure operators in acquiring both concessions for new road projects and existing projects under the capacity augmentation program. In conjunction with the National Highways Development Project, the Government of India has taken a number of initiatives to stimulate private sector participation in the road sector, including the provision of capital grant subsidies, duty-free import of equipment, tax exemptions, allowance of foreign direct investment of up to 100% in the road sector and other state support initiatives. See "Industry Overview" on page 55 of the Red Herring Prospectus.

We believe other companies that are active in the road sector include Larsen & Toubro Limited, Reliance, Gammon, Punj Lloyd, and Infrastructure Leasing and Financial Services Limited.

Airport Business

The success of our airport business will largely depend on the volume of commercial air traffic at the New Delhi and Hyderabad airports. Commercial airlines that operate at the New Delhi and Hyderabad airports will face competition for passengers and cargo from other modes of transport such as road and railway transportation. However, we believe air transportation has significant advantages over road and railway transportation, as we believe passengers that travel by airplane typically view the duration of travel as an important factor. During the past few decades, India has experienced rapid economic growth, which has been accompanied by a rising level of disposable income for many people, increasing demand for both domestic and international business and tourist travel and higher volumes of cargo and mail delivery. All of these factors have contributed to a growing demand on the transportation sector, including the aviation sector.

Additionally, airports compete with other airports for international passenger and cargo traffic. Pursuant to our concessions the Hyderabad airport, the Government of India has agreed not to grant, for a period of 25 years from the date the Hyderabad airport begins operation, any licenses for the development and operation of another airport within a 150 kilometers radius of the Hyderabad airport and to close the existing airport at Hyderabad for civil aviation operations and direct the existing traffic to the new Hyderabad airport, once the commercial operations of the new Hyderabad airport are commenced. Similarly, under the state support agreement for the Delhi Airport, the Government has agreed that for so long as our concession remains in place, in the event it initiates a bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, to the extent we participated in such bidding process, have the right to match the most competitive bid, provided that our initial bid is within a 10% range of the most competitive bid and as such we do not expect to face significant competition with other airports for domestic air travel and cargo. However, we will still face competition for international passenger travel and international cargo transportation from other airports in India, particularly those airports that are built to international standards and are in close proximity to us.

Additionally, we face competition from both domestic and foreign companies in bidding for new airport development projects. Other Indian companies that have shown recent interest in the airport sector include Sterlite Industries, Pan India Paryatan, GVK Industries, Reliance Airport Developers, Hiranandani and DS Construction. A number of foreign airport companies, including several airport operators, have recently formed consortia with Indian companies to bid for the Mumbai and Delhi Airport projects. These foreign companies include Aeroports de Paris, Airports Company South Africa, Aeropuertos Servicos Auxilliare and Flughafen Munchen GmbH. While we believe that we have advantages over our competitors (as evidenced most recently by our winning bid for the Delhi airport project over four other consortia), there is no guarantee that we will be successful in future bids for new airport development projects.

Insurance

We maintain a number of insurance policies for the different risks involved in the operation of our businesses, as well as to cover any liability that may be imposed on our directors and officers. Specifically, we maintain directors' and officers' insurance for the directors and officers of GIL and all its Subsidiaries.

In relation to our power business, we currently maintain loss of profit and industrial all-risk insurance for each of the Mangalore power plant and the Chennai power plant. In the case of the Vemagiri power plant, which is not yet operational, we maintain loss of profit, construction all-risk, marine transportation, public liability and property insurance coverage. Each of the Mangalore power plant and the Chennai power plant is insured for its reinstatement value in the case of destruction or material damage. The Vemagiri power plant is insured for its contract value under the relevant agreements.

For our completed road projects, which consist of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, we currently maintain insurance coverage for fire and allied perils, consequential loss (which covers loss of profit), burglary and theft, public liability and special contingency for the evacuation of illegal encroachment. Each of these two projects is insured for its reinstatement value in the case of destruction or material damage. For Ambala-Chandigarh road project, we have taken insurance policy covering construction risks, advance loss of profit and third party liability. We do not currently maintain any insurance for the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Adloor Yellareddy-Kalkallu road project, as we have not yet commenced construction. We will obtain relevant insurance coverage for these projects as and when management deems necessary.

For our airports business, we maintain insurance coverage for contractors all-risk, loss of profit, marine transportation and terrorism for the GHIAL airport project, which is currently under construction. We maintain insurance coverage for fire and allied perils, consequential loss (which covers loss of profit), burglary and theft and public liability for the Delhi International Airport.

All of our insurance policies are subject to exclusions, deductibles and coverage limitations. See "Risk Factor - The operation of power plants and infrastructure assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses" on page xxii of the Red Herring Prospectus. For the year ended March 31, 2006, we purchased most of our insurance policies from United India Insurance Company Limited, Oriental Insurance Company Limited and National Insurance Company Limited, none of which is affiliated to us.

Real Properties

We currently lease the office and commercial space used for our operations in Bangalore, Hyderabad, New Delhi, Mumbai, Chennai, Vishakapatnam and Chandigarh from third parties at commercial rent. In addition, we own one site in Andhra Pradesh and three plots of land, one in Pune and two in Gujarat.

Our subsidiary GMR Energy has purchased part of the site on which the Mangalore power plant is situated from the Karnataka Industrial Area Development Board and the remaining part is leased by GMR Energy from the New Mangalore Port Trust. In addition, one of our other subsidiaries, GMR Power, is leasing the site on which the Chennai power plant is situated from the Tamil Nadu Electricity Board.

None of our subsidiaries engaged in the road business owns any land on which our road projects have been built or are being developed. Such roads have been built or are being developed on a build, operate and transfer basis, pursuant to their respective concession agreements. We do not need to enter into additional agreements for the ownership or use of the land on which our road projects are situated, as the terms of their respective road concession agreements already permit our use of such land.

GHIAL has entered into a long term lease agreement with the Governor of Andhra Pradesh for the Hyderabad airport project. In relation to the Delhi Airport project, AAI has granted the lease of specified properties to Delhi International Airport by way of a lease deed dated April 25, 2006.

Employees

As of June 30, 2006, we had approximately 734 employees in our Mumbai, Hyderabad, New Delhi and Bangalore offices, as well as at the sites of our projects. The Bangalore office contains our principal corporate offices and conducts administrative and reporting activities for us. All of our employees are remunerated with basic salary and other benefits in-kind with reference to industry practice and their individual performance.

As part of our strategy to improve operational efficiency, we regularly organize in-house and external training programs for our employees. In March 2005, we established a training center to conduct all of our training activities. As part of our strategy to improve our business, we aim to recruit qualified and talented employees. As of March 31, 2006, over 60% of our employees have post-graduate or professional qualifications in engineering and other specializations.

Our employees are not covered by any collective bargaining agreements. We have not experienced any material strikes, work stoppages, labor disputes or actions by or with our employees, and we consider our relationship with our employees to be good. However, in the case of DIAL, we have engaged certain existing workers operating the Delhi Airport. Such workers have, in the past, held at least one work stoppage.

Trademarks

We conduct most of our business under the trademark of "GMR", the ownership of which is currently held by GMR Holdings Private Limited, or GMR Holdings. GMR Holdings has through license agreements dated July 5, 2006 for use of the trademark, the associated logo and the artistic work/copyright, entered into with GMR Infrastructure and the subsidiaries of GMR Infrastructure, granted a non-exclusive personal right to use the "GMR" trademark, associated logo and the artistic work/copyright to each of such companies, in its ordinary course of business, in consideration for the payment of a specified annual license fee to GMR Holdings. The license agreements, shall subject to the compliance of the agreements, continue in force until terminated/determined by any of the parties to the agreement. The license granted by GMR Holdings may be terminated, (a) if GMR Holdings ceases to hold at least 26% equity stake in GMR Infrastructure; (b) if any of the Subsidiaries cease to be subsidiaries of the Company, (c) a default in the payment of the required license fee, (d) on default of any of the provisions of the license agreements.

In addition to the "GMR" trademark, GMR Holdings has applied for the registration of the "INDIASTRUCTURE" trademark. Gateways for India has applied for registration of the "Gateways for India" and "Gateway for Modern India" trademarks. These applications are currently pending.

Risk Management

We are exposed to specific risks in connection with the management of our investments and the environment within which our operating companies operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that our organization adheres, as far as reasonably and practically possible, to the policies and procedures which are established to address these risks.

We are primarily exposed to credit risk, market risk (including liquidity risk, interest rate risk and foreign exchange risk), operational risk and legal risk. We focus on monitoring credit and market risks, as well as portfolio and operational risk, through senior management personnel in each of our businesses. Legal risk is subject to the review of our legal department and external advisors. For a detailed discussion of these market risks and how they are expected to impact our liquidity and capital resources, see "Management's Discussion and Analysis of Our Results of Operations - Qualitative and Quantitative Disclosure about Market Risk." on page 309 of the Red Herring Prospectus.

Environmental Liability

The Power Sector. We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and environment protection groups is leading to greater inspection and safety requirements of power plants. Increasing environmental concerns have created a demand for power plants that conform to stricter environmental standards. We are required to maintain operating standards at all of our power plants that emphasize operational safety, quality maintenance, continuous training of our employees and compliance with laws and regulations. We believe that the operation of our power plants is in substantial compliance with applicable environmental laws and regulations, but such laws and regulations are frequently changed and may impose stricter requirements in the future. In addition, the interpretation or application of any existing laws and regulations may change, and such change may also have the effect of imposing stricter requirements and more costs on us. Our Mangalore and Chennai power plants comply with ISO 14001 and OHSAS 18001 standards. In 2005, our Mangalore power plant won a safety, health and environment award from National Safety Council of India for the assessment years 2002 - 2005. Also, the Chennai power plant received the prestigious Dr. MS Swaminathan Award for Environment Conservation in 1999, in recognition of its efforts in conserving fresh water resources.

The Road Sector. Our road projects require environmental clearance from the Ministry of Environment and Forests indicating that the construction of the road does not pass through any ecologically sensitive areas such as national parks, sanctuaries, tiger reserves and reserve forests. If the proposed stretch of road does pass through forest land, special clearance is required. The Principal Secretary to Government, Environment Forests Science and Technology Department accords Stage 1 approval to the respective Principal Chief Conservator of Forests subject to compliance with certain conditions, and upon receipt and approval of the compliance report from the Principal Chief Conservator of Forests may grant final Stage 2 approval, on the condition that exclusive avenue plantation is undertaken by the concessionaire throughout the entire stretch of road in accordance with Forest Department guidelines. Road companies also require clearance from the State Pollution Control Board for the operation of quarries.

The Airport Sector. GHIAL has obtained the necessary environmental clearance for Phase I of the Hyderabad airport project. In particular, the Andhra Pradesh Pollution Control Board has, following a public hearing process, granted its consent relating to the development of the airport. Subsequently, the Ministry of Environment and Forests granted the requisite environmental clearances for the project. Pursuant to these clearances, GHIAL has certain continuing environmental compliance obligations throughout the construction and operation stages. In addition, we are in the process of obtaining the applicable environmental clearance for the Delhi Airport project.

Legal Proceedings

We are involved from time to time in litigation incidental to our business. While we cannot predict the outcome of any pending or future litigation, examination or investigation, based on the amounts sought in pending actions against us and our history of resolving litigation matters in the past, as well as the advice of legal counsel, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations.

On February 2, 2006, Reliance Airport Developers, an unsuccessful bidder for the New Delhi and Mumbai airport projects, initiated legal proceedings against us (as the awardee of the Delhi Airport project), the AAI, Union of India (Ministry of Civil Aviation) and GVK Industries Limited (as the awardee of the Mumbai airport project). In these legal proceedings, Reliance Airport Developers alleged that, among other things, the award was illegal and arbitrary and requested that the award of these contracts to GIL and GVK Industries Limited be revoked. By an order dated April 21, 2006, the Delhi High Court dismissed the petition of Reliance Airport Developers and upheld the decision of the Government to award the two contracts to GIL and GVK Industries Limited, respectively. Reliance Airport Developers filed a special leave petition in Supreme Court seeking permission to appeal against order of High Court of Delhi on April 24, 2006. The Reliance Airport Developers SLP has been admitted by the Supreme Court vide its order dated May 5, 2006. The appeal has presently been listed for arguments on July 18, 2006 before an appropriate bench of the Supreme Court.

In addition to the challenge by Reliance Airport Developers, an individual has lodged a writ petition at the Bombay high court challenging the proposed transfer by AAI of the operation and management of the Delhi and Mumbai airports to private parties. Vide an order dated April 25, 2006, the Senior and Prothonotary Master has directed the petitioner to clear the technical objections raised by the registry of the Bombay High Court on the writ petition filed by him within a period of two weeks from the date of the order. As the petitioner has failed to comply with the said directions, the writ petition was disposed off. However on June 14, 2006 the matter was mentioned by the Petitioner's Advocate before the Prothonotary and Senior Master whereupon the order of rejection was set aside and the matter was restored to file. In the order dated June 14, 2006, the Petitioner was directed to remove the office objection within a further date of June 21, 2006. Based on submissions by our legal counsel for the matter and as on the date of filing this Red Herring Prospectus, the Writ Registrar has stamped the Writ Petition as rejected.

Rashtriya Mukti Morcha has filed a public interest litigation against Central Bureau of Investigation ("CBI"), Ministry of Civil Aviation, Union of India and the Delhi International Airport in the High Court of Delhi inter alia, challenging the award of the contract and granting lease of the assets of the AAI on annual lease of Rs. 100/- to Delhi International Airport. The petitioner has stated that though he has filed a complaint with the CBI on May 1, 2006, no action has been taken on the same. After hearing some arguments on June 2, 2006, the High Court directed the CBI and UOI to file their affidavits in reply to the writ petition. The case will now be taken up on July 20, 2006 for hearing.

In the event of adverse ruling or alteration in any terms of the award of the contract, our investment in the Delhi Airport project including investments out of Issue proceeds and the acquisition of subscription rights from GVL Investments may be adversely affected and therefore our airport business, its prospects and results of operations could materially change.

See "Outstanding Litigation and Defaults" on page 313 of this Red Herring Prospectus for a more comprehensive discussion of this dispute and a detailed list of legal proceedings involving us.

Description of Important Project Contracts

Our Company and its Subsidiaries have entered into certain project contracts that are important for our business operations and profitability. With the view to familiarize Investors with the key contractual arrangements that bind us, please find below a summary of the important commercial contracts that we have entered in to. Certain terms defined herein refer to the terms as defined in the relevant project agreements.

The Company and its Subsidiaries are engaged in business in the Infrastructure Sector. GMR Energy, GMR Power and Vemagiri Power are engaged in power generation, GMR Tambaram-Tindivanam, GMR Tuni-Anakapalli, GMR Ambala-Chandigarh, GMR Jadcherla, GMR Pochanpalli and GMR Ulundurpet are engaged in business in the roads sector, while GHIAL and Delhi International Airport is engaged in business in the airports sector. In each of these sectors we have entered into both project and finance related documents. Certain project documents are described in brief in this section. For further details on the financing arrangements, please refer to section titled "Description of Certain Indebtedness" on page 348 of this Red Herring Prospectus.

I. Energy Sector

1. GMR Energy Limited

GMR Energy has entered into the following project agreements for its facility at Tanirbavi:

*(i) Power Purchase Agreement dated December 15, 1997 between GMR Energy and Karnataka Power Trading Corporation Limited (**KPTCL**) amended via Supplementary Agreement dated May 29, 1999, September 30, 1999 and January 25, 2001 (collectively the "**GMR Energy PPA**")*

GMR Energy has offered to sell and KPTCL has agreed to purchase all the electric energy generated by the power facility for the entire term of the GMR Energy PPA at a PLF of 85%. The GMR Energy PPA is effective for a period of 7 years from the date of commercial operation and may be extended for an additional period of 5 years, provided that 6 months prior to the end of the initial term, the parties agree to such extensions based on new terms. The GMR Energy PPA also contains a *buyout provision* upon termination of the Agreement on the happening of certain specified events.

Vide a State Government notification No. EN 131 PSR 2003 dated December 28, 2005, KPTCL has assigned its rights in the GMR Energy PPA to two electricity distribution companies, namely BESCOM and MESCOM, with effect from November, 2005.

*(ii) Fuel Supply Agreement dated August 5, 1998 between Bharat Petroleum Corporation Limited and GMR Energy amended via Supplemental Agreements dated July 5, 1999, November 2, 1999, November 8, 1999 and December 5, 2000 (collectively the "**GMR Energy FSA**")*

GMR Energy has agreed to purchase naphtha and HSD/SKO/Condensate from BPCL as fuel for the Mangalore Power Plant. The BPCL FSA is valid for a period of 7 years from the commercial operation date of the Project. Additionally, as provided in the Supplemental Agreement dated July 5, 1999, the term of the GMR Energy FSA can be extended by another 5 years or for such longer term in case the GMR Energy PPA is so extended. While as per the agreement, the purchase price was to be calculated as an aggregate of various components consisting of landed cost, import handling charge, infrastructure charge, service charge, guarantee charge etc, in addition to statutory taxes and duties, based on an advise from Ministry of Petroleum and Natural Gas on February 20, 2001, BPCL has subsequently revised the price (vide its letter ref: B(I&C)TBPR dated June 12, 2001) to refinery transfer price plus Rs. 180 per MT of fuel supplied plus statutory taxes and levies. GMR Energy has also provided a bank guarantee of Rs. 80 million for a period of 5 years towards minimum commitment charge. GMR Energy is not permitted to purchase fuel from any other supplier except as agreed by the seller and such purchase shall be an event of default under the agreement. GMR Energy is also subject to pay liquidated damages in case of shortfall in the intake of annual guaranteed quantity of fuel.

(iii) Operations and Maintenance Agreements (O&M)

The O&M in respect of GMR Energy's power plant is carried out under separate arrangements with GMR Operations and General Electric Company ("**GE**").

The arrangement with GMR Operations is governed by an O&M Agreement dated January 11, 2000 (GMR Energy O&M) under which GMR Energy has appointed GMR Operations as the sole and exclusive operator of the Project for the term of the agreement. The initial term ends on the seventh anniversary of the commercial operation date of the combined cycle unit (extendable on a day by day basis, on the occurrence of any force majeure event as defined in the GMR Energy PPA). The agreement can be automatically renewed for successive terms, each of which shall have a duration which is equal to subsequent renewals of the GMR Energy PPA, provided that the Company provides GMR Operations with not less than 6 months written notice of any such renewal of the GMR Energy PPA.

The arrangement with GE is governed by two separate contracts.

GMR Energy has also entered into a Long Term Service Agreement dated December 20, 2000 with GE Energy Plant Operations, LP, which relates to plant maintenance and provision of breakdown assistance. Under this agreement GE is to execute planned and unplanned maintenance, provision of certain extra work including due to improper operation of the plant, appointment of a service director to supervise maintenance activities, and commissioning and decommissioning services for the back-up leased engine. GE has planned maintenance for units 1, 2, 3 and 4 of the Gas Turbine Generator. The site service for each unit commences from the date such unit is turned over to GMR Energy up to the date when the unit records 50,000 fired hours of operation. The agreement was assigned to GE International Inc by way of an assignment agreement dated May 9, 2001.

GMR Energy has also entered into a Long Term Assured Parts Supply Agreement of the same date has also been entered into with GE Energy Parts Inc., USA. Under this agreement GE has to mobilize parts offshore, assure supply of replacement parts for enabling planned or unplanned maintenance, extra parts, supply of new technology and use of commercially available technology for assured supply of parts.

2. GMR Power Corporation Private Limited

GMR Power has entered into the following project agreements for its facility at Basin Bridge, Chennai

*(i) Power Purchase Agreement dated September 12, 1996 with addendums on February 26, 1999 and March 1, 2000 with Tamil Nadu Electricity Board (“**TNEB**”) (collectively the “**GMR Power PPA**”)*

GMR Power has offered to sell and TNEB has agreed to purchase all the electric energy generated by the power energy for the entire term of the GMR Power PPA at a PLF of 85%. The GMR Power PPA is effective until the 15^{th} anniversary of the commercial operation date and is renewable for three periods of 5 years each on a mutually agreeable basis. The entire power generated by GMR Power is to be supplied to TNEB on a ‘take or pay’ basis covering a fixed and variable element. Upon the expiry of the term of the GMR Power PPA, TNEB can elect to purchase the project at the buy-out price. If no such election is made, GMR Power may either sell or assign its rights to a third party, or may sell electricity to TNEB’s customers or other customers in Tamil Nadu. Under this agreement TNEB shall wheel power on mutually agreed charges being charges not exceeding wheeling charges charged to similar generating stations.

*(ii) Fuel Supply Agreement dated December 4, 1996 with HPCL (“**GMR Power FSA**”)*

HPCL has agreed to supply GMR Power fuel (low sulphur high speed diesel or furnace oil having sulphur content of less than 1%) and provide fuel supply management services to GMR Power. The Ministry of Petroleum and Natural Gas, vide their letter dated February 9, 1996 has allocated 370,000 MT per annum of fuel to GMR Power. The fuel is supplied through an 8 km pipeline laid by HPCL from Chennai port to the plant site. The GMR Power FSA is valid for a period of 15 years from commercial operation date. The cost of the fuel is calculated by multiplying the quantity of fuel delivered in each month by the fuel price. Upon the dismantling of the administrative price mechanism, the parties are required to negotiate the fuel price. However, the price charged by HPCL may not exceed the price charged by HPCL for similar quantity of fuel supplied to TNEB or any other entity.

*(iii) Lubricating Oil Supply Agreement dated October 17, 1998 with Indo Mobil Limited (“**GMR Power OSA**”)*

Indo Mobil has agreed to supply to GMR Power certain lubricants for the Basin Bride project. The agreement is valid for a period of 15 years from commercial operation date. The initial price for the lubricants was fixed and the prices are to be revised yearly, following January 1, 2000 as per the formula provided in the GMR Power OSA. GMR Power is not responsible for any price escalation in the manufacturing, storage, or transport of such lubricants, unless specifically agreed. The GMR Power OSA is entered into on an exclusive basis, and GMR Power is required to buy a minimum guaranteed quantity of lubricant, annually calculated at 68.5% PLF. Upon failure to buy the guaranteed minimum (other than in event of *force majeure*) GMR Power is required to nominate a nominee to buy the balance quantity. Upon failure to nominate, Indo Mobil may sell to a third party and any difference in price has to borne by GMR Power. Ownership of the lubricants passes after quality and quantity testing and acceptance of delivery by GMR Power.

*(iv) Operation and Maintenance Agreement dated May 15, 1997 with Hyundai Heavy Industries Company Limited (“**HHIL**”), supplementary agreements dated October 26, 2000, November 11, 2003 and a memorandum of understanding dated July 22, 2005 (“**GMR Power O&M**”)*

HHIL is to provide all works necessary for the operation and maintenance of the project facilities at Basin Bridge, Chennai. The GMR Power O&M is valid for a period of 10 years from commercial operation date of the last unit. By a Supplementary Agreement dated October 26, 2000, GMR Power is wholly responsible for the supply of lubricants, greases, chemicals to HHIL for the operation and maintenance of the plant. Accordingly, the schedule of fees was modified. GMR Power is fully responsible for the main stores and security of the plant.

3. Vemagiri Power Generation Limited

Vemagiri Power has entered into the following project agreements for its facility at Vemagiri, Andhra Pradesh *(i) Power Purchase Agreement dated March 31, 1997 with APSEB (later replaced by* APTRANSCO*) and as amended by the Amendment Agreement dated June 18, 2003 (collectively the "**Vemagiri Power PPA**")*

The Vemagiri Power project was initially established for 468 MW and the primary fuel was naphtha. Thereafter, the fuel was changed to natural gas. The Ministry of Petroleum and Natural Gas allotted 1.64 MMSCMD of Natural Gas to this project. The project is to be implemented in two phases: Phase I: 370 MW and Phase II: 150 MW. Phase II would be subject to fuel availability power requirement of the off taker and regulatory approvals. The scheduled date of completion of the first unit (gas turbine) is 28 months from June 18, 2003 and the scheduled date of completion of the last unit (steam turbine) is 31 months from June 18, 2003. The aforesaid periods can be extended under the terms of the Vemagiri Power PPA and the Amended Vemagiri Power PPA, including for force majuere delays. In the event of delay in achieving the scheduled date of completion of the last unit, Vemagiri Power is required to pay liquidated damages of a sum equal to Rs. 50,000 per day for the first 180 days of delay and Rs. 350,000 per day for delays in excess of 180 days for each 100 MW of the capacity or any part thereof. The term of the Vemagiri Power PPA is 15 years from completion date of the project. The monthly tariff payable by APTRANSCO would include the capacity charge and the energy charge. The payment obligation of APTRANSCO has been secured by a revolving letter of credit, escrow account, and the State Government Guarantee. The guaranteed PLF is fixed at 85% and Vemagiri Power has an obligation to achieve 85% of plant availability. If the Vemagiri Power PPA is not renewed then APTRANSCO has an option to purchase the project at the terminal value plus any transfer cost and transfer tax. If the proposal of APTRANSCO is not accepted, Vemagiri Power may solicit offers of purchase from third parties or sell power from the project to third parties subject to a first right of refusal of APTRANSCO. The buyout price would be determined by an internationally recognized accounting firm.

The terms of the Vemagiri Power PPA are currently being re negotiated. The draft amendment agreement incorporating the said terms have been initialed between the Company and the four distribution companies and the initialed draft has been sent to APERC for its approval before execution. Please refer to section titled "Business - The Vemagiri Power Plant - Power Purchase Agreement" on page 100 of this Red Herring Prospectus.

Vide State Government notification No. G.O. Ms. No. 58 , Energy (Power-III) dated June 7, 2005 the obligations and rights of AP Transco have been assigned to APCPDCL, APEPDCL, APNPDCL and APSPDCL with effect from June 9, 2005.

*(ii) Operation and Maintenance Agreement with Korea Plant Service & Engineering Co. Limited., ("**Korea Plant**") dated September 20, 2003 ("**Vemagiri O&M**")*

Under this agreement Korea Plant is responsible for performing all necessary tasks for safe, reliable and efficient operations and maintenance of the plant during the operation period. This Vemagiri O&M is valid for 6 years from the date of completion. However, Vemagiri Power has the right to terminate this agreement on the third anniversary of the commercial operation date, without any liabilities (except for those which have already been incurred) by giving an advance notice of 3 months.

*(iii) Agreement for Civil Works and Engineering, Erection and Commissioning dated June 24, 2003 with Larsen & Toubro ("**L&T**") ("**Vemagiri Power EPC**")*

Under the Vemagiri Power EPC L&T has agreed to provide certain services relating to the civil works, design and engineering, erection and commissioning of the facility at Vemagiri. If the provisional acceptance of the facility does not occur by the scheduled completion date, subject to limitations of liability, L&T has an obligation to pay Vemagiri Power an amount equal to 0.5% of the contract price for each week by which the provisional acceptance of the plant is delayed up to a maximum of 10% of the contract price. Further, in the event that L&T's performance does not meet the Electrical Output Guarantee, Heat Rate Guarantee and Auxiliary Power Consumption Guarantee then L&T would be liable to pay liquidated damages as set out in the Vemagiri Power EPC. The liquidated damages for the performance guarantee is subject to a maximum of 15% of the contract price. The aggregate of the liquidated damages payable under the Vemagiri Power EPC is limited to 20% of the contract price.

*(iv) Onshore Supply Agreement dated June 24, 2003 with L&T ("**Vemagiri Power Onshore Supply Agreement**")*

L&T has agreed to perform or cause the performance of various services including: engineering and design services, preparing the engineering and design necessary to describe and detail the indigenous equipment and materials to be incorporated in the facility; submitting to Vemagiri Power copies of all documents for their review relating to the design prints, drawings, samples, patterns, models or information for seeking the approval of Vemagiri Power; procuring all materials, equipment, supplies, manufacturing, fabrication and related services for incorporation into the facility; and execution and the completion of the Onshore Supply Scope in accordance with all applicable laws, the technical specification and other standards. If the provisional acceptance does not occur by the scheduled completion date due to its default or delay under this agreement, subject to limitations of liability, L&T is required to pay Vemagiri Power agreed amount as liquidated damages for late completion for each week by which the provisional acceptance of the Plant is later than the scheduled completion date to a maximum of 10% of the contract price. Further, in the event that due to L&T's performance/ non performance under this agreement, the plant does not meet the Electrical Output Guarantee, Heat Rate Guarantee and Auxiliary Power Consumption

Guarantee then L&T would be liable to pay liquidated damages for the same as per the terms set out in this agreement.

(v) *Offshore supply agreement dated June 24, 2003 with L&T ("**Vemagiri Power Offshore Supply Agreement**")*

L&T has agreed to engineer, design, fabricate, manufacture, test, procure, transport and deliver on CIF basis all the Imported Equipment and Materials on a lump sum, fixed price basis. L&T is also required to procure all labour, materials, equipment, supplies, manufacturing, fabrication and related services for the facility at Vemagiri. If the provisional acceptance does not occur by the scheduled completion date due to its default or delay under this agreement, subject to limitations of liability, L&T is required to pay Vemagiri Power as liquidated damages for late completion an amount equal to 0.5% of the contract price for each week by which the provisional acceptance of the Plant is later than the scheduled completion date to a maximum of 10% of the contract price. Further, in the event that L&T's performance/ non performance under this agreement, the plant does not meet the Electrical Output Guarantee, Heat Rate Guarantee and Auxiliary Power Consumption Guarantee then L&T would be liable to pay liquidated damages for the same as per the terms set out in this agreement.

(vi) *Gas Supply Agreement dated August 31, 2001 as amended by the contract dated January 29, 2003 and subsequently by August 25, 2004 between GAIL and Vemagiri Power (collectively the "**Vemagiri Power GSA**")*

The Vemagiri Power Project was initially established for 468 MW and the primary fuel was naphtha. Thereafter, the fuel was changed to natural gas. The Ministry of Petroleum and Natural Gas allotted 1.64 MMSCMD of Natural Gas to this project. GAIL shall supply natural gas from the fields of ONGC Limited located at Tatipaka, Parsarlapudi, Kesnapall, Mori and other nearby fields and in and around Ravva offshore, as fuel for the Vemagiri power facility. Initially the Gas Supply Agreement was only for a six year period commencing from December 31, 2004 to December 31, 2010, which was revised to a period of 15 years. By the amendment agreement dated January 29, 2003, the term of Vemagiri Power GSA was extended till March 31, 2020. The Vemagiri Power GSA can be extended further by giving a notice of at least 6 months prior to the expiry of the term provided the finalised agreement is executed at least 3 months prior to the expiry of the term. Till March 31, 2000, the price of gas is as per the pricing order No. 12015/3/94-GP. After March 31, 2000, GAIL is required to fix the price as per market prices. The price of the gas is to exclude the royalty, taxes, duties, service/transportation (transmission) charges and all other statutory levies as applicable at present or to be levied in future by the Central or State Government or Municipality or any other local body or bodies payable. These payments are to be borne by Vemagiri Power over and above the price of the gas. In addition to the price of gas, Vemagiri Power is also required to pay monthly transmission charge for the facilities provided by GAIL including the additional transmission charges which are also payable in the event the monthly transmission are to be increased at the rate of 3% annually. Vemagiri Power has an obligation to pay for the actual quantity of the gas supplied by GAIL subject to the minimum of 80% of the monthly forecast quantities for the first year of gas supply which is the minimum guaranteed off take or for a period up to December 30, 2005, whichever is earlier.

4. GMR (Badrinath) Hydro Power Generation Private Limited

GMR (Badrinath) Hydro has entered into the following project agreement for its facility at Badrinath, Uttaranchal.

The 140 MW Alaknanda Hydro Power Project is located near Badrinath in the Chamoli district of Uttaranchal. Located on the Alaknanda river (a tributary of Ganga), the project is a Run of River (RoR) type development, harnessing a Head of about 460 meters with a proposed installation of 140 MW (2 X 70 MW). The Project has a Design Energy of 702.72 MUs (PLF of 57.3%). The Project shall supply 12% Free Power to the state of Uttaranchal.

The Project is part of the Prime Minister's 50,000 MW Hydro Power initiative and has been awarded to GMR Energy Limited by Govt. of Uttaranchal, through a two-stage competitive bidding process.

Pursuant to the award, the Govt. of Uttaranchal has executed a Project Development Agreement (PDA) on October 22, 2005, with GMR Energy Limited for undertaking project development activities of the Project. As per the PDA, GMR Energy is to carry out detailed investigations of the Project and prepare a Detailed Project Report (DPR) to establish the techno-economic viability of the Project.

The term of the PDA is 36 months from the date of execution at the end of which the Government of Uttaranchal shall enter into an Implementation Agreement (IA) with GMR Energy Limited to take up implementation of the Project. This term of the IA shall be 45 years from the date of its execution, with an option of extension thereafter. As per the PDA, GMR Energy is free to sell the power from the Project to any customer within or outside Uttaranchal.

In accordance with the terms of the Project Development Agreement, GMR Energy has made payments amounting to Rs. 235,617,283 to the Government of Uttaranchal and also furnished a bank guarantee of Rs. 185,617,283. The bank guarantee is encashable by the Government of Uttaranchal at the time of financial closure of the project. In the event, the project is financially not viable and GEL opts not to enter into an implementation agreement with the Government of Uttaranchal, GEL is entitled to a refund of Rs. 185,617,283 and release of the bank guarantee.

II. Roads Sector

5. GMR Tuni-Anakapalli Expressways Private Limited (GMR Tuni-Anakapalli)

6. GMR Tambaram-Tindivanam Expressways Private Limited (GMR Tambaram-Tindivanam)

The project agreements for GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli have been executed separately and contain similar provisions, except for certain project specific information. We have provided the key terms of these agreements below:

(i) Concession Agreements

Both GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli entered into separate Concession Agreements with NHAI on October 9, 2001. Under the Concession Agreements, the concession is granted for a period of 17 years 6 months from May 6, 2002 and ending November 8, 2019 during which GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli are authorised to implement the project and to operate the project facilities in accordance with the terms and conditions on the Concession Agreement.

GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli are required to operate and maintain the project facilities by themselves. GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli either by themselves or a capable contractor shall be solely responsible to meet the operations and maintenance requirements. If there is any breach in the operations and maintenance requirements such as failure to carry out scheduled maintenance, the riding quality of the carriageway has deteriorated below acceptance levels, non adherence to safety requirements and standards, non availability during any annuity payment period has exceeded 1000 lane hours NHAI shall be entitled to terminate the Concession Agreement. During the operations and maintenance period GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli are required to maintain certain specified insurance.

GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli are required to ensure that the (i) Consortium holds not less than 51% of the paid up equity capital of GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli respectively until 3 years after the commercial operations date and not less than 26% of its paid up equity capital during the balance Operations Period; (ii) GMR Power holds at any time not less than 50% of the Consortium's holding in the paid up equity capital of each of the Road Companies; and (iii) GIL, GMR Industries and UEM (each a member of the Consortium) holds not less than 10% of the Consortium's holding in the paid up equity capital of each of the Road Companies, until COD. The COD has been achieved in October 2004 in case of GMR Tambaram-Tindivanam and December 2004 in case of GMR Tuni-Anakapalli .

NHAI has agreed to pay GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli on each annuity payment date a sum of Rs. 418.56 million and Rs. 294.80 million respectively. NHAI is to secure the payment on this annuity by providing GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli a revolving letter of credit from a schedule bank in India throughout the operations period. If due to GMR Tambaram-Tindivanam's and/or GMR Tuni-Anakapalli's failure the actual availability of carriageway in any annuity payment period is less than the assured availability then the annuity shall proportionately abate. GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli cannot levy, demand or collect from or in respect of any vehicle or person for the use of the project facilities any sum whatsoever in the nature of a toll or fee, not can it allow any advertisement. However, NHAI shall have the right to levy and collect a toll or fee or permit any advertisements.

If a force majeure event which is non political or other event continues which is likely to continue beyond 120 days then the parties can mutually decide to terminate the agreement by giving notice as specified in the agreement. The Concession Agreements also specified certain events of default for either party on the occurrence of which the other party can terminate the agreement by giving the requisite notice and following the prescribed procedure.

(i) State Support Agreement

GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli have entered into separate State Support Agreements dated October 8, 2002 with the State of Tamil Nadu and NHAI and State of Andhra Pradesh and NHAI on March 18, 2003, under which the respective Governments have agreed to extend continued support and to grant certain rights and authorities to facilitate the implementation and operation of the project, including all infrastructural facilities, applicable permissions, dedicated team of police personnel, highway patrols and to generally support the project implementation.

(iii) Operations and Maintenance Agreement

GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli have entered into separate operations and maintenance agreements dated January 10, 2002, respectively with UE Development India Private Limited (UDIPL) and United Engineers (Malaysia) Limited being the respective O&M Contractor to operate and maintain and be responsible for and take full risk in the care of the project and the completed project facilities. GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli shall pay the O&M Contractor an (i) O&M fee of Rs. 1.66 million per month and Rs. 1.25 million per month respectively; (ii) a periodic fee of Rs. 305 million and Rs. 75 million respectively. The O&M fee and the periodic fee shall be escalated by 1.5% per annum after 1 year from COD.

7. **GMR Ambala Chandigarh Expressways Private Limited**

8. **GMR Jadcherla Road Project**

9. **GMR Ulundurpet Road Project**

The project agreements for GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet have been executed separately and contain similar provisions, except for certain project specific information. We have provided the key terms of the concession agreements below:

Concession Agreements

GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet have entered into separate concession agreement with the National Highways and Authority of India dated November 16, 2005, February 20, 2006 and April 19, 2006, respectively under which GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet are authorised to implement the project and to operate the project facilities in accordance with the terms and conditions in the respective concession agreement.

GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet either by themselves or a capable contractor shall be solely responsible to meet the operations and maintenance requirements. In the event that the any of the companies do not maintain any of the project or the highway in accordance with the specifications and standards, NHAI shall without prejudice to its rights under the agreement, including termination be entitled to undertake the repair and maintenance of the project or highway and also recover from the companies in addition to the repair costs, a sum up to 25% of such cost. In the event that NHAI, does not exercise the right to undertake the repair and maintenance it shall also be entitled to recover damages. In the event of a material breach by any of the companies, under these agreements NHAI shall in addition to its other rights including termination to suspend the rights of the companies under the respective concession agreement and exercise the rights of the respective companies under the agreements.

GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet are also required to provide a performance guarantee which shall be valid and enforceable till the commercial operations date subject to the conditions specified in the agreement. Any default by the any of the companies shall entitle NHAI to encash the same.

GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet are required to ensure that the (i) consortium holds not less than 51% of the paid up equity capital of GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet respectively during construction period and until 3 years after the commercial operations date and not less than 26% of its paid up equity capital during the balance Operations Period; (ii) GIL holds at any time not less than 51% of the Consortium's holding in the paid up equity capital of each of GMR Jadcherla and GMR Ulundurpet during the concession period; and (iii) GEL holds not less than 10% of the Consortium's holding in the paid up equity capital of each of GMR Ambala Chandigarh, GMR Jadcherla and GMR Ulundurpet, until COD.

During the period of the concession, the respective company shall be entitled to levy and collect fees from the users in accordance with the fee notification. The fees collected in relation to local personal traffic and local commercial traffic shall not be in excess of the discounted rates as specified in the agreement. In the event that a separate service lane is opened for free use, local traffic, the Company shall levy and collect fees from such local traffic, if they use the four lane highway developed by the Company.

NHAI, the Government of India or any of the respective state governments may construct and operate either by itself or have the same built, any expressway or toll road and operated on BOT basis, but not being a bypass provided that the additional road shall not be opened to traffic before expiry of 8 years from the appointed date. In case the additional toll way is commissioned anytime after eight years, then the concession period shall increase by half the number of years, with reference to the number of years remaining from the original numbers of years.

After the completion of 8 years, in the event that the NHAI decides to increase the capacity of the project, they shall invite bids and the companies shall be given a right of first refusal. In the event that any of the companies is not the preferred bidder, then NHAI has the right to termination the agreement by paying the termination fees.

If a force majeure event which is non political or other event continues which is likely to continue beyond 180 days then the parties can mutually decide to terminate the agreement by giving notice as specified in the agreement. The Concession Agreements also specified certain events of default for either party on the occurrence of which the other party can terminate the agreement by giving the requisite notice and following the prescribed procedure. The companies are also required to maintain insurance, during the construction period and operation period.

State Support Agreement between GMR Ambala Chandigarh and NHAI with the State of Haryana dated March 8, 2006 ("Haryana State Support Agreement") and with State of Punjab dated February 21, 2006 ("Punjab State Support Agreement").

GMR Ambala Chandigarh has entered into two State Support Agreements, namely the Haryana State Support Agreement and the Punjab State Support Agreement with NHAI under which the respective state governments have agreed to extend continued support and to grant certain rights and authorities to facilitate the implementation and operation of the project, including all infrastructural facilities, applicable permissions, dedicated team of police personnel, highway patrols and to generally support the project implementation.

*Engineering Procurement and Construction Agreement between GMR Ambala Chandigarh and GMR Projects Private Limited ("**EPC Contractor**") on May 2, 2006 ("**EPC Contract**")*

GMR Ambala Chandigarh entered into an Engineering Procurement and Construction Agreement with GMR Projects Private Limited on May 2, 2006. The scope of the EPC Contract includes performance and execution of the project by the EPC Contractor of all design, engineering, procurement, construction of the project highway in strict compliance with the design requirements and all other terms and conditions of the agreement in a timely manner and to the satisfaction of GMR Ambala Chandigarh. If the EPC Contractor fails to complete the works by the scheduled project completion date the EPC Contractor shall pay GMR Ambala Chandigarh liquidated damages calculated at 0.25% of the contract price per week or part thereof for such default on a pro rata basis. The EPC Contractors liability is limited to 10% of the contract price. The EPC Contractor shall carry out all works necessary for the rectification of any EPC Contractor Defect in or damage to the works during the Defects Liability Period (12 months from the date of issue of the completion certificate). Upon the occurrence of an event of default (as defined in the EPC Contract), the non defaulting party shall be entitled to terminate the EPC Contract by issuing a termination notice to the defaulting party. Upon termination of the EPC Contract, GMR Ambala Chandigarh shall have the power and authority to take possession and control of the project site and project facility.

10. GMR Pochanpalli Road Project

*Concession Agreement dated March 31, 2006 between GMR Pochanpalli and the National Highways and Authority of India ("**Concession Agreement**")*

GMR Pochanpalli has entered into a concession agreement with the National Highways and Authority of India dated March 31, 2006 under which GMR Pochanpalli is authorised to implement the project and to operate the project facilities in accordance with the terms and conditions of this concession agreement.

GMR Pochanpalli either by itself or a capable contractor shall be solely responsible to meet the operations and maintenance requirements. In the event that they do not maintain the project or the highway in accordance with the specifications and standards, NHAI shall without prejudice to its rights under the agreement, including termination be entitled to undertake the repair and maintenance of the project or highway and also recover from the companies in addition to the repair costs, a sum up to 25% of such cost. In the event that NHAI, does not exercise the right to undertake the repair and maintenance it shall also be entitled to recover damages. In the event of a material breach by GMR Pochanpalli, under this agreement NHAI shall in addition to its other rights including termination to suspend the rights of the companies under the respective concession agreement and exercise the rights of the respective companies under the agreements.

GMR Pochanpalli is also required to provide a performance guarantee which shall be shall be valid and enforceable till the commercial operations date subject to the conditions specified in the agreement. Any default by the any of the companies shall entitle NHAI to encash the same.

GMR Pochanpalli is required to ensure that the (i) consortium holds not less than 51% of the paid up equity capital of GMR Pochanpalli during construction period and until 3 years after the commercial operations date and not less than 26% of its paid up equity capital during the balance Operations Period; (ii) GIL holds at any time not less than 51% of the Consortium's holding in the paid up equity capital of GMR Pochanpalli during the concession period; and (iii) GEL holds not less than 10% of the Consortium's holding in the paid up equity capital of each of GMR Pochanpalli, until COD.

NHAI has agreed to pay GMR Pochanpalli on each annuity payment date a sum of Rs. 541.8 million. NHAI is to secure the payment on this annuity by providing GMR Pochanpalli a revolving letter of credit from a schedule bank in India throughout the operations period. If due to GMR Pochanpalli's failure the actual availability of carriageway in any annuity payment period is less than the assured availability then the annuity shall proportionately abate. GMR Pochanpalli cannot levy, demand or collect from or in respect of any vehicle or person for the use of the project facilities any sum whatsoever in the nature of a toll or fee, not can it allow any advertisement. However, NHAI shall have the right to levy and collect a toll or fee or permit any advertisements.

If a force majeure event which is non political or other event continues which is likely to continue beyond 180 days then the parties can mutually decide to terminate the agreement by giving notice as specified in the agreement. The concession agreement also specified certain events of default for either party on the occurrence of which the other party can terminate the agreement by giving the requisite notice and following the prescribed procedure. The company is also required to maintain insurance, during the construction period and operation period.

III. Airports Sector

11. GMR Hyderabad International Airport Limited

(i) Concession Agreement dated December 20, 2004

The Government of India has granted to GHIAL , the exclusive right to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the new Greenfield airport at Shamshabad, Hyderabad and also undertake various non-airport activities like Cargo Complex, Bus Terminals, business parks, hotels, commercial buildings and complexes, independent power producing plants etc. The concession has been granted for a term of thirty (30) years from the date of commercial operations with an option to renew for a further period of thirty (30) years. GHIAL is obliged to pay a Concession Fee of 4% of the gross revenue annually. The existing airport at Begumpet shall not be open for use for civil aviation operations, once the new airport at Shamshabad is operative.

*(ii) State Support Agreement dated September 30, 2003 ("**GHIAL SSA**")*

The Government of Andhra Pradesh ("**GoAP**") has agreed to provide state support by providing (i) land (ii) fiscal support by means of Advance Development Fund Grant of Rs. 1070 million and an Interest Free Loan of Rs. 3150 million to GHIAL (iii) various project specific exemptions including exemption from Sales/Works Contract Tax/Seigniorage fee (iv) external infrastructure in the form of a four lanes access road, water/power supply at site, railway connection and (v) assistance in grant of Project Clearances. The Agreement further provides for certain events of Change in Law when GHIAL shall be paid compensation by the GoAP for any losses caused on account of such Change in Laws.

(iii) Land Lease Agreement dated September 30, 2003

As a part of the GHIAL SSA, GoAP has granted a lease for around 5500 acres of land at Shamshabad, Hyderabad in favour of GHIAL for the new greenfield airport to be constructed and operated in accordance with the Concession Agreement. The term of the lease is for an initial term of thirty (30) years from the date of commercial operations with an option to extend the lease for such period(s) as the concession granted under the concession agreement is extended from time to time and is co terminus with the concession agreement. GHIAL is required to pay an annual lease rent of 2% of the base value of Rs. 1550 million escalated at the rate of 5% per annum from the 8th anniversary of the date of commercial operations. GHIAL has been granted the right to sublease sublet, franchise or license the leased land for airport centric activities or commercial activities such as hotels, resorts, flight catering, aircraft maintenance, cargo and logistic centre etc. The GoAP however has ownership of any fossils and antiquities discovered at the leased land.

(iv) Agreement dated August 11, 2005 with Airports Authority of India

Under the AAI Act, 1994, AAI is responsible for the provision of air traffic services within Indian airspace and at all civil airports in India. GHIAL has appointed AAI for the provision of certain pre-commissioning, commissioning and operation services including the Communication, Navigation and Surveillance and Air Traffic Management Services at the new greenfield airport for integration of the equipment of AAI with the equipments installed by GHIAL for the effective operations.

12. Delhi International Airport Private Limited

Operation, Management and Development Agreement (OMDA)

Delhi International Airport Private Limited ("**Delhi International Airport**") has entered into an Operation, Management and Development Agreement ("**OMDA**") with the Airport Authority of India ("**AAI**") dated April 4, 2006. Under the OMDA, AAI has granted an exclusive right to Delhi International Airport to operate, maintain, develop, design, construct, upgrade, modernize, finance and manage the Delhi International airport. The exclusive rights allow for complete and uninterrupted possession and control of airport site, to determine, demand, collect, retain charges from the users, and to contract and sub contract with third parties. Certain reserved activities shall not be undertaken unless written consent has been obtained from AAI. In consideration of the grant, Delhi International Airport shall make the following payments to the AAI, (i) upfront fees of Rs. 1,500 million (ii) and an annual fee calculated in terms of the OMDA.

For 3 years from the effective date, AAI shall provide operational support to Delhi International Airport through its general employees. These employees shall be retained at the airport and AAI shall procure that such general employees perform functions and undertake such activities as required by Delhi International Airport. Delhi International Airport shall be required to make an offer of minimum 60 percent of general employees, upon the expiry of the operational support period (3 years from effective date). However, if less than 60 percent of the general employees, accept the offer then Delhi International Airport shall pay the AAI Retirement Compensation for such general employees. In the event that the Delhi International Airport, does not complete the mandatory capital projects (as listed out in the agreement) by March 31, 2010, liquidated damages will be levied. Delhi International Airport shall be responsible for the allocation of the slots of domestic and international airlines in accordance with IATA Slot Allocation Guidelines. Delhi International Airport is also required to obtain and maintain the required insurance. Delhi International Airport is to furnish a performance bond of Rs. 5,000 million for the first 5 years from the effective date. The performance bond can be invoked in the event of breach, including in the following situations (i) non completion of mandatory projects (ii) failure to make offers of employment (iii) non compliance with the development standards (iv) failure to meet insurance requirements. The AAI has the right to step in and take control of the airport in the case of declaration of emergency. Unless terminated, the agreement shall be valid for a period of 30 years and the same can be extended, at the option of DIAL, for a further period of 30 years, subject to certain conditions. .

The parties to this Agreement agree that the prime shareholders of the Delhi International Airport shall not transfer, create any encumbrance or deal in equity shares, for the duration of the five years from the effective date. The prime members may however transfer their shares to a financial investor, subject to the relevant prime members continuing to hold 10% each of the paid up share capital in Delhi International Airport and all the prime members together are holding 26% of the issued and paid up equity share capital. A prime members having a corresponding evaluated entity shall not transfer its shares in the Delhi International Airport to a financial investor resulting in dilution of beneficial ownership of the evaluated entity in the Delhi International Airport to below 10% and the sum of the beneficial ownership in Delhi International Airport of all evaluated entities and direct shareholding of prime members collectively below 26%.

In the event any shares in the Delhi International Airport are transferred, the prime members transferring such shares shall ensure that the financial investor shall not transfer such shares for a period of 5 years, from effective date except to another financial investor who shall also be bound by a similar restriction.

For the period commencing from the 6th year till the end of the 7th year, the prime members may transfer, create any encumbrance or deal in equity shares in the Delhi International Airport, provided the prime members continues to hold at least 10% of the issued and paid up capital in the Delhi International Airport and all the prime members are holding 26% of the issued and paid up equity share capital. A member having a corresponding evaluated entity shall not transfer its shares in the Delhi International Airport to a financial investor resulting in dilution of beneficial ownership of the evaluated entity in the Delhi International Airport to below 10% and the sum of the beneficial ownership in the Delhi International Airport of all evaluated entities and direct shareholding of prime members below 26%.

After 7 years, the prime members may without the prior approval of AAI transfer, create any encumbrance or deal in equity shares in the Delhi International Airport, provided the prime members continues to hold at least 10% of the issued and paid up capital in the Delhi International Airport and all the prime members are holding 26% of the issued and paid up equity share capital. A member having a corresponding evaluated entity shall not transfer its shares in Delhi International Airport to a financial investor resulting in dilution of beneficial ownership of the evaluated entity in Delhi International Airport to below 10% and the sum of the beneficial ownership in Delhi International Airport of all evaluated entities and direct shareholding of prime members in Delhi International Airport collectively below 26%, without the prior approval of AAI.

Further, it is specified that for a period of 5 years from effective date, the evaluated entities, shall (i) not transfer shares held by them in their respective prime members, (ii) retain same control over their respective member.

For period from start of sixth year to end of seventh year, evaluated entities may transfer shares such that the relevant entity continues to retain beneficial ownership of at least 10% of the issued and paid up share capital in Delhi International Airport and sum of the beneficial ownership in Delhi International Airport of all evaluated entities collectively is 26% of the issued share cap.

During the first 7 years, the shares may be transferred to financial investor but the same shall not dilute the shareholding below 10% and of all the prime members to collectively below 26%.

After the expiry of seven years, the beneficial ownership and control of evaluated entities in their respective prime members shall not be altered without prior written consent of AAI which shall not be unreasonably withheld.

*State Government Support Agreement dated April 26, 2006 (“**Delhi International Airport SGSA**”)*

The Chief Secretary of the National Capital Territory of Delhi (“**Delhi Government**”) has agreed to undertake its best efforts to provide state support to Delhi International Airport by providing (i) land (ii) surface access to the airport (iii) utilities (iv) obtaining clearances from the authorities and (v) assistance in procuring the approval of the master plan by the competent local authority.

*State Support Agreement dated April 26, 2006 (“**Delhi International Airport SSA**”)*

The President of India (“**Government of India**”) has agreed to (i) establish the Economic Regulatory Authority to regulate and set/ re-set aeronautical charges, in accordance with the broad principles as provided in the agreement (ii) expedite the grant of the relevant clearances (iii) provide the activities referred to as the ‘Reserved Activities’ in the Delhi International Airport SSA. The Government has agreed that for so long as our concession remains in place, in the event it initiates a bid for the development and operation of another airport within a radius of 150 kilometers of the Delhi Airport, we would, to the extent we participated in such bidding process, have the right to match the most competitive bid, provided that our initial bid is within a 10% range of the most competitive bid. The Government of India shall also facilitate Delhi International Airport to entering into the memorandum of understanding with the various agencies specified in Delhi International Airport SSA. The agreement further provides that Delhi International Airport shall be paid compensation by the Government of India for any losses caused on account of any Change in Laws (as defined in the agreement).

*Lease Deed dated April 25, 2006 ("**Delhi Lease Deed**")*

The AAI has granted the land described in Schedule 1 to the Delhi Lease Deed, which excludes (i) any land already granted to a third party ("**Existing Leases**") (ii) any and all of the Carved Out Assets and the underlying land and the building. Upon the termination of any such Existing Leases as specified, the said land forming part of the Existing Leases, shall form part of the land granted to the JVC. As regards, the land underlying the Carved Out Assets in the event that Delhi International Airport requires the land for aeronautical services, the parties shall come together to negotiate in good faith to take on lease the said land from the lessor. The use of the land provided to the lessee under this lease agreement shall only be used for in accordance with the terms of the OMDA and an annual lease rent of Rs. 100 is payable, every year. The lease is valid for a 30 years and can be renewed for an additional period of 30 years.

*CNS/ATM Facilities and Agreement dated April 25, 2006 ("**CNS/ATM Agreement**")*

The AAI has entered into the CNS/ATM Agreement pursuant to which AAI shall at all times (including 24 hours each day) provide the services mentioned in the CNS/ATM Agreement including (i) providing CNS/ATM services (ii) maintain the AAI equipment including carrying out flight calibration (iii) upgrade AAI equipment from time to time and procure all meteorological facilities. Under the terms of the CNS/ATM Agreement, Delhi International Airport is also required to perform certain obligation including ensuring that the runway is maintained as per the relevant provisions, ensuring fire fighting services are made available. AAI shall in consideration of it performing the relevant services be entitled to recover the navigation route facilities charges. The agreement shall terminate upon the termination of the OMDA.

Regulations and Policies

The Company is engaged in the power and transport sector. In the power sector we are primarily engaged in the business of generation and sale of electricity and related operations and maintenance. The power generating companies are exposed to various regulations and policies in India. In the transport sector, we are engaged in the business of development of roads and airports. The special purpose vehicles established for carrying out the activities in the roads and airports sector are subject to certain regulations in India.

A. Power Sector

1. Background

The development of electricity industry in India was fashioned by two legislations, namely the Indian Electricity Act, 1910 ("**Electricity Act 1910**") and the Electricity (Supply) Act, 1948 ("**Electricity Supply Act**"). The Electricity Act, 1910 introduced a licensing system in the electricity industry whereas the Electricity Supply Act was responsible for greater state involvement in the industry.

The Electricity Supply Act promoted state-owned, vertically integrated units through the creation of the State Electricity Boards ("**SEBs**"). SEBs were responsible for generation, transmission and distribution of electricity within the geographical limits of each State of the Indian Union. Where SEBs were not set up, a government department was responsible for the electricity supply. It is worthwhile to note that "electricity" comes under the concurrent list of the Constitution of India and both the State and Central Governments have the power to legislate on "Electricity".

In the early 1990s, the electricity sector was liberalized, following which private participation in the generation sector was permitted by way of amendments to the Electricity Supply Act. Subsequent to the amended legislation, several private sector players set up generating stations and power purchase agreements were entered into between these independent power plants (IPPs) with the SEBs.

In 1998, the Electricity Regulatory Commissions Act, 1998 ("**ERC Act**") was enacted by the Central Government. The ERC Act provided for the establishment of independent electricity regulatory commission both at the Centre and State levels. The regulatory commissions were set up to rationalize electricity tariff and promote and regulate the electricity industry.

The Andhra Pradesh Electricity Reforms Act, 1998 was enacted by the state government for restructuring the state's electricity industry by unbundling the SEBs into separate generation, transmission and distribution companies. Generation segment was considered as potentially competitive and kept outside the purview of the regulatory supervision. Transmission and distribution are considered as monopolistic activities within the geographic area and regulated businesses. Licensing was chosen as the form of regulatory control and the rate of return on investment was regulated. The Andhra Pradesh Electricity Reforms Act, 1998 (and other reform legislations in different states) introduced a single buyer model, where the transmission and supply licensees acted as the buyer of all electricity generated by the generating companies and would sell electricity to the distribution supply licensees for further supply and distribution. A single company controlled transmission and bulk supply while a number of distribution companies enjoying monopoly supply rights in their area of supply handled the distribution.

The Karnataka Electricity Reforms Act, 1999, was enacted to provide for, inter alia,

(i) the constitution of an Electricity Regulatory Commission for the state of Karnataka;

(ii) the restructuring of the electricity industry in the state, the corporatisation of the Karnataka Electricity Board and the rationalization of the generation, transmission, distribution and supply of electricity in the State;

(iii) avenues of participation of private sector entrepreneurs in the electricity industry in the state and generally for taking measures conducive to the development and management of the electricity industry in the state in an efficient, economic and competitive manner

(iv) reliable quality power and to protect the interests of the consumer.

The Electricity Regulatory Commission was vested with powers to regulate the activities of the power sector in the state and for matters connected therewith or incidental thereto.

2. Salient features of the Electricity Act, 2003

The Electricity Act, 2003 ("**Electricity Act 2003**") came into effect from June 10, 2003 and extends to whole of India except the State of Jammu and Kashmir. The Electricity Act, 2003 is a central unified legislation that seeks to replace the multiple legislations that governed the Indian electricity sector and provides for further material reforms in the sector. The Electricity Act, 2003 expressly repeals the Electricity Act, 1910, the Electricity Supply Act and the ERC Act. However, after the enactment of Electricity Act, 2003, the provisions of the Andhra Pradesh Electricity Reforms Act, 1998 and the Karnataka Electricity Reforms Act, 1999 would continue to apply in Andhra Pradesh and Karnataka to the extent that their provisions are not inconsistent with the provisions of Electricity Act, 2003.

The most significant reform initiative under the Electricity Act, 2003 was the move from multiple seller, single buyer model towards a multi buyer, multi seller system. In addition, under the Electricity Act, 2003, the regulatory regime is more flexible, has a multi year approach towards tariff and allows regulatory commissions greater freedom in determining tariff. Under the Electricity Act, 2003, penal provisions for dishonest use of electricity have also been tightened and special courts have been envisaged for speedy dispensation of justice. The Electricity Act has also been introduced power trading as a separate activity.

2.1 Generation

Electricity generation has been de-licensed and any generating company can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with grid. Approvals from the Central Government, State Government and the techno--economic clearance from the Central Electricity Authority (CEA) have been done away with for any power plant, except for hydroelectric projects, which still require CEA approval if their capital cost is above a threshold which is determined by the Central Government from time to time. Generating companies are now permitted to sell electricity to any licensees and directly to consumers, subject to availing open access to the transmission and distribution systems and payment of charges as may be determined by the appropriate regulatory commission.

In addition, no restriction is placed on setting up of a captive power plant by any consumer or group of consumers for their own consumption. Under Electricity Act, 2003, captive users are exempt from payment of surcharge for transmission and wheeling of power from the captive plant to the destination of the use by the captive user.

The regulatory commissions have the right under the Electricity Act, 2003 to determine the tariff for (i) supply of electricity from a generating company to any distribution licensee; (ii) transmission of electricity; (iii) wheeling of electricity and (iv) retail sale of electricity. The Central Electricity Regulatory Commission ("**CERC**") has the jurisdiction over generating companies owned or controlled by Central Government and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one state. The State Electricity Regulatory Commissions ("**SERC**") have jurisdiction over generating stations within the state boundaries, except those under the CERC's jurisdiction.

The Tariff Policy, 2006 notified by the Ministry of Power on January 6, 2006 states that all future requirements of power for a distribution company would be procured through a competitive bidding process. The Ministry of Power has clarified that the competitive bidding principles would not apply for generating stations where, on or prior to January 6, 2006 (i) the power purchase agreement has been signed and approved by the appropriate commission or (ii) is pending before the appropriate commission or (iii) where 'in principle' clearance of the project cost and financing plan has been given by the CERC or (iv) where financial closure has been achieved.

2.2 Transmission

Transmission, both at the inter-state and intra-state levels, is a regulated activity requiring a license. The Electricity Act, 2003 requires the central government to designate one government company as the central transmission utility ("**CTU**"), which would be deemed as a transmission licensee. Similarly, each state government would designate one government company as the state transmission utility ("**STU**"), which would also be deemed as a transmission licensee.

The CTU and STU shall be responsible for transmission of electricity, planning and co-ordination of transmission system, providing non-discriminatory open-access to any users and developing a co-ordinated, efficient and integrated inters-state and intra-state transmission system respectively. The Electricity Act, 2003 prohibits the CTU and the STUs from engaging in the business of generation or trading in electricity.

The Electricity Act, 2003 envisages private participation in the power sector. Investment by transmission developers other than the CTU/ STU would be invited through competitive bidding. The tariff would also be determined through a process of competitive bidding. The National Electricity Policy, 2005 issued by the Ministry of Power states that the tariff framework for transmission should be sensitive to distance, direction and related to quantum of power flow.

The Electricity Act, 2003 allows private generating stations open access to transmission lines. This facilitates sale of power to distribution and trading licensees as well as directly to consumers. The provision of open access is subject to the availability of adequate transmission capacity as determined by the CTU / STU, as the case may be. Further, the open access consumer has to pay charges for open access as may be applied by the appropriate commission.

2.3 Trading

The Electricity Act, 2003 specifies trading as a licensed activity. Trading has been defined as purchase of electricity for resale. This may involve wholesale supply (i.e. purchasing power from generators and selling to the distribution licensees) or retail supply (i.e. purchasing from generators or distribution licensees for sale to end consumers).

The license will be awarded by the appropriate commission, based on certain entry norms relating to capital adequacy and technical parameters. However, the National and Regional Load Despatch Centres, Central and State Transmission Utilities and other transmission licensees will not be allowed to trade in power, to prevent unfair competition. The appropriate commission also has the right to fix a ceiling on trading margins in intra-state trading to ensure that the electricity traders do not indulge in profiteering in situations of power shortage. The CERC has stipulated that the current margin for traders holding an inter-state trading license would not be more than 4 paise/ KWH. Some regulatory commissions have also taken the view that a trading licensee will not be allowed to sell power to another trading licensee, to prevent escalation in the cost of power.

Open access, together with recognition of power trading as a distinct business opportunity, is expected to provide new intermediation opportunities between wholesale buyers and distribution licensees and between generators and distribution licensees, as well as between generators and consumers. At a bulk supply level, this provision will is expected to create competition and enhance efficiency.

2.4 Distribution and retail supply

The Electricity Act, 2003 does not make any distinction between distribution and retail supply of electricity. Distribution is a licensed activity and distribution licensees are allowed to undertake trading without any separate license. Under Electricity Act, 2003, no license is required for the purposes of supply of electricity. Thus a distribution licensee can undertake three activities: trading, distribution and supply through one license.

The Electricity Act allows new licensees to enter distribution areas after acquiring licenses from the regulator. Non exclusive licensing and provision for phased open access in distribution will restrict monopolies in the distribution business. Open access to generators will be subject to a surcharge to meet the current level of subsidy, in addition to wheeling charges. Several SERCs have already specified regulations for open access. SERC's also have the flexibility to determine the time frame for implementing open access in the retail segment, depending on subsidies and readiness of the utilities. The SERCs also have the right to determine the various charges for open access, i.e. transmission charge, transmission loss, wheeling charge, cross-subsidy surcharge and additional surcharge.

The National Electricity Policy states that such charges should not be so onerous as to eliminate open access altogether and the Tariff Policy lays down the formula for collecting cross-subsidy surcharge for open access in order to bring about competition in the larger interest of the consumers. Several regulatory commissions including the CERC have commented that the National Tariff Policy should not impose a formula on all the regulatory commissions and it is believed that the Ministry of Power would move a proposal soon for an amendment to the National Power Tariff Policy, to ensure that cross subsidy surcharge for open access power will not be at an uniform rate but set separately for each state.

Further, under the Electricity Act, 2003 the surcharge has to be progressively reduced and eliminated. It may be noted that it has been proposed (and which is pending before Parliament) that the provision under the Electricity Act requiring elimination of cross-subsidies be amended to require a reduction of cross subsidies.

2.5 Unregulated rural markets

The licensing requirement does not apply in cases where a person intends to generate and distribute electricity in rural areas as notified by the state government. However, the supplier has to comply with the requirements specified by the CEA. In order to provide an impetus to rural electrification, Electricity Act, 2003 mandates formulation of national policies governing rural electrification and local distribution and rural off-grid supply including those based on renewable and other non-conventional energy sources.

3. Roles of key organizations and players

3.1 Central and State Governments

The Electricity Act, 2003 reserves a significant involvement of the central government in the functioning of the power sector. It has been assigned a number of duties, including planning and policy formulation, rule making, appointing, establishing, designating authority, prescribing duties and other tasks, funding, and issuing directions.

The central government designates a CTU and establishes the National Load Dispatch Centre ("NLDC"), Regional Load Dispatch Centers ("RLDC"), the Appellate Tribunal for Electricity, the Coordination Forum, and the Regulators' Forum. It has the power to vest the property of a CTU in a company or companies and decides on the jurisdiction of benches of the Appellate Tribunal. It prescribes the duties and functions of the CEA, NLDC and RLDC, and can make rules on a wide range of areas and has the power to remove difficulties through issue of orders within two years of commencement of Electricity Act, 2003. It also has the power to amend the schedule of States where reform legislation continues to be applicable.

The central government provides loans and grants to the CERC and decides on other sources of funds for the CERC. It decides how the CERC should spend all its revenues and specifies the manner the accounts should be maintained. The CERC is required to send its audited accounts to the central government.

The central government is also responsible for, inter alia: a) specifying additional requirements for granting license to more than one distribution licensee in the same geographical area;; b) providing no-objection certificates for granting license if the service area includes central government installations such as cantonment, aerodrome, defence area, etc; c) demarcating the country into transmission regions for the purpose of inter-state transmission; d) issuing guidelines for transparent bidding process; e) approving the salary and benefits of the employees of the CEA, CERC and the Appellate Tribunal; f) referring cases to the Appellate Tribunal for removal of members on the ground of misbehavior; and g) prescribing the procedures for inquiry into misbehavior by members.

The state government exercises appointing, designating powers, provides funds and makes rules notifications, etc. It appoints the members of the SERC including the chairman, approves the terms and conditions of appointment of the secretary to the SERC and other staff, and can remove or suspend a member of the SERC. It is also responsible for constituting the selection committee for appointing members of SERC. It establishes the SLDC, notifies the STU, vests property of STU in companies, draws up reorganization of the SEB through acquiring its assets and re-vests it through a transfer scheme. It can also transfer employees through a transfer scheme. It is empowered to constitute special courts, and state coordination forum. The state government creates the SERC fund and can provide loan or grants for running the SERC. It decides how the SERC should utilize the fund and how it should maintain accounts. The state government can also provide subsidy to consumers, but Electricity Act, 2003 requires it to compensate the licensee in advance by the amount of loss expected to be suffered by the licensee in implementing the subsidy. The state government notifies rural areas where exemption of license conditions would apply and issues directions to the SERC on public interest issues.

3.2 **Central Electricity Authority**

The CEA was created under the Electricity Supply Act and the Electricity Act, 2003 retains the agency, although it has been relegated to a consultative role. There was some overlap of duties and power between the CERC and the CEA earlier, which Electricity Act, 2003 has removed. The technical clearance required for power projects under the provisions of the Electricity Supply Act has been eliminated, except in cases of hydro projects above a certain capital investment.

3.3 **Commissions**

Electricity Act, 2003 retains the two-level regulatory system for the power sector which was established under the ERC Act and the various state reform legislations. At the central level, the CERC would be responsible for regulating tariff of generating stations owned by the central government, or those involved in generating or supplying in more than one states, and regulating inter-state transmission of electricity. The State Electricity Regulatory Commissions on the other hand regulate intra--state transmission and supply of electricity within the jurisdiction of each state. The CERC and the SERCs are to be guided by the National Electricity Policy, Tariff Policy and the National Electricity Plan while discharging their functions under Electricity Act, 2003. The Commissions are also to be guided by any direction given by the central government for CERC or the state government for the SERC pertaining to any policy involving public interest. The decision of the government is final and non-challengeable with respect to the question that whether directions pertain to policy involving public interest or not. The Commissions have been entrusted with a variety of functions including determining tariff, granting licensees, settling disputes between the generating companies and the licensees. The Commissions are a quasi-judicial authority with powers of a civil court and an appeal against the orders of the Commissions would lie to the Appellate Tribunal.

3.4 Appellate Tribunal

Under the earlier electricity legislations, the High Court was the appellate authority against orders that are passed by the SERC. Under Electricity Act, 2003, the Appellate Tribunal has been set up to as an appellate body against orders of the Commissions or adjudicating officers in settling disputes. No civil court has any jurisdiction over a matter which the Appellate Authority is empowered to determine under the Electricity Act, 2003. The Appellate Tribunal has the power to summon, enforce attendance, require discovery and production of documents, receive evidence and review decisions. The orders of the Appellate Tribunal arc executable as decrees of a civil court. Appeals against the orders of the Appellate Tribunal lie with the Supreme Court.

3.5 Load dispatch centres

Electricity Act, 2003 has created a three-tier load dispatching system, namely a National Load Dispatch Centre (NLDC), Regional Load Dispatch Centres (RLDC) and State Load Dispatch Centres (SLDC). The load dispatch centres are now separate government companies and they cannot participate in trading or generation of electricity.

3.6 Special courts

To try offences like theft of electricity or electrical lines and equipment, Electricity Act, 2003 empowers the state governments to establish special courts with single judges for certain area or areas.

3.7 Ombudsman for grievance redress

The distribution licensee shall set up a grievance redressal system following the guidelines of the SERC. Any consumer aggrieved by non-redressing of grievances can refer the case to an Ombudsman to be set up by the SERC. The Ombudsman is to settle the grievance of the consumer within such time and in such manner as specified by the SERC.

3.8 Co-ordination Forum and Forum of Regulators

This forum shall be constituted by the central government for the smooth and coordinated development of the power system in the country. The state government shall also constitute a co-ordination forum for the state to ensure smooth and coordinated development of the power system in the state. The Central Government has formulated rules to coordinate the formation and functions of this forum.

3.9 Enforcement Agencies

Assessing Officer

Electricity Act, 2003 provides for provisional assessment of dues payable by a person who benefits from unauthorized use of electricity, by an Assessing Officer of the State Government, or State Electricity Board or a Licensee designated by the State Government. No civil court has any jurisdiction over a matter which the Assessing Officer is empowered to determine under the Electricity Act, 2003.

Appellate Authority

Electricity Act, 2003 provides for an appeal to be filed within 30 days from a final order by an Assessing Officer to the Appellate

Investigating Authority

The Commissions may, on satisfaction of failure by the generating company/licensee to comply with the provisions of the Electricity Act, 2003 or the license, direct any person to investigate the affairs of and undertake inspection of the generating company/licensee and report to the Commission after which the Commission may direct the generating company/licensee to take such action as may be necessary.

Electrical Inspector

In the event of an accident in connection with the generation, transmission, distribution or supply of electricity or in case of use of electrical lines or electrical plant which is likely to cause injury to human being or animal, on receipt of a complaint, the appropriate government may require an Electrical Inspector to inquire and report as to the cause of the accident and the manner and extent to which the provisions of the Act have been complied with. The Electrical Inspector is vested with the powers of a civil court under the Civil Procedure Code, 1908 for enforcing the attendance of witnesses and compelling the production of documents and material objects.

Adjudicating Officer

A member of the Commission may be appointed as an Adjudicating Officer to hold enquiry as prescribed by the Government. A civil court has no jurisdiction in respect of matters, which the Adjudicating Officer has the power to determine.

4. Tariff-related provisions

4.1 Tariff principles

Electricity Act, 2003 has introduced significant changes in terms of tariff principles. Earlier, the rate of return regulation as prescribed in the Sixth Schedule of the Electricity Supply Act was the basis of for tariff determination, which was done by the State Electricity Boards. Even in the case of state reform acts, this Sixth Schedule was retained as the basis. The present act has done away with that provision.

The Electricity Act, 2003 casts a duty on the Commissions to be guided by the following while determining tariff:

- the principles and methodologies specified by the CERC for determination of the tariff applicable to generating companies and licensees;
- generation, transmission, distribution and supply of electricity are conducted on commercial principles;
- the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;
- safeguarding consumers interest and also ensure recovery of the cost of electricity in a reasonable manner;
- incorporate principles which reward efficiency in performance;
- multi year tariff principles;
- tariff progressively reflects the cost of supply of electricity, at an adequate and improving level of efficiency
- that the tariff progressively reduces and eliminates cross subsidies within a period to be specified by the ERC;
- the promotion of co-generation and generation of electricity from renewable sources of energy;
- the National Electricity Policy and Tariff Policy:

It is to be noted that unlike the ERC Act, the Commissions have not been expressly permitted to depart from the tariff determining factors set out above. Further, under the Electricity Act, 2003, the appropriate Commission is also required to adopt any tariff determined by competitive bidding process.

The Tariff Policy states that Multi-year Tariff framework will have to be adopted for any tariff from April 1, 2006. The framework should feature a five year control period although the initial control period may be three years. This would minimise risks for utilities and consumers, promote efficiency and appropriate reduction of system losses and attract investments and would also bring greater practicability to system losses.

The Policy also envisaged introduction of Availability Based Tariff (ABT) in all states by April, 2006. Some states have commenced implementing the ABT mechanism in stages.

5. **Consumer protection: Standards of performance**

The appropriate commission can set standards of performance of each licensee or a class of licensees after consulting the licensees and the affected parties. A licensee failing to meet the performance standards may have to pay compensation or may be prosecuted as determined by the Commission. The penalty is payable within 90 days of the decision. The standards of performance can be different for different licensees. The licensees are required to submit information about their performance to the Commission and the Commission shall arrange to publish them at least once a year.

OTHER REGULATIONS

In addition to the above, the Company should comply with other constructions and operating approvals, the details of which are provided in the section entitled "Government Approvals" on page 340 of this Red Herring Prospectus.

Foreign Investment Regulations

The industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment.

The procedure for investment in the electricity sector has been simplified for facilitating foreign direct investment. Investment in companies associated with electricity fall under the RBI automatic approval route for FDI/NRI/OCB investment up to 100 %.

Fiscal Regulations

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy (EXIM Policy) and amend it thereafter whenever it deems fit. All exports and imports would have to be in compliance to such EXIM Policy.

Environmental Regulations

The Company has to comply with the provisions of the Environmental Protection Act, Andhra Pradesh Forest Conservation Act, Water (Prevention and Control of Pollution) Act and the Air (Prevention and Control of Pollution) Act, Hazardous Waste (Management and Handling) Rules.

The Company is required to obtain and maintain statutory clearances relating to Pollution Control and Environment in relation to its power projects.

Price Mechanism

The Electricity Act 2003 provides protection for projects selected through competitive bidding and requires the Commissions to adopt tariffs as determined through the bidding process. Any risk that Commissions will not adhere to adopted tariffs in terms of signed PPA's would then be passed on to projects which have adopted the Memorandum of Understanding (MOU) route.

Modes of participation in power projects

The Government of India announced major policy reforms in October 1991 widening the scope of private sector participation in power generation. Particularly, significant aspect of the policy was the notification on two-part tariff guidelines which set out principles of tariff competition from private power sector companies. The two modes of participating in power projects is either through the MOU route or the Bidding route.

The initial batch of private sector power projects were awarded generally on the basis of negotiation between the SEB and a single developer ("MOU route").

MoU Route

The cost determination under the MOU route usually involves:

1. determination of receivables of capital cost. The capital costs are required to be approved by a Central Electricity Authority (CEA), Government of India;
2. approval of interest rates and local & foreign debt;
3. finalizing the term of loans and/or or other debt;

4. finalizing the extent of foreign exchange protection;
5. fixing operating parameters within the prescribed ceilings;
6. identifying deemed generation provisions;
7. evaluating the extent of despatchability;.
8. evaluating the level of incentive payments;
9. identifying change in law in terms of tax or any other matter;
10. identifying the extent of working capital permissible;
11. evaluating the premium on fuel prices for assured supply;
12. identifying fuel supply and transportation risk and issues;
13. evaluating escalations in operation and maintenance and insurance expenses permissible;
14. evaluating the extent of maintenance of spares permissible;
15. rebates in respect of prompt payment.

The MOU route with a cost plus approach was initially adapted to attract investment. However, there were several complexities in calculating the above costs despite the capital cost of the project being frozen by the CEA.

This cost plus tariff mechanism is not ideally suited for competitive bidding as this would require bidding on every element of cost of generation which becomes difficult to verify and monitor over the life of the PPA. Further, the nature of costs for IPPs is very different from public sector power project costs and in the absence of complete knowledge of cost profile, it would be impossible to design a competitive bidding process based on cost plus approach that is fair to both sides thereby eliciting good investor response.

Gradually, the Government adopted a tariff based bidding process. The concept of bidding is discussed below.

Bid Route

Bidding essentially is based on bulk power tariff structure. The tariff structure recommends bid evaluation on the basis of levelised tariff for fixed cost components, escalable and non-escalable costs and certain operational parameters such as heat rate, auxiliary consumption, etc.

Under the bid route, the IPP sells its entire capacity and output to SEBs / DISCOMs and do not trade directly. The revenue from operations of IPPs under the bid route is broken up into two streams:

1. the fixed or capacity charge covering the payment received by the IPP for the generating capacity available to the SEB (irrespective of actual dispatch by SEB). This fixed or capacity charge also comprises components in respect of foreign exchange risk;
2. the variable or energy charge, which comprises the fuel cost for the electricity generated and purchased by the SEB at actuals. The fuel cost is calculated on the heat rate over the life of the power project and the cost of the fuel.

Under the Electricity Act, 2003, as there is no licensing requirement for electricity, there are no restrictions on private participation in generation. The Ministry of Power has specified competitive bidding guidelines on January 19, 2005, and all competitive bidding is regulated by these guidelines. The guidelines provide for the procurement of electricity separately for base load requirements and peak load requirements.

The Tariff Policy, states that all future requirements of power would be competitively acquired by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/ owned company. Even for public sector companies it has been held that tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years.

B. Road sector

The primary central legislations governing the roads sector are the National Highways Act, 1956 and the National Highways Authority of India, 1988 (“NHAI Act”).

National Highways Act, 1956

Under this Act, the Central Government is vested with the power to declare a highway as a National Highway and also to acquire land for this purpose. The Central Government may by notification, declare its intention to acquire any land when it is satisfied that for a public purpose such land is required for the building, maintenance, management or operation of a national highway. The National Highways Act prescribes the procedure for the same. Such procedure relates to declaration of an intention to acquire, entering and inspecting such land, hearing of objections, declaration required to be made for the acquisition and the mode of taking possession.

The Central Government is responsible for the development and maintenance of national highways. However, it may direct that such functions may also be exercised by State Governments. Further, the Central Government has the power to enter into an agreement with any person for the development and maintenance of a part or whole of the highway. Such person would have the right to collect and retain fees at such rates as may be notified by the Central Government.

The National Highways (Collection of Fees by any Person for the use of Section of National Highways/ Permanent Bridge/ Temporary Bridge on National Highways) Rules, 1997 provide that the Central Government may enter into agreements with persons for development and maintenance of the whole or part of a national highway/permanent bridge/temporary bridge on national highway. Such person may invest his own funds for development or maintenance and is allowed to collect and retain the fees at agreed rates from different categories of vehicles for an agreed period for the use of the facilities created herein.

The rates of fees and the period of collection are decided by the Central Government and the factors taken into account to decide the same include expenditure involved in building; maintenance, management and operation of the whole or part of such section; interest on the capital invested; reasonable return, the volume of traffic; and the period of such agreement.

Once the period of collection of fees by the person is completed, all rights pertaining to the section, permanent bridge or the temporary bridge on the national highway would be deemed to have been taken over by the Central Government.

National Highway Authority of India

The NHAI Act provides for the constitution of an authority for the development, maintenance and management of national highways. Pursuant to the same the National Highways Authority of India ("NHAI") was set up in 1995. Under the NHAI Act, the Central Government carries out development and maintenance of the national highway system through NHAI, an autonomous body. Pursuant to the same, NHAI has the power to enter into and perform any contract necessary for the discharge of its functions under the NHAI Act.

In an effort to provide for additional financing of its projects, the NHAI has taken measures to attract private sector participation in development of projects. The NHAI Act prescribes a limit in relation to the value of the contracts that may be entered into by NHAI. However, such contracts can exceed the value so specified with the prior approval of the Central Government. The NHAI provides that the contracts for acquisition, sale or lease of immovable property cannot exceed a term of thirty days.

The Government aims to attract both foreign and domestic private investments in construction and maintenance of National Highways. Projects may be offered on BOT basis to private agencies. The concession period can be up to a maximum of 30 years, after which the road is transferred back to NHAI by the concessionaries.

The bidding for the projects takes place in two stages as per the process provided below:

- In the pre-qualification stage, NHAI selects certain bidders on the basis of technical and financial expertise, prior experience in implementing similar projects and previous track record; and
- In the second stage, NHAI invites commercial bids from the pre-qualified bidders on the basis of which the right to develop the project is awarded.

Private sector participation in the road sector is sought to be promoted through various initiatives including:

- The Government ensures that all preparatory work including land acquisition and utility removal is completed before awarding of the project;
- Right of way is made available to the concessionaires free from all encumbrances;
- NHAI / Government may provide capital grant up to 40% of project cost to enhance viability on a case to case basis;
- 100% tax exemption for 10 years out of initial 15 years subject to payment of minimum alternative tax; and
- Duty free import of specified modern high capacity equipment for highway construction.

C. Aviation Sector

I. Statutory Regulations

The aviation sector in India is regulated, primarily, through two statutes and various rules, regulations and orders made pursuant thereto. The statutes in question, and the authorities constituted there under, are:

1. The Airports Authority of India Act, 1994 (the "AAI Act")

The Airports Authority of India is constituted under the Airport Authority of India Act, 1994. The Statute was enacted for the constitution of the Airports Authority of India (the "**Authority**") and for the transfer and vesting of the undertakings of the International Airports Authority of India and the National Airports Authority of India to and in the Authority for the better administration and cohesive management of airports and civil enclaves whereat transport services are operated or are intended to be operated and of all aeronautical communication stations for the purposes of establishing or assisting in the establishment of airports and for matters connected therewith or incidental thereto.

The AAI Act applies to all airports whereat air transport services are operated or are intended to be operated (other than airports and airfields belonging to, or subject to the control of, any armed force of India), all civil enclaves (which is an area allotted at an airport belonging to any armed force of the Union, for use by persons availing of any air transport services from such airport or for the handling of baggage or cargo by such service, and includes land comprising of any building and structure of such area); all aeronautical communication stations; and all training stations, establishments and workshops relating to air transport services. The AAI Act was amended in 2003 to extend its application to 'private airports' which have been defined under the AAI Act as airports owned, developed or managed by (a) any person or agency other than the Authority or any State Government, or (b any person or agency jointly with the Authority or any State Government or both where the share of such person or agency as the case may be in the assets of the private airport is more than fifty per cent. With respect to private airports, the provisions of the AAI Act apply in so far as they relate to providing air traffic service, compliance with the directions of the Authority or its authorized officer under the Aircraft Act, 1934 where the Authority is satisfied that the security interests of India or the security of an aircraft requires it do so and for the purposes of Chapter VA of the AAI Act, which deals with eviction of unauthorized occupants etc. in the airport premises.

The 2003 Amendment also permits the Authority to, in the public interest or in the interest of better management of airports, to lease the airport premises to carry out some of the Authority's functions under the AAI Act. However, any such lease shall not affect the functions of the authority in relation to air traffic service or watch and ward at airports and civil enclaves.

Under the AAI Act, the Authority or its authorized officer may issue directions consistent with certain provisions of the Aircraft Act, 1934 and the rules there under and these directions by implication are also applicable to private airports and therefore will have to be complied with. The abovementioned rules pertain to (i) inspection of an aircraft for the purpose of enforcing the provisions of the Aircraft Act and the rules thereunder, and the facilities to be provided for such inspection; (ii) the air-routes by which and, the conditions under which aircraft may enter or leave India or may fly over India, and the places at which aircraft shall land; (iii) the prohibition of flight by aircraft over any specified area either absolutely or at specified times, or subject to specified conditions and exceptions; (iv) the signals to be used for purposes of communication by or to aircraft and the apparatus to be employed in signaling; (v) the measures to be taken and the equipment to be carried for the purpose of ensuring the safety of life; (vi) the fees to be charged in connection with any inspection, examination, test, certificate or licence, made, issued or renewed under the AAI Act; and (vii) other subsidiary or incidental matters.

2. The Aircraft Act, 1934 (the "Aircraft Act")

The Aircraft Act was enacted to regulate the manufacture, possession, ownership and operation, use, sale, import and export of aircrafts. The Aircraft Act also empowers the Central Government to make rules with respect to the licensing, inspection, maintenance, prohibition and regulation of aerodromes. The Aircraft Act was amended later to provide for the regulation of ownership and operation of aerodromes as well. Under the Aircraft Act, no aerodrome (except government aerodromes) and/or aircrafts may be used unless their use is licensed. The Directorate General of Civil Aviation ("**DGCA**"), has been established pursuant to the Aircraft Act inter alia to (i) implement and monitor stipulated standards regarding airworthiness, operations of aircraft, licensing of personnel, air transport operations; (ii) licensing of civil aerodromes (other than those to which the AAI Act applies); and (iii) certification of aircraft. The Bureau of Civil Aviation Security ("**BCAS**") is the regulatory authority for civil aviation security in India working within the confines of the Aircraft Act and its predominant function is to prescribe and enforce standards relating to pre-embarkation security and anti-sabotage measures at aerodromes and on aircrafts.

Apart from the rules under the Act, there also various Civil Aviation Requirements ("**CAR**") and Aeronautical Information Circulars ("**AIC**") that shall have to be complied with wherever applicable.

Further, India being a party to various international conventions in this sector, it is required to enforce the provisions of the same against any actor of this sector whose action may amount to a breach of India's obligations under the said international conventions.

There are also certain other legislations that are relevant to the aviation sector namely:–

- Carriage by Air Act, 1972
- Tokyo Convention Act, 1975
- Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982 amended by the Suppression of Unlawful Acts against Safety of Civil Aviation (Amendment) Act, 1994.
- Anti Hijacking Act, 1982 and Anti Hijacking Act, (Amendment), 1994

Various circulars have been issued by the DGCA in relation to minimum operational requirements of an airport, air safety, air worthiness of aircraft, air transport and flight crew.

II. Other relevant policies/regulations

(i) Access and Demand Management

This relates to the public policy with respect to the right of existing and new entrants to obtain access to the airport, as an item of essential economic infrastructure, and the approach to allocating access where there is excess demand for capacity.

Airport slots are the scheduled time of arrival or departure allocated or available for an airport movement on a specific date. Traffic patterns at airports are determined by the flight schedules of airlines. At many airports, especially hub airports where many flights arrive and depart within the hour in order to provide effective connections, significant congestion can be created if adequate facilities are not provided. Since it is neither possible nor economical to provide unlimited capacity to serve all demand at all times, a process is required to manage the demand. The need for slot management is driven by capacity and commercial considerations, including :

- finite capacity at airports in respect to runway, apron and terminal capacity;
- even if facilities are operating below overall capacity, there are peak demand periods during the day and week when excess demand can be experienced
- the need to ration constrained capacity among users in a manner that is fair and equitable to all.

The Airports Authority of India Corporate Planning Division undertakes capacity studies from time to time and these are reviewed periodically.

As per order issued by the Ministry of Civil Aviation, the Authority approves slots for both domestic and international flights, based on which the DGCA approves the schedule for flight operations of airlines. DGCA has been vested with appropriate powers under the Aircraft Act, 1934 to grant permission to foreign airlines to enter Indian airspace. The slot allocation process follows IATA guidelines on slot management and allocations and is aimed at making effective use of limited airport facilities, encouraging development of new routes and / or new entrants, and accommodating airline operating requirements. The process takes into consideration historical precedence, frequency of service, aircraft size and type, and other factors.

(ii) Environmental

Environmental regulation relates to both ensuring the environment of the airports conforms to all environmental policy and standards and also that noise at the airport and its approaches is within established regulatory standards.

There are two key national environmental agencies. The Ministry of Environment and Forests is the key national regulatory agency, responsible for policy formulation, planning and coordination of all issues related to environmental protection. The Central Pollution Control Board is the law enforcing body at the national level. It enforces environmental legislation, coordinates the activities of State Pollution Control Boards/ Committees, establishes environmental standards, plans and executes a nation-wide programme for prevention, control and abatement of pollution.

There is an extensive array of legislation dealing with environmental protection in India, including The Environment (Protection) Act 1986.

The principles underlying the environmental standards at airports are enshrined in “Environmental Guidelines for Airport Projects” issued in 1989 by Ministry of Environment & Forests (“**MOEF**”). As per the guidelines an Environmental Impact Assessment (EIA) for new airport projects is compulsory to ascertain existing pollution levels and to suggest mitigating measures to control pollution. After EIA studies, an Environmental Management Plan (EMP) needs to be prepared to ensure that the suggested environmental plans are initiated / implemented at airport projects to monitor the effectiveness of the mitigation measures in enhancing the environmental quality at the airports. All airport projects in excess of Rs. 500 million need specific approval from the MOEF. A public grievance forum also has to be held to ensure that all such project plans are suitably modified to address any material concerns of the general public.

(iii) Safety and Security

Safety and security relate to the role of various agencies in securing and sanitising the entire airport premises along with its attendant facilities and occupants (including airlines, passengers and cargo). The BCAS plays the role of the regulator on security matters in relation to civil aviation. It is responsible for laying down standards relating to pre-embarkation security and anti-sabotage measures and ensuring compliance with these standards.

(iv) Airspace Protection

This is the responsibility of the Ministry of Defence in coordination with AAI.

(v) Airport Infrastructure Policy

The policy on airport infrastructure was developed in the context of projections of very strong growth in traffic, of the order of a four times increase for passengers and six times increase for cargo traffic over the next 20 years, but with inadequate airport infrastructure. Specifically, it was assessed that:

- there is a need, on the basis of projected traffic trends, to declare additional airports as international airports and to create and expand facilities;
- the congestion at existing international and domestic airports needs to be addressed;
- passenger amenities at all airports need to be upgraded; and
- deficiencies in respect of ground handling facilities, night landing systems and cargo handling need to be addressed.

The Airport Approval Commission assesses proposals for greenfield airports, including whether there is a need, the appropriate site and whether it should be undertaken in the public or private sector or as a mixed development. No greenfield airport is normally allowed within an aerial distance of 150 kilometres of an existing airport.

Taxation Concessions

Infrastructure projects, including greenfield airports, are entitled under Section 80IA of the Income Tax Act to certain tax exemptions. This involves no corporate tax for ten years during the first 15 years of operations. In addition, Section 10(23G) of the Income Tax Act provides benefits to financial institutions providing funding for infrastructure projects.

Joint Ventures between the public and private sectors

The Government is seeking greater private sector participation and financing in the modernisation and upgrading of existing airport facilities including through Build Own Transfer (BOT), Build Own Lease Transfer (BOLT), Build Own Operate (BOO), Lease Develop Operate (LDO), Joint Ventures and management contracts. Besides the current proposals for Mumbai and Delhi airports, this also includes plans to modernise 30 non-metro airports by inviting private participation.

(vi) Civil Aviation Reform

In July 2003, the Ministry of Civil Aviation set up a five-member committee under the chairmanship of Mr. Naresh Chandra, to prepare a comprehensive roadmap for the promotion of Indian civil aviation sector that will provide the basis for a new National Civil Aviation Policy.

It submitted the first part of its report in November 2003, covering the following areas:

- Air Transport Services
- Airports (which included private participation and regulatory issues)
- Air Traffic Control
- Institutional Framework (which included areas of safety, security, economic regulation and bilateral agreements).

The second part of the report was submitted on November 2, 2004, which covers

- Aviation Security
- Infrastructure
- Training (of Pilots & Engineers)
- Safety Regulations

  The GOI has announced its decision to create a statutory regulatory authority called the Airport Economic Regulatory Authority for limited economic regulation of airports within the overall framework of the draft civil aviation policy.

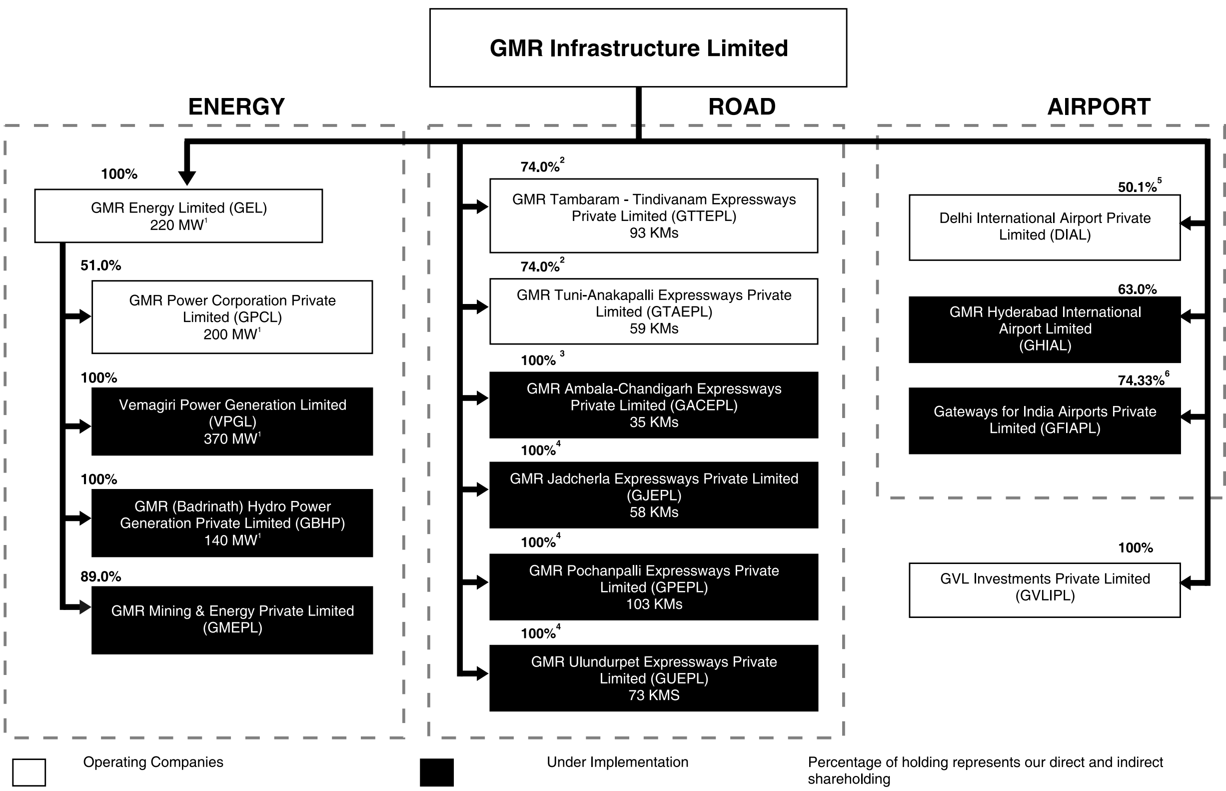
History and Corporate Structure

The Company was originally incorporated on May 10, 1996 as a public limited company called Varalakshmi Vasavi Power Projects Limited in Hyderabad, Andhra Pradesh. On May 23, 1996, we received a certificate of commencement of business. On May 31, 1999, the name was changed to GMR Vasavi Infrastructure Finance Limited. Thereafter, on July 24, 2000, the name of the Company was changed to GMR Infrastructure Limited. On October 4, 2004 the registered office of the Company was shifted from the State of Andhra Pradesh to the State of Karnataka.

The Company is an infrastructure holding company formed to fund the capital requirements of the GMR Group's initiatives in the infrastructure sector. GIL is engaged in development of various infrastructure projects in Power, Road and Airport Business through several special purpose vehicles.

Our Corporate Structure

Our existing corporate structure is as under:



1. MW figures listed in this chart relates to each power plant's contracted capacity.
2. Our 74.0% interest in each of GTTEPL and GTAEPL is made up of the following: (i) a 51.0% interest held by GPCL; (ii) a 10.0% interest held by GIL; and (iii) a 13.0% interest held by GEL.
3. Our 100.0% interest in GACEPL is made up of the following: (i) a 47.4% interest held by GIL; and (ii) a 52.6% interest held by GEL.
4. Our 100.0% interest in each of GJEPL, GPEPL and GUEPL is made up of the following: (i) a 90.0% interest held by GIL and (ii) a 10.0% interest held by GEL.
5. Our 50.1% interest in DIAL is made up of the following: (i) a 31.1% interest held by GIL; (ii) a 10.0% interest held by GEL; and (iii) a 9.0% interest held by GVLIPL.
6. Our 74.33% interest in GFIAPL is made up of the following: (i) a 37.84% interest held by GIL and (ii) a 36.49% interest held by GVLIPL.

For more details on the above mentioned Subsidiaries, please refer to the sub-section titled "Details of Subsidiaries" and "Financial Statements" on pages 124 and 169, respectively of this Red Herring Prospectus.

History and Major Events

The chronology of key events since our Company was incorporated in 1996 and its Subsidiaries is as follows:

Year	Key Events, Milestones and Achievements
May, 1996	GIL incorporated as Varalakshmi Vasavi Power Projects Limited, a public limited company
September, 1996	Signing of Power Purchase Agreement for Chennai Power Plant
December, 1997	Signing of Power Purchase Agreement for Mangalore Power Plant
December, 1998	Commercial Operation of first generator of Chennai Power Plant
May, 1999	Changed the name to GMR Vasavi Infrastructure Finance Limited.
July, 2000	Changed the name to GMR Infrastructure Limited.
May, 2001	GMR Consortium qualified as preferred bidder for Hyderabad International Airport
June, 2001	Commenced simple cycle operation of Mangalore Power Plant
October, 2001	Signing of Concession Agreement for Tuni-Anakapalli and Tambaram-Tindivanam Road Projects
November, 2001	Commenced combined cycle operations of Mangalore Power Plant
May 2003	Arbitration decision on interpretation of PPA for Mangalore power plant
June, 2003	Signing of Power Purchase Agreement for Vemagiri Power Plant
July, 2003	GMR Consortium selected as developer of Hyderabad International Airport
September, 2003	Signing of State Support Agreement for Hyderabad International Airport
December, 2003	Financial closure of Vemagiri Power Plant
March, 2004	India Development Fund subscribes to 15.10% of GMR Energy and balance held by other companies in the GMR Group
October, 2004	Achieved commercial operation of Tambaram-Tindivanam Road Project
December, 2004	Signing of Concession Agreement for Hyderabad International Airport
December, 2004	Achieved commercial operation of Tuni-Anakapalli Road Project
August, 2005	Financial Closure of Hyderabad International Airport
October, 2005	Signing of Project Development Agreement for Alaknanda Hydro Project
November, 2005	Signing of Concession Agreement for Ambala Chandigarh Project
January 2006	LOA received from AAI for Delhi International Airport Project.
February 2006	Signing of Concession agreement for Faruknagar- Jadcherla road project
March 2006	Signing of Concession agreement for Adloor- Yellareddy road project
April 2006	Signing of OMDA and Shareholders Agreement for Delhi International Airport
April 2006	Signing of Concession agreement executed for Tindivanam Ulundurpet project
April 2006	Dismissal by the Delhi High Court of the writ petition filed by Reliance Airport Developers Limited challenging the bid process and awarding of the Delhi International Airport to GMR
April 2006	Investment by ICICI Emerging Sectors Fund and IDF in the Company, pursuant to respective shareholder agreements.
May 2006	Effective date pursuant to OMDA for Delhi International Airport and financial closure of GMR Ambala-Chandigarh
May 2006	Investment by Quantun (M) limited and Puinjab National Bank in the Company, pursuant to respective shareholder agreements.
June 2006	Investment by Citigroup Venture Investments Mauritius Limited in the Company, pursuant to respective shareholder agreements.

Pre-IPO Placements

During fiscal 2007, we completed five private placements of newly issued Equity Shares directly to certain Private Equity Investors, and raised approximately Rs. 5,442.4 million. The background details of these private placements, including information on the respective Private Equity Investors, are as follows:

The India Development Fund ("IDF") was established in 2002 to facilitate equity investment in infrastructure facilities. The fund focuses primarily on making investing in equity and equity-related/mezzanine capital instruments of portfolio companies. Pursuant to a subscription agreement dated April 22, 2006 between the Company and IDF, IDF acquired 11,737,404 newly issued and fully paid up Equity Shares at Rs. 85.2 per share. The newly issued Equity Shares for this private placement rank *pari passu* with the existing issued Equity Shares with respect to all stock activities including but not limited to voting rights, dividends and rights issuance.

ICICI Trusteeship Services Limited acts as a trustee of ICICI Emerging Sectors Fund, a fund managed by ICICI Venture Funds Management Company, a company incorporated in India. Pursuant to a subscription agreement dated April 25, 2006 entered into by, among others, the Company and ICICI Trusteeship Services Limited, ICICI Trusteeship Services Limited acquired 9,578,544 newly issued and fully paid up Equity Shares at Rs. 261 per share. The proceeds are to be used by the Company only to fund capital expenditures and as working capital for expanding the business of the Company, strategic acquisitions and to meet any general corporate purposes. The newly issued Equity Shares for this private placement rank *pari passu* with the existing issued Equity Shares with respect to all stock activities including but not limited to voting rights, dividends and rights issuance.

Quantum (M) Limited ("Quantum") is a company incorporated in Mauritius. Pursuant to a subscription agreement dated May 11, 2006 between the Company and Quantum (M) Limited, Quantum (M) Limited acquired 2,490,555 newly issued and fully paid up Equity Shares at Rs. 270 per share. Quantum has granted the Company a right of first refusal to acquire the Equity Shares held by it (subject to a minimum value of US$ 2.5 million) for the term of the agreement. The newly issued Equity Shares for this private placement rank *pari passu* with the existing issued Equity Shares with respect to all stock activities including but not limited to voting rights, dividends and rights issuance.

Punjab National Bank ("PNB") is a national bank incorporated in India. Pursuant to letters of confirmation for the share subscription dated April 27 and April 29, 2006 between the Company and PNB, PNB acquired 1,000,000 newly issued and fully paid up Equity Shares at Rs. 270 per share. The proceeds are to be used by the Company only to fund capital expenditures, strategic acquisitions and as working capital for expanding the business of the Company and to meet any general corporate purposes. The newly issued Equity Shares for this private placement rank *pari passu* with the existing issued Equity Shares with respect to all stock activities including but not limited to voting rights, dividends and rights issuance.

Citigroup Venture Capital International Mauritius Limited ("CVCIML") is a company incorporated in Mauritius. Pursuant to a subscription agreement dated May 19, 2006 between the Company and CVCIML, CVCIML acquired 3,703,703 newly issued and fully paid up Equity Shares at Rs. 270 per share, constituting 1.26% of the issued and paid up equity share capital of the Company. The agreement requires the Company and the Promoters to conduct an initial public offering of the Equity Shares meeting certain minimum requirements. If any of these requirements is not met, the Company is required to seek the approval of CVCIML before proceeding with an initial public offering. CVCIML has granted the Company a right of first refusal to acquire the Equity Shares held by it after the IPO. The Promoters also agreed that they will not, other than through the Company and its subsidiaries, engage in, invest in or receive any financial benefit from infrastructure projects in the power, energy, roads, airports or any other related area. The proceeds are to be used by the Company only to fund capital expenditures and as working capital for expanding the business of the Company and to meet any general corporate purposes. The newly issued Equity Shares for this private placement rank *pari passu* with the existing issued Equity Shares with respect to all stock activities including but not limited to voting rights, dividends and rights issuance.

Main Objects of the Company

The main objects of our Company as contained in our Memorandum of Association are:

1. (a) To carry on the business of developing, maintaining and operating of road, highway project, bridge, express ways, Intra-urban roads and/or peri-urban roads like ring roads and / or urban by-passes, fly-overs, bus and truck terminals, subways, port, inland waterways and inland ports, water supply project, irrigation project, sanitation and sewerage system, water treatment systems, solid waster management system or any other public facility of similar nature.

   (b) To carry on the business of developing, maintaining and operating of construction and development of housing projects either individually or as joint venture with any other company/firm/individual/consultant whether local or foreign.

   (c) To carry on the business of developing, maintaining and operating of industrial parks either individually or as joint venture with any company/firm/individual/consultant whether local or foreign

   (d) To carry on the business of developing, maintaining and operating rail system, mass rapid transit system, light rain transit system, Inland Container Depot (ICD) and Central Freight Station (CFS)

   (e) To carry on the business of developing, maintaining and operating of airport, carry out detailed studies for the airport project inclusive of physical/engineering surveys and investigation, concept planning, detailed master planning, detailed design and engineering and all such activities that together provide the basis for the implementation of the project.

(f) To design, develop, fabricate, manufacture, assemble, export from and import into India, buy, sell or otherwise deal in and to act as consultants or render services in connection with all kinds of telecommunication equipments including terminal equipments, exchange equipments, electronic private automatic branch exchanges (EPABX), rural automatic exchanges (RAX), telephone instruments, switching exchanges, equipments, power line protective relay systems wave traps, measuring and testing instruments, wire group selectors and inter digital multi line connectors, power line carriers, communication equipment systems, radar and satellite communication equipments, digital telemeter control systems and all components, accessories, spare parts, kits and sub –assemblies in respect thereof.

(g) To carry on the business of developing, maintaining and operating and providing telecommunication services whether basic or cellular including radio paging, domestic satellite service or network of trunking and electronic data interchange services, the telecommunication services be provided either by satellite owner and operated by an Indian company or a foreign company.

(h) To carry on the business of developing, maintaining and operating of any other facility that may be noticed in future as infrastructure facility either by the state Governments and/or the Government of India or any other appropriate authority or body.

2. To establish software development centers, to enter into joint development/business alliances with other national or international firms/companies/individuals/consultants and to carry on the business of the information technology, software consultancy in telecom and all other areas. Industries, sectors including government and multilateral agencies etc. To act as internet service providers, content development of internet, web hosting, web sites design, domain name services, server farms, e-mail services, e-commerce and other business. To carry on the business of setting, running, managing internet networks, advertising through network, and production of other intellectual properties.

3. (a) To carry on the business of developing, maintaining and operating of project for generating or generation and distribution of electricity or any other form of power or energy, start distribution by laying a network of new distribution lines. To carry on the business of generators, procures, suppliers, distributors, converters, processors, stores, importers and exporters and dealers in electricity including without limitation thermal, solar, hydro, wind, tidal, geo-thermal and any other form of energy that may be permitted by official policy, any product or by – product derived from any such business under conditions of direct ownership or through its affiliates, associates or subsidiary.

(b) To generate, harness, develop purchase, accumulate, distribute sell and supply electric power in all branches, at places, both public and private by setting up power plants by use of liquid, gaseous or solid fuels for the purpose of light motive power and for all other purpose for which electrical energy can be employed. To carry on and generate power supply either by hydro, thermal, gas, diesel oil or through renewable energy sources such as solar, photo voltaic, wind mill and/or any other means, distribute, supply and sell such power either directly or through facilities or Central/State Governments or private companies or Electricity Boards to industries and to Central/State Governments, other consumers of electricity including for captive consumption for any industrial projects, promoted by this company or promoter companies and generally to distribute, sell and supply such power and also to carry on the business of consultants in setting up all types of plants for production of electrical energy and also to undertake research and development programs in the field of electricity, electronics and other allied fields, to promote, take over, participate in any enterprise, requiring electric power for its manufacturing operation, by supply of electric power for its manufacturing operation, by supply of electric power exclusively or partially.

(c) To plan, promote and take up necessary developmental work for the power sector, purchase power from generating companies and trade in power in an optimal manner, interstate, intrastate, inter-region and cross border.

(d) To engage in the business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancillary services on commercial basis, either individually or on joint venture basis.

(e) To act as agent of public/ private sector enterprises, financial institutions, banks, central government, state governments etc. engaged in planning and development of power sector.

(f) To promote and organize research and development and carry out consultancy services in power sector and related activities.

4. (a) To undertake and carry on the business of providing financial assistance by way of subscription to or investing in the equity shares, preference shares debentures, bonds including providing long term and short term loans, lease-finance, subscription to fully convertible bonds non convertible bonds, partially convertible bonds, optional convertible bonds etc., giving guarantees or any other financial assistance as may be conducive for development, construction, operation, maintenance etc., of infrastructure projects in India in the fields of road, highway, power generation and for power distribution or any other form of power, telecommunication services, bridge(s), airport(s), ports, rail system(s), water supply, irrigation, sanitation and sewerage system(s) or any other public facility of similar nature that may be notified in future as infrastructure facility either by the State Governments and/or the Government of India or any other appropriate authority or body.

(b) To set up, create, establish, issue, float and manage any agencies (in India or any part of the world), trusts or funds including any mutual fund, growth funds, investment funds, infrastructure Income or Infrastructure capital funds, taxable or tax exempt funds, provident, pension, gratuity and superannuation funds, charitable funds, trusts or consortium funds registered under the provision of the registration act and/or any other relevant acts as administrators or Managers of such funds and trust and to Act as trustees for bondholders, debenture holders etc. to invest in equity shares, preference shares of enterprises or companies engaged in the developments, construction, operation and maintenance of infrastructure projects of power generation, power distribution, telecommunication services, bridge(s), rail system (s), ports(s), airports (s), water supply, irrigation, sanitation and sewerage systems (s), providing short term and long term loans, lease finance, subscription to bonds, and any other form financial assistance in the form of guarantees. Venture capital technology funds of any other funds for seed capital, risk capital foundation, etc., and for other purposes herein.

(c) To undertake and carry on the business of equipment leasing immovable properties of all kinds and description and right title and interest therein and Leasing of all kinds of goods and articles (including plants, machinery, vehicles, ships, vessels, aircraft's, apparatuses, computers etc.,) whether required for commercial, industrial or business use of for any purposes whatsoever.

(d) To undertake and carry on the business of identifying infrastructure projects (as defined in 1(a) above), project ideas, to prepare project profiles, project reports, market research, feasibility studies and report, pre investment studies at micro and macro level, act as an adviser in management of undertaking business enterprises, technical process, sources of plant and machinery and other utilities for business entrepreneurs, investment counseling, portfolio management, providing financial and investment assistance syndication of financial arrangement either in domestic market or international market, assisting the setting up of joint ventures, assisting in drafting joint development agreements between developers, financial and allied consultancy services in furtherance of the main objects.

(e) To undertake and carry out the business of infrastructure financing in all angels, whether expressly mentioned herein or not, including consultancy services of all kinds and description and in all branches and kinds and for hits purpose to open branch/ branches in India or any part of the world and without prejudice to the generality of the foregoing, to buy, underwrite, invest in and acquire and hold, sell and deal stocks (all kinds), debenture stock (whether or not convertible, including optionally convertible debentures), bonds, obligations and securities issue or to be issued by any firm or body corporate, either with limited or unlimited liability, or issued or guaranteed by any Government, state, dominions commissioners, public body or authority, municipal local or otherwise, firm or person in India or elsewhere and to act as technical consultant to act as financial consultant, investment counseling, and tie up for project and working capital finance, syndication of financial arrangements whether in domestic market or international market, handling of mergers and amalgamations, assisting them in setting up of joint ventures, foreign currency lending services to Non-Resident Indians, tax consultancy, and in consortium or otherwise to do all other incidental Activities which come within the scope of management, technical, financial and allied consultancy services in furtherance of the main objects.

5. To purchase take on lease or in exchange, hire or otherwise any immovable and/or movable property and/or any rights or privileges in respect thereof and further to get assignment or mortgage bonds and similar other instruments which the company may think necessary or convenient for the purpose of its business, and further to sell, exchange, improve, manage, develop, lease out mortgage, dispose off or turn to/account and/or otherwise to deal with all or any such movable or immovable property, rights and privileges thereof, upon any terms and for any consideration as may thought fit.

6. To undertake construction or direct the management of construction of industrial and other property buildings, lands and estates of any kind acquiring the land directly or through any agency on behalf of other and also to acquire, but, sell hire let on hire, construct or otherwise deal in any movable or immovable property which the company may think is favorable, by way of investment or with a view to release or lease or otherwise.

7. To carry on the business of any or all the objects of the company by way of entering into an agreement with the central government or a state government or a local authority or any other statutory body for developing, maintaining and operating all or any business of the company and also subject to the condition that all such business along with the infrastructure be transferred to the central government, local authority or such other statutory body as the case may be in accordance with any such agreement entered into with all or any of the above such mentioned government body or authority.

8. To carry on the business of any or all the objects of the company by way of entering into an agreement with the central Government or a state Government or a local authority or any other statutory body on build-Operate-Transfer (BOT) or on Build-Own-Operate-Transfer (BOOT) basis, Build-own-Lease-Transfer (BOLT) scheme wherein the company will provide the necessary and crucial components of infrastructure system, own them for a stipulated period and may or may not maintain or operate the same. Also the company will lease the asset of all or necessary and crucial components of the infrastructure for maintenance and operation and shall ultimately transfer to the Government bodies or authorities.

The main objects clause and the objects incidental or ancillary to the main objects of the Memorandum of Association of our Company enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Approval	Changes
May 25, 1999	• Alteration to the object clauses • Change of name from Varalakshmi Vasavi Power Projects Limited to GMR Vasavi Infrastructure Finance Limited. Fresh certificate of incorporation pursuant to name change was received on May 31, 1999 • Increase in authorised capital from Rs. 10,000,000 to Rs. 150,000,000
September 14, 1999	• Increase in authorised capital from Rs. 150,000,000 to Rs. 250,000,000 • Reclassification of authorised capital by converting entire share capital into 15,000,000 of Equity Shares of Rs. 10 each and 1,00,00,000 preference shares of Rs. 10 each
March 10, 2000	• Increase in authorised capital from Rs. 250,000,000 to Rs. 600,000,000 • Reclassification of authorised capital by converting entire share capital into 50,000,000 of Equity Shares of Rs. 10 each and 1,00,00,000 preference shares of Rs. 10 each
April 24, 2000	• Alteration to object clauses • Change of name from GMR Vasavi Infrastructure Finance Limited to GMR Infrastructure Limited. Fresh certificate of incorporation pursuant to name change was received on July 24, 2000
July 22, 2000	• Reclassification of authorised capital by converting entire share capital into Equity Shares
November 22, 2001	• Increase in authorised capital from Rs. 600,000,000 to Rs. 720,000,000 • Reclassification of authorised capital by converting entire share capital into 60,000,000 of Equity Shares of Rs. 10 each and 12,00,000 preference shares of Rs. 100 each
December 29, 2001	• Increase in authorised capital from Rs. 720,000,000 to Rs. 1,000,000,000 • Reclassification of authorised capital by converting entire share capital into 70,000,000 of Equity Shares of Rs. 10 each and 30,00,000 preference shares of Rs. 100 each
February 24, 2003	• Increase in authorized capital from Rs. 1,000,000,000 to Rs. 2,050,000,000
July 7, 2003	• Shifting of registered office from the State of Andhra Pradesh to the State of Karnataka. Approval from RoC received on October 4, 2004
August 31, 2005	• Alteration to Main Objects and Other Objects
September 29, 2005	• Increase in authorised capital from Rs. 2,050,000,000 to Rs. 3,000,000,000 • Reclassification of authorised capital by converting entire share capital into Equity Share capital of 3,00,000,000 of equity shares of Rs. 10 each
February 28, 2006	• Increase in authorized capital from Rs. 3,000,000,000 to Rs. 4,000,000,000

Details of Subsidiaries

The Company currently has 15 Subsidiaries being:

Energy Sector

1. GMR Energy Limited
2. GMR Power Corporation Private Limited
3. Vemagiri Power Generation Limited
4. GMR (Badrinath) Hydro Power Generation Private Limited
5. GMR Mining & Energy Private Limited

Roads Sector

6. GMR Tambaram-Tindivanam Expressways Private Limited
7. GMR Tuni-Anakapalli Expressways Private Limited.

8. GMR Ambala Chandigarh Expressways Private Limited

9. GMR Jadcherla Expressways Private Limited

10. GMR Pochanpalli Expressways Private Limited

11. GMR Ulundurpet Expressways Private Limited

Airports Sector

12. GMR Hyderabad International Airport Limited

13. Delhi International Airport Private Limited

14. Gateways For India Airports Private Limited

Investment Company

15. GVL Investments Private Limited

For a diagrammatic representation of our group structure, please refer to the subsection titled "Our Corporate Structure" on page 119 of this Red Herring Prospectus. Financial data for the Subsidiaries in this section has been derived from their financial statements prepared in accordance with Indian GAAP.

Energy Sector

1. GMR Energy Limited ("GMR Energy")

GMR Energy was incorporated as Tanir Bavi Power Company, a private unlimited company on October 10, 1996. The company was changed into a private limited company on December 10, 1997. On September 29, 2003 the name of the company was changed to GMR Energy Private Limited. On September 30, 2003 the company was converted into a public limited company and the name was changed to GMR Energy Limited and a fresh certificate of incorporation consequent to change of name was issued by the RoC on September 30, 2003. The registered office of GMR Energy is located at Skip House, 25/1 Museum Road, Bangalore 560 025. GMR Energy is the primary vehicle through which the GMR Group operates in the energy sector. GMR Energy owns and operates a barge-mounted, naphtha-based combined cycle power plant with a contracted capacity of 220 MW situated off the coast of Mangalore, in the state of Karnataka. The Mangalore plant commenced simple cycle operations on June 8, 2001 and combined cycle operations on November 21, 2001. GMR Energy holds 51% of equity in GMR Power which operates a 200-MW, diesel engine based power project located at Basin Bridge, in Chennai, in the state of Tamil Nadu. In addition, Vemagiri Power, a wholly owned subsidiary of GMR Energy is setting up a 388.5 MW combined cycle, natural-gas based, power project, near Rajahmundry in the state of Andhra Pradesh. GMR Energy holds 89% holding in GMR Mining and 51% in GMR (Badrinath) Hydro.

GMR Energy has interests in all our roads projects and holds 52.6% shares of GMR Ambala-Chandigarh and 13% each in GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli. GMR Energy also holds 10% shares in each GMR Pochanpalli, GMR Jadcherla and GMR Ulundurpet.

GMR Energy had at its Board meeting held on June 21, 2005 considered the possibility of a merger with Vemagiri Power and authorised the company secretary to study the possibility of a merger in detail. However at the meeting of the board held on September 9, 2005 the decision of the merger of GMR Energy and Vemagiri Power was deferred till the completion of this Issue.

Shareholding

The equity shareholding pattern of GMR Energy as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	326,063,727	99.99
2	Mr. G. M. Rao	5,000	0.00
3	Mrs. G. Varalakshmi	5,000	0.00
4	Mr. Srinivas Bommidala	100	0.00
5	Mr. G. Kiran Kumar	100	0.00
6	Mr. G.B.S. Raju	100	0.00
7	Mrs. B.Ramadevi	100	0.00
	Total	**326,074,127**	**100.00**

Board of Directors

The directors on the board of GMR Energy as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B.V. N. Rao
4. Mr. G. B. S. Raju
5. Mr. P. B.Vanchi
6. Mr. Luis Miranda
7. Mr. Arun K. Thiagarajan
8. Mr. N.C. Sarabeswaran
9. Mr. S. Rajagopal
10. Mr. J. S. Rao

Financial Performance

The operating results of GMR Energy for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Total income	4,551.45	5,431.69	5,542.21
Profit/(Loss) after tax	882.13	801.52	760.60
Equity capital (par value Rs. 10 per share)	3,260.74	3,260.74	3,260.74
Reserves and Surplus	1704.32	1,417.09	1,205.47
Profit/(Loss) per equity share (Rs.)	2.71	2.46	2.72
Book value per equity share (Rs.)	15.23	14.35	13.70

2. GMR Power Corporation Private Limited (“GMR Power”)

GMR Power was incorporated on January 11, 1995 as GMR Vasavi Power Corporation Limited, a public limited company under the provisions of the Companies Act in Bangalore, Karnataka. It received its certificate of commencement of business on January 20, 1995. GMR Power was converted into a private limited company November 21, 1997 and a fresh certificate of incorporation consequent to its change of name to GMR Vasavi Power Corporation Private Limited was received. Thereafter the company changed its name to GMR Power Corporation Private Limited by a resolution passed at its extra ordinary general meeting held on September 30, 2000 and received a fresh certificate of incorporation consequent to change of name on November 7, 2000. The registered office of GMR Power is located at Skip House, 25/1 Museum Road, Bangalore 560 025.

GMR Power is engaged in the business of power generation. It owns and operates a 200-MW, diesel engine based power project located at Basin Bridge, in Chennai, in the state of Tamil Nadu.

GMR Power holds 51% shares in each of GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli .

Shareholding

The equity shareholding pattern of GMR Power as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Energy Limited	126,225,000	51.00
2	Odeon Limited, Mauritius	121,274,300	48.99
3	Mr. G. M. Rao	300	0.00
4	Mrs. G. Varalakshmi	100	0.00

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
5	Mr. Srinivas Bommidala	100	0.00
6	Mr. B. V. N. Rao	100	0.00
7	Mr. G. B. S. Raju	100	0.00
	Total	**247,500,000**	**100.00**

Board of Directors

The directors on the board of GMR Power as on June 30, 2006 are:

1. Mr. Srinivas Bommidala
2. Mr. K. Balasubramanian
3. Mr. B. V. N. Rao
4. Mr. R. Ram Mohan
5. Mr. Luis Miranda
6. Mr. V. S.V. Rao
7. Mr. Bimal Parekh
8. Mr. Heng Fook Seng
9. Mr. Ben Lim Choon Kee
10. Mr.K.R.Ramamoorthy
11. Mr. Prakash.V. Naik

Financial Performance

The operating results of GMR Power for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Total income	4,740.64	3,895.76	4,384.65
Profit/(Loss) after tax	277.27	363.58	322.90
Equity capital (par value Rs. 10 per share)	2,475.00	2,475.00	2,475.00
Reserves and Surplus	1,402.79	1,127.98	764.40
Profit/(Loss) per equity share (Rs.)	1.12	1.47	1.30
Book value per equity share * (Rs.)	15.67	14.56	13.10

3. Vemagiri Power Generation Limited ("Vemagiri Power")

Vemagiri Power was incorporated on January 8, 1997 under the name of "Ispat Power Limited" in Mumbai, Maharashtra. The company received its certificate for commencement of business on May 15, 1997. The name of the company was changed to "Vemagiri Power Generation Limited" on December 11, 1998. On December 3, 2003 the registered office of the company was shifted from Maharashtra to Karnataka. The registered office of Vemagiri Power is located at Skip House, 25/1 Museum Road, Bangalore 560 025. Vemagiri Power is setting up a natural gas based power plant at Vemagiri Village, near Rajahmundry, Andhra Pradesh.

Shareholding

The equity shareholding pattern of Vemagiri Power as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Energy Limited	251,115,004	99.99
2	Mr. G. M. Rao and GMR Energy	1	0.00
3	Mrs. G. Varalakshmi and GMR Energy	1	0.00
4	Mr. Srinivas Bommidala and GMR Energy	1	0.00
5	Mr. B. V. N. Rao and GMR Energy	1	0.00
6	Mr. G. B. S. Raju and GMR Energy	1	0.00
7	Mr. G. Kiran Kumar and GMR Energy	1	0.00
	Total	**251,115,010**	**100.00**

Board of Directors

The directors on the board of Vemagiri Power as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B. V. N. Rao
4. Mr. K. Balasubramanian
5. Mr. P. B. Vanchi
6. Mr. Luis Miranda
7. Mr. S. P. Talwar
8. Mr. Udaya Holla
9. Mr. Uday M. Chitale
10. Mr. A. P. Rao.

Financial Performance

The operating results of Vemagiri Power for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	-	-	-
Profit/(Loss) after tax	-	-	-
Equity capital (par value Rs. 10 per share)	1,951.15	1,416.15	1,416.15
Reserves and Surplus	20.00	20.00	20.00
Profit/Loss per equity share (Rs.)	-	-	-
Book value per equity share (Rs.)	10.09	10.14	10.14

4. **GMR (Badrinath) Hydro Power Generation Private Limited** ("**GMR (Badrinath) Hydro**")

GMR (Badrinath) Hydro was incorporated on February 17, 2006 in Dehradun, Uttaranchal. The registered office of GMR (Badrinath) Hydro is located at 140, Vasanth Vihar, Phase – 1, Dehradun, Uttaranchal. GMR (Badrinath) Hydro has been set up as a special purpose vehicle for 140 MW hydroelectric power plant on the river Alaknanda in the Chamoli district of Uttaranchal. GMR (Badrinath) Hydro has not commenced operations as on March 31, 2006.

Shareholding

The equity shareholding pattern of GMR (Badrinath) Hydro as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Energy Limited	5,100	51.00
2	GMR Infrastructure Limited	4,900	49.00
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of GMR (Badrinath) Hydro as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. Srinivas Bommidala

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus.

5. **GMR Mining & Energy Private Limited** ("**GMR Mining**")

GMR Mining was incorporated on September 23, 2005 in the State of Karnataka, at Bangalore. The registered office of GMR Mining is located at Skip House, 25/1 Museum Road, Bangalore 560 025. GMR Mining is engaged in the business of coal mining and power generation. GMR Mining is yet to start its operations.

Shareholding

The equity shareholding pattern of GMR Mining as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Energy Limited	17,800	89.00
2	Mr. G.M. Rao	100	0.50
3	Mr. Srinivas Bommidala	100	0.50
4	Rungta Projects Limited	1,000	5.00
5	Alok Coal Agencies Limited	1,000	5.00
	Total	**20,000**	**100.00**

Board of Directors

The directors on the board of GMR Mining as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala

Financial Performance

The operating results of GMR Mining for the period ended March 31, 2006 is set forth below:

(Rs. in million, except share data)

Particulars	**Period Ended March 31, 2006**
Sales and other income	-
Profit/(Loss) after tax	-
Equity capital (par value Rs. 10 per share)	0.20
Reserves and Surplus	-
Profit/Loss per equity share (Rs.)	-
Book value per equity share (Rs.)	8.5

6. GMR Tambaram-Tindivanam Expressways Private Limited ("GMR Tambaram-Tindivanam")

GMR Tambaram-Tindivanam was incorporated on August 27, 2001 in Hyderabad, Andhra Pradesh. The registered office of GMR Tambaram-Tindivanam is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. GMR Tambaram-Tindivanam has implemented an annuity based highway project on a 93 km stretch connecting Tambaram and Tindivanam in the state of Tamil Nadu on a Build Own Transfer (BOT) basis. The total concession period is 17.5 years out of which 2.5 years was for construction and 15 years is for operation and maintenance.

Shareholding

The equity shareholding pattern of GMR Tambaram-Tindivanam as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Power Corporation Private Limited	510,000	51.00
2	UE Development India Private Limited	260,000	26.00
3	GMR Infrastructure Limited	100,000	10.00
4	GMR Energy Limited	130,000	13.00
	Total	**1,000,000**	**100.00**

The preference shareholding pattern of GMR Tambaram-Tindivanam as on May 31, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 100 each	Percentage (%)
1	GMR Infrastructure Limited	7,846,960	74.00
2	UE Development India Private Limited	2,757,040	26.00
	Total	**10,604,000**	**100.00**

Pursuant to board and shareholder resolutions both dated March 11, 2005, GMR Tambaram-Tindivanam has pursuant to the provisions of Section 100 to 105 of the Act and subject to the sanction of the relevant High Court/Tribunal resolved to reduce the aforesaid preference share capital (aggregating Rs. 1,060,400,000), with or without premium (not exceeding Rs. 100 per preference share), subject to maintaining the lenders/investors minimum capital requirements. The board of directors (or a designated committee) of GMR Tambaram-Tindivanam has been authorized to do all necessary acts in this behalf.

Board of Directors

The directors on the board of GMR Tambaram-Tindivanam as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. B.V. N. Rao
3. Mr. G. Kiran Kumar
4. Mr. G. B. S. Raju (Alternate Director to Mr. G. Kiran Kumar)
5. Mr. O. B. Raju
6. Mr. Udaya Holla
7. Mr. S. Rajagopal
8. Mr. Ridza Abdoh Hj Salleh
9. Mr. James Wong Tet Foh (Alternate Director to Mr. Ridza Abdoh Hj Salleh)

Financial Performance

The operating results of GMR Tambaram-Tindivanam for the last three years are set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	975.85	637.37	—
Profit/(Loss) after tax	48.38	78.59	—
Equity capital (par value Rs. 10 per share)	10.00	10.00	9.20
Reserves and Surplus	126.97	78.59	—
Profit/(Loss) per equity share (Rs.)*	48.38	78.59	—
Book value per equity share (Rs.)*	126.97	88.59	10.00

* before considering the dividend arrears on preference share capital

7. GMR Tuni-Anakapalli Expressways Private Limited ("GMR Tuni-Anakapalli")

GMR Tuni-Anakapalli was incorporated on August 27, 2001 in Hyderabad, Andhra Pradesh. The registered office of GMR Tuni-Anakapalli is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. GMR Tuni-Anakapalli has implemented an annuity based highway project on a 59.2 km stretch connecting Tuni and Anakapalli in the state of Andhra Pradesh on a Build Own Transfer (BOT) basis. The total concession period is 17.5 years out of which 2.5 years was for construction and 15 years is for operation and maintenance.

Shareholding

The equity shareholding pattern of GMR Tuni-Anakapalli as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Power Corporation Private Limited	510,000	51.00
2	UE Development India Private Limited	260,000	26.00
3	GMR Infrastructure Limited	100,000	10.00
4	GMR Energy Limited	130,000	13.00
	Total	**1,000,000**	**100.00**

The preference shareholding pattern of GMR Tuni-Anakapalli as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 100 each	Percentage (%)
1	GMR Infrastructure Limited	5,755,720	74.00
2	UE Development India Private Limited	2,022,280	26.00
	Total	**7,778,000**	**100.00**

Pursuant to board and shareholder resolutions both dated March 11, 2005, GMR Tuni-Anakapalli has pursuant to the provisions of Section 100 to 105 of the Act and subject to the sanction of the relevant High Court/Tribunal resolved to reduce the aforesaid preference share capital (aggregating Rs. 778,000,000), with or without premium (not exceeding Rs. 100 per preference share), subject to maintaining the lenders/investors minimum capital requirements. The board of directors (or a designated committee) of GMR Tuni-Anakapalli has been authorized to do all necessary acts in this behalf

Board of Directors

The directors on the board of GMR Tuni-Anakapalli as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. B.V. N. Rao

3. Mr. G. Kiran Kumar
4. Mr. G. B. S. Raju (Alternate Director to Mr. G. Kiran Kumar)
5. Mr. O. B. Raju
6. Mr. Udaya Holla
7. Mr. S. Rajagopal
8. Mr. Ridza Abdoh Hj Salleh
9. Mr. James Wong Tet Foh (Alternate Director to Mr. Ridza Abdoh Hj Salleh)

Financial Performance

The operating results of GMR Tuni-Anakapalli for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	**Year Ended March 31, 2006**	**Year Ended March 31, 2005**	**Year Ended March 31, 2004**
Sales and other income	655.60	233.39	—
Profit/(Loss) after tax	13.68	87.98	—
Equity capital (par value Rs. 10 per share)	10.00	10.00	9.20
Reserves and Surplus	101.65	87.98	—
Profit/(Loss) per equity share (Rs.)*	13.68	87.98	—
Book value per equity share (Rs.)*	101.65	97.98	10.00—

* before considering the dividend arrears on preference share capital

8. GMR Ambala-Chandigarh Expressways Private Limited (“**GMR Ambala-Chandigarh**”)

GMR Ambala-Chandigarh was incorporated on July 14, 2005 in Bangalore, Karnataka. The registered office of GMR Ambala-Chandigarh is located at Skip House, 25/1, Museum Road, Bangalore, Karnataka 560 025. GMR Ambala-Chandigarh has been awarded the bid for the development of 35 km highway of NH 21 Ambala Chandigarh section in the State of Haryana and Punjab on a build, operate and transfer basis. This is a toll based project. GMR Ambala-Chandigarh has signed the concession agreement with NHAI on November 16, 2005 and achieved financial closure on May 11, 2006.

Shareholding

The equity shareholding pattern of GMR Ambala-Chandigarh as on June 30, 2006 is as under:

Sl. No.	**Name of the Shareholder**	**No of Shares of Rs. 10 each**	**Percentage (%)**
1	GMR Infrastructure Limited	27,004,900	47.37
2.	GMR Energy Limited	30,005,100	52.63
	Total	**57,010,000**	**100.00**

Board of Directors

The directors on the board of GMR Ambala-Chandigarh as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B.V. N. Rao
4. Mr. G.B.S. Raju
5. Mr. O.B. Raju
6. Mr. K.R. Ramamoorthy
7. Mr. Rajan Krishnan
8. Mr. N.C. Sarabeswaran

Financial Performance

The operating results of GMR Ambala-Chandigarh for the period ended March 31, 2006 is set forth below

(Rs. In million except share data)

Particulars	**Period Ended March 31, 2006**
Sales and other income	-
Profit/(Loss) after tax	-
Equity capital (par value Rs. 10 per share)	0.10
Reserves and Surplus	-
Profit/(Loss) per equity share (Rs.)	-
Book value per equity share (Rs.)	10.00

9. GMR Jadcherla Expressways Private Limited ("**GMR Jadcherla**")

GMR Jadcherla was incorporated on October 18, 2005 in Hyderabad, Andhra Pradesh. The registered office of GMR Jadcherla is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. GMR Jadcherla has been awarded the bid for design, construction, development, finance, operation and maintenance on a toll basis of Km 34.1 (Faruknagar) to Km 80 (Jadcherla) and (ii) improvement, operation and maintenance of Km 22.3 (Thondapalli) to Km 34.1 (Farukhnagar) on NH-7 in the State of Andhra Pradesh under North-South Corridor (NHDP Phase II) on Build, Operate and Transfer Basis. GMR Jadcherla has signed the concession agreement with NHAI for development of the expressway on February 20, 2006.

Shareholding

The equity shareholding pattern of GMR Jadcherla as on June 30, 2006 is as under:

Sl. No.	**Name of the Shareholder**	**No of Shares of Rs. 10 each**	**Percentage (%)**
1	GMR Infrastructure Limited	9,000	90.00
2	GMR Energy Limited	1,000	10.00
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of GMR Jadcherla as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B.V.N. Rao
4. Mr. G.B.S. Raju
5. Mr. N.C. Sarabeswaran

Financial Performance

The operating results of GMR Jadcherla for the period ending March 31, 2006 is set forth below:

(Rs. In million except share data)

Particulars	**Period Ended March 31, 2006**
Sales and other income	-
Profit/(Loss) after tax	-
Equity capital (par value Rs. 10 per share)	0.10
Reserves and Surplus	-
Profit/(Loss) per equity share (Rs.)	-
Book value per equity share (Rs.)	10.00

10. GMR Pochanpalli Expressways Private Limited (“**GMR Pochanpalli**”)

GMR Pochanpalli was incorporated on October 18, 2005 in Hyderabad, Andhra Pradesh. The registered office of GMR Pochanpalli is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. GMR Pochanpalli has been awarded the bid for (i) design, construction, development, finance, operation and maintenance of Km 367 (Adloor Yellareddy) to 447 (Kalkallu) and (ii) improvement, operation and maintenance of Km 447 (Kalkallu) to Km 464 (Gundla Pochanpalli) on NH-7 in the State of Andhra Pradesh under North-South Corridor (NHDP Phase II) on Build, Operate and Transfer (BOT)-Annuity Basis. GMR Pochanpalli signed the Concession agreement with NHAI on March 31, 2006.

Shareholding Pattern

The equity shareholding pattern of GMR Pochanpalli as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	9,000	90.00
2	GMR Energy Limited	1,000	10.00
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of GMR Pochanpalli as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B.V.N. Rao
4. Mr. G.B.S. Raju
5. Mr. N.C. Sarabeswaran

Financial Performance

The operating results of GMR Pochanpalli for the period ended March 31, 2006 is set forth below

(Rs. In million except share data)

Particulars	Period Ended March 31, 2006
Sales and other income	-
Profit/(Loss) after tax	-
Equity capital (par value Rs. 10 per share)	0.10
Reserves and Surplus	-
Profit/(Loss) per equity share (Rs.)	-
Book value per equity share (Rs.)	10.00

11. GMR Ulundurpet Expressways Private Limited (“GMR Ulundurpet”)

GMR Ulundurpet was incorporated on March 20, 2006 in Bangalore, Karnataka. The registered office of GMR Ulundurpet is located at Skip House, 25/1, Museum Road, Bangalore, Karnataka 560 025. GMR Ulundurpet has been awarded on a toll basis the bid for design, construction, development, finance, operation and maintenance of Tindivanam (121 Km) to Ullundurpet (Km 192.25) on NH 45 in the State of Tamil Nadu on Build, Operate and Transfer Basis. GMR Ulundurpet signed the Concession Agreement with NHAI on April 19, 2006.

Shareholding

The equity shareholding pattern of GMR Ulundurpet as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	9,000	90.00
2	GMR Energy Limited	1,000	10.00
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of GMR Ulundurpet as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala
3. Mr. B.V.N. Rao
4. Mr. G.B.S. Raju
5. Mr. N.C. Sarabeswaran

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus.

Airports Sector

12. GMR Hyderabad International Airport Limited ("GHIAL")

GHIAL was incorporated on December 17, 2002 in Hyderabad, Andhra Pradesh as Hyderabad International Airport Limited and received its certificate for commencement of business on October 23, 2003. With effect from November 29, 2005 the name of the company has been changed to GMR Hyderabad International Airport Limited. The registered office of GHIAL is located at "Aparna Crest", III Floor, Road No 2, Banjara Hills, Hyderabad 500034. GMR Hyderabad International Airport Limited is developing a green field international airport at Shamshabad, Hyderabad.

Shareholding

The equity shareholding pattern of GHIAL as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	36,995	63.00
2	GVL Investments Limited	2	0.00
3	GMR Holdings Private Limited	2	0.00
4	GMR Operations Private Limited	1	0.00
5	Government of Andhra Pradesh	7,635	13.00
6	Airports Authority of India	7,635	13.00
7	Malaysia Airports Holdings Berhad	6,460	11.00
	Total	**58,730**	**100.00**

Board of Directors

The directors on the board of GHIAL as on July 8, 2006 are:

1. Mr. G. M. Rao
2. Mr. G. Kiran Kumar
3. Mr. Srinivasa Bommidala
4. Mr. B. V. N. Rao
5. Mr. P. Ramakanth Reddy
6. Mr. R.S.S.L.N.Bhaskarudu
7. Mr. K. Balasubramanian
8. Prof. Rigas Doganis
9. Dato' Bashir Ahmad bin Abdul Majid
10. Mr. T. Chatterjee
11. Mr. G.B. S Raju (Alternate Director to Prof. Rigas Doganis)

12. Mr. T.S. Apparao (Alternate Director to Mr. P. Ramakanth Reddy)

13. Mr. Brahmananda Reddy (Alternate Director to Mr. T. Chatterjee Kumar)

14. Dato' Abd Hamid Bin Mohd Ali (Alternate Director to Dato' Bashir Ahmad bin Abdul Majid)

Financial Performance

The operating results of GHIAL for the last three years is set forth below:

(*Rs. in million, except share data*)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	For the 15 month period ended March 31, 2004
Sales and other income	—	—	—
Profit/(Loss) after tax	—	—	—
Equity capital (par value Rs. 10 per share)	0.59	0.59	0.59
Reserves and Surplus*	1,070.00	—	—
Profit/Loss per equity share (Rs.)	—	—	—
Book value per equity share (Rs.)	10.00	10.00	10.00

* Share application money, pending allotment Rs. 292.11 million, Rs. 1057.29 million and Rs. 1902.87 million as on March 31, 2004, 2005 & 2006 respectively has not been considered.

13. Delhi International Airport Private Limited ("Delhi International Airport")

Delhi International Airport was incorporated on March 1, 2006. The registered office of Delhi International Airport is located at 4th Floor, Birla Towers, 25, Barakhamba Road, New Delhi 110001. Delhi International Airport has been incorporated as a special purpose vehicle to design, construct, operate, maintain, upgrade, modernize, finance, manage and develop the Indira Gandhi International Airport at Delhi. The company became a subsidiary of the Company with effect from April 19, 2006.

Shareholding

The equity shareholding pattern of Delhi International Airport as on June 30, 2006 is as under:

Sl No	Name of the Share Holder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	62,200,000	31.10
2	GVL Investments Private Limited	18,000,000	9.00
3	GMR Energy Limited	20,000,000	10.00
4	India Development Fund	7,800,000	3.90
5	Fraport AG Frankfurt Airport Services Worldwide	20,000,000	10.00
6	Malaysia Airports (Mauritius) Private Limited	20,000,000	10.00
7	Airports Authority of India	51,999,994	26.00
8	Prashanta Kumar Mishra (holding as nominee of Airports Authority of India)	1	0
9	Sanjay Narayen (holding as nominee of Airports Authority of India)	1	0
10	Kanniah Ramalingam (holding as nominee of Airports Authority of India)	1	0
11	Vadiganeni Dattatreya Vara Prasad Rao (holding as nominee of Airports Authority of India)	1	0
12	Aditya Kumar Misra (holding as nominee of Airports Authority of India)	1	0
13	Praveen Seth (holding as nominee of Airports Authority of India)	1	0
	Total	**200,000,000**	**100.00**

Board of Directors

The directors on the board of Delhi International Airport as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mr. Srinivas Bommidala
3. Mr. G.B.S. Raju
4. Mr. G. Kiran Kumar
5. Mr. G. Subba Rao
6. Mr. Luis Miranda
7. Mr. Dato' Bashir Ahmad bin Abdul Majid
8. Mr. P.S.Nair
9. Mr. P.Seth
10. Mr. Sanjay Narayen
11. Ms. Andreea Diana Pal
12. Mr. H.S.Bains
13. Mr. Umar Bustamam (Alternate Director to Mr. Dato' Bashir Ahmad bin Abdul Majid)

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus.

14. Gateways For India Airports Private Limited ("Gateways")

Gateways was incorporated on January 12, 2005 in Hyderabad, Andhra Pradesh. The registered office of Gateways is located at 6-3-866/1/G3, Greenlands, Begumpet, Hyderabad 500 016. Gateways was incorporated with an object to establish, promote, develop and/or finance, plan, design, construct, alter, repair, set up, commission, operate, market, manage and maintain international airports and airport infrastructure.

Shareholding

The equity shareholding pattern of Gateways as on June 30, 2006 is as under:

Sl No	Name of the Share Holder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	3,784	37.84
2.	GVL Investments Private Limited	3,649	36.49
3.	India Development Fund	1,216	12.16
4.	Fraport AG Frankfurt Airport Services Worldwide	1,351	13.51
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of Gateways as on June 30, 2006 are:

1. Mr. G.B.S. Raju
2. Mr. G. Kiran Kumar
3. Mr. Luis Miranda
4. Mr. Frank Thiesen

Financial Performance

The operating results of Gateways from January 12, 2005 to March 31, 2006 is set forth below:

(*Rs. in million, except share data*)

Particulars	Period Ended March 31, 2006
Sales and other income	-
Profit/(Loss) after tax	-
Equity capital (par value Rs. 10 per share)	0.10
Reserves and Surplus	-
Profit/Loss per equity share (Rs.)	-
Book value per equity share (Rs.)	8.13

15. GVL Investments Private Limited ("GVL Investments")

GVL Investments was originally incorporated as Medvin Finance Private Limited on February 6, 1992 in Tamil Nadu. On April 28, 2005 Medvin Finance Private Limited changed its name to GVL Investments Private Limited. On October 13, 2005, the registered office of GVL Investments was shifted from State of Tamil Nadu to the State of Karnataka. The registered office of GVL Investments is located at Skip House, 25/1 Museum Road, Bangalore, Karnataka 560 025. GVL Investments is registered as a non banking finance company engaged in investment activities.

Shareholding

The equity share holding pattern of GVL Investments as on June 30, 2006 is as under:

Sl No	Name of the Share Holder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Infrastructure Limited	2,495,789	100.00
2.	Mr. G.M. Rao	1	0.00
	Total	**2,495,790**	**100.00**

Board of Directors

The directors on the board of GVL Investments as on June 30, 2006 are:

1. Mr. A. Subba Rao
2. Mr. A.S. Cherukupalli
3. Mr. T.S.S.V.L Narayana
4. Mr. P.V.N. Vijaya Kumar

Financial Performance

The operating results of GVL Investments for the last three years are set forth below:

(Rs. in million except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	For the 15 month period ended March 31, 2004
Total Income	108.55	151.54	433.23
Profit/(Loss) After Tax	31.93	65.81	255.20
Equity Capital	24.96	24.96	24.96
Preference Capital	-	60.13	—
Reserves	499.17	647.61	401.42
Earnings per Share (Rs.)	12.79	26.37	102.25
Book Value per Share (Rs.)	210.00	269.48	170.84

The details of equity investments of GVL Investments as on March 31 2006 is as under:

Details of Equity Investments by GVL as of March 31, 2006

Quoted Equity Shares at Cost	**No. of Shares**	**Rs. in million**
Fully Paid Equity Shares of Rs.10/- each		
(i) Bajaj Hindustan Limited	10,000	2.02
(ii) Federal Bank Limited	950	0.40
(iii) GMR Industries Limited	1,071,920	9.75
(iv) IDFC Limited	25,000	1.56
(v) ING Vysya Bank Limited	282,810	25.67
(vi) Karur Vysya Bank Limited	261,654	39.35
(vii) Kasturi Foods Limited	15,000	0.23
(viii) Kesoram Industries Limited	10,000	1.98
(ix) Nava Bharat Ferro Alloys Limited	2,000	0.07
(x) Ramco Industries Limited	5,000	6.92
(xi) Ramco Systems Limited	52,812	15.09
(xii) Ranbaxy Laboratories Limited	2,500	0.95
(xiii) Reliance Communication Ventures Limited	5,000	1.75
(xiv) Reliance Industries Limited	5,000	2.35
(xv) Reliance Natural Resources Limited	5,000	0.03
(xvi) Sujaname Tele Limited	15,000	1.17
(xvii) TRF Limited	11,000	2.97
(xviii) Wipro Limited	7,000	0.000001
Sub Total (i)	**112.25**	
(Market Value as on March 31, 2006 is Rs. 369.7 Million)		
Unquoted Shares at Cost		
Fully Paid Equity Shares of Rs. 10/- each		
(i) Vemagiri Power Services Ltd.	5,000	0.05
(ii) Ideaspace Solutions Limited	725	0.02
(iii) Business India Publications Limited	5,000	0.55
(iv) Gateways for India Airports Private Limited	3,649	0.04
(v) GMR Ambala Chandigarh Expressways Private Limited	20	0.0002
(vi) Hyderabad International Airport Limited	2	0.00002
(vii) GMR Highways Private Limited	25,000	0.25
(viii) Ujjivan Financial Services Private Limited	5,000	0.50
Sub Total (ii)	**1.41**	
Share Application Money		
(i) White Rose Investments Private Limited	-	15.00
(ii) Gateways for India Airports Private Limited	-	210.49
Sub Total (iii)		**225.49**
Grand Total (i + ii + iii)		**339.16**

Shareholder Agreements in relation to the Company and its Subsidiaries

Shareholders agreements entered into in relation to the Equity Shares of the Company

1. **Shareholders Agreement dated April 19, 2006 between GMR Holdings, India Development Fund ("IDF"), Mr. GM Rao, Mr. G. B. S. Raju, Mr. G. Kiran Kumar, Mr. Srinivas Bommidala, GEL and the Company.**

   Background: IDF had previously invested in the equity shares of GEL pursuant to inter alia a subscription agreement and a shareholders agreement between GEL, IDF, Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju, Mr. G. Kiran Kumar and the Company (hereinafter referred to as the "GEL-IDF Subscription Agreement" and "GEL-IDF Shareholder Agreement" respectively) and a promoters undertaking ("Promoters' Undertaking") issued by Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju, Mr. G. Kiran Kumar and GIL in favour of IDF, all dated December 15, 2003 and the first amendment to Subscription Agreement and the first amendment to Shareholder Agreement, both dated March 11, 2004. Pursuant to such investment, IDF held 49,236,829 number of equity shares in GEL, constituting 15.1% of the issued and paid equity share capital of GEL.

   Pursuant to the terms of the Promoters' Undertaking in favour of IDF, GIL had undertaken that unless it receives the consent of IDF, GIL would not make an initial public offering of its Equity Shares before the successful completion of an initial public offering of GEL's equity shares. In light of the proposed Issue ("IPO"), GIL requested IDF for its consent for the IPO of Equity Shares of GIL. IDF agreed to provide its consent to GIL for the same, prior to the initial public offering of the equity shares of GEL, subject to certain terms and conditions. For this purpose the parties entered into a memorandum of understanding dated December 8, 2005 (hereinafter referred to as the "MOU"). Thereafter, the parties entered into a supplementary letter memorandum of understanding dated April 16, 2006 ("Supplementary MoU"). Pursuant to the terms of the MOU read with the Supplementary MoU, GIL purchased 49,236,829 equity shares held by IDF in GEL at a price equal to Rs. 20.31 per equity share, aggregating Rs. 1,000 million; and agreed to issue and allot to IDF 11,737,404 Equity Shares of GIL for an issue price of Rs. 85.20 per Equity Share such that IDF holds 4.25% of the issued and paid up share capital of the Company (on a fully diluted basis). Pursuant to the MOU, the parties agreed to execute a shareholders' agreement ("GIL-IDF Shareholders Agreement") embodying the various rights and obligations of the parties. GEL was made a party to the agreement for the purpose of confirming the continuation of certain of IDF's rights in GEL, until the successful completion of the IPO.

   The main terms of the agreement are as follows:

   Term: The agreement is effective and shall continue to be valid and in full force and effect for so long as IDF holds any of the Equity Shares. All the terms of the agreement shall continue to be in full force and effect except for those which cease/s to operate in accordance with the terms of the agreement.

   Transfer Restrictions: The Equity Shares held by the parties are subject to the following transfer restrictions:

   Minimum Shareholding: The promoters (i.e. Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju and Mr. G. Kiran Kumar) along with the Permitted Transferee (as defined in the agreement) shall, at all times till the successful completion of the IPO, hold a minimum of 51% of the issued and paid-up Equity Share capital of the Company. However, if prior to the successful completion of the IPO, IDF has divested Equity Shares in excess of 50% of the Equity Shares, then the promoters and the Permitted Transferee shall not be required to maintain 51% of the issued and paid equity capital of the Company. Each of the promoters shall be entitled to transfer inter se and to a Permitted Transferee, their shareholding in the Company without any restrictions at any point of time so long as prior intimation is provided to IDF.

   Promoters' Right to First Refusal: If IDF proposes to sell any of its Equity Shares held by it in the Company to any person, then, it shall first give a written notice to all the promoters (i.e. Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju and Mr. G. Kiran Kumar) and the promoters shall have the right to acquire such shares in accordance with the procedure prescribed in the agreement. The promoters may, in their sole discretion, designate any other person to acquire the Equity Shares being offered by IDF. After the successful completion of IPO, the promoter's right of first refusal shall cease to be operative.

   Transfer by IDF: IDF shall be free to transfer the Equity Shares in any manner whatsoever, subject to the promoters' "right of first refusal" described above. Provided that notwithstanding anything to the contrary contained in this agreement, IDF shall not on its own account knowingly under any circumstances transfer its Equity Shares in the Company to a competitor of the Company or its subsidiaries. Provided further that, the transferee shall not be entitled to any of the rights granted to IDF under this agreement read with the MOU in any circumstances. Subject to the provisions mentioned herein, post IPO, IDF shall be free and entitled to transfer to any person up to 50% of the Equity Shares held by IDF in the Company per quarter without providing "rights of first refusal" to the promoters.

   Directors: IDF shall be entitled to nominate 1 (one) person to the Board of the Company (the "Investor Director"). This right shall cease to exist after the successful completion of the IPO.

   Shareholders and Board Meetings: All meetings of the Shareholders shall be held in accordance with the Act and the Company's charter documents with at least twenty one (21) days prior notice for such meeting unless otherwise consented to by IDF. The Board shall meet at least once every three (3) months, the quorum for a meeting of the Board shall be determined in accordance with the Act and the charter documents. Provided that, a minimum seven (7) days prior written notice shall be given to each Director (including an Investor Director) of any meetings (unless the Investor Director shall have given written approval for a meeting called at shorter notice). The right provided hereunder shall cease to exist after the successful completion of IPO.

Affirmative Vote: Up to IPO, no action or decision relating to winding up and/or liquidation or taking any action in relation thereto or undertaking any transaction, having similar effect with respect to the Company shall be taken unless an affirmative vote of IDF is obtained for the same. This right shall cease to exist after the successful completion of the IPO.

Initial Public Offer (IPO): IDF confirms and reiterates the grant of its consent to the Company for making an IPO of its Equity Shares prior to an initial public offering of GEL. The Company agrees and undertakes and the promoters hereby agree and undertakes to cause the IPO of the Equity Shares by September 30, 2006 ("IPO Cut-off Date"). In the event the Company fails to make an IPO for any reason, (e.g. due to prevailing market condition etc.) on or before IPO Cut-off Date, IDF shall have the following rights, granted to it by the promoters in consideration of this agreement, exercisable simultaneously:

- IDF shall be entitled to sell all its shares in the Company to the promoters at a price equal to Rs. 85.2 per share (which would be same as its cost basis per share in the hands of IDF);
- IDF shall be entitled to purchase from the Company 15.1% of the issued and allotted equity share capital of GEL (on a fully diluted basis) for a consideration equal to the amount receivable by IDF from promoter under clause (a) above (the "GEL Transaction"); and
- IDF shall have the right to treat the amount receivable from promoter on exercise of its right to sell its shares in the Company under (a) above, as the amount deemed to have been paid by IDF to the Company towards exercise of its right to purchase GEL shares under (b) above.
- Upon completion of the GEL Transaction, the Parties shall ensure that (a) a fresh shareholders agreement on the same terms and conditions as the previous Shareholders Agreement; and (b) a fresh promoters undertaking on the same terms and conditions as the Promoters' Undertaking is executed and the rights of IDF are once again captured in the articles of association of GEL and its subsidiaries. Upon completion of such matters this agreement and other transaction document executed in relation hereto shall stand forthwith terminated.

Further Issue Of Shares By the Company: It is further agreed that at any point of time before the IPO, the Company shall be entitled to allot such number of Equity Shares as may be decided by the Company in its absolute discretion to preferred investors of the Company's choice to raise funding prior to the IPO, for an amount not exceeding Rs. 1,500 million (the "Pre-IPO Placement") without providing a right of first refusal to IDF, provided however that such investors are investors of repute and market standing. Any issue of shares to preferred investors in excess of said Rs. 1,500 million shall be subject to the right of first refusal granted in favour of IDF. Provided further that all such shares shall be allotted upon such terms and conditions as may be agreed between the Company and such investors. In the event the Company provides such investors with any special rights which are not available to IDF, the Company shall also provide such rights to IDF

IDF's Right To Subscribe To Further Shares: Subject to the applicable law, rules and regulations, IDF shall have a right to invest an additional amount of up to Rs. 300 million (inclusive of share premium) in the Company's IPO. Such allotment shall be by way of a firm allotment if the regulations so permit. In the event the regulations do not so permit or in the event IDF's advisory board fails to grant permission to IDF to invest in an IPO of the Equity Shares even after reasonable efforts are made in this regard by the IDF, the Company shall issue and allot to IDF the Equity Shares up to an aggregate value of Rs.300 million to be invested by IDF, prior to the IPO at the higher end of the indicative price band as suggested by the book running lead managers at that time.

In the event at any time before the IPO, the Company proposes to issue Equity Shares to any preferred investors in excess of the permitted Pre-IPO Placement, then, IDF shall have a right of first refusal to subscribe to further Equity Shares of the Company up to an aggregate value of up to Rs. 300 million.

Information Covenants: Up to the successful completion of IPO, the Company shall provide to IDF and the Investor Director, information/documents such as financial statements, etc as provided in the agreement. Up to the successful completion of IPO, information covenants as per the Shareholders Agreement with GEL shall continue to be available to IDF with respect to GEL and its subsidiaries.

No Special Rights After IPO: After the successful completion of the IPO, all special rights created in favour of IDF in relation to the Company or its subsidiaries pursuant to this Agreement, the said MOU or under any other document shall cease to exist. Also, after the successful completion of IPO, all the rights in favour of IDF in relation to GEL or its subsidiaries pursuant to this agreement, the MOU or under any other document shall cease to exist.

Status of GEL- IDF Shareholders Agreement and Promoters Undertaking: The Shareholder Agreement and the Promoters' Undertaking stand terminated. However, until the successful completion of the IPO of GIL, IDF will retain its nominee directors on the boards of GEL and its subsidiaries and all affirmative voting rights which were available to IDF in terms of the GEL-IDF Shareholders

Agreement. GEL and the promoters shall ensure that IDF is entitled to exercise these rights in GEL and its subsidiaries notwithstanding the termination of the Shareholders Agreement.

2. **Share Subscription Cum Shareholders Agreement dated April 25, 2006 entered into between Emerging Trusteeship Services Limited (ICICI Emerging Sectors Fund), GMR Holdings, Mr. G.M. Rao, Mr. G.B.S. Raju, Mr. G. Kiran Kumar, Mr. Srinivas Bommidala and the Company**

   The main terms of the agreement are as follows:

   Subscription: ICICI Emerging Sectors Fund have subscribed to 9,578,544 Equity Shares at a price of Rs. 261 per Equity Share for a total sale consideration of Rs. 2500,000,000. ICICI will only be a financial investor and not acquire control or management of the Company.

   Transfer Restrictions: GMR Holdings, Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G.B.S. Raju and Mr. G. Kiran Kumar shall at all times till ICICI Emerging Sectors Fund continues to hold 9,578,544 Equity Shares without any dilution whatsoever hold a minimum of 51% of the issued and paid up Equity Share capital of the Company. The parties are however entitled to transfer the shares inter se and to a Permitted transferee (as defined in the agreement). After successful completion of the Issue the transfer restrictions provided above shall cease to be operative.

   Promoters' Right to First Refusal: If ICICI Emerging Sectors Fund is desirous of selling any of its Equity Shares prior to the Issue then it shall first offer the same for sale to GMR Holdings, Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G.B.S. Raju and Mr. G. Kiran Kumar in accordance with the procedure prescribed in the agreement.

   Information Rights: Up to the Issue the Company is to provide ICICI Emerging Sectors Fund certain information such as annual financial statements, annual operating budget etc.

   Qualified Initial Public Offering (QIPO): The Company shall make an initial public offering of its shares within 6 months of the date of signing this agreement. Until the Company completes the QIPO, the Company shall obtain the prior written consent of ICICI Emerging Sectors Fund in relation to any changes in its charter documents, any mergers, arrangements, compromises, reorganizations, liquidation, issuance of new equity shares or other alteration of paid up share capital or change in its auditors.

   Term: This agreement shall be valid until ICICI Emerging Sectors Fund ceases to hold 0.5% of the Equity Share capital of the Company provided that the reduction in the shareholding of the ICICI Emerging Sectors Fund is solely due to a sale of Equity Shares by ICICI Emerging Sectors Fund. Provided however that clauses that are to terminate on the happening of a QIPO or any dilution of shareholding by ICICI Emerging Sectors Funds shall cease to operate on the happening of these events.

Shareholders agreements entered into in relation to the equity shares of our Subsidiaries

GMR Power

Shareholders Agreement dated December 22, 2003 between Odeon Limited ("OL"), GMR Energy Limited ("GMR Energy") and GMR Power in relation to the shares held by in GMR Power read with letter dated April 1, 2004 from GMR Energy.

Background: The shareholders agreement was initially entered into between OL, the Company and GMR Power. However, after the transfer of shares from the Company to GMR Energy in accordance with the terms of the agreement, GMR Energy executed a letter dated April 1, 2004 stating that GMR Energy agrees to comply with terms of the shareholders agreement and shall from the date of the transfer be deemed to be a party to the shareholders agreement. From the date of such transfer the parties to the shareholders agreement were Odeon Limited, GMR Energy and GMR Power. The main terms of the agreement are as follows:

Directors: The number of directors to be appointed shall be within the maximum and minimum limit, set out in the articles. Any shareholder shall have a right to replace a nominee director appointed by it at any time. OL shall be entitled to nominate 2 persons to the board. The lenders of GMR Power, financial institutions and investors (in GMR Energy) who may require as a condition of lending to appoint a nominee director are also entitled to appoint nominee directors, and the parties agree that appointment of such nominee director shall be in addition to the nominee director of the parties in the board. The parties to this agreement are to facilitate all such appointments of the nominee directors. Further, in the event any such director is given any rights the articles of the GMR Power shall be amended to reflect the same. The parties also agree that they shall appoint independent directors, as required.

The shareholders shall ensure that the directors shall at all times comply and cause the company to comply with the terms of this agreement. The chairman shall be a nominee from GMR Energy.

Meetings: The meetings shall be held in India or at such places as the directors may determine by such facilities to ensure that all the directors participate in the same. The meetings are to be held at least once each quarter. Resolutions in writing, signed or approved by letter or telegram by all of the directors entitled to vote on that resolution at a meeting is valid, subject to the provisions of the law permitting the same. The quorum for the meeting shall be any two directors personally present.

The day to day affairs of GMR Power shall be in the control of a managing director.

Reserved Matters: Certain matters shall be considered as reserved and shall require the approval of both OL and GMR Energy. They include:

a. Alteration of memorandum and articles of association

b. Restructuring of the company or its subsidiaries

c. Giving of guarantee or indemnity to secure the liabilities of another party

d. Sale, transfer, lease, assignment or disposal of any material part of the undertaking, property and/or assets of GMR Power in excess of Rs. 50,000,000

e. Incurring capital expenditure in excess of Rs. 50,000,000

f. Increase, reduction or alteration in authorized or issued share capital

g. Commencement of business not incidental to the business of the company

h. Merger with any entity or acquisition of shares in any body , resulting in GMR Power gaining control in that body

i. Proposal for listing the shares of the company on a stock exchange

j. Direct or indirect participation in any other business by the company

k. Material change in the business of the company

l. Amalgamation or merger of the company with any other body

Guarantees given by the shareholders: The shareholders shall not without the prior consent of other shareholders give any guarantee, indemnities of whatsoever nature to any other person to secure the indebtedness and obligations of the company. The liabilities arising under any guarantees indemnities given by the shareholders or any of them, by unanimous consent to secure the indebtedness and obligations of the company shall be borne in agreed proportions.

In the event that any shareholder has made a payment or settled any liability whether in consequence of a judgment or in respect of any claim in respect of any guarantee in excess of such shareholders share, then the shareholder shall be indemnified. No shareholder shall make any payment under any guarantee without the prior consent of the other shareholders.

Where the shareholder gives any guarantee or security in favour of any person to secure the indebtedness of the company to such person, the provision by such shareholder of its guarantee or security shall be made only upon such terms a may be agreed between such Shareholders, the other Shareholders and the Company providing for a guarantee fee to be paid by the Company.

Borrowings: All decisions in relation to the borrowings by GMR Power are to be decided by the board and the shareholders have the discretion to decline to provide any guarantee, if they are required to provide the same.

Right of First Refusal: In the event that OL wishes to transfer all or part of its shareholding, the shares shall first be offered to GMR Energy by a written notice. Except as stated above, the shares in GMR Power cannot be transferred, sold or disposed off unless (i) the written consent of all the shareholders has been obtained and (ii) pursuant to the applicable provisions of the Agreement, if any. Either party may transfer any or all of its shares to its respective related company.

Sale of Shares: The shareholder who sells his shares shall warrant to the person acquiring the shares that (i) the buyer will acquire the share free of encumbrance (ii) seller has good and marketable title. In the event that the seller of the shares is indebted to GMR Power, then the buyer of the shares shall be required to make the payment to GMR Power who shall use the same towards the satisfaction of the outstanding amount. Any excess amount shall be refunded to the seller. In the event that GMR Power is indebted to the seller, then the buyer of the shares shall purchase such indebtedness of GMR Power. Further, at the time of closing in the event that the seller is responsible for any guarantee then the buyer shall release the seller from all guarantee.

Binding nature of the Agreement: The agreement shall be binding on all transferees.

Deadlock Provisions: In the event that GMR Energy and OL in general meetings are unable to reach a decision in respect of any reserved matter within 30 day, any of the shareholders shall be allowed to raise a conciliation notice within 60 days from the date of the meeting. In case there is no solution arising from the same, the matter may be referred for arbitration.

GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli

GMR Power, GIL, GMR Industries Limited (collectively referred to as the “GMR Group”), United Engineers (Malaysia) Berhad, UE Developers India Private Limited (collectively referred to as “UEM”) have entered into separate shareholder agreement for the shares held by then in GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli, respectively.

Both shareholders agreement are dated January 10, 2002 and have been further amended by first supplemental agreements dated July, 2002 and a second supplemental agreements dated February 17, 2004 respectively.

The main provisions of the above agreements are as follows:

Authorized, Issued and Paid-up Share Capital: The authorized share capital of the companies is to be Rs. 150,00,000. The ratio of shareholding of the GMR Group and UEM in the issued and paid up capital is to be maintained at 74:26 in favour of the GMR Group. The issued and paid up capital of the companies shall be offered in that proportion alone. The aggregate shareholding of the GMR Group and UEM in the issued and paid up equity capital of the companies is not to fall below 51% until expiry of three years from the commencement of the commercial operations date. In addition, the GMR Group reserves the right to offer for subscription or transfer its shares in aggregate up to 39% of the paid up capital to financial institutions, insurance companies, mutual funds, banks and other investors/ lenders, subject to holding at least 51% of the paid up capital along with UEM. GMR Group or UEM is prohibited from directly or indirectly, without the prior consent of the other party, acquiring any shares out of the shares issued by the companies for securing the listing of the companies shares on any stock exchange or from any third party except as provided for by the shareholder agreement.

Rights Issue: In the event of a rights issue, the shares are to be offered to the existing shareholders in proportion to their existing shareholding in the companies. A party may renounce such right in favour of an affiliate who will then be bound by the shareholders agreement. The right may also be renounced in favour of the other party. Any additional issue of shares (other than a rights issue) will be issued in agreed proportions. In the event that any shares go unsubscribed, the board may in its discretion decide to seek listing of shares of the companies on a stock exchanges in India.

Transfer and Sale of Shares: Within three years from the commercial operations date, the shareholders (i.e. GMR Group and UEM) are prohibited from transferring shares held by them, except transfers to affiliates. If one of the parties intends to sell or dispose of their shareholding, they are under an obligation to offer it first to the other party who may acquire it or if the law prohibits such transfer, designate a person to whom the shares may be transferred. The restrictions on the transfer of shares would not be applicable to any subsequent transferee of equity and/ or preference shares of the companies provided such transfer is made in accordance with the financing documents. They would also be inapplicable to the transfers allowable to financial institutions, insurance companies, banks, mutual funds and other investors under the shareholders agreement.

Board of Directors: Excluding the alternate directors and nominee directors, the board of directors of the companies shall have a minimum of 4 and a maximum of 12 directors. This limit is also exclusive of the directors that lenders and the institutional investors may require. As long as UEM holds more than 20% of the shareholding in the companies, GMR Group and UEM shall hold the right to appoint $3/4^{th}$ and $1/4^{th}$ respectively of the total number of directors on the board. The chairman and the vice-chairman of the board will be nominated by the GMR Group as long as it holds at least 15% of the issued and paid up equity capital along with its affiliates. The managing director shall also be a nominee of the GMR Group.

Duration: The rights accorded to a party under this agreement shall continue to subsist so long as it continues to hold 15% of the voting share capital of the companies along with its affiliates. In the event that the holdings of a party fall below 15%, any of the parties would have the right to terminate the agreement through communication in writing. Also, the party would be under an obligation to ensure resignation of its nominated directors from their respective offices without any claim for compensation for loss of office.

Restrictive Covenants: The agreement imposes an obligation on the parties not to solicit for hire or hire an employee of the other party or the companies where such employee has ceased to be so for less than a year whether for itself or a third party while holding shares in the companies or within one year after ceasing to own shares in it. A party is also prohibited from disclosing confidential information to any third party without the prior written consent of the other party. Public disclosures, unless excepted under the Agreement, may also be made with respect to the agreement or project documents only with the prior written consent of the other party.

Events of Default: In the event that a party goes bankrupt, is liquidated or is wound up; breaches the material terms of the agreement; transfers shares or executes transfer documents in violation of the agreement; ceases to carry on a substantial part of its business; attaches the shares and attachment is not lifted within 30 days, or an administrator or receiver is appointed for a substantial part of its assets, an event of default shall be said to have occurred. In such a case, the non-defaulting party shall have the right to acquire all the shares of the defaulting party at a fair price as determined by the auditors of the companies or a cost 15% less than the market value of the shares depending on the event of default. The procedure and requirements are governed by the agreement.

Termination: On the termination of either the Engineering Procurement and Construction Agreement dated January 10, 2002 between UE Development India Private Limited (UDIPL) and United Engineers (Malaysia) Limited or the Operations and Maintenance Agreement dated January 10, 2002 between the companies, UE Development India Private Limited (UDIPL) and United Engineers (Malaysia) Limited for reasons other than termination of the Concession Agreement dated October 9, 2001 between NHAI and the companies, the GMR Group reserves the right to terminate the agreement by communicating it to UEM.

Assignment: Unless provided for in the agreement, the parties do not reserve to themselves any right to assign their rights and obligations to a third party without the prior written consent of the other party. The agreement recognizes that the terms of the agreement are subject to the approval of the lenders of the companies and changes may be made to the agreement if the lenders think it essential.

Arbitration: All disputes are to be settled through negotiations; failing which arbitration as per the Arbitration and Conciliation Act 1996 is to be resorted to. The venue for arbitration is Bangalore and the award shall be final, conclusive and binding.

GHIAL

Shareholders Agreement dated September 30, 2003 between the Governor of Andhra Pradesh ("GoAP"), Airports Authority of India ("AAI"), GMR Infrastructure Limited ("GIL"), Malaysia Airport Holdings Berhad ("MAHB") and GHIAL . GIL and MAHB are referred to as the Sponsors.

The main terms of the agreement are as follows:

Business: The parties agree that project shall be implemented as per the terms of the Concession Agreement dated December 20, 2004 entered into between Government of India and GMR Hyderabad International Airport.

Capital Structure: The capital structure and debt equity ratio of GHIAL shall be as decided by the board of GHIAL from time to time. Further, GHIAL shall be structured, operated and managed as an independent and separate entity having its own personnel and functional structure.

Role: The Sponsors shall follow the role set out for them in the agreement and assist GHIAL and provide the required support and management to GHIAL. The State promoters shall see to the timely issuance of appropriate notifications for exemption of inland air travel tax and foreign travel tax collection for a period of 20 years after the commercial operations date.

Arms length transaction: The parties agree that any transaction between any of the investors or their affiliates and GHIAL shall be on arms length basis.

Share Capital: The authorized share capital of GHIAL shall be Rs 50,000,000 (Rupees Fifty Million) only and can be increased as decided by the board. The Sponsors shall hold 74% of the issued and paid up share capital while the State promoters shall hold 26% of the issued and paid up share capital. Further, GIL can designate certain persons as "Other Investors" to hold shares whether by way of subscription to new shares or purchase of existing shares from GIL as set out in this agreement after seeking the necessary consents.

State promoters shall notify GHIAL of their individual percentage of shareholding which shall cumulatively be 26% and subject to AAI Equity Cap (i.e., an amount of Rs. 500,000,000 (Rupees Five Hundred Million) or an amount which corresponds to 13% shareholding on a fully diluted basis), during the lock-in period, GoAP shall contribute such additional amounts to maintain the required shareholding.

Pre emptive rights: Except for a preferential allotment as provided for in this agreement, the investors shall have the right of first refusal on a pro rata basis in the event that GHIAL intends to issue any new shares on pro rata basis.

Issue of shares: After the capital contributions under the capital contributions plan have been made by each of the investors then GHIAL shall issue any further additional shares other than those issued as per capital contribution plan.

Management: The board shall comprise of 12 directors and so long as the State promoters shareholding does not fall below 26%, AAI shall have the right to nominate 2 directors and GoAP shall have the right to nominate 2 directors. In the event the State promoters shareholding falls below 26% their nominations to the board shall be as follows

0- below 10%	One director
10-below 20%	Two directors
20-below 26%	Three directors

The Sponsors shall have the right to nominate all other directors. Directors appointed by the lenders shall be in addition to the above.

Chairman: The Chairman of GHIAL shall be nominated by GIL out of one of the Sponsor directors so long as their shareholding remains not less than 40% during the lock-in period and 26% thereafter. The Chairman shall not be a whole time director and shall not have executive powers.

Managing Director: The managing director shall be appointed by GIL

Director: The directors are not required to hold any qualification shares and the directors appointed and withdrawn by any party will not be eligible for a period of 3 years for appointment as nominees of another party without the written consent from the original nominating party.

*Share Transfer Restriction*s: The restrictions in relation to share transfer mentioned in the agreement shall not apply on share transfer shall not apply to transfer pursuant to a pledge, in favour of the lenders. During the lock-in period the Sponsors shall subscribe to and hold at least 45% shareholding of GHIAL (GIL 40% and MAHB 5%) until expiration of three (3) years from the commercial operations date and in no event less than 26% for a period of seven years after commercial operations date. The State promoters shall hold 26% until the expiration of seven years after the commercial operations date. No shareholder shall sell, indirectly or directly, transfer assign or dispose or create an encumbrance on all or any portion of the shares unless provided for in the agreement (does not apply to inter-se transfers amongst the promoters or transfers or assignment to affiliates. The affiliate transferee's performance shall be guaranteed by the transferor). No shareholder in GHIAL shall dispose or transfer any shares (except lien or pledge to lenders) without following the procedure provided in the agreement relating to rights of first offer wherein the transferors shall be obliged to issue a offer notice to all other shareholders on a pro rata basis who shall have the right of first refusal.

IPO: The investors shall endeavor to cause GHIAL to hold an IPO within five years from the commercial operations date subject to an approval from the board and favourable market conditions.

Performance Guarantee: GIL has provided a performance guarantee to GoAP, which will be valid until the commercial operations date.

Termination: The agreement may be terminated in the event of:

a. The Sponsors/State promoters ceasing to hold less than 5% shareholding, this agreement shall terminate. This agreement shall stand terminated in respect of MAHB only in case MAHB ceases to hold at least 5% of the shareholding.

b. Termination of the Concession Agreement

c. An insolvency event occurs (as defined in the agreement).

d. Sponsor/State promoter's material breach of the agreement, which breach is not rectified within 30 days of notice being served by the non-defaulting party.

Public Announcement: No public announcement or disclosure shall be made in respect of the subject matter of this agreement or any of the transactions contemplated herein, without the prior approval of the other party, except where required by a regulatory authority.

Delhi International Airport

Shareholders Agreement dated April 4, 2006 between the Airports Authority of India ("AAI"), Delhi International Airport Private Limited ("Delhi International Airport"), and the following parties referred to as the "Private Participants", i.e., GMR Infrastructure Limited ("GIL"), GMR Energy Limited, GVL Investments Private Limited, Fraport AG Frankfurt Services Worldwide, Malaysia Airports (Mauritius) Private Limited and India Development Fund.

Scope: The agreement governs the terms and conditions that the shareholders of 'Delhi International Airport Private Limited' are required to comply with. The main terms of the Agreement are as follows:

Effective Date: The agreement shall be effective from the date of the execution of the Agreement, or the date of the execution of the Operations and Management and Development Agreement dated April 4, 2006 ("OMDA").

Capital Structure: The authorised capital of Delhi International Airport shall be Rs. 2,500,000,000 and issued share capital shall be Rs. 2,000,000,000.

Future Issue of Shares: Prior to any further issue of shares, Delhi International Airport shall ensure that trigger debt equity ratio is maintained. The Private Participants undertake to ensure that they shall subscribe to the such number of shares as and when they are required to do so by Delhi International Airport, in accordance with their shareholding, such that the proportions comply with the foreign equity cap and the scheduled airlines equity cap.

AAI or any other nominee of AAI shall have the right to subscribe to such additional shares that any of its nominee is entitled to subscribe to in the Company, in the event that such nominee does not subscribe to shares. In the event that AAI does not subscribe to the same, then the shares may be subscribed to by the Private Participants proportionately.

Any shareholder other than AAI or any of its nominees are unable to subscribe to such issue of shares, then the same shall amount to a default and the defaulting shareholder shall be required to pay an interest.

Transfer restrictions: The transfer of shares shall only be permissible as provided for in this shareholders agreement and in the OMDA, provided that (i) the shareholder is not in default of any terms of this agreement (ii) the party undertakes to be bound by this agreement (iii) in case the shareholder is a private participant, the consent of AAI is obtained (iv) such transfer does not result in the foreign entities equity cap and/or the scheduled airlines equity cap being exceeded (iv) the buyer is approved by the Government of India.

Any Private Participant transferring its shares, shall first offer the shares to the other Private Participants in accordance with the procedure set out in the agreement. In the event that AAI or any of its nominees, intends to transfers its shares to any entity outside its group, they shall first make an offer to the Private Participants in accordance with the procedure set out in the agreement.

Management: The board of directors shall comprise of (i) AAI has the right to nominate such number of directors as is proportionate to its shareholding in the JVC, subject to a minimum of one director and this right to nominate a director shall continue even in the event that AAI ceases to be a shareholder (ii) the Private Participants have the right to appoint the remaining directors. As long as the Private Participants hold more than 50% of the issued share capital of the company, they shall have the right to appoint the Chairman. Further the managing director shall be nominated by the Private Participants. The quorum of the meeting of the board shall necessarily include at least one director nominated by AAI and at least one director nominated by any of the Private Participants. The requirement of having at least one director nominated by any of the Private Participants for validly constituting any meeting of the board shall only apply till such time as the Private Participants in the aggregate hold at least 26 percent shares in Delhi International Airport. AAI shall have the right to appoint one nominee on every committee and sub committee constituted by the board.

Reserved Shareholders Matters: As long as AAI holds at least 10% of the equity shares in the Company, the Company shall not give effect to any resolution in respect of reserved shareholders matters such as any change in the business of Delhi International Airport, change of rights of any class of shares; sale or transfer of all or a substantial part of the business undertaking or assets which is more than 10 percent of the net fixed assets of Delhi International Airport in any period of twelve months, commencement of any action to wind up or dissolve Delhi International Airport , including passing of a resolution that Delhi International Airport has been liquidated, unless the affirmative vote of AAI is received.

Termination of the Agreement: The agreement shall stand terminated as regards the shareholders who ceases to hold any shares pursuant to the terms of this agreement.

Private Participants Agreement : Prior to the above Share Holders Agreement, we entered into a Private Participants Agreement on September 11, 2005 amongst consortium members.

Other Material Agreements

There are no 'other material agreements' in terms of Clause 6.9.4.5 of the SEBI DIP Guidelines.

Management

Board of Directors

The following table sets forth details regarding our Board of Directors as at the date of this Red Herring Prospectus:

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
Mr. G. M. Rao Chairman and Managing Director S/o Mr. G. China Sanyasi Raju Varalakshmi Nilayam, 486/76, 38th Cross, 1st Main Road, 8th Block, Jayanagar Bangalore 560 082 Occupation: Entrepreneur Term: 5 years with effect from September 2, 2005 and is not liable to retire by rotation	India	56	● Delhi International Airport Private Limited· ● GMR (Badrinath) Hydro Power Generation Private Limited ● GMR Ambala-Chandigarh Expressways Private Limited ● GMR Energy Limited ● GMR Highways Private Limited ● GMR Hyderabad International Airport Limited ● GMR Jadcherla Expressways Private Limited ● GMR Mining & Energy Private Limited ● GMR Pochanpalli Expressways Private Limited ● GMR Tambaram-Tindivanam Expressways Private Limited ● GMR Tuni-Anakapalli Expressways Private Limited ● GMR Ulundurpet Expressways Private Limited ● GMR Varalakshmi Foundation ● Raxa Security Services Private Limited ● Vemagiri Power Generation Limited
Mr. Srinivas Bommidala Group Director S/o Mr. B. Kasi Viswanadham 309, IIIrd Cross, 2nd Block, II Stage, Devasandra, RMV Extension, Bangalore 560 094 Occupation: Entrepreneur Term: Liable to retire by rotation	India	42	● Bommidala Exports Private Limited ● BSR Infrastructure Private Limited ● Delhi International Airport Private Limited ● GMR (Badrinath) Hydro Power Generation Private Limited ● GMR Ambala-Chandigarh Expressways Private Limited ● GMR Energy Limited ● GMR Highways Private Limited ● GMR Holdings Private Limited ● GMR Hyderabad International Airport Private Limited ● GMR Jadcherla Expressways Private Limited ● GMR Mining & Energy Private Limited ● GMR Pochanpalli Expressways Private Limited ● GMR Power Corporation Private Limited ● GMR Ulundurpet Expressways Private Limited ● GMR Varalakshmi Foundation ● Sapphire Springs Private Limited ● Vemagiri Power Generation Limited
Mr. G. B. S. Raju Group Director Group Chief Financial Officer S/o Mr. G.M. Rao Varalakshmi Nilayam, 486/76, 38th Cross, 1st Main Road, 8th Block, Jayanagar Bangalore 560 082 Occupation: Entrepreneur Term: Liable to retire by rotation	India	31	● Delhi International Airport Private Limited ● Gateways For India Airports Private Limited ● GMR Ambala-Chandigarh Expressways Private Limited ● GMR Energy Limited ● GMR Estates & Properties Private Limited ● GMR Highways Private Limited ● GMR Holdings Private Limited ● GMR Hyderabad International Airport Private Limited (Alternate Director) ● GMR Jadcherla Expressways Private Limited ● GMR Pochanpalli Expressways Private Limited ● GMR Tambaram-Tindivanam Expressways Private Limited (Alternate Director) ● GMR Tuni-Anakapalli Expressways Private Limited (Alternate Director) ● GMR Ulundurpet Expressways Private Limited ● GMR Varalakshmi Foundation

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
Mr. G. Kiran Kumar Group Director S/o Mr. G.M. Rao Varalakshmi Nilayam, 486/76, 38th Cross, 1st Main Road, 8th Block, JayanagarBangalore 560082 Occupation: Entrepreneur Term: Liable to retire by rotation	India	30	● Cadence Cargo Private Limited ● Delhi International Airport Private Limited ● Gateways For India Airports Private Limited ● GMR Holdings Private Limited ● GMR Hyderabad International Airport Limited ● GMR Industries Limited ● GMR Operations Private Limited ● GMR Tambaram-Tindivanam Expressways Private Limited ● GMR Tuni-Anakapalli Expressways Private Limited· GMR Varalakshmi Foundation ● Ideaspace Solutions Limited
Mr. B. V. N. Rao Group Director S/o Mr. B. Venkateswara Rao 1230/A, 34th Cross, 4th T Block,Jayanagar, Bangalore 560 041 Occupation: Service Term: Liable to retire by rotation	India	51	● GMR Ambala-Chandigarh Expressways Private Limited ● GMR Energy Limited ● GMR Hyderabad International Airport Limited ● GMR Jadcherla Expressways Private Limited ● GMR Pochanpalli Expressways Private Limited ● GMR Power Corporation Private Limited ● GMR Tambaram-Tindivanam Expressways Private Limited ● GMR Tuni-Anakapalli Expressways Private Limited ● GMR Ulundurpet Expressways Private Limited ● GMR Varalakshmi Foundation ● Raxa Security Services Private Limited ● Vemagiri Power Generation Limited
Mr. K. Balasubramanian Director S/o Mr. Ramamrutham Kunchitapadam Flat No. 708, Olympus- III Prestige Acropolis Hosur Road Bangalore 560 029 Occupation: Consultant Term: Liable to retire by rotation	India	62	● GMR Ferro Alloys & Industries Limited ● GMR Hyderabad International Airport Limited ● GMR Industries Limited (Chairman) ● GMR Power Corporation Private Limited (Chairman) ● GMR Varalakshmi Foundation ● Grow Talent Company Limited ● Vemagiri Power Generation Limited
Mr. P. B. Vanchi Director S/o. Mr. P N Balakrishnan Plot No. 1839, 1st Block, 20th Main Road, Annanagar West, Chennai 600040 Occupation: Service Term: Additional Director holding office till next AGM	India	54	● GMR Energy Limited ● Vemagiri Power Generation Limited
Mr. Arun K. Thiagarajan Independent Director S/o Mr. K.T.Pillai "Grace Home", No.37, Kanakapura Road, Basavanagudi, Bangalore 560 004 Occupation: Consultant Term: Additional Director holding office till next AGM	India	61	● Alstom Projects India Limited ● Birla Technologies Limited ● Cable Corporation of India Limited ● CITEC Information India Private Limited ● GMR Energy Limited ● ING Vysya Bank Limited ● Krone Communications Limited ● PSI Data Systems Limited ● Transworks Information Services Limited ● Wep Peripherals Limited ● Westrup A/s

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
Mr. K. R. Ramamoorthy Independent Director S/o (Late) Mr. K.R.Rajagopalan #1915, Cross 5,Main 18 A, Phase 2,J.P.Nagar, Bangalore 560078 Occupation: Consultant Term: Additional Director holding office till next AGM	India	65	● Amrit Banaspati Limited ● Fidelity Trustee Company Private Limited ● GMR Ambala Chandigarh Expressways Private Limited ● GMR Power Corporation Private Limited ● Gryffon Investment Advisors Private Limited ● ING Vysya Bank Limited ● Nilkamal Plastics Limited ● Subros Limited ● The Clearing Corporation of India Limited ● Ujjivan Financial Services Private Limited
Mr. Luis Miranda Director S/o Mr. Mario Miranda 17 Vaswani Mansion, 3rd Floor, Dinshaw Vachha Road, Churchgate, Mumbai 400 020 Occupation: Private Equity Investor Term: Additional Director holding office till next AGM	India	44	● Chalet Hotels Limited ● Delhi International Airport Private Limited ● Gateways For India Airports Private Limited ● GMR Energy Limited ● GMR Power Corporation Private Limited ● Gujarat Pipavav Port Private Limited ● Gujarat State Petronet Limited ● Hotel Leelaventure Limited ● IDFC Private Equity (Mauritius) Fund II ● L&T Infrastructure Development Projects Limited ● Manipal Health Systems (P) Ltd ● Vemagiri Power Generation Limited
Dr. Prakash G. Apte Independent Director S/o Mr. Gajanan Apte ProfessorIndian Institute of Management, Bannerghatta Road Bangalore 560 076 Occupation: Consultant/Professor Term: Additional Director holding office till next AGM	India	58	● Bharat Earth Movers Limited ● ING Vysya Bank Limited ● UTI AMC Board of Trustees
Mr. R.S.S.L.N.Bhaskarudu Independent Director S/o (Late) Mr. R.V.Hanumantha Rao House No.2210, Sector-D, Pocket 2,Vasant Kunj, New Delhi 110030 Occupation: Consultant Term: Additional Director holding office till next AGM	India	65	● Countrywide Power Transmission Limited ● Global Vectra Helicorp Limited ● GMR Hyderabad International Airport Limited ● Haryana Aban Power Company Limited ● Rashitriya Ispat Nigam Limited
Mr. T.R. Prasad Independent Director S/o. Mr.T Venkat Subbaya Plot no. 18, Ocean View Lay Out, Opposite Acqua Sports Complex, Vishakapatnam 530003 Occupation: Retired IAS officer Term: Additional Director holding office till next AGM	India	64	● Nelcast Limited ● Suven Lifesciences Private Limited ● Taj GVK Hotels and Resorts Limited ● TVS Motor Company Limited

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Indian companies
Mr. Udaya Holla Independent Director S/o Mr. Padmanabha Holla M/s Holla & Holla, 102/103, Embassy Square, 148, Infantry Road, Bangalore 560001 Occupation: Consultant/Lawyer and Advocate General, State of Karnataka Term: Additional Director holding office till next AGM	India	55	• GMR Tambaram-Tinidivanam Expressways Private Limited • GMR Tuni-Anakapalli Expressways Private Limited • Vemagiri Power Generation Limited • Wellington Constructions Private Limited
Mr. Uday M. Chitale Independent Director S/o (Late) Mr. Madhav P. Chitale 167/C, Poonawadi, Dr. Ambedkar Road, Dadar, Mumbai 400014 Occupation: Chartered Accountant Term: Additional Director holding office till next AGM	India	56	• Crossdomain Solutions Private Limited • DFK Consulting Services (India) Private Limited • DFK International, Netherlands • ICICI Securities Limited • JSW Steel Limited • Seahorse Hospitals Limited • Vemagiri Power Generation Limited

Brief Biography of our Directors

Mr. G. M. Rao, 56, Chairman and Managing Director, is the promoter of our Company. He is a graduate in mechanical engineering from Andhra University. He is a distinguished industrialist and Founder Chairman of the GMR group of companies. Mr. Rao found the GMR group of companies with a small jute unit in 1977 and led the group's expansion into ferroalloys in 1983. Mr. Rao ventured into the finance sector when he bought a small stake in the Vysya Bank in 1985, where he played a key role in transforming it into a new generation bank. And later in Insurance sector through a joint venture with ING to start the ING Vysya Life Insurance. In 1997, the group forayed into sugar, breweries and related industry. In 1998, he led the group's diversification into infrastructure development beginning with the investment in GMR Power.

Within less than a decade, the GMR Group has established a strong presence in the infrastructure development with focus on airports, roads and power sectors. Having identified infrastructure as key growth area for the group, Mr. G.M. Rao divested the group's investment in Vysya Bank to ING Group, in ING Vysya Life Insurance to Exide Industries and investment in breweries to United Breweries Group.

He was awarded the Doctorate in Philosophy in 2005 by the Jawaharlal Nehru Technological University, Hyderabad in recognition of his services to industry.

He is also the founder and Chairman of the GMR Varalakshmi Foundation, a philanthropic organization, active in supporting the needy and helping underprivileged sections of society, in the areas of education, hygiene and empowerment of the underprivileged people.

Mr. Srinivas Bommidala, 42, Group Director, is the son-in-law of Mr. G. M. Rao and has been a member of the Board since 1996. He has over 22 years of experience in the agriculture, fast moving consumer goods and services sector. He led the GMR Group's foray into the infrastructure sector and was the managing director of GMR Power. He also held the position of Managing Director of Vemagiri Power and led the implementation of the project. He is currently the Managing Director of Delhi International Airport

Mr. G.B.S. Raju, 31, Group Director and Group Chief Financial Officer, is the elder son of Mr. G.M. Rao and has been on the Board since 1999. He completed his bachelors in commerce from Vivekananda College, Chennai, University of Madras in 1995. He began his career as Managing Director in GMR Energy. It was under his leadership that GMR Energy's barge-mounted power plant was established in record time, well ahead of schedule. Till recently, as sector head of the GMR Groups' road business, he led the Group's foray in the roads sector. Mr. Raju also heads the Group's shared services and Corporate Departments.

Mr. G. Kiran Kumar, 30 years, Group Director is the younger son of Mr. G.M. Rao and has been on the Board since 1999. He completed his bachelors in commerce from Badruka College, Hyderabad, Osmania University in 1996. He led the Group's foray into

Airport Business and is currently the Managing Director of GMR Hyderabad International Airport Limited (GHIAL). He also heads the Group's business development in Airports. Before taking over the reins of GHIAL, he headed the Group's finance function and the shared services.

Mr. B. V. N. Rao, 51, Group Director, is an engineering graduate. He has been on the Board since 1996. He has extensive experience in the banking sector with specific experience in industrial finance and rehabilitation of sick industries. He also has experience in international trade. He heads the asset management of the Power Business of the group. He is also responsible for the entire Road Business and corporate relations for the GMR Group.

Mr. K. Balasubramanian, 62, Director, has been on the Board since 2004. He has close to 40 years of experience in international banking. He has worked in India with two large banks, ING Vysya and American Express Bank for about 10 years. Through his 25 years tenure with American Express, he held senior positions in marketing, credit and general management in several Asian and European countries. During his career with American Express Bank, he has also served as the Country Head for Korea, India and Nepal as well as the Chief Credit Officer for the Asia-Pacific region and Indian subcontinent. He was also the managing director and chief executive officer for ING Vysya Bank. He is currently the Chairman of GMR Industries and GMR Power. He heads the group's agri-business sector and social contribution activities. He is also on the boards of several other GMR group companies.

Mr. P.B. Vanchi, 54, Director, has an honors degree in electrical engineering from the University of Madras in 1973 and has completed a Financial Management Programme from Harvard Business School, Cambridge, USA in 2001. He has over 32 years of experience in the power, oil and natural gas sectors with reputed companies in India and overseas. He has worked in senior management positions with electrical utility companies and worked as the chief executive officer of an oil and gas drilling company in the Middle East. He served as the vice president and regional business head for PSEG Global Incorporated; an affiliate of Public Service Electric and Gas, New Jersey, U.S.A. responsible for India and Middle East for development and investment in large thermal electric generation projects. He received the Indira Gandhi Priyadarshini Award for the year 2002 in recognition of his notable contribution to the development of the Indian power sector. He is also on the board of directors of Vemagiri Power and GMR Energy. He currently heads the development of the GMR Groups Power Business.

Mr. Arun K Thiagarajan, 61, Director, has done his masters in electrical engineering from the Royal Institute of Technology, Sweden. He has also obtained a management degree from Sweden and has done an advanced management program from Harvard Business School (USA). He has held many senior positions in various global companies including as President & Country General Manager – Hewlett-Packard India Limited, Vice Chairman- Wipro Limited and Managing Director- Asea Brown Boveri Limited. He has been associated with the GMR Group since 2004 and is currently also a director of GMR Energy. He is also on the board of several other companies.

Mr. K.R.Ramamoorthy, 65, Director, is a senior banker, with over 40 years of commercial and banking experience in India. He served as the chairman and managing director of Corporation Bank and Vysya Bank. He is currently the non executive chairman of ING Vysya Bank and is acting as a consultant for various commercial banks in India and other developing countries. He is also on the board of GMR Power and GMR Ambala-Chandigarh.

Mr. Luis Miranda, 44, Director, is an M.Com, ACA and MBA from Chicago University having about 11 years of experience in the banking industry and 6 years in the private equity industry. Currently, he is serving as president and chief executive officer of IDFC Private Equity Company Limited. He previously worked for Citibank, HSBC, HDFC Bank and Chrys Capital. He has been associated with the GMR Group since 2004.

Dr. Prakash G. Apte, 58, Director, holds a doctorate degree in economics from Columbia University. He also holds a post graduate diploma in management from the Indian Institute of Management, Kolkata and B.Tech. (Mechanical Engineering) from Indian Institute of Technology, Mumbai. He has taught Economics at the Vassar College, Poughkeepsie, USA, and Columbia University. He was a consultant at Edison Electric Institute, New York and a project manager at Centron Industrial Alliance, Mumbai. He has published four books and several articles in academic journals and professional media. He has served on expert committees appointed by NSE and SEBI and is a consultant to several leading organizations in Government, public and private sectors. He has also been a visiting faculty at the Katholieke Universiteit Leuven, Belgium. Currently, he is the director and UTI chair professor at the Indian Institute of Management, Bangalore.

Mr. R.S.S.L.N.Bhaskarudu, 65, Director, is an electrical engineer from College of Engineering, Kakinada, Andhra University. He has over 43 years of experience with proven track record of management and leadership skills. He has served 21½ years at Bharat Heavy Electricals Limited (BHEL). During his tenure in BHEL he was involved in the development and production of large size equipment for power projects all over the country. He has also worked for over 16 years with Maruti Udyog Limited (MUL), the largest car manufacturing company in India. He held the post of Managing Director of MUL and contributed for its good performance and achievements. He has also served as a member/chairman of the Public Enterprises Selection Board of the Government of India.

Mr. T. R. Prasad, 64, Director, is an Indian Administrative Service (IAS) Officer of the 1963 batch. He was also a Cabinet Secretary, Government of India from the year 2000 and a Member 12th Finance Commission. Prior to that he has served as the Defence Secretary, Government of India, Secretary, Industrial Policy and Promotion, Ministry of Industry, Chairman, Foreign Investment Promotion Board, Heavy Industry and Chairman, Maruti Udyog Limited. He has also been a director of IDBI, EXIM Bank, Vizag Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India.

Mr. Udaya Holla, 55, Director, is a lawyer by profession and presently the Advocate General of the State of Karnataka. His main areas of specialization are corporate laws, mergers and acquisitions, foreign collaborations and joint ventures, FEMA and other legal matters and has been practicing law for more than 33 years. Mr. Udaya Holla has been associated with GMR Group since 2003 and is currently also serving as director of Vemagiri Power, GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli. He is recently appointed as the Advocate General of the States of Karnataka.

Mr. Uday M. Chitale, 56, Director, is a practicing Chartered Accountant. He is the senior partner of M.P. Chitale & Co, Chartered Accountants, Mumbai and is part of the global network of consulting & accounting firms, DKF International with headquarters in UK and affiliates in over 65 countries. He has been associated with the GMR Group since 2004 and at present is serving as director of Vemagiri Power. He is director of many other companies including ICICI Securities Limited. He was also a member of many expert committees set up by the Government of India, Insurance Regulatory & Development Authority, Reserve Bank of India, SEBI and professional bodies (Institute of Chartered Accountants of India, Bombay Chartered Accountants Society). He has been conferred accreditation as 'Certified Mediator' by the Centre for Dispute Resolution (CDR), London, UK.

Note: The Company has been granted permission by Government of India for appointment of maximum up to 15 Directors vide letter no. No. 4/ 10/2005-CL. VII dated March 6, 2006, which is to be given effect to within a period of one year from the date of grant

In accordance with our Articles of Association, the Board can appoint an alternate director pursuant to the provisions of the Companies Act.

Borrowing Powers of Directors

Vide an ordinary resolution approved at the extraordinary general meeting of the shareholders held on May 20, 2006, the current borrowing powers of the Board pursuant to Section 293(1)(a) and Section 293(1)(d) of the Companies Act is Rs. 50 billion or the aggregate amount of paid up capital and free reserve, whichever is higher.

Appointment of Our Directors

Mr. G.M. Rao has been appointed as Chairman and Managing Director of the Company for a period of 5 years with effect from September 2, 2005.

Mr. Srinivas Bommidala, Mr. B.V. N. Rao, Mr. G.B.S. Raju, Mr. G. Kiran Kumar and Mr. K. Balasubramanian have been appointed as Directors liable to retire by rotation.

Mr. Arun K. Thiagarajan, Mr. K.R. Ramamoorthy, Dr. Prakash G. Apte, Mr. R.S.S.L.N Bhaskarudu, Mr. Udaya Holla and Mr. Uday M. Chitale were appointed as additional Directors with effect from September 2, 2005 at the meeting of the Board held on the same date and shall hold office till the date of the next Annual General Meeting.

Pursuant to the permission of the Government of India dated March 6, 2006 to appoint up to 15 Directors, Mr. T.R. Prasad and Mr. Luis Miranda were appointed as additional directors with effect from April 14, 2006 at the meeting of the Board held on the same date and shall hold office till the date of the next Annual General Meeting.

Mr. P.B.Vanchi was appointed as additional director with effect from May 13, 2006 at the meeting of the Board held on the same date and shall hold office till the date of the next Annual General Meeting. As on date the Company has 15 directors on its Board of Directors subsequent to the appointment of Mr. Luis Miranda, Mr. T.R. Prasad and Mr. P.B. Vanchi.

Compensation of Directors

Except for sitting fees paid to the Non-Executive Non- Promoter Directors as set out below, the Company does not pay remuneration to any of its Directors.

Sitting Fees

In the Board meeting held on September 2, 2005, it was resolved to pay the following sitting fees to our Non-Executive Directors:

Sl.No	Meeting of Directors	Fees Payable (in Rupees)
1.	Board Meeting	Rs. 20,000
2.	Committee Meeting	Rs. 10,000

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We are in compliance with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the investor grievances committee. We have also adopted the Corporate Governance Code in accordance with Clause 49 (as applicable) of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Audit Committee

The Audit Committee was constituted on August 28, 2001 and was re-constituted as per the requirements under the listing agreement by our Directors vide their Board meeting held on September 2, 2005. The Audit Committee currently consists of :

1. Mr. K. R. Ramamoorthy, Chairman
2. Mr. Arun K. Thiagarajan
3. Mr. Uday M. Chitale
4. Mr. Udaya Holla

The terms of reference of the audit committee are as follows:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing the annual financial statements before submission to the board, focusing primarily on;
   - Any changes in accounting policies and practices.
   - Major accounting entries based on exercise of judgment by management.
   - Qualifications in draft audit report.
   - Significant adjustments arising out of audit.
   - The going concern assumption.
   - Compliance with accounting standards.
   - Compliance with stock exchange and legal requirements concerning financial statements
   - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors any significant findings and follow up there on.

g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

h. Discussion with external auditors before the audit commences on the nature and scope of audit as well as having post-audit discussion to ascertain any area of concern.

i. Reviewing the Company's financial and risk management policies.

j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Remuneration Committee

The Remuneration Committee was constituted by our Directors vide their Board meeting held on September 2, 2005. The Remuneration Committee currently consists of :

1. Mr. K. R. Ramamoorthy, Chairman
2. Mr. G.M. Rao
3. Mr. K. Balasubramanian
4. Dr. Prakash G. Apte
5. Mr. Udaya Holla

The terms of reference of the Remuneration Committee are given below:

a. Meetings of the committee shall be held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to executive /non executive Directors is to be made.

b. Payment of remuneration shall be approved by a resolution passed by Remuneration Committee.

c. All information about the Directors /Managing Directors /Whole time Directors i.e., background details, past remuneration, recognition or awards, job profile shall be considered and disclosed to shareholders

d. The committee shall take into consideration and ensure the compliance of provisions under Schedule XIII of the Companies Act, 1956, for appointing and fixing remuneration of managing directors /whole time directors.

e. While approving the remuneration, the committee shall take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee

f. The committee shall be in position to bring about objectivity in determining the remuneration package while striking the balance between the interest of the company and the shareholders.

g. Specific disclosures on the remuneration of directors shall be made in the section on the corporate governance of the annual report.

Shareholders Transfer & Grievances Committee

The Shareholders Transfer & Grievances Committee was constituted as the Shareholders Grievance Committee by the Directors in their Board meeting held on September 2, 2005. Subsequently name of the committee was changed to the Shareholders Transfer & Grievances Committee by the Directors in their meeting held on February 2, 2006. The committee currently consists of :

1. Mr. Udaya Holla, Chairman
2. Mr. B.V.N. Rao
3. Mr. G.B.S. Raju
4. Mr. K. R. Ramamoorthy

The terms of reference of the Shareholders Transfer & Grievances Committee were approved at the meeting of the Board held on February 2, 2006 and are as follows:

- Allotment of all types of securities to be issued by the Company
- Transfer, transposition and transmission of securities.
- Issuance of duplicate shares or other securities,
- Dealing with complaints about non-receipt of declared dividend, non-receipt of Annual Reports etc.
- Investigate into investors' complaints and take necessary steps for redressal thereof
- To perform all functions relating to the interests of Shareholders/ Investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements with Stock Exchanges and Guidelines issued by SEBI or any other Regulatory Authority
- Authorize Company Secretary or other persons to take necessary action on the above matters
- Appointment and fixation of remuneration to Registrar and Share transfer Agent and Depositories and to review their performance.

Shareholding of our Directors

Our Articles of Association do not require our Directors to hold any qualifying Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder.

Sl. No.	Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)^
1	Mr. G. M. Rao	333	333
2	Mr. Srinivas Bommidala*	20,166	20,166
3	Mr. G. B.S. Raju*	20,166	20,166
4	Mr. G. Kiran Kumar*	20,166	20,166
5	Mr. B. V. N. Rao	10,000	[●]
6	Mr. K. Balasubramanian	10,000	[●]
7	Mr. P.B.Vanchi	-	[●]
8	Mr. Arun K Thiagarajan	3,000	[●]
9	Mr. K.R. Ramamoorthy	-	[●]
10	Mr. Luis Miranda	-	[●]

Sl. No.	Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)^
11	Dr. Prakash G. Apte	3,000	[●]
12	Mr. R.S.S.L.N. Bhaskarudu	-	[●]
13	Mr. T.R. Prasad	-	[●]
14	Mr. Udaya Holla	-	[●]
15	Mr. Uday M. Chitale**	3,000	[●]
	TOTAL	**89,831**	[●]

^ *To be inserted later. Except Promoter Directors, Mr. G.M.Rao, Mr. Srinivas Bommidala, Mr. G.B.S.Raju and Mr. G. Kiran Kumar, the other Directors on the Board of the Company are entitled to apply for additional shares in the reservation portion for Eligible Employees.*

* *Out of the total shareholding disclosed, 20,000 shares are held in the name of the respective HUF.*

*** Shares owned as joint owner*

Interest of Promoters, Directors and significant shareholders

Except as stated in the section titled "Related Party Transactions" on page 166 of this Red Herring Prospectus and to the extent of their shareholding in our Company, our Promoters do not have any other interest in our business.

Pursuant to the Shareholders Agreement dated April 20, 2006 between GMR Holdings, India Development Fund ("IDF"), Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju, Mr. G. Kiran Kumar, GEL and the Company, IDF has been granted certain rights which have been incorporated in the Articles of Association. However, these rights cease to exist once the Equity Shares have been listed.

For additional information, please refer to the section titled "Main Provisions of Articles of Association of GMR Infrastructure Limited" on page 391 of this Red Herring Prospectus.

The Directors of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, or funds controlled by them, if any.

Except as stated in the section titled "Related Party Transaction" on page 166 of Red Herring Prospectus, we have not entered into any contract, agreement or arrangement in relation to any property acquired by the Company or otherwise, during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

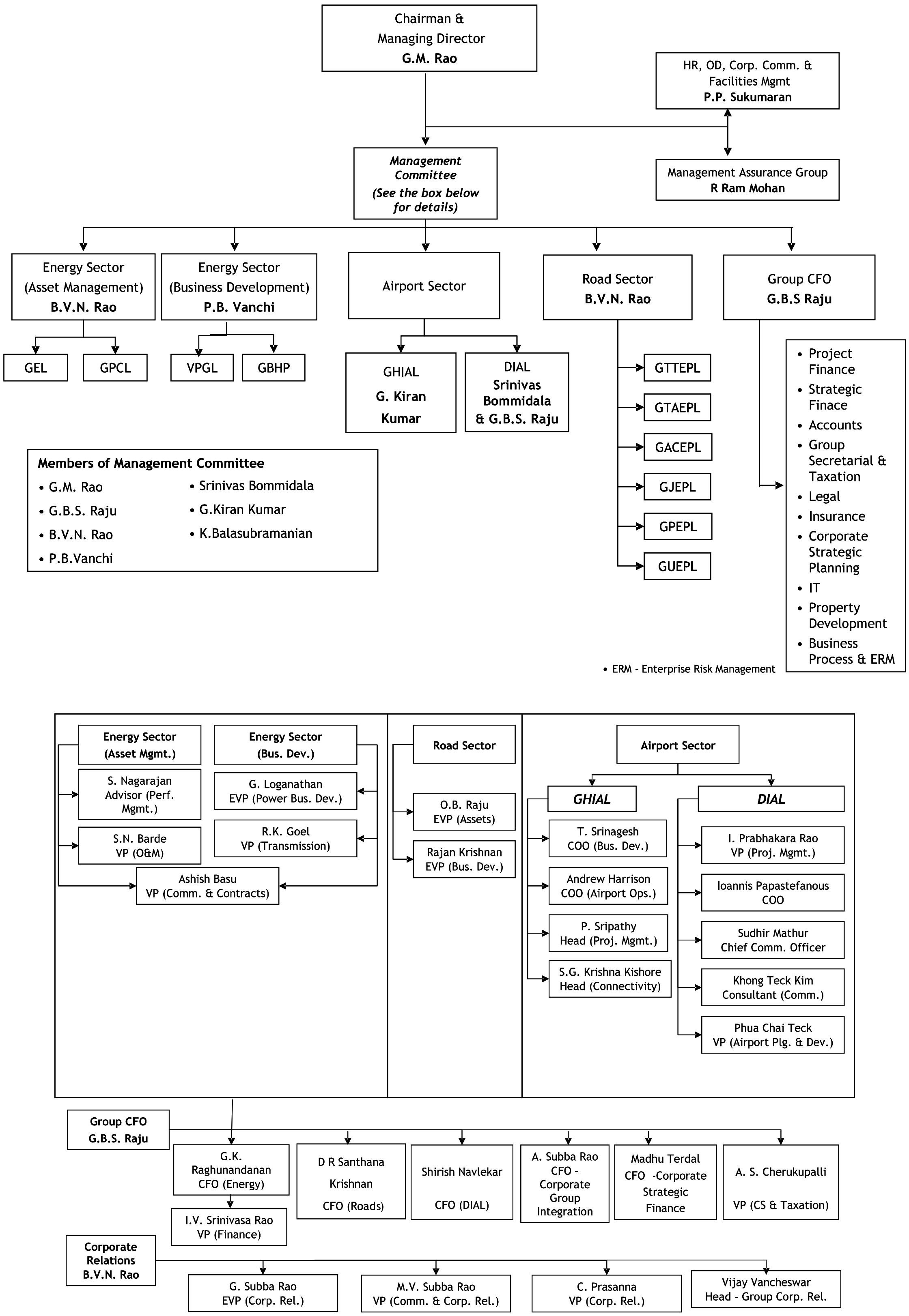
Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

Changes to our Board of Directors during the last 3 years

Name	Date of Appointment	Date of Cessation	Reason
Mr. K. Balasubramanian	September 14, 2004	Continuing	-
Mr. K.V.K. Seshavataram	September 2, 2004	August 25, 2005	Resignation
Mr. Udaya Holla	September 2, 2005	Continuing	-
Mr. Prakash G. Apte	September 2, 2005	Continuing	-
Mr. K. R. Ramamoorthy	September 2, 2005	Continuing	-
Mr. Uday M. Chitale	September 2, 2005	Continuing	-
Mr. Arun K. Thiagarajan	September 2, 2005	Continuing	-
Mr. R.S.S.L.N Bhaskarudu	September 2, 2005	Continuing	-
Mr. Luis Miranda	April 14, 2006	Continuing	-
Mr. T R Prasad	April 14, 2006	Continuing	-
Mr. P B Vanchi	May 13, 2006	Continuing	-

Management Organisation Structure

The organisation structure of the senior management is presented below:



Shared Services Arrangement

With a view to effectively managing the existing operating assets and business growth, the GMR Group has constituted the Management Committee (MC), Business Sector and 'Shared Services Group' (SSG), which is the core management team for the infrastructure business.

The MC is headed by Mr. G.M. Rao and is the primary decision making body of the Company and is responsible for ensuring continued shareholder value.

The Business Sector heads are responsible for the profitable growth of the defined business portfolio and create customer and shareholder value. Each Sector Head will form a Business Steering Committee (BSC) for their specific businesses to formulate the business plan and broad base leadership.

The GMR Group benefits from this shared services arrangement by concentrating the collective knowledge pool into a central management group:

- Instead of replicating expertise of various sectors in each of the group companies, it becomes possible to exploit synergies by pooling the expertise into a single group that provides services as required by the GMR Group. This results in a lower cost of management and efficiently utilizes the experience gained.
- It provides a single point of contact for business partners, lenders, investors etc involved with different Group companies, thus streamlining the relationships with outside parties and providing for smoother operation, faster communications and quicker decision making.
- It helps to standardize the procedures, documentation, systems and processes and management practices across Group companies.
- In future, having a common knowledge pool could make it possible to spin off the SSG and operate it as a management consulting business, providing advisory services to third parties.

GMR Group's human resource initiatives

We are guided by the following values and beliefs, which are central to our institutional building and helps us meet business challenges by using appropriate strategic tools and techniques:

Humility
We value intellectual modesty and dislike false pride and arrogance

Entrepreneurship
We seek opportunities – they are everywhere

Teamwork and relationships
Going beyond the individual – encouraging boundary less behaviour

Deliver the promise
We value a deep sense of responsibility and self discipline, to meet and surpass on commitments made

Learning
Nurturing active curiosity – to question, share, and improve

Social responsibility
Anticipating and meeting relevant and emerging needs of society

Respect for individual

We will treat others with dignity, sensitivity and honour

Since human resource assets are critical to the growth of the Company, we have defined values and beliefs, employee involvement programs, incentive programs, robust performance management and feedback processes, above par compensation, training and development and employees' policies such as whistle blower and sexual harassment policies.

Our strategic initiatives are linked to each employees Balanced Score Card (BSC) and integrated through the Performance Management System. The broad strategic initiatives of the group are assigned as specific goals to each of the business heads and further specified as goals, which are quantifiable and measurable, to various functions and departments, and then finally to individual employees and teams.

We are in the process of implementing the People Capability Maturity Model® (PCMM). PCMM is a system of human resource practices which are developed by increasing alignment with the business objectives, performance and the changing business needs of the organisation. We have obtained Level 2 certification by an external auditor and aim to obtain Level 5 certification by 2008. The PCMM policies are available on the company's Intranet for easy accessibility to the employees.

Key quality and process initiatives of the Company, including ISO 9000, Six Sigma, 5S enable the employees to understand and practice better quality standards to improve the business and work processes and to eliminate causes of errors and defects. 19 Six Sigma projects are under implementation across the GMR group's businesses. Various individual, team and spot awards and other competitions are in place to sustain and institutionalize the workforce practices, quality and process initiatives and also to energize the employees. In addition, regular training and development programs are conducted in-house for employees. Employees are also provided opportunities to attend national and international conferences periodically to develop their managerial skills and the domain knowledge of Group's businesses.

Key Managerial Personnel of our Company

Mr. G. M. Rao, 56, Chairman and Managing Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 151 of this Red Herring Prospectus.

Mr. Srinivas Bommidala, 42, Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 151 of this Red Herring Prospectus.

Mr. G. B. S. Raju, 31, Group Chief Financial Officer of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 151 of this Red Herring Prospectus.

Mr. G. Kiran Kumar, 30, Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 151 of this Red Herring Prospectus.

Mr. B. V. N. Rao, 51, Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 152 of this Red Herring Prospectus.

Mr. K. Balasubramanian, 62, Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 152 of this Red Herring Prospectus.

Mr. P. B. Vanchi, 54, Director of the Company. For more details refer to subsection titled "Brief Biography of our Directors" on page 152 of this Red Herring Prospectus.

Presently, the above persons are not receiving any remuneration from the Company for services rendered by them.

Mr. A. S. Cherukupalli, 52, Company Secretary and Compliance Officer– Group Secretarial and Taxation Services, joined the GMR Group in 1996. He is a fellow member of the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. He has 27 years of work experience and has worked with Steel Authority of India Limited, Coromandel Fertilizers Limited, ARM Limited, GMR Industries Limited, Jasper Industries Limited, Hindustan Magnetics Limited, Hindustan Fluorocarbons Limited and SIRIS Group of Companies, before joining our Company. He is currently the Company Secretary and Compliance Officer of our Company. His remuneration for the year ended March 31, 2006 was Rs. 2,76,116 (for the period February 2006 to March 2006), prior to February 2006, he was an employee of GMR Energy Limited.

Key Managerial Personnel of Subsidiaries

CORPORATE

Mr. P. P Sukumaran, 51, President - Organisation Development and Total Quality Management, joined the GMR Group in June 2004. He obtained a masters degree in social work in 1976. He has 28 years of work experience and was working with Lalitha Mahal Palace, Bank of Baroda, TVS Engineering, Carborundum Universal and Murugappa Group, before joining us. He is currently responsible for organisation development and quality management for the GMR Group.

Mr. R. Ram Mohan, 52, Senior Vice President – Management Assurance Group joined us in June 1997. He is currently a director on the Board of GMR Power. He qualified as a Chartered Accountant from ICAI in November 1976 and obtained a Post Graduate Diploma in Management from IIM, Calcutta in 1981. He has 27 years of work experience and has worked with several large business houses like Unilever Group, UB Group, Harrisons Malayalam Limited, TNT Express Worldwide (India) Private Limited and Alcatel Business Systems (India) Private Limited before joining us.

Mr. Madhu Terdal, 51, Chief Financial Officer- Corporate Strategic Finance, joined us in February 2000. He passed his Post-Graduation in Economics from Karnataka University in the year 1981, CAIIB from Indian Institute of Bankers in 1981 and DBM from Indian Institute of Bankers in 1984. He has 31 years of work experience and has worked amongst others with Canara Bank, Canara Bank Financial Services Limited (Canfin), Vysya Bank Limited, Bangalore (Special Officer) before joining us. He has specialized experience in the fields of corporate finance, banking and investment banking.

Mr. A. Subba Rao, 46, Chief Financial Officer – Corporate Group Integration joined us in December 1999. He qualified as a chartered accountant in 1986. He is also Director on the Board of GMR Industries, GMR Holdings, GMR Projects, GVL Investments and Ideaspace. He has 20 years of work experience and has worked with Kotak Mahindra Finance Limited, ITW Signode India Ltd and Sudit K. Parekh & Co. before joining us.

Mr. G. Subba Rao, 55, Executive Vice President – Corporate Relations, joined us in August, 2000. He is currently a director on the board of Delhi International Airport. He is a qualified Chartered Accountant. He has 23 years of work experience in Vysya Bank and Andhra Bank. He is currently responsible for corporate relations for the GMR Group.

Mr. M.V. Subba Rao, 58, Vice President- Corporate Relations, joined us in May, 1992. He is a mechanical engineer and has a masters degree in business administration. He has 34 years of work experience. Prior to joining us he worked with Andhra Bank. He is currently responsible for corporate relations for the GMR Group.

Mr. C. Prasanna, 46, Vice President – Corporate Relations, joined us in January 1994. He has completed his masters in business administration from Wagner College, New York in 1984. He has 21 years of work experience and has worked with Nagarjuna Fertilizers and Chemicals before joining the GMR Group. He is currently responsible for corporate relations for the GMR Group.

Mr. Vijay Vancheswar, 50, Head – Group Corporate Communications, has joined us on June 28, 2006, as Head - Group Corporate Communications. He has done his BE in Metallurgy, M Tech (Management & Systems) and PhD (TQM). He has over 25 years of experience in R K Swamy Advertising Associates; Best and Crompton Engineering and Nagarjuna Fertilizers and Chemicals Ltd, Apollo Tyres, ABB, Dabhol Power Company, Indo Rama Synthetics (I) Ltd, and DLF Universal Limited.

POWER BUSINESS

Mr. R. K. Goel, 60, Vice President – Transmission joined us in February, 2006. He is a mechanical engineer from BITS, Pilani and has over 39 years of experience in the electrical transmission industry. He has worked with MAN Industries, TE Steels and prior to joining the GMR Group, he was the Vice President (Distribution Projects) at Kalpataru Power Transmission Limited.

Mr. G. Loganathan, 55, Executive Vice President - Power Business Development joined us in April, 2006. He is a mechanical engineer with 34 years of work experience. He worked for the Kuwait government, Saudi Saline Water Conversion Corporation, PSEG SPIC, Engineers India and Enron. Prior to joining the GMR Group, he worked for Ispat Industries as Senior Vice President (Power Projects). He is currently responsible for business development in the Power Business.s

Mr. S. Nagarajan, 58, Advisor in Technical Department, Energy Business, joined us in December 1998. He is also a director on the board of GMR Operations. In 1968 he obtained a post graduate degree in Instrumentation Technology from Madras Institute of Technology. He has 35 years of work experience and has worked with NTPC and SAIL before joining us. He is currently responsible for the technical department of the Power Business.

Mr. G.K. Raghunandanan, 50, Chief Financial Officer – Energy Sector, joined us in April 2002. He has been a qualified Chartered Accountant since 1980. He has 25 years of work experience and was working with PSEG India Private Limited, Frito Lay (Saudi Arabia), Pepsi Co (India), Chemplast Sanmar, Sanmar Properties and Investments Limited, Metkem Silicon Limited, MOORCO (India) Limited, Falcon Tyres India Limited, Suhil and Saud Bahwan, Oman and R.G.N. Price & Co. before joining us.

Mr. S.N. Barde, 49, Vice President (Operations & Management), joined us in July, 2004. He is a Mechanical Engineer with 28 years of experience. He worked in Korba Super Thermal Power, Dadri Power Station of NTPC and Reliance Energy Limited prior to joining us. He is currently responsible for operations and maintenance of power assets.

Mr. Ashish Basu 44, Vice President – Commercial & Contracts, joined us in December 2001. He is a qualified chartered accountant with 22 years of experience. Prior to joining us, he worked with an RPG Group company – RPG-RR power Engineering Limited and other subsidiaries of CESC Limited for development of power project and coal mining project.

Mr. I.V. Srinivasa Rao, 53, Vice President – Finance, joined us in January, 1993. He has passed his LLB from Sagar University in 1975, Chartered Accountant from ICAI in 1980 and Company Secretary from Institute of Company Secretaries in 1981. He has 27 years of work experience and worked with Goldstar Group, Lumino Lamps, Sonar Caps & Lamps, Assam Petrochemical and Life Insurance Corporation of India, before joining us.

Mr. G K Ravindra, 48, joined us on June 16, 2006 as Head - Corporate HR (Energy, GIDL, Facilities Management). He has completed his BSc Honors (Chemistry) and Masters in Social Work. He has over 25 years of work experience in Amul, Indian Oil Corporation, Sun Pharmaceuticals, South Asian Tyres and Aditya Birla Group.

ROADS BUSINESS

Mr. O. Bangaru Raju, 49, Executive Vice President Road Sector, joined us in November 1991. He is also the managing director of GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli and director of GMR Ambala Chandigarh. He qualified as a chartered accountant in 1981. He has worked with Singareni Collieries Limited and Suryavanshi Spinning Mills Limited, before joining us.

Mr. Rajan Krishnan- 54, Executive Vice President Road Sector, joined us in August, 2005. He is also a Director of GMR Ambala Chandigarh. He is a Bachelor of Engineering (Civil) and Master of Science (Construction Engineering). He has 30 years of work experience and worked with the Housing and Development Board of Singapore before joining us.

Mr. D.R. Santhana Krishnan, 57, Chief Financial Officer – Road Sector, joined us in May 2006. He has done his B.Sc., PGDFT from University of Madras and is a qualified chartered accountant. He has over 30 years of experience. Before joining us, he has worked with Steel Authority of India Limited, Ashok Leyland Limited, Zambia Knitting Mills Limited, Birla Eastern Limited, Nimco and AI Darwish (Qatar).

AIRPORTS BUSINESS

Mr. T. Srinagesh, 49, Chief Operating Officer- Business Development Team - Hyderabad International Airport, joined us in May 2003. He is a chemical engineering graduate from the IIT, Chennai and a post-graduate from the IIM, Bangalore. He has 22 years of work experience and has worked with ABB Financial Services as Senior Vice President, NTPC and Indian Aluminium Company before joining us.

Mr. P. Sripathy, 53, Head of Project Management Team- Hyderabad International Airport, joined us in January 2006. He has done his B.Sc (Civil Engineering) Hons from University of Ceylon, in 1976 and is a Chartered Professional Engineer from Chartered Civil Engineers, UK and Professional Engineer from Singapore. He has 30 years of work experience and has worked with Land Transport Authority, Singapore and Mass Rapid Transport, Singapore before joining us.

Mr. Andrew Harrison, 39, Chief Operating Officer -Airport Operations, joined us in February 2006. He has completed his BA (Hons.) from Newcastle University, UK. He has 16 years of work experience and has worked with TBI Airports, UK and Service Air Gatwick before joining us.

Mr. S. Gopala Krishna Kishore, 43, Head, Connectivity, joined us in March 2006. He has done his BE (Electronics & Communications) from Andhra University in 1983 and M Tech (Computer Science) from IIT Mumbai in 1989 and in the same year joined IAS. He has also worked with CMC Ltd. Bangalore and as a scientist at the Naval Science and Technological Laboratories (NSTL), DRDO, Vishakapatnam..

Mr. Shirish M Navlekar, 46, Chief Financial Officer - Delhi International Airport, joined us in October 2001. He obtained an electrical engineering degree from Mumbai University in 1981 and his masters degree in management, from Jamnalal Bajaj Institute of Management Studies in 1987. He has 24 years work experience and was working with AEG Telefunken/NGER, General Electric, ICICI Limited, Coastal Power Company and Southern Energy Asia Pacific before joining us.

Mr. I. Prabhakara Rao, 46, Vice President – Project Development, joined us in April 1996. He passed his B.E in 1982 and his Masters in Engineering in 1985, from Andhra University. He has 22 years of work experience and worked with Durgapur Steel Plant, Hyderabad Engineering Industries Limited, Lakshmi Automatic Loom Works Limited, Regency Ceramics Limited and Prudhvi Industries Limited before joining us.

Mr. Phua Chai Teck, 43, Vice President – Airport Planning & Development, joined us in January 2006. He has completed his B.E. in Civil and his Master of Science in Transportation. He has 17 years of experience. He worked with Changi Airport Managers and Partners, New Toronto International Airport, Hamilton International Airport and Tacoma International Airport**.**

Mr. Khong Teck Kim, 59, Consultant – Commercial, joined us in March 2006. He did his M.Sc in Industrial Engineering and PGDBA. He has 30 years of experience and worked with Civil Aviation Authority, Singapore and Saudi General Authority of Civil Aviation.

Mr. Sudhir Mathur, 49, Chief – Commercial Officer, joined us in April 2006. He is has obtained a masters in business administration and has 21 years of work experience. He has earlier worked with Idea Cellular Limited, Ballarpur Industries Limited and Price Waterhouse.

Mr. Mohan M. Prasad, 49, Head – Corporate HR, joined us on May 10, 2006 in Delhi International Airport Limited. He has completed his Masters in Labour Studies from Mumbai. He has over 25 years of experience. He worked with Oberoi Group of Hotels, Welcomgroup Hotels, Vickers Systems and Chougule Company. He has joined us from GATI Limited, Hyderabad, where he held the post of Chief Human Resource Officer.

Mr. H. C. Sehgal, 48, Head – Corporate Legal, joined us on May 15, 2006. He has completed his B.Com (Hons) and LL.B from Delhi University. He has over 20 years of experience and worked with Ballarpur Industries Limited, Indo Gulf, DCM Ltd and DLF Universal Limited.

Mr. Ioannis Papastefanou, 57, Chief Operating Officer, joined us on June 22, 2006 in Delhi International Airport Limited. He has done his Diploma in Merchant Marine Academy, Diploma in 2nd Mate Of Greek Merchant navy, Sales Management Course and Certificate Of Training in Life Saving and Fire Fighting Equipment. Worked with AIA Athens International Aiport as Airport Duty Officer, Theassaloniki Airlines S.A as General Manager, KLM Royal Dutch Airlines, Prora Ltd., KLM Royal Dutch Airlines as Passenger Handling Employees and Officer of the Greek Merchant Navy.

In addition, **Mr. P. S. Nair,** 57, was engaged as Advisor in December 2005. He is a post graduate in political science and has 20 years of work experience in the airport sector. Prior to the engagement with us he worked as Airport Director (Executive Director Grade) Airports Authority of India.

Shareholding of Key Managerial Personnel in our Company

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. The following table details the shareholding of our key managerial personnel in their personal capacity and either as sole or first holder.

Except for as stated below the key managerial personnel of our Company currently do not hold any Equity Shares in our Company.

Sl. No.	Name of Key Managerial Personnel	Number of Equity Shares (Pre-Issue)
1	Mr. G.M. Rao	333
2	Mr. Srinivas Bommidala*	20166
3	Mr. G.B.S. Raju*	20,166
4	Mr. G. Kiran Kumar*	20,166
5	Mr. B. V. N. Rao	10,000
6	Mr. K. Balasubramanian	10,000
	Total	**80,831**

**Out of the shareholding disclosed, 20,000 shares are held in the name of the HUF of respective persons.*

Bonus or Profit Sharing Plan for Our Key Managerial Personnel

We do not have any bonus or profit sharing plan for the key managerial personnel of our Company.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

Except as stated in the section titled "Related Party Transaction" on page 166 of this Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in our Key Managerial Personnel of the Company and its Subsidiaries during the last three years

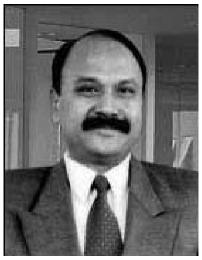
Name of the Employee	Position Held	Date of Joining	Date of Leaving	Reason
Financial Year 2003-04				
Mr. T Srinagesh	Chief Operating Officer	May 26, 2003	Continuing	Appointment
Mr. Bruce Alan Benjamin	Head- Project Management	March 22, 2004	June 19, 2006	Demise
Mr. P. Chakrapani	Vice President	April 23, 1997	September 30, 2003	Resignation
Mr. K. Ravishankar	Group CFO	October 16, 2002	May 31, 2003	Resignation
Financial Year 2004-05				
Mr. P.P Sukumaran	President- OD & TQM	June 21, 2004	Continuing	Appointment
Mr. S.N Barde	V.P (O&M)	July 2, 2004	Continuing	Appointment
Mr. P.B Vanchi	Head – Business Development (Energy)	April 1, 2004	Continuing	Appointment
Mr. Sunil Tandon	President	April 1, 2003	October 31, 2004	Resignation
Mr. V.K Madan Mohan	Advisor	April 2, 2002	December 28, 2004	Resignation
Financial Year 2005-06				
Mr. P. Sripathy	Head- Project Management Team	January 27, 2006	Continuing	Appointment
Mr. Andrew Harrison	Chief Operating Officer- Airport Operations	February 27, 2006	Continuing	Appointment
Mr. SGK Kishore	Head Connectivity	March 1, 2006	Continuing	Appointment

Name of the Employee	Position Held	Date of Joining	Date of Leaving	Reason
Mr. Rajan Krishnan	EVP (PM)	August 17, 2005	Continuing	Appointment
Mr. R.K Goel	Project Director- Transmission	February 20, 2006	Continuing	Appointment
Mr. Mohan Gurunath	Executive Vice President	March 1, 2005	December 3, 2005	Resignation
Mr. Phua Chai Teck	Vice President – AP & D	January 15, 2005	Continuing	Appointment
Mr. Khong Teck Kim	Consultant – Commercial	March 2, 2006	Continuing	Appointment
Financial Year 2006-07				
Mr. Pradeep Kumar Lanka	VP- BD	February 5, 2001	April 12, 2006	Resignation
Mr. G. Loganathan	EVP	April 3, 2006	Continuing	Appointment
Mr.Sudhir Mathur	Chief Commercial Officer	April 8, 2006	Continuing	Appointment
Mr. H.C. Sehgal	Head Corporate Legal	May 15, 2006	Continuing	Appointment
Mr. Mohan Prasad	Corporate Head – HR	May 10, 2006	Continuing	Appointment
Mr. D.R. Santhana Krishna	Chief Financial Officer	May 18, 2006	Continuing	Appointment
Mr. Ioannis Papastefanou	Chief Operating Officer	June 22, 2006	Continuing	Appointment
Mr.G K Ravindra	Head - Corporate HR (Energy, GIDL, Facilities Management)	June 16, 2006	Continuing	Appointment
Mr.Vijay Vancheswar	Head - Group Corporate Communications	June 28, 2006	Continuing	Appointment

None of our Directors and key managerial personnel of the Company, except Mr. G.M.Rao, Mr. Srinivas Bommidala, Mr. G.B.S.Raju and Mr. G.Kiran Kumar has any family relation between them. Except to the extent of nomination of directors by major shareholders by our Company there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any director or key managerial personnel was selected.

Promoters

Individual



Mr. G. M. Rao, 56, Chairman and Managing Director, is the promoter of our Company. He is a graduate in mechanical engineering from Andhra University. He is a distinguished industrialist and Founder Chairman of the GMR group of companies. Mr. Rao found the GMR group of companies with a small jute unit in 1977 and led the group's expansion into ferroalloys in 1983. Mr. Rao ventured into the finance sector when he bought a small stake in the Vysya Bank in 1985, where he played a key role in transforming it into a new generation bank and later in Insurance sector through a joint venture with ING to start the ING Vysya Life Insurance. In 1997, the group forayed into sugar, breweries and related industry. In 1998, he led the group's diversification into infrastructure development beginning with the investment in GMR Power.

Within less than a decade, the GMR Group has established a strong presence in the infrastructure development with focus on airports, roads and power sectors. Having identified infrastructure as key growth area for the group, Mr. G.M. Rao divested the group's investment in Vysya Bank to ING Group, in ING Vysya Life Insurance to Exide Industries and investment in breweries to United Breweries Group.

He was awarded the Doctorate in Philosophy in 2005 by the Jawaharlal Nehru Technological University, Hyderabad in recognition of his services to industry.

He is also the founder and Chairman of the GMR Varalakshmi Foundation, a philanthropic organization, active in supporting the needy and helping underprivileged sections of society, in the areas of education, hygiene and empowerment of the underprivileged people.

He does not hold a voter ID Number. His driving license Number is 11320/02. His PAN Number is AAUPG 5856C.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter will be submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with these Stock Exchanges.

Immediate Relatives of the Promoter, who currently hold Equity Shares in the Company include:

1. Mrs. G. Varalakshmi, wife of Mr. G. M. Rao
2. Mrs. B. Ramadevi, daughter of Mr. G. M. Rao
3. Mr. G.B.S. Raju, son of Mr. G. M. Rao
4. Mr. G. Kiran Kumar, son of Mr. G. M. Rao

The aforesaid persons also hold shares in some of the other group companies detailed in the section titled "Financial and Other Information of Group Companies" beginning on page 279 of this Red Herring Prospectus.

Except as mentioned in this Red Herring Prospectus, none of the relatives of Mr. G.M. Rao or Mrs. G. Varalakshmi hold any equity shares in the Company or GMR Holdings Private Limited or qualify as part of the promoter group in terms of Explanation II to Clause 6.8.3.2(m) of the SEBI DIP Guidelines.

Body Corporates

GMR Holdings Private Limited ("GMR Holdings")

GMR Holdings was originally incorporated as Rao Investments Private Limited on April 7, 1993 in Tamil Nadu. The promoter of GMR Holdings Private Limited is Mr. G.M. Rao. Pursuant to the scheme of amalgamation filed under Section 391 of the Companies Act, GMR Investments Private Limited, Vasavi Finance Private Limited, Varalakshmi Investments Private Limited and Vasavi Securities Limited were merged into Rao Investments Private Limited with effect from April 1, 2003. On February 23, 2005 the name was changed from Rao Investments Private Limited to GMR Holdings Private Limited. GMR Holdings is a core investment company as confirmed by letter No. DNBS,(Ch) No. 5243/C-51/13.10.01/2002-03 dated January 4, 2003 issued by the Reserve Bank of India. With effect from September 6, 2005 the company shifted its registered office to Skip House, 25/1 Museum Road, Bangalore 560 025.

We confirm that the Permanent Account Number(s), Bank Account Number(s), the Company Registration Number and the address of the Registrar of Companies, Karnataka of the Promoter, GMR Holdings will be submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with the Stock Exchanges.

Shareholding

The shareholding pattern of GMR Holdings as on June 30, 2006 is as under:

Sl No	Name of the Share Holder	No of Shares of Rs. 10 each	Percentage (%)
1	Mr. G.M. Rao	2,985,350	98.84
2	Mrs. G. Varalakshmi	12,868	0.43
3	Mr. G.B.S. Raju	1,622	0.05
4	Mr. G. Kiran Kumar	17,282	0.57
5	Mrs. B. Ramadevi	3,125	0.10
	Total	**3,020,247**	**100.00**

Board of Directors

The directors of GMR Holdings as on June 30, 2006 are as follows:

1. Mr. Srinivas Bommidala
2. Mr. G.B.S. Raju
3. Mr. G. Kiran Kumar
4. Mr. A. Subba Rao
5. Mr. A.S. Cherukupalli

Financial Performance

The operating results of GMR Holdings Private Limited (formerly Rao Investments Private Limited) as at and for the years ended March 31, 2005, 2004 and 2003 is set forth below:

(Rs. in million, except share data)

	Year ended March 31, 2005	Year ended March 31, 2004*	Year ended March 31, 2003
Total Income	113.01	138.08	522.54
Profit After Tax	25.69	(4.22)	442.43
Equity Capital	30.20	19.90	19.90
Suspense Capital	-	10.30	—
Reserves	1,282.09	1,256.41	451.26
Earnings per Share (Rs.)	8.50	(1.40)	222.30
Book Value per Share** (Rs.)	434.50	415.99	236.74

* *Due to merger of companies*

*** Book value per share as at March 31, 2004 is calculated considering the equity shares allotted subsequently against the suspense capital.*

There has been no change in the management of GMR Holdings or in the persons holding controlling interest in GMR Holdings. The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 is not applicable to GMR Holdings as it is a private unlisted company.

Related Party Transactions

For details please refer to the Annexure titled ‘Related Party Transactions’ in the section titled “Financial Statements” beginning on page 180 of this Red Herring Prospectus.

Exchange rates and currency of presentation

This Red Herring Prospectus contains translations of some Rupee amounts into US Dollars which should not be construed as a representation that those Rupee or US Dollar amounts could have been, or could be, converted into US Dollars or Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US Dollar could be exchanged at the noon buying rate given by the Federal Reserve Bank of New York. The rows titled average, low and high in the table below represent the average, the low and the high of the daily noon buying rate during the fiscal indicated or part period thereof.

Except as otherwise stated in this Red Herring Prospectus, US Dollar amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of the Clause 6.9.7.1 of the SEBI Guidelines. Investors are cautioned not to rely on such translated amounts.

	Year ended March 31, 2006	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**	**Year ended March 31, 2001**
Period End	44.48	43.62	43.40	47.53	48.83	46.85
Average	44.17	44.86	45.96	48.43	47.71	45.74
Low	43.05	43.27	43.40	47.53	46.58	43.63
High	46.26	46.45	47.46	49.07	48.91	47.47

Note: The Average, Low and High figures pertain to the respective fiscals

All amounts disclosed in this Red Herring Prospectus are in millions, except as disclosed in the section titled "Articles of Association of GMR Infrastructure Limited" on page 391 of this Red Herring Propectus.

For the sake of clarity, one (1) million is equivalent to ten (10) lakhs and ten (10) million is equivalent to one (1) crore.

Dividend policy

The declaration and payment of dividend will be recommended by our Board of Directors and approved by our shareholders at their discretion and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

The dividends declared by GMR Infrastructure Limited in respect of the five financial years ended March 31, 2006, 2005, 2004, 2003 and 2002 are as under:

(Rs. in million, except percentages)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Equity Dividend					
Equity Share Capital	2,644.4	1,586.62	1,586.62	1,586.62	586.62
Rate of dividend	-	-	-	2.5%	5%
Amount of dividend	-	-	-	16.17	29.33
Preference Dividend					
Preference Share Capital	-	-	185.00	185.00	185.00
Rate of dividend	-	13%	13%	13%	13%
Amount of dividend	-	15.48	24.05	24.05	3.69
Tax on dividend	-	2.02	3.08	2.07	-

Notes:

During the year ended March 31, 2002, dividend on 13% Preference Shares was declared on a pro-rata basis and during the year ended March 31, 2005, pro-rata dividend was declared on the 13% Preference Shares up to the date of redemption.

SECTION V : FINANCIAL STATEMENTS

Appendix I - Summary restated financial statements

Appendix II - Summary consolidated restated financial statements

Appendix III - Consolidated audited financial statements as per Indian GAAP

AUDITORS' REPORT

The Board of Directors
GMR Infrastructure Limited
Skip House
25/1, Museum Road
Bangalore 560025

Dear Sirs,

A. We have examined the books and account of GMR Infrastructure Limited ('GIL' or 'the Company') for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 (hereinafter referred to as 'five financial years ended March 31, 2006') being the last date to which the accounts of the Company have been made up. We have also examined the books and account of subsidiary Companies:

(i) GMR Energy Limited ('GEL') for the five financial years ended March 31, 2006;

(ii) GMR Power Corporation Private Limited ('GPCPL') for the five financial years ended March 31, 2006;

(iii) Vemagiri Power Generation Limited ('VPGL') for the two financial years ended June 30, 2002, period ended March 31, 2003, the three financial years ended March 31, 2006;

(iv) GMR Hyderabad International Airport Limited ('GHIAL') for the period ended March 31, 2004 and two financial years ended March 31, 2006; and

(v) GMR Ambala Chandigarh Expressways Private Limited ('GACEPL'), GMR Jadcherla Expressways Private Limited ('GJEPL') and GMR Pochanpalli Expressways Private Limited ('GPEPL') for the period ended March 31, 2006.

We have carried out the examination of the financial statements of GIL for the five financial years ended March 31, 2005, GEL for the three financial years ended March 31, 2003 and VPGL for the four financial years ended March 31, 2004 as per the instructions dated September 6, 2005 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares of the Company.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated September 6, 2005 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company,

we report that the profits of the Company for the above years are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the Accounting Policies and notes given below.

In accordance with para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of Subsidiary Companies included in Appendix I below:

(i) GHIAL for the period ended March 31, 2004 and for the two years ended March 31, 2006 as Annexure M of Appendix I;

(ii) GEL for the five financial years ended March 31, 2006 as Annexure N of Appendix I;

(iii) GPCPL for the five years ended March 31, 2005 as Annexure O of Appendix I;

(iv) VPGL for the two years ended June 30, 2002, period ended March 31, 2003, and three years ended March 31, 2006 as Annexure P of Appendix I;

(v) GACEPL, GJEPL and GPEPL for the period ended March 31, 2006 as Annexure Q, Annexure R and Annexure S of Appendix I respectively;

The relevant restated summary financial statements for these years have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

The relevant restated summary financial statements of the Company's subsidiaries have not been consolidated into the attached summary statements of the Company and are enclosed as Annexures M to O of Appendix I and Annexures M to S of Appendix II. The beneficial ownership of the Company, either through its own investments or together with subsidiaries, as at March 31, 2006 is as follows:

Company	**As at March 31, 2006**
GEL	84.90%
GHIAL	63.00%
GPCPL	43.30%
VPGL	84.90%
GACEPL	91.30%
GJEPL	59.49%
GPEPL	59.49%

Accordingly, the assets and liabilities and profit and loss as applicable, of such subsidiaries in the aforementioned financial statements to the extent of the beneficial interest, concern the members of the Company as at those dates.

B. **Other Financial Information**

We have examined the following information of the Company for the five years ended March 31, 2006 as included in Appendix I, proposed to be included in the Offer Document/Prospectus, approved by you and forwarded to us by you and annexed to this report:

(i) Statement of dividends declared enclosed as Annexure A of Appendix I;

(ii) Cash Flow Statement enclosed as Annexure B of Appendix I;

(iii) Related Party Transactions enclosed as Annexure C of Appendix I;

(iv) Details of items of Other Income enclosed as Annexure D of Appendix I;

(v) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure E of Appendix I;

(vi) Statement of Secured Loans and Unsecured Loans as at March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 enclosed as Annexure F of Appendix I;

(vii) Details of Sundry Debtors as at March 31, 2005 enclosed as Annexure G of Appendix I;

(viii) Details of Loans and Advances as at March 31, 2005 enclosed as Annexure H of Appendix I;

(ix) Aggregate book value and market value of quoted investments as at March 31, 2006 enclosed as Annexure I of Appendix I;

(x) Capitalisation statement as at March 31, 2006 of the Company enclosed as Annexure J of Appendix I;

(xi) Statement of tax shelter enclosed as Annexure K of Appendix I and

(xii) Segmental Information enclosed as Annexure L of Appendix I.

The preparation and presentation of the restated summary financial statements as mentioned in paragraph (A) above, based on the audited financial statements of the respective companies in accordance with the provisions of The Companies Act, 1956, and the financial information as mentioned in paragraph (B) above are the responsibility of the management of the Company and its subsidiaries.

In our opinion, the financial information of the Company as in Appendix I to this report, mentioned in paragraph (A) & (B) above, read with respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the India Companies Act, 1956. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if had been carried out in accordance with those standards.

P. Ramakrishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : July 3, 2006

APPENDIX I

GMR INFRASTRUCTURE LIMITED

I. Summary of restated Profit and Loss Account

(Rs. in millions)

		Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31,2002
I.	**Income**					
	Operating Income	574.39	529.22	1,252.91	803.82	235.09
	Other Income	38.48	33.97	101.74	2.57	8.28
		612.87	**563.19**	**1,354.65**	**806.39**	**243.37**
II.	**Expenditure**					
	Administration and Other Expenses	61.32	50.52	312.88	107.63	34.54
	Employee Remuneration and Benefits	12.29	3.74	51.71	45.79	18.78
	Finance Charges	182.01	254.39	410.16	241.38	84.67
	Depreciation	2.18	2.55	2.29	3.43	1.33
	Amortisation of Miscellaneous Expenditure	-	9.69	4.17	4.17	2.09
		257.80	**320.89**	**781.21**	**402.40**	**141.41**
III.	**Profit Before Taxation**	**355.07**	**242.30**	**573.44**	**403.99**	**101.96**
	Provision for Taxation					
	- Current	0.02	(0.14)	-	-	22.50
	- Deferred	(0.81)	(1.38)	(1.22)	1.91	-
	- Fringe benefit tax	0.41	-	-	-	-
IV.	**Profit After Taxation as per audited statement of accounts (A)**	**355.45**	**243.82**	**574.66**	**402.08**	**79.46**
	Adjustments on account of changes in accounting policies (Refer note III(ii)(1)(a))	-	9.69	4.17	4.17	2.09
	Impact on account of material adjustments and prior period items (Refer note III(ii)(1)(b))	(3.80)	0.66	(2.61)	(41.66)	(9.73)
	Total Adjustments	**(3.80)**	**10.35**	**1.56**	**(37.49)**	**(7.64)**
	Tax impact on adjustments	-	-	-	-	2.80
	Total adjustments net of tax impact (B)	**(3.80)**	**10.35**	**1.56**	**(37.49)**	**(4.84)**
V.	**Adjusted Profit/(Loss) (A+B)**	**351.65**	**254.17**	**576.22**	**364.59**	**74.62**
	Surplus / (Deficit) brought forward from Previous Year	346.59	664.92	238.26	3.87	(5.13)
VI.	**Profit Available for Appropriation**	**698.24**	**919.09**	**814.48**	**368.46**	**69.49**
	Debenture Redemption Reserve	37.50	370.00	7.50	7.50	7.50
	Transfer to Capital Redemption Reserve	-	185.00	-	-	-
	Special Reserve u/s 45 IC of RBI Act, 1934	-	-	114.93	80.41	25.10
	Preference Dividend	-	15.48	24.05	24.05	3.69
	Proposed Equity Dividend	-	-	-	16.17	29.33
	Tax on Dividend	-	2.02	3.08	2.07	-
	Issue of bonus shares	99.31	-	-	-	-
VII.	**Adjusted Available surplus/(deficit) carried to Balance Sheet**	**561.43**	**346.59**	**664.92**	**238.26**	**3.87**

Note: The accompanying significant accounting policies and notes are an integral part of this statement.

II. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I.	**Fixed Assets**					
	Gross Block	22.17	23.29	24.05	22.18	17.58
	Less : Depreciation	11.08	9.61	7.59	5.30	1.87
	Net Block	**11.09**	**13.68**	**16.46**	**16.88**	**15.71**
II.	**Investments**	4,337.38	4,378.50	3,673.02	6,397.70	1,052.16
III.	**Current Assets, Loans and Advances**					
	Sundry Debtors	0.28	10.41	444.18	64.17	463.62
	Cash and Bank Balances	22.85	1,134.78	224.33	87.68	368.90
	Other Current Assets	521.75	1.09	674.65	502.15	75.97
	Loans and Advances	1,598.71	856.49	652.95	165.30	317.09
	Total	**2,143.59**	**2,002.77**	**1,996.11**	**819.30**	**1,225.58**
IV.	**Less: Liabilities and Provisions**					
	Current Liabilities and Provisions	20.47	21.13	80.10	382.15	237.98
	Share Application Money	-	400.00	-	14.58	-
	Secured Loans	1,758.86	2,142.33	2,213.42	2,357.86	686.12
	Unsecured Loans	1,067.63	537.24	149.25	1,785.78	-
	Deferred Tax (Asset)/Liability (net)	1.80	2.61	2.85	2.65	0.77
	Total	**2,848.76**	**3,103.31**	**2,445.62**	**4,543.02**	**924.87**
V.	**Net Worth (I+II+III-IV)**	**3,643.30**	**3,291.64**	**3,239.97**	**2,690.86**	**1,368.58**
	Net Worth represented by:					
VI.	**Equity Share Capital**	2,644.37	1,586.62	1,586.62	1,586.62	586.62
VII.	**Preference Share Capital**	-	-	185.00	185.00	185.00
VIII.	**Reserves and Surplus**					
	Share Premium	-	552.99	552.99	552.99	552.99
	Debenture Redemption Reserve	437.50	400.00	30.00	22.50	15.00
	Capital Redemption Reserve	-	185.00	-	-	-
	Special Reserve u/s 45 IC of RBI Act, 1934	-	220.44	220.44	105.49	25.10
	Profit and Loss Account	561.43	346.59	664.92	238.26	3.87
	Total	**998.93**	**1,705.02**	**1,468.35**	**919.24**	**596.96**
IX.	**Net Worth(VI+VII+VIII)**	**3,643.30**	**3,291.64**	**3,239.97**	**2,690.86**	**1,368.58**

Note:

The accompanying significant accounting policies and notes are an integral part of this statement.

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

Revenue Recognition

The Company recognizes significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Dividends declared by subsidiary companies after the Balance Sheet date, are recognised as income in the year to which they relate if they are declared before the approval of the financial statements by the Board of Directors. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Investments

Long term investments are valued at cost unless there is a permanent diminution in their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Depreciation

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter.

Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognise funds such as Provident Fund charged against revenue each year. Liability for gratuity is funded through a scheme administered by an insurer. Provision for leave encashment is made based on accrual basis.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

Gains/losses, on investment in forward cover contracts, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant gain or loss, if any, is charged to the Profit and Loss Account.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any qualifying asset are recognised as expenses in the period in which they are incurred.

(ii) NOTES TO THE ACCOUNTS

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(Rs. in millions)

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Profit after tax as per audited financial statements – (A)	**355.45**	**243.82**	**574.66**	**402.08**	**79.46**
Adjustments on account of:					
I) Change in accounting policies					
a) Miscellaneous Expenditure [Note (a) below]	-	9.69	4.17	4.17	2.09
Tax impact on adjustments	**-**	**-**	**-**	**-**	**(0.76)**
Total Adjustments net of tax impact – (B)	**-**	**9.69**	**4.17**	**4.17**	**1.33**
II) Prior period items [Note (b) below]					
a) Prior period expenses	-	12.96	(20.21)	(15.37)	(9.73)
b) Prior period incomes	(3.80)	(12.30)	17.60	(26.29)	-
Sub total(3.80)	**0.66**	**(2.61)**	**(41.66)**	**(9.73)**	
Tax impact on adjustments [Note (c) below]	-	-	-	-	3.56
Total Adjustments net of tax impact – (C)	**-**	**0.66**	**(2.61)**	**(41.66)**	**(6.17)**
Total of Adjustments - Net of tax impact – (D) = (B+C)	**-**	**10.35**	**1.56**	**(37.49)**	**(4.84)**
Adjusted Profit (A+D)	**351.65**	**254.17**	**576.22**	**364.59**	**74.62**

Notes

a. During the year ended March 31, 2005, the Company has written off the balance of Miscellaneous Expenditure in accordance with the requirements of Accounting Standard 26, "Intangible assets". This being a change in the accounting policy of the Company, the same has been written off in the year in which it is incurred.

b. Restatements relating to prior period adjustments represent various expenses / income restated to the respective years to which they relate irrespective of the year in which the event triggering the profit/loss occurred. Prior period income of the year 2002-03 represents the dividend income adjusted to the cost of investments.

c. Restatements for the year ended March 31, 2001 have been carried forward in the opening reserves for the year ended March 31, 2002.

d. The tax rate applicable for the financial year ended March 31, 2005, has been used to calculate the notional tax impact of the adjustments.

2. Contingent Liabilities

(Rs. in millions)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Bank Guarantees Outstanding	5,615.60	95.00	756.50	756.50	220.00
Corporate Guarantees	1,578.92	1,229.10	444.90	6,115.10*	255.10
Income Tax matters	-	5.01	-	-	-

*A corporate guarantee had been given to the consortium lenders of the road projects undertaken by M/s GMR Tambaram Tindivanam Expressways Private Limited ('GTTEPL') and M/s GMR Tuni Anakapalli Expressways Private Limited ('GTAEPL') for any increase in cost overrun beyond the project cost (up to the date of commercial operations of GTTEPL and GTAEPL), any increase in operations and maintenance cost beyond the base cost and to cover any shortfall in the amount payable to National Highways Authority of India (NHAI) in respect of the facility in the event of termination due to borrowers default as per the terms of the concession agreement.

3. Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Uncalled liability in respect of partly paid-up shares	-	-	-	560.35	-
Estimated value of contracts remaining to be executed on capital account, not provided for (net of advances)	-	-	-	444.78	-
Investment in equity shares of a subsidiary company	1,023.36	-	-	-	-

4. During the year, the company had issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the company has utilized the balances lying in Share Premium, Capital redemption reserve, General Reserve and the Profit & loss account (to the extent required) for the purpose of the bonus issue.

5. The accounts for the financial year 2002-2003 were approved by the Board on July 23, 2003 with a proposed dividend of 5% on Equity shares and the same were duly audited by the statutory auditors vide their report dated July 23, 2003. However, shareholders in the Annual General Meeting held on September 30, 2003 have approved for the payment of dividend of 2.5% only. Hence, after incorporating this change in the financial statements, these were approved by the Board of Directors and a revised audit report dated September 30, 2003 was obtained on the financial statements.

6. Loans and advances include share application money given to subsidiary/group/other companies, pending allotment amounting to Rs. 1,530.04 millions as at March 31, 2006, Rs. 753.17 millions as at March 31, 2005, Rs. 193.95 millions as at March 31, 2004, Rs. 2.61 millions as at March 31, 2003 and Rs. 176.12 millions as at March 31, 2002.

7. The following Long Term Investments of the Company have been pledged as security towards loan facilities availed by the Company and certain subsidiary companies:
   a) 25,501 (2005, 2004, 2003 and 2002 – Nil) Equity shares of GMR Hyderabad International Airport Limited.
   b) 4,005,000 (2005, 2004, 2003 – 4,005,000 and 2002 - Nil) Preference Shares of GMR Tambaram–Tindivanam Expressways Private Limited.
   c) 100,000 (2005, 2004, 2003 – 100,000 and 2002 - Nil) Equity Shares of GMR Tambaram–Tindivanam Expressways Private Limited.
   d) 2,930,000 (2005, 2004, 2003 – 2,930,000 and 2002 - Nil) Preference Shares of GMR Tuni–Anakapalli Expressways Private Limited.
   e) 1,000,000 (2005, 2004, 2003 – 100,000 and 2002 - Nil) Equity Shares of GMR Tuni–Anakapalli Expressways Private Limited.
   f) 233,862,254 (2005 – 266,469,666; 2004 – 141,187,022; 2003 – 101,060,461; 2002 – 26,433,334) Equity Shares of GMR Energy Limited.
   g) Nil (2005 and 2004 – Nil, 2003 – 121,275,000; 2002 – 2,846,100) Equity Shares of GMR Power Corporation Private Limited.

8. During the year 2004-2005, the company had redeemed 1,850,000 fully paid up 13% Optionally Convertible Cumulative Preference Shares of Rs. 100/- each at par aggregating to Rs. 185.00 million. Accordingly Rs. 185.00 million was appropriated towards Capital Redemption Reserve out of the profits of the Company for that year.

9. During the year 2004-05, the Company has obtained an exemption from Reserve Bank of India for registration as a Non-Banking Financial Company under section 45-IA of the RBI Act, 1934 vide its letter dated January 11, 2005. Consequently, the Company has surrendered its registration certificate to the Reserve Bank of India.

10. The Company has entered into dollar denominated currency swap contracts during the years 2003-04 and 2004-05 for part of amounts borrowed and interest thereon. These swap contracts involve exchange of principal amounts aggregating to Rs. 450 millions and Rs. 650 millions as at March 31, 2004 and March 31, 2005 respectively.

11. Deferred Tax Liability (net) comprises of the following:

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Preliminary Expenses written off	0.21	0.28	0.35	0.41	0.48
Depreciation	(2.22)	(2.89)	(3.20)	(3.06)	(1.25)
Leave encashment	0.21	-	-	-	-
Total	**(1.80)**	**(2.61)**	**(2.85)**	**(2.65)**	**(0.77)**

Annexure A

STATEMENT OF DIVIDENDS DECLARED

The dividends declared by GMR Infrastructure Limited in respect of the five financial years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 are as under:

(Rs. in millions)

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Equity Dividend					
Equity Share Capital	2,644.37	1,586.62	1,586.62	1,586.62	586.62
Rate of dividend	-	-	-	2.5%	5%
Amount of dividend	-	-	-	16.17	29.33
Preference Dividend					
Preference Share Capital	-	-	185.00	185.00	185.00
Rate of dividend	-	13%	13%	13%	13%
Amount of dividend	-	15.48	24.05	24.05	3.69
Tax on dividend	-	2.02	3.08	2.07	-

Notes:

1. During the year ended March 31, 2002, dividend on 13% Preference Shares was declared on a pro-rata basis and during the year ended March 31, 2005, pro-rata dividend was declared on the 13% Preference Shares upto the date of redemption.

2. The Preference Share Capital amounting to Rs. 185.00 millions was redeemed during the year ended March 31, 2005 along with the dividend upto the date of redemption.

Annexure B

CASH FLOW STATEMENT PREPARED FROM THE RESTATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003 AND MARCH 31, 2002

(Rs. in millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit before Tax	**351.27**	**252.65**	**575.00**	**366.50**	**94.32**
Adjustments for:					
Loss on sale of fixed assets (net)	-	0.22	-	-	0.11
Loss on sale of investments (net)	(52.64)	(2.43)	(105.25)	(0.74)	(47.77)
Provision for diminution in value of investments	-	(11.35)	11.35	-	-
Provisions no longer required, written back	-	(25.33)	-	-	-
Gain on exchange fluctuation	-	(3.80)	(17.60)	-	-
Depreciation	2.18	2.55	2.29	3.43	1.33
Finance charges	182.01	237.16	409.34	225.51	84.07
Provision for doubtful advance	28.68	-	-	-	-
Fixed assets written off	0.74	-	-	-	-
Cash generated from operations before Working Capital Changes	**512.24**	**449.67**	**875.13**	**594.70**	**132.06**
Adjustments for :					
Changes in Trade and Other Receivables	(564.07)	864.15	(978.72)	190.00	62.15
Changes in Trade Payables	3.84	360.73	(320.56)	171.87	129.21
Cash generated from/(used in) Operations	**(47.99)**	**1,674.55**	**(424.15)**	**956.57**	**323.42**
Income Taxes paid (net)	59.51	43.64	(43.90)	(64.94)	(17.38)
Fringe benefit tax	(0.44)	-	-	-	-
Net Cash Flow from /(used in) Operating Activities	**11.08**	**1,718.19**	**(468.05)**	**891.63**	**306.04**
B. CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES					
Purchase of Fixed Assets	(0.32)	(0.01)	(1.87)	(4.60)	(8.70)
Sale of Fixed Assets	-	0.04	-	-	0.15
(Purchase)/Sale of Investments (net)	(683.14)	(691.70)	2,818.58	(5,344.81)	(183.22)
Net Cash from / (used in) Investing Activities	**(683.46)**	**(691.67)**	**2,816.71**	**(5,349.41)**	**(191.77)**

Annexure B (contd.)

(Rs. in millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from Issue of Shares/Share Application Money	-	-	-	1,000.00	185.00
Refund of Share Application Money	(400.00)	-	-	-	-
Redemption of Preference Shares	-	(185.00)	-	-	-
Proceeds/(Repayment) from/of Short Term borrowings (net)	530.39	388.00	(1,636.54)	1,785.78	(22.31)
Proceeds/(Repayment) from/of Long Term Borrowings (net)	(383.47)	(71.10)	(144.43)	1,671.74	185.93
Finance Charges Paid	(186.47)	(230.46)	(387.74)	(225.51)	(84.07)
Dividend Paid (including dividend distribution tax)	-	(17.51)	(43.30)	(55.45)	(11.53)
Net Cash from / (used in) Financing Activities	**(439.55)**	**(116.07)**	**(2,212.01)**	**4,176.56**	**253.02**
Net increase / (decrease) in Cash and Cash Equivalents	**(1,111.93)**	**910.45**	**136.65**	**(281.22)**	**367.29**
Cash and Cash Equivalents at the beginning of the year	**1,134.78**	**224.33**	**87.68**	**368.90**	**1.61**
Cash and Cash Equivalents at the end of the year	**22.85**	**1,134.78**	**224.33**	**87.68**	**368.90**

Note:

1. The above Cash Flow Statement has been prepared under the ‘Indirect Method’ as set out in the Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

Annexure C

DETAILS OF RELATED PARTY TRANSACTIONS FOR THE YEARS ENDED MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003, MARCH 31, 2002 AND MARCH 31, 2001

Names of the related parties and their relationship

I. Shareholders having substantial interest

Sl. No.	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	GMR Holdings Private Limited	GMR Holdings Private Limited (formerly Rao Investments Private Limited) - Holding Company	Rao Investments Private Limited	Rao Investments Private Limited	Rao Investments Private Limited
2	-	-	Varalakshmi Investments Private Limited*	Varalakshmi Investments Private Limited*	Varalakshmi Investments Private Limited*
3	-	-	Vasavi Finance Private Limited*	Vasavi Finance Private Limited*	Vasavi Finance Private Limited*
4	-	-	GMR Investments Private Limited*	GMR Investments Private Limited*	GMR Investments Private Limited*

* These companies were merged with GMR Holdings Private Limited (formerly Rao Investments Private Limited) with effect from April 1, 2003. Consequently, the company became a subsidiary of GMR Holdings Private Limited from that date.

II. Subsidiary Companies

Sl. No.	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	GMR Energy Limited	GMR Energy Limited	GMR Energy Limited	GMR Energy Limited (formerly Tanir Bavi Power Company Private Limited)	-
2	GMR Power Corporation Private Limited	GMR Power Corporation Private Limited	GMR Power Corporation Private Limited	GMR Power Corporation Private Limited	-
3	GMR Hyderabad International Airport Limited (formerly Hyderabad International Airport Limited)	Hyderabad International Airport Limited	Hyderabad International Airport Limited	-	-
4	Vemagiri Power Generation Limited	Vemagiri Power Generation Limited	Vemagiri Power Generation Limited	Vemagiri Power Generation Limited	Vemagiri Power Generation Limited
5	-	-	-	GMR Operations Private Limited	-
6	-	-	-	-	Ideaspace Solutions Limited
7	-	-	-	Quintant Services Limited	-
8	GMR Tambaram-Tindivanam Expressways Private Limited	GMR Tambaram-Tindivanam Expressways Private Limited	GMR Tambaram-Tindivanam Expressways Private Limited	GMR Tambaram-Tindivanam Expressways Private Limited	GMR Tambaram-Tindivanam Expressways Private Limited

Annexure C (contd.)

Sl. No.	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
9	GMR Tuni Anakapalli Expressways Private Limited	GMR Tuni Anakapalli Expressways Private Limited	GMR Tuni Anakapalli Expressways Private Limited	GMR Tuni Anakapalli Expressways Private Limited	GMR Tuni Anakapalli Expressways Private Limited
10	GMR Jadcherla Expressways Private Limited	-	-	-	-
11	GMR Pochanpalli Expressways Private Limited	-	-	-	-
12	GMR Ambala Chandigarh Expressways Private Limited	-	-	-	-

III. Enterprises where significant influence exists

Sl. No.	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	GMR Varalakshmi Foundation	GMR Varalakshmi Foundation	GMR Varalakshmi Foundation (formerly GMR Foundation)	GMR Foundation	GMR Foundation
2	-	-	-	GMR Ventures Private Limited	-
3	Gateways for India Airports Private Limited	Gateways for India Airports Private Limited	-	-	-
4	GMR Operations Private Limited (upto March 30, 2006)	GMR Operations Private Limited	GMR Operations Private Limited	-	-
5	Raxa Security Services Private Limited	-	-	-	-

IV. Key Management Personnel & Relatives

Sl. No.	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	Mr. G. M. Rao – Chairman cum Managing Director	Mr. G. M. Rao – Chairman	Mr. G. M. Rao – Chairman	Mr. G. M. Rao – Chairman	Mr. G. M. Rao – Chairman
2	-	-	-	Mr. G.B.S. Raju - Director	-
3	-	-	-	Mr. G. Kiran Kumar - Director	Mr. G. Kiran Kumar - Director
4	Mrs. G. Varalakshmi	-	-	-	-
5	Mrs. B. Rama Devi	-	-	-	-

Annexure C (contd.)

(Rs. in millions)

Nature of Transaction	Shareholders having Substantial interest					Subsidiary Companies					Enterprises where significant influence					Key Managerial Personnel				
	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Directors' Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.78	2.26
Manpower Deputation Charges	-	0.36	0.24	-	-	-	13.96	8.90	-	-	-	-	-	-	-	-	-	-		
Interest received	-	-	-	18.91	62.59	-	3.34	7.25	5.09	-	-	-	-	-	-	-	-	-		
Dividend received	-	-	-	-	-	521.70	442.90	892.40	492.30	-	-	-	-	-	-	-	-	-		
Rent received	-	-	-	0.24	-	0.07	2.19	2.40	1.90	0.90	-	0.90	-	-	-	-	-	-	-	
Purchase of services	-	-	-	-	-	-	-	-	-	-	0.72	-	-	-	-	-	-	-	-	-
Management Fee Received	-	-	-	-	-	-	-	97.36	35.00	-	-	-	-	-	5.83	-	-	-	-	-
Technical Fee Received	-	-	-	-	-	-	-	60.15	40.95	-	-	-	-	-	-	-	-	-	-	-
Collection Fee Received	-	-	-	-	-	-	-	92.84	122.73	-	-	-	-	-	-	-	-	-	-	-
Purchase of Shares	-	-	-	-	-			-	-	-	-	-	-	-	-	0.10	-	-	-	-
Share Application Money received	2,912.55	400.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Application Money refunded	3,312.55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in share application money	-	-	-	-	-	680.76	560.70	191.30	-	-	2,698.00	1. 00	-	-	-	-	-	-	-	-
Refund of share application money invested	-	-	-	-	-	-	-	-	-	-	2,525.36	-	-	-	-	-	-	-	-	-
Investments in Preference shares	-	-	-	-	-	-	296.70		-	-	-	-	-	-	-	-	-	-	-	-
Redemption of preference shares	-	-	-	-	-	-	-	-	-	-	205.10	-	-	-	-	-	-	-	-	-
Sale of Investments	-	-	-	-	-	0.002	-	2,365.60	-	-	-	-	-	-	-	0.003	-	-	-	-
Issue of Bonus Shares	1,057.74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.004	-	-	-	-
Unsecured Loans taken and repaid	1,205.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refund of loan	-	-	-	-	-	61.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Given and recovered	-	-	170.00	-	-	-	-	-	82.81	-	-	-	-	-	-	-	-	-	-	-
Transfer of Liability	-	-	-	-	-	-	-	-	5.19	-	-	-	-	-	-	-	-	-	-	-
Advance Given and recovered	-	-	-	705.90	-	-	-	-	20.00	-	-	-	-	-	-	-	-	-	-	-
Shared services	-	-	-	0.24	0.08	-	-	-	70.69	-	-	-	4.73	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	1.50	0.10	-	-	-	-	-	-	-	-	-	-
Guarantee Charges	-	-	-	-	-	-	-	-	32.10	-	-	-	-	-	-	-	-	-	-	-
Balances outstanding																				
Receivable	-	-	0.01	-	125.80	1,432.79	-	1,110.70	132.75	-	97.97	-	-	1.50	118.80	-	-	-	-	-
Payable	-	-	-	-	-	-	-	-	24.89	16.97	-	-	-	-	-	-	-	-	-	8.42

Notes:

1) Certain Key Management Personnel have extended personal guarantees for the loans taken by the Company.
2) The Company has provided securities by way of pledge of investments for loans taken by subsidiary companies.
3) Transactions and outstanding balances in the nature of reimbursement of expenses incurred by one company on behalf of the other have not been considered above.

Annexure D

DETAILS OF OTHER INCOME

Details of other income have not been furnished for the five years ended March 31, 2006 as in each of these years the other income is less than 20% of the profit before tax.

SUMMARY OF ACCOUNTING RATIOS *Annexure E*

Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
Earnings Per Share					
Basic - (Rs.)	1.33	0.89	2.08	1.99	0.43
Diluted – (Rs.)	1.33	0.89	2.04	1.93	0.43
Net Asset Value per share – (Rs.)	13.78	12.45	12.25	15.78	8.32
Return on Net Worth (%)	9.65	7.72	17.78	13.55	5.45
Weighted Average number of Equity shares outstanding during the year considered for Basic EPS and Net Asset Value per Share	264,436,814	264,436,814	264,436,814	170,464,211	164,436,814
Weighted Average number of Equity shares outstanding during the year considered for Diluted EPS	264,436,814	264,436,814	282,936,814	188,964,211	164,436,814

Formulae:

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit after Tax and before Extraordinary Items less Preference dividend}}{\text{Weighted Average Number of Equity Shares outstanding during the year}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net worth excluding Revaluation Reserve}}{\text{Weighted Average Number of Equity Shares outstanding during the year}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after Tax and before Extraordinary Items}}{\text{Net worth excluding Revaluation Reserve}}$$

Note: Net Worth = Equity Share Capital + Reserves & Surplus (Excluding revaluation reserve) – Miscellaneous Expenditure

Notes:

1. During the year ended March 31, 2006, the company has issued 105,774,709 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since the bonus issue is an issue without consideration, it has been treated as if it had occurred from the beginning of the year 2002, the earliest period reported, both for the purpose of computing EPS and Net Asset Value per Share.
2. During the year ended March 31, 2002, the company had issued Optionally Convertible Preference Shares amounting to Rs. 185.00 millions. These shares were subsequently redeemed during the financial year ended March 31, 2005. However, being optionally convertible, these preference shares have been considered for dilution, for the purposes of EPS calculation.
3. Share application money as on March 31, 2005 and March 31, 2003, which has been refunded subsequently have not been considered for calculation of diluted Earning Per Share.
4. The above ratios have been calculated based on restated financial statements.

Calculation of weighted average number of shares outstanding during the year

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Nominal value of equity shares – (Rs.)	10	10	10	10	10
Total number of equity shares outstanding at the beginning of the year – Rs. 10 per share paid up	158,662,091	158,662,091	158,662,091	58,662,091	58,662,091
Equity shares issued during the year on:					
- March 10, 2003 (Outstanding for 21 days)	-	-	100,000,000	-	-
Total equity shares at the end of the year	158,662,091	158,662,091	158,662,091	158,662,091	58,662,091
Bonus Equity Shares issued on September 30, 2005 (Refer Note 1 above)	105,774,723	105,774,723	105,774,723	105,774,723	105,774,723
Weighted Average number of Equity shares outstanding during the year – Considered for Basic EPS	**264,436,814**	**264,436,814**	**264,436,814**	**170,464,211**	**164,436,814**
Potential Equity Shares outstanding as at the Balance Sheet date - Convertible Preference Shares issued on (Refer Note 2 above)					
- January 8, 2002	-	-	12,000,000	12,000,000	-
- February 4, 2002	-	-	6,500,000	6,500,000	-
Weighted Average number of Equity shares outstanding during the year – Considered for Diluted EPS	**264,436,814**	**264,436,814**	**282,936,814**	**188,964,211**	**164,436,814**

Annexure F

STATEMENT OF SECURED LOANS

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Debentures :					
14% Secured Optionally Convertible Debentures. (These Debentures are optionally convertible into equity shares of the company between 24-30 months from the date of allotment or within six months from the date of listing after initial public issue, whichever is earlier are to be redeemed in four equal installments commencing from February 8, 2004). (Refer Note 1)-	-	-	-	-	500.00
10% Secured Redeemable Non Convertible Debentures (Previous years -14%) (These Debentures are to be redeemed in 20 equal quarterly installments from October 1, 2002). (Refer Note 2)	46.25	83.25	120.25	157.25	185.00
Interest accrued and due on above	-	-	-	-	0.38
9% (Previous years - 12%) Secured Redeemable Non Convertible Debentures (These Debentures are to be redeemed in 10 equal semi annual installments from December 1, 2003). (Refer Note 3)	300.00	420.00	540.00	600.00	-
10% Secured Redeemable Non Convertible Debentures(These Debentures are to be redeemed in 4 equal annual installments from January 8, 2005). (Refer Note 2)	60.00	90.00	-	-	-
10% Secured Redeemable Non Convertible Debentures (These Debentures are to be redeemed in 4 equal annual installments from February 4, 2005). (Refer Note 2)	32.50	48.75	-	-	-
7.9% Secured Redeemable Non Convertible Debentures(These Debentures are to be redeemed in 10 annual installments from September 30, 2005). (Refer Note 4)	1,100.00	1,250.00	-	-	-
Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each (These debentures bear interest at the rate of 8.71% per annum (7.9% upto September 30, 2005) (Refer Note 4)	220.00	250.00	-	-	-
Term Loan:					
From Housing and Urban Development Corporation Ltd. (Refer Note 5)	-	-	1,552.70	1,600.00	-
Hire Purchase Loan (Secured by hypothecation of vehicle)	0.11	0.33	0.47	0.61	0.74
Total	**1,758.86**	**2,142. 33**	**2,213.42**	**2,357.86**	**686.12**

1. Secured by first mortgage of all immovable properties of the company, ranking pari passu with the first charge already created by the company. Further, secured by first charge through hypothecation of all movable properties of the Company, both present and future and pledge of equity shares of the Company held by promoter shareholders and their associates.

Annexure F (contd.)

2. Secured, on *pari passu* basis, by the first charge through hypothecation of all movable and immovable properties of the Company, both present and future and pledge of equity shares of the Company held by promoter shareholders and their associates.
3. Secured, by the hypothecation of immovable property of the Company, pledge and by exclusive first charge on dividends to be declared / received by the company on 48,000,000 (2005 – 69,209,325) Equity Shares in GMR Energy Limited (earlier secured by all income, dividend, interests and other monies arising from the shares of GMR Power Corporation Private Limited (GPCPL) held by the company and all present and future receivables of the company from GPCPL in the form of Management Fees, Advisory fees etc.)
4. Secured by hypothecation of immovable property and pledge of 41,253,000 Shares of the Company held by the promoter shareholders and other third party securities.
5. Secured by pledge of 100 million shares of the company held by the promoter shareholders and other third party securities.

STATEMENT OF UNSECURED LOANS

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Short Term Loans					
- From Banks 549.57	537.24	149.25	1,533.07	-	
- From Others	-	-	-	252.71	-
Other than Short Term					
- From Other than banks	518.06	-	-	-	-
Total	**1,067.63**	**537.24**	**149.25**	**1,785.78**	-

Notes:

1. Unsecured loans include interest accrued and due amounting to Rs.0.14 million, Rs. 1.24 millions, Rs.0.06 millions and Rs.3.26 millions as on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 respectively.
2. All short term loans outstanding at each balance sheet date are repayable within one year from the balance sheet date.
3. Interest rate on unsecured loans is payable in the range of 8-9%, 8-9%, 9-11%, 10-12%, 16%, for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 respectively.

Annexure G

STATEMENT OF DEBTORS

(Rs. in millions)

Particulars	As at March 31, 2006
(Unsecured, Considered good)	
Outstanding for a period exceeding six months	-
Other Debts	**0.28**
Total	**0.28**

Note:

There are no amounts recoverable from promoters, promoter group, group companies, directors of the company and associate companies as at March 31, 2006.

Annexure H

DETAILS OF LOANS AND ADVANCES

***(Rs. in millions*)**

Particulars	As at March 31, 2006
Unsecured and considered good, unless otherwise stated	
Advances recoverable in cash or in kind or for value to be received	
- considered good	60.26
- considered doubtful	28.68
	88.94
Advances towards investments in subsidiary companies, associate company and other bodies corporate, pending allotment	1,530.04
Advance tax (Net of provisions)	8.38
Advance Fringe Benefit Tax (Net of provisions)	0.03
	1,538.45
Less: Provision for doubtful advances	28.68
Total	**1,598.71**

Notes

1. Advances recoverable in cash or in kind or for value to be received as at March 31, 2006 includes Rs. 2.54 millions recoverable from Gateways for India Airports Private Limited, an associate of the Company.

Annexure I

STATEMENT OF QUOTED INVESTMENTS MADE AND THEIR MARKET VALUE AS AT MARCH 31, 2006

There were no quoted investments held by the company as at March 31, 2006.

Annexure J

CAPITALISATION STATEMENT

Pre-issue

(Rs. in millions)

Particulars	As at March 31, 2006
Debt	
Short Term Debt	549.57
Long Term Debt	2,276.92
Total Debt	**2,826.49**
Shareholders' Funds	
Share Capital	2,644.37
Reserves	998.93
Total Shareholders' funds	**3,643.30**
Total Debt / Shareholders' Funds (Ratio)	**0.77**

Note: The capitalisation statement has been calculated on the basis of restated financial statements.

Annexure K

STATEMENT OF TAX SHELTERS

(*Rs. in millions)*

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Profit/(Loss) before tax but after Extraordinary items as per books (A)	355.07	242.30	573.44	403.99	101.96
Tax Rate	33.66%	36.59%	36.88%	36.75%	35.70%
Tax at notional rate on profits	**119.52**	**88.66**	**211.46**	**148.46**	**36.40**
Adjustments:					
Permanent Differences (B)					
Exempt Income					
Interest on long term finance exempt u/s 10(23G)	-	3.34	7.25	4.85	1.16
Dividend exempt u/s 10(33), (34) & (35)	521.74	443.55	966.21	492.31	0.77
Profit/(Loss) on Sale of Investments exempt u/s 10(23G)	52.65	2.28	(137.57)	0.05	-
Other Adjustments	-	-	-	-	
Penalties - interest on late deposit of TDS	(0.39)	(0.11)	(0.01)	-	-
Fee for increase in authorised share capital	(10.62)	-	-	-	-
Donations	-	(0.01)	(0.02)	(3.20)	(1.98)
Less: Deduction U/S 80G	-	-	-	-	0.84
Total Permanent Differences (B)	**563.38**	**449.05**	**835.87**	**494.00**	**0.80**
Timing Differences (C)					
Difference between tax depreciation and book depreciation	(0.95)	(0.68)	0.56	0.06	2.38
Expenses capitalised in the books but claimed as revenue expense in Income Tax	-	-	-	1.42	1.08
Deferred Revenue and Preliminary Expenditure net of claimed in Income Tax	0.20	7.04	(3.97)	1.38	0.64
Statutory duties claimed on paid basis net of reversal of duties claimed in Income Tax in earlier years	-	5.07	-	-	-
Provision in diminution in value of investment accounted for in the books	-	11.35	(11.35)	-	-
Disallowance U/s 43B	(29.31)	-	(2.44)	(2.12)	(0.50)
Loss on Sale of Fixed Assets	(0.74)	(0.22)	-	-	(0.11)
Total Timing Differences (C)	**(30.80)**	**22.56**	**(17.20)**	**0.73**	**3.49**
Net Adjustments (B+C)	**532.58**	**471.61**	**818.66**	**494.74**	**4.29**
Tax Saving thereon	**179.27**	**172.57**	**301.88**	**181.82**	**1.53**
Profit/(Loss) as per Income Tax Returns (D)= (A-B-C)	**(177.51)**	**(229.32)**	**(245.22)**	**(90.76)**	**97.67**

Annexure K (contd.)

(*Rs. in millions*)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Brought Forward Losses adjusted (E)	-	-	-	-	-
Taxable Income/(Loss) (D+E)	(177.51)	(229.32)	(245.22)	(90.76)	97.67
Taxable Income/(Loss) as per MAT	(219.28)	(204.60)	(400.02)	(93.18)	101.96
Tax as per Income tax as returned	-	-	-	-	22.74
Interest u/s 234	-	-	-	-	0.36
Total Tax as per return	-	-	-	-	23.10
Carry forward business loss	(176.28)	(229.32)	(244.66)	(90.70)	-
Carry forward depreciation loss	(1.23)	-	(0.56)	(0.06)	-
Total carry forward loss as per return of the year	**(177.51)**	**(229.32)**	**(245.22)**	**(90.76)**	**-**

Notes:

1. The aforesaid Statement of Tax Shelters has been prepared as per the standalone audited accounts of GMR Infrastructure Limited and is not based on the profits as per the 'Summary of Restated Profit and Loss Account'.
2. The figures for the year ended March 31, 2006 are based on the provisional computation of total income prepared by the Company. Since the same has not been filed, it is subject to any changes which may be made between the date of this statement and the date of filing the income tax return with the Income-tax authorities.

Annexure L

SEGMENTAL INFORMATION

The Company is a holding company with its investments mainly in subsidiary and associate companies and the same is considered as the only segment. Hence disclosure of segment information as per the requirements of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India does not arise.

Annexure M

GMR HYDERABAD INTERNATIONAL AIRPORT LIMITED

(formerly Hyderabad International Airport Limited)

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
A.	**Fixed Assets**			
	Gross Block	90.88	21.12	8.55
	Less : Depreciation	8.05	2.37	0.29
	Net Block	**82.83**	**18.75**	**8.26**
	Add: Capital Work in Progress	4,776.92	196.83	0.63
	Add: Expenditure during construction period, pending allocation (net)	832.70	481.91	102.93
	Total	**5,692.45**	**697.49**	**111.82**
B.	**Investments**	652.72	213.31	29.08
C.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	285.43	280.27	272.03
	Other Current Assets	717.10	0.55	0.56
	Loans and Advances	164.98	20.51	7.82
	Total	**1,167.51**	**301.33**	**280.41**
D.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	447.56	154.41	58.77
	Secured Loans	2,516.66	-	70.00
	Unsecured loans	1,575.00	-	-
	Total	**4,539.22**	**154.41**	**128.77**
E.	**Net worth (A+B+C-D)**	**2,973.46**	**1,057.72**	**292.54**
	Net worth represented by:			
F.	**Share Capital**	0.59	0.59	0.59
G.	**Share application money, pending allotment**	1,902.87	1,057.29	292.11
H.	**Reserves and Surplus**			
	Capital Reserve	1,070.00	-	-
I.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	-	0.16	0.16
J.	**Net Worth (F+G+H-I)**	**2,973.46**	**1,057.72**	**292.54**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Assumptions:

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the period, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

2. Fixed Assets:

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

3. Depreciation:

Depreciation is provided on straight line method at the rates based on the estimated useful lives of the assets or those prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of purchase. Leasehold improvements are amortised over shorter of estimated useful lives or lease period.

4. Investments:

Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from Investments is recognised in the year in which it is accrued and stated at gross.

5. Retirement Benefits:

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made based on actuarial valuation as at the year end.

6. Borrowing Costs:

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of cost of such assets. All other borrowing costs are recognized as an expense in the period in which they are incurred.

7. Foreign Currency Transactions:

All foreign currency transactions are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

8. Taxes on Income:

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the substantially enacted tax rates.

(ii) Notes to the Accounts

1. Capital Commitments

(Rs. in millions)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**
Estimated amount of contracts, remaining to be executed on capital account, not provided for (net of advances)	8,648.98	601.48	40.29

2. The Company has not commenced business operations. Consequently, no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under Expenditure during construction period, pending allocation (net).

3. The Company was incorporated to build, own and operate the Greenfield International Airport at Shamshabad, Hyderabad. Development of the Project is envisaged in various phases based on the passenger and cargo capacity. GMR Infrastructure Limited (GIL), Malaysian Airport Holdings Berhad (MAHB) (collectively known as "Sponsors") and Government of Andhra Pradesh (GOAP), Airports Authority of India (AAI) (collectively known as "State Promoters") are the shareholders of the company. During 2004-05, the Detailed Project Report (DPR) was approved by AAI & GOAP and subsequently, the Company entered into the concession agreement with the Ministry of Civil Aviation in the month of December 2004. The Engineering Procurement Contracts with Larsen & Toubro Limited (ECC Division) and China State Construction Engineering (Hong Kong) Limited, were signed on August 12, 2005. The financial closure was achieved on August 22, 2005.

4. During the year ended March 31, 2006, an amount of Rs. 353.10 millions has been received from Government of Andhra Pradesh towards Advance Development Fund Grant out of a total Grant of Rs. 1,070.00 millions as per the State support agreement. This being in the nature of financial support to the project, the total grant amount has been considered as Capital Reserve.

5. In pursuance of the State Support Agreement, the Company has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eighth anniversary of the Commercial Operation Date. The Company has taken the possession of the said land during the year 2004-05. Leasehold Land will be capitalized along with the Project. Capital Work-in-progress as on March 31, 2006 includes Rs.4,776.92 millions (2005 – Rs. 149.39 millions) primarily representing Boundary Wall, Site Preparation Works progress on passenger terminal building and airside landside works on such Leasehold Land.

6. The Company was incorporated on December 17, 2002. Accordingly, the first financial year covers the period from December 17, 2002 to March 31, 2004 and hence the figures for that period are not comparable with those of the subsequent years.

Annexure N

GMR ENERGY LIMITED

I. Summary of restated Profit and Loss Account

(Rs. in millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Income/Revenue					
Sales of power generated by the company	4,386.80	5,235.68	5,272.62	6,079.18	4,311.67
Other Income	164.65	196.01	251.37	364.92	2.91
	4,551.45	**5,431.69**	**5,523.99**	**6,444.10**	**4,314.58**
Expenditure					
Fuel costs	1,233.80	2,039.35	2,200.73	2,782.27	2,152.34
Other Generation Expenses	303.71	493.15	466.90	784.63	302.35
Employees Remuneration and Benefits	248.57	201.74	92.94	21.70	20.73
Administration and Other Expenses	403.41	461.34	321.60	379.71	157.51
Finance Charges	344.04	323.96	452.02	547.88	466.10
Depreciation	1,043.63	1,028.81	1,123.68	1,139.31	858.24
Amortisation of Miscellaneous Expenditure (net)	-	-	42.17	30.08	30.08
	3,577.16	**4,548.35**	**4,700.04**	**5,685.58**	**3,987.35**
Profit Before Taxation	**974.29**	**883.34**	**823.95**	**758.52**	**327.23**
Provision for Taxation					
- Current	81.26	81.81	63.34	59.73	25.03
- Fringe Benefit Tax	10.90	-	-	-	-
Profit After Taxation as per audited financial statements	**882.13**	**801.53**	**760.61**	**698.79**	**302.20**
Adjustments on account of changes in accounting policies [Refer III(ii)(1)(a) of Annexure N of Appendix I]	-	-	42.17	30.08	(72.25)
Impact on account of material adjustments and prior period items [Refer III(ii)(1)(b) of Annexure N of Appendix I]	-	64.95	12.40	170.30	(254.04)
Total Adjustments	-	**64.95**	**54.57**	**200.38**	**(326.29)**
Tax impact on adjustments [Refer III(ii)(1)(c) of Annexure N of Appendix I]	-	(5.09)	(4.28)	(15.71)	25.58
Total adjustments net of tax impact	-	**59.86**	**50.29**	**184.67**	**(300.71)**
Adjusted Profit	**882.13**	**861.39**	**810.90**	**883.46**	**1.49**
Surplus brought forward from Previous Year	703.58	502.09	190.33	1.49	-
Profit Available for Appropriation	**1,585.71**	**1,363.48**	**1,001.23**	**884.95**	**1.49**
Transfer to General Reserve	80.00	70.00	60.00	70.00	-
Proposed Dividend	521.72	521.72	389.27	553.68	-
Tax on Dividend	73.17	68.18	49.87	70.94	-
Adjusted Available surplus carried to Balance Sheet	**910.82**	**703.58**	**502.09**	**190.33**	**1.49**

Annexure N (contd.)

II. Summary of Restated Assets and Liabilities

(Rs. in millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A. Fixed Assets					
Gross Block	8,180.23	8,009.39	7,995.97	8,224.19	8,355.05
Less : Depreciation	5,201.44	4,159.76	3,129.16	2,003.68	861.58
Net Block	**2,978.79**	**3,849.63**	**4,866.81**	**6,220.51**	**7,493.47**
Add: Capital Work in Progress	15.31	-	-	61.43	48.11
Total	**2,994.10**	**3,849.63**	**4,866.81**	**6,281.94**	**7,541.58**
B. Investments	4,700.90	3,663.03	3,479.96	99.06	180.04
C. Current Assets, Loans and Advances					
Inventories	227.95	236.46	212.56	209.56	138.56
Sundry Debtors	1,113.22	676.23	1,096.68	1,388.78	2,462.35
Cash and Bank Balances	1,018.62	1,617.38	1,542.14	3,534.18	93.35
Other Current Assets	113.93	25.70	23.50	45.74	1.03
Loans and Advances	995.53	417.03	350.16	431.34	1,319.85
Total	**3,469.25**	**2,972.80**	**3,225.04**	**5,609.60**	**4,015.14**
D. Less : Liabilities and Provisions					
Current Liabilities and Provisions	2,163.18	1,249.61	2,177.15	2,331.13	1,738.07
Secured Loans	3,616.21	4,352.00	4,782.30	6,560.94	7,180.30
Unsecured Loans	423.00	211.90	211.90	69.83	66.13
Total	**6,202.39**	**5,813.51**	**7,171.35**	**8,961.90**	**8,984.50**
E. Net worth (A+B+C-D)	**4,961.86**	**4,671.95**	**4,400.46**	**3,028.70**	**2,752.26**
Net worth represented by:					
F. Share Capital	3,260.74	3,260.74	3,260.74	2,768.37	2,640.00
G. Share Application Money	2.67	-	-	-	110.77
H. Reserves and Surplus					
Share Premium	507.63	507.63	507.63	-	-
General Reserve	280.00	200.00	130.00	70.00	-
Profit and Loss Account	910.82	703.58	502.09	190.33	1.49
Total	**1,698.45**	**1,411.21**	**1,139.72**	**260.33**	**1.49**
I. Miscellaneous Expenditure (To the extent not written off or adjusted)	-	-	-	-	-
J. Net Worth (F+G+H-I)	**4,961.86**	**4,671.95**	**4,400.46**	**3,028.70**	**2,752.26**

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Revenue from Sale of Energy is recognized on accrual basis in accordance with the provisions of the Power Purchase Agreement.

Income from management/technical services is recognised as per the terms of the agreement on the basis of services rendered.

Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, are accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance.

Expenses incurred on developmental projects are charged to the Profit and Loss Account. These will be dealt with at appropriate time for recovery/capitalization.

Operations and Maintenance Expenses

The company has entered into Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies, and all incidentals attributable to bringing the asset to its working condition. The original cost of fixed assets acquired through foreign currency loan is adjusted at the end of each financial year for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of balance sheet.

Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Depreciation

Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement. The other fixed assets are depreciated on straight-line method as per the rates specified in Schedule XIV to the Companies Act, 1956.

Individual assets costing less than Rs.5,000/- are fully depreciated in the year of acquisition.

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

Investments

Long term investments are valued at cost until there is a permanent diminution in their values.

Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognized in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

Inventories

Inventories are valued at cost or below. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain/loss is recognised in the financial statements.

The original cost of fixed assets acquired through foreign currency loan is adjusted at the end of each financial year for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of balance sheet.

Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made based on actuarial valuation as at the year-end.

Taxes on Income

Current tax is determined on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences; being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

(ii) Notes to the Accounts:

1. Adjustments / Regroupings

Impact of change in accounting policies and prior period items

(Rs. in millions)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Profit after tax as per audited statements of accounts – (A)	**882.13**	**801.53**	**760.61**	**698.79**	**302.20**
Adjustments on account of:					
I) Change in accounting policies					
a) Miscellaneous Expenditure (Refer Note (a))	-	-	42.17	30.08	(72.25)
Tax impact on adjustments	**-**	**-**	**(3.31)**	**(2.36)**	**5.66**
Total Adjustments net of tax impact – (B)	**-**	**-**	**38.86**	**27.72**	**(66.59)**
II) Prior period items (Refer Note (b))					
a) Prior period expenses	-	64.95	3.69	232.05	(221.91)
b) Prior period incomes	-	-	8.71	(61.75)	(32.13)
Sub Total	**-**	**64.95**	**12.40**	**170.30**	**(254.04)**
Tax impact on adjustments (Refer Note (c))	**-**	**(5.09)**	**(0.97)**	**(13.30)**	**19.92**
Total Adjustments net of tax impact – (C)	**-**	**59.86**	**11.43**	**156.95**	**(234.12)**
Total of Adjustments - Net of tax impact – E = (B+C)	**-**	**59.86**	**50.29**	**184.67**	**(300.71)**
Adjusted Profit (A+E)	**882.13**	**861.39**	**810.90**	**883.46**	**1.49**

Notes:

a) During the year ended March 31, 2004, the Company has in accordance with the requirements of Accounting Standard 26, "Intangible assets," written off the balance of Miscellaneous expenditure. This being a change in the accounting policy of the Company, the same has been written off in the year in which such expenditure has been incurred.

b) Restatements relating to prior period adjustments represent various expenses / income restated to the respective years to which they relate irrespective of the year in which the event triggering the profit / loss occurred. Adjustments on account of prior period expenses mainly represent the restatement of major maintenance expenses provided during the year 2002-03 (Rs. 214.93 millions) and during the year 2004-05 (Rs. 180.31 millions) to the respective years on the basis of actual factored fired hours of the gas turbines.

Further, during the year 2003-04, on account of settlement of various disputes with Karnataka Power Transmission Corporation Limited ('KPTCL'), there was reduction in expenses to the extent of Rs. 85.16 millions relating to the earlier years, which has been restated.

c) The tax rate applicable for the year ended March 31, 2005, has been used to calculate the notional tax impact of the adjustments as there were no restatements during the year ended March 31, 2006.

2. Contingent Liabilities:

(Rs. in millions)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Bank guarantees outstanding	293.70	87.21	105.00	105.00	195.38
Corporate gaurantees	625.00	-	-	-	-
Stamp Duty Payable for registration	2.99	2.99	-	-	-
Letters of Credit Outstanding	-	-	-	1,086.10	-

3. Capital commitments:

(Rs. in millions unless stated otherwise)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Investment in equity shares of subsidiary company	1,053.79	1,109.85	1,354.85	-	-
Estimated amount of contracts to be executed, not provided for (net of advances)	89.61	-	-	-	USD 7.70 + INR 90.00

4. During the year 2005-06, the Government of Karnataka has vide its order dated 10th May, 2005 directed that the Electricity Supply Companies (ESCOM's) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power. Accordingly, sales are being made by the company to ESCOM's from the month of June 2005.

5. During the year 2003-04, the company has changed its name from Tanir Bavi Power Company Private Limited to GMR Energy Limited.

6. During the year 2003-04 and 2004-05, GEL has received refund of additional customs duty aggregating to Rs. 995.58 millions paid at the time of import of the barge mounted power plant. GEL has reduced the tariff [which was earlier fixed taking into account the customs duty claimable from Karnataka Power Transmission Corporation Ltd. (KPTCL)] to pass on the entire corresponding benefit to KPTCL over the balance term of Power Purchase Agreement.

7. In continuation of the efforts made in the year 2002-03, the company had entered into a Memorandum of Settlement with KPTCL on March 01, 2004. Consequent to the settlement, various pending issues were resolved and necessary adjustments including interest income arising out of the same have been considered appropriately in the above financial statements.

8. During 2003-04, the company has exercised its option to purchase 33.41 acres of land from Karnataka Industrial Area Development Board (KIADB) covered under the Lease cum Sale Agreement during the year. Consequently, the advances paid to KIADB for acquisition of land and the deferred revenue expenditure (including amounts amortised in the earlier years) pertaining to land development have been capitalised.

9. Expenses incurred as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under Generation expenses.

10. The Company has commenced its operations during the year 2001-02 and hence no profit and loss account has been prepared for the year 2000-01. As the simple cycle operations commenced on June 7, 2001 and combined cycle on November 21, 2001, the figures for the financial year 2001-02 are not comparable with the subsequent years.

11. The Long Term Unquoted investments in 126,225,000 and 141,015,000 equity shares of GMR Power Corporation Private Limited and Vemagiri Power Generation Limited respectively as at March 31, 2005 and March 31, 2006 are pledged as security towards loan facilities sanctioned to the company and the investee company.

Annexure O

GMR POWER CORPORATION PRIVATE LIMITED

I. Summary restated Profit and Loss Account

(Rs. in millions)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Income/Revenue					
Sale of power generated by the company	4,645.74	3,819.37	4,289.06	4,933.49	4,684.43
Other Income	94.89	76.39	90.36	117.64	74.88
	4,740.64	**3,895.76**	**4,379.42**	**5,051.13**	**4,759.31**
Expenditure					
Generation Expenses					
Fuel costs	2,846.95	2,025.56	2,336.09	2,847.63	2,445.52
Other generation expenses	394.77	324.11	303.42	265.17	277.03
Employees Remuneration and Benefits	22.17	21.89	24.91	17.34	18.67
Administration and Other Expenses	210.86	114.48	160.03	85.91	79.28
Finance Charges	246.93	352.75	450.18	591.42	688.16
Depreciation	714.91	733.96	765.72	750.43	749.31
Amortisation of Miscellaneous Expenditure	1.23	1.23	1.23	1.23	1.23
	4,437.82	**3,573.98**	**4,041.58**	**4,559.13**	**4,259.20**
Profit Before Taxation	**302.82**	**321.78**	**337.84**	**492.00**	**500.11**
Provision for Taxation:					
- Current	24.30	26.00	30.00	38.74	37.18
- Deferred	-	(67.77)	(15.07)	36.85	-
- Fringe benefit tax	1.25	-	-	-	-
Profit After Taxation as per audited financial statements	**277.27**	**363.55**	**322.91**	**416.41**	**462.93**
Adjustments on account of changes in accounting policies [Refer III(ii)(1)(a) of Annexure O of Appendix I]	1.23	1.23	1.23	1.23	1.23
Impact on account of material adjustments and prior period items [Refer III(ii)(1)(b) of Annexure O of Appendix I]	-	31.69	72.12	(58.51)	(48.29)
Total Adjustments	**1.23**	**32.92**	**73.35**	**(57.28)**	**(47.06)**
Tax impact on adjustments [Refer III(ii)(1)(c) of Annexure O of Appendix I]	(0.10)	(2.58)	(5.75)	4.49	3.69
Total adjustments net of tax impact	**1.13**	**30.34**	**67.60**	**(52.79)**	**(43.37)**
Adjusted profits	**278.40**	**393.89**	**390.51**	**363.62**	**419.56**
Surplus brought forward from Previous Year	738.78	396.09	1,257.42	935.60	579.37
Accounting policy changes and prior period adjustments of previous years	-	-	-	-	(17.00)
Profit Available for Appropriation	**1,017.18**	**789.98**	**1,647.93**	**1,299.22**	**981.93**
Transfer to Major Maintenance Reserve	-	51.20	100.00	10.50	11.60
Transfer to General Reserve	-	-	35.00	31.30	34.73
Proposed Dividend	-	-	990.00	-	-
Tax on Dividend	-	-	126.84	-	-
Adjusted Available surplus carried to Balance Sheet	**1,017.18**	**738.78**	**396.09**	**1,257.42**	**935.60**

Annexure O (contd.)

II. Summary of Assets and Liabilities, as restated

(Rs. in millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A. Fixed Assets					
Gross Block	9,422.14	9,393.41	9,394.82	9,584.83	9,653.73
Less : Depreciation	5,225.97	4,521.50	3,807.47	3059.40	2,301.42
Net Block	**4,196.17**	**4,871.91**	**5,587.35**	**6,525.43**	**7,352.31**
Add: Capital Work in Progress	-	-	-	31.89	31.86
Total	**4,196.17**	**4,871.91**	**5,587.35**	**6,557.32**	**7,384.17**
B. Investments	1,031.23	572.28	67.71	10.19	0.99
C. Current Assets, Loans and Advances					
Inventories	130.68	69.84	98.91	58.51	38.87
Sundry Debtors	748.74	536.89	584.95	1,411.98	878.71
Cash and Bank Balances	1,239.21	1,193.22	2,372.83	1,154.95	978.03
Other Current Assets	10.27	5.20	7.80	35.97	3.74
Loans and Advances	57.34	73.88	97.50	312.34	97.86
Total	**2,186.24**	**1,879.03**	**3,161.99**	**2,973.75**	**1,997.21**
D. Less : Liabilities and Provisions					
Current Liabilities and Provisions	1,169.14	696.05	1,865.74	820.39	655.45
Deferred Tax (Asset)/Liability (net)	-	-	67.77	82.84	45.99
Secured Loans	2,211.17	2,873.24	3,673.50	4,501.63	5,117.37
Unsecured Loans	160.20	159.20	9.20	209.20	-
Total	**3,540.51**	**3,728.49**	**5,616.21**	**5,614.06**	**5,818.81**
E. Net worth (A+B+C-D)	**3,873.13**	**3,594.73**	**3,200.84**	**3,927.20**	**3,563.56**
Net worth represented by:					
F. Share Capital	2,475.00	2,475.00	2,475.00	2,475.00	2,475.00
G. Reserves and Surplus					
General Reserve	180.95	180.95	180.95	145.98	114.66
Major Maintenance Reserve	200.00	200.00	148.80	48.80	38.30
Profit and Loss Account	1,017.18	738.78	396.09	1,257.42	935.60
Total	**1,398.13**	**1,119.73**	**725.84**	**1,452.20**	**1,088.56**
H. Net Worth (F+G)	**3,873.13**	**3,594.73**	**3,200.84**	**3,927.20**	**3,563.56**

GMR Power Corporation Private Limited

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for liquidated damages and penal interests due to the Company are accounted for, on the grounds of prudence, in the year of acceptance.

Fixed Assets

Fixed assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition.

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the Profit and Loss Account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Gains/losses, on investment in futures, both equity and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

Inventory

Inventories are valued at cost or below. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognised in the financial statements. The original cost of fixed assets acquired through foreign currency loan at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the balance sheet.

Retirement Benefits

Retirement benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made on actual basis based on balance leave as at the year-end.

Annexure O (contd.)

Earnings Per Share

The earnings considered in ascertaining the company's Earnings Per Share ('EPS') comprise the net profit after tax. The number of shares used in computing the basic EPS is the weighted average number of shares outstanding during the year.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

(ii) Notes to the Accounts:

1. Adjustments / Regroupings

Impact of change in accounting policies and prior period items

(Rs. in millions)

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Profit after tax as per audited statements of accounts – (A)	**277.27**	**363.55**	**322.91**	**416.41**	**462.93**
Adjustments on account of:					
I) Change in accounting policies					
a) Miscellaneous Expenditure (Refer Note (a) below)	1.23	1.23	1.23	1.23	1.23
Tax impact on adjustments	**(0.10)**	**(0.10)**	**(0.10)**	**(0.10)**	**(0.10)**
Total Adjustments net of tax impact – (B)	**1.13**	**1.13**	**1.13**	**1.13**	**1.13**
II) Prior period items (Refer Note (b) below)					
a) Prior period expenses	-	39.82	72.12	(58.75)	(56.18)
b) Prior period incomes	-	(8.13)	-	0.24	7.89
Sub Total	**-**	**31.69**	**72.12**	**(58.51)**	**(48.29)**
Tax impact on adjustments (Refer Note (c) below)	**-**	**(2.48)**	**(5.65)**	**4.09**	**3.79**
Total Adjustments net of tax impact – (C)	**-**	**29.21**	**66.47**	**(53.92)**	**(44.50)**
Total of Adjustments - Net of tax impact – D = (B+C)	**-**	**30.34**	**67.60**	**(52.79)**	**(43.37)**
Adjusted Profit (A+D)	**278.40**	**393.89**	**390.51**	**363.62**	**419.56**

Notes:

a. During the year ended March 31, 2004, the Company has in accordance with the requirements of Accounting Standard 26, "Intangible assets" written off the balance of Miscellaneous expenditure. This being a change in the accounting policy of the Company, the same has been written off in the first year of commercial operation.

b. Restatements relating to prior period adjustments represent various expenses / income restated to the respective years to which they relate irrespective of the year in which the event triggering the profit / loss occurred.

c. The tax rate applicable for the year ended March 31, 2005, has been used to calculate the notional tax impact of the adjustments as there were no material restatements during the year ended March 31, 2006.

d. Restatements for the year ended March 31, 2001 have been carried forward in the opening reserves for the year ended March 31, 2002.

2. Contingent Liabilities

(Rs. in millions)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Bank guarantees outstanding	6.25	6.25	6.25	6.25	1.00
Claims against the company not acknowledged as debts	-	0.2	-	-	-

3. In addition to the existing holding of 11.50% stake in the Company, GMR Infrastructure Limited ('GIL') had further acquired 49 % stake in the company from CMS Energy Mauritius Ltd., on October 30, 2002. Consequently the company had become a subsidiary of GIL effective the said date.

4. GMR Energy Limited ('GEL') has acquired 51% stake in the company from GMR Infrastructure Ltd., on March 31, 2004. Consequently the company has become a subsidiary of GEL effective the said date.

5. Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board ('TNEB') to revise the land lease agreement entered into by TNEB with the Company, at the rates specified which are lower than the present rates. GPCPL is awaiting necessary intimation from TNEB in this regard and accordingly, adjustments if any, that may arise on this account will be dealt with in the financial statements on receipt of such intimation.

6. The amounts due from Tamil Nadu Electricity Board are subject to confirmation.

7. Expenses incurred as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under Generation expenses.

8. The Long Term Unquoted investments of 4,60,000 (2005, 2004, 2003 – 460,000 and 2002 – Nil) equity shares of Rs.10 each fully paid up in GMR Tambaram - Tindivanam Expressways Private Limited and GMR Tuni – Anakapalli Expressways Private Limited are pledged as security towards loan facilities availed by the respective investee companies.

Annexure P

VEMAGIRI POWER GENERATION LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at June 30, 2002
A. Fixed Assets					
Gross Block	47.93	40.21	20.31	17.21	2.91
Less : Depreciation	4.34	2.45	0.74	0.20	0.34
Net Block	**43.59**	**37.76**	**19.57**	**17.01**	**2.57**
Add: Capital Work in Progress	9,076.02	6,869.64	1,010.91	9.37	23.73
Add: Expenditure during construction period, pending allocation (net)	1,857.69	658.25	374.39	120.13	78.08
Total	**10,977.30**	**7,565.65**	**1,404.87**	**146.51**	**104.38**
B. Investments	-	106.50	-	-	-
C. Current Assets, Loans and Advances					
Cash and Bank Balances	12.46	162.88	58.58	39.70	11.49
Debtors	2.18	-	-	-	-
Other Current Assets	-	10.26	10.19	6.49	3.75
Loans and Advances	23.91	107.09	68.29	60.91	60.50
Total	**38.55**	**280.23**	**137.06**	**107.10**	**75.74**
D. Less : Liabilities and Provisions					
Current Liabilities and Provisions	1,102.24	2,283.53	35.37	53.19	37.33
Secured Loans	6,831.74	3,779.26	-	150.00	-
Unsecured Loans	552.30	209.02	70.99	-	-
Total	**8,486.28**	**6,271.81**	**106.36**	**203.19**	**37.33**
E. Net worth (A+B+C-D)	**2,529.57**	**1,680.57**	**1,435.57**	**50.42**	**142.79**
Net worth represented by:					
F. Share Capital	1,951.15	1,416.15	1,416.15	16.00	16.00
G. Share application money, pending allotment	560.00	246.00	1.00	16.00	107.91
H. Reserves and Surplus					
Share Premium	20.00	20.00	20.00	20.00	20.00
I. Miscellaneous Expenditure (To the extent not written-off or adjusted)	1.58	1.58	1.58	1.58	1.12
J. Net Worth (F+G+H-I)	**2,529.57**	**1,680.57**	**1,435.57**	**50.42**	**142.79**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, insurance, duties, levies and all incidentals attributable to bringing the asset to its working condition.

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed) as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs. 5,000 which are fully depreciated in the year of acquisition.

Investments

Long-term investments are valued at cost until there is permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognised in the financial statements. The original cost of fixed assets acquired through foreign currency loan at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet.

Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made on actual basis based on balance leave as at the year end.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the substantially enacted tax rates.

(ii) NOTES TO THE ACCOUNTS

1. Contingent Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at June 30, 2002
Bank Guarantees Outstanding	155.12	324.04*	274.04	274.04	274.04
Income tax matters**	-	0.34	-	-	-

***** including Rs. 104.30 millions (2003-04 – Rs. Nil) in respect of which counter guarantees were issued by the Company to the Bankers.

****** Income tax matters in respect of tax on interest on margin money for the assessment year 2003-04, under appeal - Rs. 0.34 million (2002-03- Rs. Nil)

2. Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at June 30, 2002
Estimated Amount of contracts remaining to be executed on capital account, not provided for (net of advances)	141.23	2,960.08	7,081.03	-	-

3. The company has not commenced business operations. Consequently, no Profit and Loss Account has been drawn up. Considering the ongoing commissioning activity and the trial run generation, all the expenditure incurred (net of income earned out of trial run generation and other income) are grouped and disclosed under expenditure during the construction period, pending allocation (net).

4. The Company is yet to commence commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in these financial statements, pending settlements/negotiations with the concerned parties.

5. During the year 2003-04, GMR Energy Limited (GEL) had acquired 62.50% stake in the Company on 17th December 2003. Consequently the Company had become subsidiary of GMR Energy Limited effective from the said date.

6. During the year 2003-04, the company reassessed the estimated useful life of the fixed assets. Accordingly, the rates of depreciation have been changed from the rates prescribed under Schedule XIV of the Companies Act 1956, of those of Electricity (Supply) Act, 1948. Consequent to such change, depreciation for the year is higher by Rs.0.13 million.

7. The accounting year for 2001-02 was for the twelve months ended June 30, 2002. The Company changed its accounting year in the year 2002-2003, to April – March. Accordingly, the financial statements for that period were for nine months ended March 31, 2003. Hence, the figures for the said period are not comparable with the previous year.

Annexure Q

GMR AMBALA CHANDIGARH EXPRESSWAYS PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

	As at March 31, 2006
A. Fixed Assets	
Gross Block	5.34
Less : Depreciation	0.30
Net Block	**5.04**
Add: Capital Work in Progress	0.08
Add: Expenditure during construction stage, pending allocation (net)	42.75
Total	**47.87**
B. Current Assets, Loans and Advances	
Cash and Bank Balances	2.20
Loans and Advances	1.38
Total	**3.58**
C. Less : Liabilities and Provisions	
Current Liabilities and Provisions	3.60
Total	**3.60**
D. Net worth (A+B-C)	**47.85**
Net worth represented by:	
E. Share Capital	0.10
F. Share Application Money	47.75
G. Net Worth - (E+F)	**47.85**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Fixed Assets:

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Expenditure during Construction Period:

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on “Treatment of expenditure during construction period” issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period**.**

Depreciation:

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or useful lives whichever is higher. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

Retirement Benefits:

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

Foreign Currency Transaction:

All foreign Currency transactions are accounted for at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognised in the financial statements.

(ii). NOTES TO THE ACCOUNTS

1. **Contingent Liabilities**

   Performance guarantee issued by the bank on behalf of the Company: Rs. 149.00 millions.

2. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Ambala - Chandigarh Section on National Highway 21 and 22 in the states of Haryana and Punjab on Build, Operate and Transfer (BOT) basis and the project is under implementation.

3. GMR Energy Limited ('GEL') has acquired 51% stake in the Company on September 9, 2005. Consequently, the Company has become a subsidiary of GEL effective the said date.

4. The Company was incorporated on 14th July, 2005. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

GMR JADCHERLA EXPRESSWAYS PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

	As at March 31, 2006
A. Fixed Assets	
Gross Block	0.81
Less : Depreciation	0.01
Net Block	**0.80**
Add: Expenditure during construction stage, pending allocation (net)	15.11
Total	**15.91**
B. Current Assets, Loans and Advances	
Cash and Bank Balances	0.68
Loans and Advances	0.27
Total	**0.95**
C. Less : Liabilities and Provisions	
Current Liabilities and Provisions	2.46
Total	**2.46**
D. Net worth (A+B-C)	**14.40**
Net worth represented by:	
E. Share Capital	0.10
F. Share Application Money	14.30
G. Net Worth (E+F)	**14.40**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

Expenditure during Construction Period:

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

Depreciation:

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

Retirement Benefits:

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

Foreign Currency Transaction:

All foreign Currency transactions are accounted for at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognized in the financial statements.

(iii) NOTES TO THE ACCOUNTS

1. **Contingent Liabilities**

   Performance guarantee issued by the bank on behalf of the Company: Rs. 133.59 millions.

2. GMR Infrastructure Limited (‘GIL’) has acquired 51% stake in the Company on November 18, 2005. Consequently, the Company has become a subsidiary of GIL effective the said date.

3. The Company has been incorporated for the purpose of design, construction, development, finance, operation and maintenance of Farukhnagar to Jadcherla section and improvement, operation and maintenance of Thondapalli to Farukhnagar section on National Highway 7 in the state of Andhra Pradesh on Build Operate and Transfer (BOT) Basis and project is under implementation.

4. The Company was incorporated on October 18, 2005. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

Annexure S

GMR POCHANPALLI EXPRESSWAYS PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006
A.	**Fixed Assets**	
	Gross Block	0.58
	Less : Depreciation	-
	Net Block	**0.58**
	Add: Expenditure during construction stage, pending allocation (net)	11.49
	Total	**12.07**
B.	**Current Assets, Loans and Advances**	
	Cash and Bank Balances	0. 90
	Loans and Advances	0.03
	Total	**0.93**
C.	**Less : Liabilities and Provisions**	
	Current Liabilities and Provisions	1.10
	Total	**1.10**
D.	**Net worth (A+B-C)**	**11.90**
	Net worth represented by:	
E.	**Share Capital**	0.10
F.	**Share Application Money**	11.80
G.	**Net Worth (E+F)**	**11.90**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainities and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India**.**

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition**.**

Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. Such expenditure will be allocated to fixed assets on commencement of commercial operations. Any income accrued upon short term investments of funds during construction period is reduced from the Expenditure during Construction Period.

Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or useful lives whichever is higher. Individual Assets costing less than Rs.5,000 are fully depreciated in the year of acquisition.

Foreign Currency Transaction:

All foreign Currency transactions are accounted for at the exchange rate prevailing on the date of transactions. Current Assets and Current Liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss if any, is recognized in the financial statements.

Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund charged against revenue each year. Liability for Gratuity and Superannuation is funded through a scheme administered by an insurer. Provision for Leave Encashment is made on actual basis based on balance leave as at the year end.

(ii). NOTES TO THE ACCOUNTS

1. **Contingent Liabilities**

   Performance guarantee issued by the bank on behalf of the Company: Rs. 273.08 millions.

2. GMR Infrastructure Limited ('GIL') has acquired 51% stake in the Company on November 18, 2005. Consequently, the Company has become a subsidiary of GIL effective the said date.

3. The Company has been incorporated for the purpose of design, construction, development, improvement, operation and maintenance including strengthening and widening of Adloor Yellaredddy to Kalkallu section on National Highway 7 in the state of Andhra Pradesh on Build, Operate and Transfer (BOT) Basis and project is under implementation.

4. The Company was incorporated on October 18, 2005. The Company has not commenced business operation. Consequently no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

PHONE: 26706749 / 26709069
Fax: 080-26709069

NO.47, J.C.ROAD,
SEETHARAMA BUILDING
BANGALORE - 560 002

Auditors' Report

The Board of Directors,
GMR Tambaram-Tindivanam Expressways Private Limited,
Skip House
25/1, Museum Road
Bangalore 560025

Dear Sirs,

A. We have examined the books and accounts of GMR Tambaram-Tindivanam Expressways Private Limited for the five financial years ended March 31, 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated April 21, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company:

We report that the profits of the Company for the year ended March 31, 2006 are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for these years have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For I.S. PRASAD & SETTY ASSOCIATES
Chartered Accountants

Place: Bangalore
Date: May 6, 2006

I.S.PRASAD
Partner

GMR TAMBARAM -TINDIVANAM EXPRESSWAYS PRIVATE LIMITED

I. Summary of restated Profit and Loss Account

(Rs. in millions)

	Year ended March 31, 2006	Period ended March 31, 2005
Income/Revenue		
Revenue	900.46	636.65
Other Income	75.39	0.72
	975.85	**637.37**
Expenditure		
Operation and Maintenance expenses	179.30	275.51
Administration and Other Expenses	45.34	16.74
Employees Remuneration and Benefits	19.34	8.82
Finance Charges	437.53	137.71
Depreciation	240.27	113.13
Amortisation of Miscellaneous Expenditure (net)	-	0.18
	921.78	**552.09**
Profit Before Taxation	**54.07**	**85.28**
Provision for Taxation:		
- Current	5.03	6.69
- Fringe Benefit	0.66	-
Profit After Taxation as per audited financial statements	**48.38**	**78.59**
Adjusted profits	**48.38**	**78.59**
Surplus / (Deficit) brought forward from Previous Year	78.59	-
Adjusted available surplus carried to Balance Sheet	**126.97**	**78.59**

II. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	3,623.66	3,622.34	2.68	1.91	0.22
	Less : Depreciation	353.81	113.54	0.30	0.11	-
	Net Block	**3,269.85**	**3,508.80**	**2.38**	**1.80**	**0.22**
	Add: Capital Work in Progress	-	-	2,184.98	744.72	-
	Add: Expenditure during construction stage, pending allocation (net)	-	-	532.63	294.21	66.29
	Total	**3,269.85**	**3,508.80**	**2,719.99**	**1,040.73**	**66.51**
B.	**Current Assets, Loans and Advances**					
	Sundry Debtors	383.28	383.78	-	-	-
	Cash and Bank Balances	2,450.76	91.32	217.24	14.61	9.02
	Loans and Advances	102.73	23.24	9.92	5.10	2.08
	Total	**2,936.77**	**498.34**	**227.16**	**19.71**	**11.10**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	223.23	177.70	298.99	126.47	43.89
	Secured Loans	4,786.02	2,680.45	1,920.43	383.69	-
	Total	**5,009.25**	**2,858.15**	**2,219.42**	**510.16**	**43.89**
D.	**Net worth including Share Application Money (A+B-C)**	**1,197.37**	**1,148.99**	**727.73**	**550.28**	**33.72**
	Net worth represented by:					
E.	**Share Capital**	1,070.40	1,070.40	726.48	549.03	0.10
	Share Application Money *	-	-	1.43	1.43	33.80
F.	**Reserves and Surplus**					
	Profit and Loss Account	126.97	78.59	-	-	-
G.	**Less: Miscellaneous Expenditure** (To the extent not written off or adjusted)	-	-	(0.18)	(0.18)	(0.18)
H.	**Net Worth (E+F-G)**	**1,197.37**	**1,148.99**	**727.73**	**550.28**	**33.72**

* The share application money pending allotment considered for arriving net worth since the company has allotted shares subsequently on or before March 31, 2005.

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Annuity is recognised on accrual basis in accordance with the provisions of the Concessionaire Agreement with National Highways Authority of India ('NHAI').

Revenue in respect of Variation Contracts has been recognised on percentage completion method.

Claims arising from NHAI / other contracts under Concessionaire Agreement shall be accounted for in the year of acceptance.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

Depreciation

Depreciation on Fixed Assets other than Carriage Way is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

The cost of Carriage Way (Roads) is amortised over the period of the 15.09 years as per the Concessionaire agreement with NHAI.

Individual Assets costing less than Rs.5,000 are fully depreciated in the Financial year 2005-06.

Investments

Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross.

Retirement Benefits

Retirement Benefits are accounted for on accrual basis. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Provision for leave encashment is made on actual basis based on balance leave as at the year end.

Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets has been capitalized as a part of capital cost pertaining to Roads. A qualifying asset is an asset that necessarily takes substantial time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements.

Gains/losses, on investment in derivatives, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the books of account.

Taxes on Income

Provision for current tax has been made in accordance with the prevailing income tax laws.

Deferred tax arising on timing differences between book profits and tax profits has not been accounted as the same are reversing within the tax holiday period.

(ii) Notes to the Accounts

1. Contingent Liabilities

(Rs. in millions)

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Performance guarantee from Indian Overseas Bank favouring National Highway authority of India.	-	85.00	85.00	85.00	85.00

2. Capital Commitments

Capital Commitments comprises of Contractual Commitments for Capital Expenditure with M/s Etech Engineers & M/s Grandhe Constructions – Rs. 105.70 millions. Previous Year Capital Commitments comprises of Contractual Commitments for Capital Expenditure under EPC Agreement with M/s UEDI – Rs. 73.93 millions.

3. Arrears of Dividend

Arrears of dividend Rs. 147.40 millions, (Previous Year: Rs. 47.21 millions) not provided for in the accounts on various classes of Cumulative Preference Shares as on March 31, 2006 are as follows.

(Rs. in millions)

Sl. No	**Description**	**As at March 31, 2006**	**As at March 31, 2005**
1	6,762,040, 9.5% (Tax free) (Previous Year: 14% (Taxable)) Cumulative Redeemable Preference shares (series 1) of Rs.100 each, Fully paid-up	94.51	30.27
2	600,000, 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs.100 each, Fully paid-up	7.94	2.54
3	500,000, 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs.100 each, Fully paid-up	6.62	2.12
4	1,000,000 (Previous Year: Nil), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference shares (series IV) of Rs. 100 each, Fully paid-up	13.98	4.48
5	1,741,960 (Previous Year: Nil), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference shares (series V) of Rs. 100 each, Fully paid up	24.35	7.80
	Total	**147.40**	**47.21**

4. The consent of the class of shareholders has been obtained consequent to the approval of the Board of Directors in the meeting held on March 26, 2004 for reduction of coupon rate of cumulative redeemable preference shares (series I) from 14% (Taxable) to 9.50% (Tax free).

5. The Company has been incorporated on August 27, 2001 and hence, the accounts for the period ended March 31 2002 were drawn up for 7 months period ended March 31, 2002. The Company has commenced commercial operations on October 11, 2004. Accordingly, the profit and loss account has been drawn up from that date.

6. The Company has changed the accounting policy on treatment of depreciation on asset costing less than Rs. 5000/-. These assets would be fully depreciated in the year it is incurred. The Management believes that the change in the Accounting Policy would result in a more appropriate presentation of the result of the company.

I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

PHONE: 26706749 / 26709069
Fax: 080-26709069

NO.47, J.C.ROAD,
SEETHARAMA BUILDING
BANGALORE - 560 002

Auditors' Report

The Board of Directors,
GMR Tuni-Anakapalli Expressways Private Limited,
Skip House
25/1, Museum Road
Bangalore 560025

Dear Sirs,

A. We have examined the books and accounts of GMR Tuni-Anakapalli Expressways Private Limited, for the five financial years ended March 31, 2006 since the Company was incorporated on 27th August 2001 and for the year ended March 31, 2006, being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated 21st April 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company,

We report that the profits of the Company for the year ended March 31, 2006 are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for these years have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For I.S. PRASAD & SETTY ASSOCIATES
Chartered Accountants

Place: Bangalore
Date: May 6, 2006

I.S.PRASAD
Partner

GMR TUNI-ANAKAPALLI EXPRESSWAYS PRIVATE LIMITED

I. Summary of restated Profit and Loss Account

(Rs. in millions)

	Year ended March 31, 2006	Period ended March 31, 2005
Income/Revenue		
Revenue	603.84	232.92
Other Income	51.76	0.47
	655.60	**233.39**
Expenditure		
Operation and Maintenance expenses	49.30	8.96
Administration and Other Expenses	30.40	7.11
Employees Remuneration and Benefits	14.21	3.67
Finance Charges	347.23	64.65
Depreciation	198.73	53.36
Amortisation of Miscellaneous Expenditure (net)	-	0.18
	639.87	**137.93**
Profit Before Taxation	**15.73**	**95.46**
Provision for Taxation:		
Current Tax	1.68	7.49
Fringe Benefit Tax	0.37	-
Profit After Taxation as per audited statement of accounts	**13.68**	**87.97**
Adjusted profits	**13.68**	**87.97**
Surplus / (Deficit) brought forward from Previous Year	87.97	-
Adjusted available surplus carried to Balance Sheet	**101.65**	**87.97**

II. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	2,955.57	2,955.51	2.98	2.68	0.65
	Less : Depreciation	252.57	53.83	0.33	0.13	0.01
	Net Block	**2,703.00**	**2,901.67**	**2.65**	**2.55**	**0.64**
	Add: Capital Work in Progress	-	-	1,571.51	669.86	-
	Add: Expenditure during construction stage, pending allocation (net)	-	-	399.85	218.90	54.30
	Total	**2,703.00**	**2,901.67**	**1,974.01**	**891.31**	**54.94**
B.	**Current Assets, Loans and Advances**					
	Sundry Debtors	227.69	227.69	-	-	-
	Cash and Bank Balances	1,714.40	29.57	126.52	53.46	6.85
	Loans and Advances	67.10	21.18	5.72	5.67	1.89
	Total	**2,009.19**	**278.44**	**132.24**	**59.13**	**8.74**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	104.91	94.42	246.04	98.35	32.99
	Secured Loans	3,717.83	2,209.92	1,345.15	447.03	-
	Total	**3,822.74**	**2,304.34**	**1,591.19**	**545.38**	**32.99**
D.	**Net worth including Share Application Money (A+B-C)**	**889.45**	**875.77**	**515.06**	**405.06**	**30.69**
	Net worth represented by:					
E.	**Share Capital**	787.80	787.80	514.06	404.06	0.10
	Share Application Money *	-	-	1.18	1.18	30.77
F.	**Reserves and Surplus**					
	Profit and Loss Account	101.65	87.97	-	-	-
G.	**Less: Miscellaneous Expenditure**	-	-	(0.18)	(0.18)	(0.18)
	(To the extent not written off or adjusted)					
H.	**Net Worth (E+F-G)**	**889.45**	**875.77**	**515.06**	**405.06**	**30.69**

* The share application money pending allotment considered for arriving net worth since the company has allotted shares subsequently on or before 31st march 2005.

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Annuity / bonus is accrued on time basis in accordance with the provisions of the Concessionaire Agreement with National Highways Authority of India ('NHAI').

Claims arising from NHAI / other contracts under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

Depreciation

Depreciation on Fixed Assets other than Carriage Ways is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

The cost of Carriage Way is amortised over the period of the 14.88 years as per the Concessionaire agreement with NHAI.

Individual Assets costing less than Rs.5,000 are fully depreciated in the Financial year 2005-06.

Investments

Long-term investments are valued at cost until there is a permanent diminution in their values. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross.

Retirement Benefits

Retirement Benefits are accounted for on accrual basis with contributions to recognised funds such as provident fund and pension fund. Provision for leave encashment is made on actual basis based on balance leave as at the year end.

Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets has been capitalized as a part of capital cost pertaining to Roads. A qualifying asset is an asset that necessarily takes substantial time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements.

Taxes on Income

Provision for current tax has been made in accordance with the prevailing income laws.

Deferred tax arising on timing differences between book profits and tax profits has not been accounted as the same are reversing within the tax holiday period.

(ii) Notes to the Accounts

1. Contingent Liabilities

(Rs. in millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Performance guarantee from Indian Bank favouring National Highway authority of India.	-	65.80	65.80	65.80	65.80

2. Capital Commitments:

Capital Commitments comprises of Contractual Commitments for Capital Expenditure – Rs. NIL. Previous Year - Capital Commitments comprises of Contractual Commitments for Capital Expenditure under EPC Agreement with M/s UEDI – Rs. 20.98 millions.

3. Arrears of Dividend:

Arrears of dividend Rs. 93.03 millions, (Previous Year: Rs. 19.69 millions) not provided for in the accounts on various classes of Cumulative Preference Shares as on March 31, 2006 are as follows.

(Rs. in millions)

Sl. No	Description	As at March 31, 2006	As at March 31, 2005
1	4,952,280, 9.5% (Tax free) (Previous Year: 14% (Taxable)) Cumulative Redeemable Preference shares (series 1) of Rs.100 each, Fully paid up	59.68	12.63
2	600,000, 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series II) of Rs.100 each, Fully paid up	6.85	1.45
3	500,000, 9% (Tax free)/13% (Taxable) Cumulative Redeemable Preference Shares (Series III) of Rs.100 each, Fully paid up	5.71	1.21
4	500,000 (Previous Year: Nil), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference shares (series IV) of Rs. 100 each, Fully paid up	6.02	1.27
5	1,225,720 (Previous Year: Nil), 9.5% (Tax free)/13% (Taxable) Cumulative Redeemable Preference shares (series V) of Rs. 100 each, Fully paid up	14.77	3.13
	Total	**93.03**	**19.69**

4. The consent of the class of shareholders has been obtained consequent to the approval of the Board of Directors in the meeting held on March 26, 2004 for reduction of coupon rate of cumulative redeemable preference shares (series I) from 14% (Taxable) to 9.50% (Tax free).

5. The Company has been incorporated on August 27, 2001 and hence, the accounts for the period ended March 31 2002 were drawn up for 7 months period ended March 31, 2002. The Company has commenced commercial operations on December 24, 2004. Accordingly, the profit and loss account has been drawn up from that date.

6. The Company has changed the accounting policy on treatment of depreciation on asset costing less than Rs. 5000/-. These assets would be fully depreciated in the year it is incurred. The Management believes that the change in the Accounting Policy would result in a more appropriate presentation of the result of the company.

7. The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on the Company levying seigniorage fee amounting to Rs. 157.83 millions (including penalty). An appeal has been filed by the Company and the Engineering Procurement and Construction (EPC) Contractor, jointly, with the DOM&G against such demand notices. Pending settlement/ finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on Cystallisation of such matter will be borne by the EPC contractor.

GIRISH
MURTHY & KUMAR
Chartered Accountants

The Board of Directors,
GMR Mining & Energy Private Limited
Skip House
25/1, Museum Road
Bangalore 560025

Dear Sirs,

We have examined the books and accounts of GMR Mining & Energy Private Limited ('GMEPL' or 'the Company') for the period ended March 31, 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of M/s GMR Infrastructure Limited.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated January 4, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in M/s GMR Infrastructure Limited:

we report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in GMR Infrastructure Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

A. V SATISH KUMAR
Partner
Membership No. 26526
For and on behalf of
GIRISH MURTHY & KUMAR
Chartered Accountants

Place: Bangalore
Date: July 3, 2006

4502, High Point IV, 45, Palace Road, Bangalore – 560 001. Ph : 22 65 202

GMR MINING & ENERGY PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in millions)

		As at March 31, 2006
A.	**Fixed Assets**	
	Expenditure during construction stage, pending allocation (net)	0.33
	Total	**0.33**
B.	**Current Assets, Loans and Advances**	
	Cash and Bank Balances	0.18
	Total	**0.18**
C.	**Less : Liabilities and Provisions**	
	Current Liabilities and Provisions	0.01
	Total	**0.01**
D.	**Net worth (A+B-C)**	**0.50**
	Net worth represented by:	
E.	**Share Capital**	0.20
F.	**Share Application Money**	0.33
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.03
H.	**Net Worth (E+F-G)**	**0.50**

II. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year, except those with significant uncertainties, and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidental expenditure attributable to bringing the asset to its working condition.

Depreciation

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Individual assets costing less than Rs. 5,000 are fully depreciated in the year of acquisition.

Expenditure during Construction Period

The expenditure incidental to the project other than the borrowing costs is accounted for in accordance with the Guidance Note on 'Treatment of Expenditure during Construction Period' issued by the Institute of Chartered Accountants of India.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities have been computed on the timing differences applying the enacted tax rates.

(ii) NOTES TO THE ACCOUNTS

1. GMR Energy Limited ('GEL') has acquired 89% stake in the company on October 25, 2005. Consequently, the company has become a subsidiary of GEL effective the said date.

2. The Company has been incorporated on September 23, 2005. Consequently the summary of restated Assets and Liabilities has been prepared from that date to March 31, 2006. The company has not commenced business operations and hence, no Profit and Loss Account has been drawn up. All the expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under Expenditure During Construction Period, Pending Allocation (net) in the summary of restated Assets and Liabilities.

B. PURUSHOTTAM & CO.
CHARTERED ACCOUNTANTS

Phone: 2815 2515 / 5201 3486
Flat No. 3-D, Pioneer Homes
23/A, North Boag Road, T Nagar
Chennai – 600 017

Auditors' Report

The Board of Directors,
GVL Investments Private Limited,
Skip House
25/1, Museum Road
Bangalore 560025

Dear Sirs,

A. We have examined the books and accounts of GVL Investments Private Limited for the five financial years ended March 31, 2002, 2003, 2004, 2005 and 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of the Company in connection with the proposed initial public issue of its equity shares.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated April 21, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company:

We report that the profits of the Company for the financial years ended March 31, 2002, 2003, 2004, 2005 and 2006 are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for these years have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For B. Purushottam & Co.
Chartered Accountants

Place: Bangalore
Date: July 3, 2006

K V N S Kishore
Partner

GVL INVESTMENTS PRIVATE LIMITED

(formerly Medvin Finance Private Limited)

I. Summary of restated Profit and Loss Account

(Rs. in millions)

	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
I. Income					
Operating Income	106.73	124.70	432.13	172.26	7.81
Other Income	1.82	26.84	1.10	0.38	2.16
	108.55	**151.54**	**433.23**	**172.64**	**9.97**
II. Expenditure					
Administration and Other Expenses	36.33	49.03	87.88	5.33	1.54
Employee Remuneration and Benefits	-	0.06	0.06	0.13	0.24
Finance Charges	36.28	35.14	59.97	40.38	1.34
Depreciation	-	-	0.05	0.25	0.60
	72.61	**84.23**	**147.96**	**46.09**	**3.72**
III. Profit Before Taxation	**35.94**	**67.31**	**285.27**	**126.55**	**6.25**
Provision for Taxation - Current	4.01	1.50	30.07	12.36	0.39
IV. Profit After Taxation as per audited statement of accounts	**31.93**	**65.81**	**255.20**	**114.19**	**5.86**
V. Adjusted Profit/(Loss)	**31.93**	**65.81**	**255.20**	**114.19**	**5.86**
Surplus / (Deficit) brought forward from Previous Year	351.82	299.17	95.61	4.26	(0.35)
VI. Profit Available for Appropriation	**383.75**	**364.98**	**350.81**	**118.45**	**5.51**
Transfer to Capital Redemption Reserve/Capital Reserve	60.12	-	0.60	-	-
Special Reserve u/s 45 IC of RBI Act, 1934	6.38	13.16	51.04	22.84	1.25
VII. Adjusted Available surplus/(deficit) carried to Balance Sheet	**317.25**	**351.82**	**299.17**	**95.61**	**4.26**

Note: The accompanying significant accounting policies and notes are an integral part of this statement.

II. Summary of Restated Assets and Liabilities

(Rs. in millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I. Fixed Assets					
Gross Block	-	-	0.02	0.41	0.41
Less : Depreciation	-	-	-	0.10	0.05
Net Block	**-**	**-**	**0.02**	**0.31**	**0.36**
Capital work in progress	-	-	0.86	0.14	-
II. Investments	537.64	216.21	177.04	318.16	90.75
III. Current Assets, Loans and Advances					
Sundry Debtors	9.05	22.75	18.56	10.22	19.02
Cash and Bank Balances	11.00	30.68	46.82	117.09	0.25
Other Current Assets	2.54	-	-	-	-
Loans and Advances	606.27	841.48	421.28	311.03	14.01
Total	**628.86**	**894.91**	**486.66**	**438.34**	**33.28**
IV. Less: Liabilities and Provisions					
Current Liabilities and Provisions	10.17	3.76	46.09	289.89	67.90
Share Application Money	-	-	-	0.30	-
Secured Loans	-	-	-	325.88	-
Unsecured Loans	632.21	374.67	192.11	-	31.02
Total	**642.38**	**378.43**	**238.20**	**616.07**	**98.92**
Net Worth (I+II+III-IV)	**524.12**	**732.69**	**426.38**	**140.88**	**25.47**
Net Worth represented by:					
VI. Equity Share Capital	24.96	24.96	24.96	19.96	19.96
VII. Preference Share Capital	-	60.12	-	-	-
VIII. Reserves and Surplus					
Share Premium	25.00	205.38	25.00	-	-
Capital Reserve	2.27	2.27	2.27	1.22	-
Capital Redemption Reserve	60.12	-	-	-	-
Special Reserve u/s 45 IC of RBI Act, 1934	94.52	88.14	74.98	24.09	1.25
Profit and Loss Account	317.25	351.82	299.17	95.61	4.26
Total	**499.16**	**647.61**	**401.42**	**120.92**	**5.51**
IX. Net Worth(VI+VII+VIII)	**524.12**	**732.69**	**426.38**	**140.88**	**25.47**

Note:

The accompanying significant accounting policies and notes are an integral part of this statement.

I. Significant Accounting Policies

Accounting Assumptions

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

Revenue Recognition

The Company recognizes significant items of income and expenditure on accrual basis except in case of those with significant uncertainties. Dividend income is recognised when the right to receive the same is established.

Investments

Long term investments are valued at cost unless there is a permanent diminution in their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Earnings Per Share

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

II. Notes to Accounts

1. Contingent Liabilities – Nil

2. During the year 2005-06, the company has redeemed 6,012,500 fully paid up 6% Non Cumulative Redeemable Preference Shares of Rs. 10/- each at premium aggregating to Rs. 240.50 millions. Accordingly an amount of Rs. 60.12 millions has been appropriated towards Capital Redemption Reserve out of the profits of the Company for that year and the balance amount of Rs. 180.38 millions has been appropriated out of Share Premium account.

3. The following long term investments included in Schedule-D have been pledged/subjected to negative lien by the Company towards borrowings of the Group companies:

   a) 185,000 Equity Shares of Karur Vysya Bank Limited

   b) 80,000 Equity Shares of Karur Vysya Bank Limited

   c) Government Securities having a carrying value of Rs. 203,216,333

4. Particulars of merger of Rajam Investments Private Limited:

   The scheme of amalgamation of Rajam Investments Private Limited (Transferor company) with the Company was approved by the High Court of Madras and High Court of Andhra Pradesh vide their order dated September 23, 2003 and September 1, 2003 respectively.

   Consequently the various assets and liabilities of Transferor Company get merged with those of the company with effect from April 1, 2002.

5. Particulars of merger of Monotype Sales Agencies Private Limited:

   The scheme of amalgamation of Monotype Sales Agencies Private Limited (Transferor company) with the Company was approved by the High Court of Kolkata and High Court of Madras vide their order dated February 13, 2004 and September 23, 2003 respectively.

   Consequently the various assets and liabilities of Transferor Company get merged with those of the company with effect from April 1, 2002.

Auditors' Report

The Board of Directors
GMR Infrastructure Limited
Skip House
25/1, Museum Road
Bangalore 560 025

Dear Sirs,

We have examined the attached Summary of Consolidated Restated Assets and Liabilities of GMR Infrastructure Limited ('the Company') and its subsidiaries and associates as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 and the Summary of Consolidated Restated Profit and Loss Account for the years ended on those dates (hereinafter referred as 'Summary Consolidated Restated Financial Statements') and are enclosed as Annexure T of Appendix I.

We did not examine the relevant restated summary financial statements of certain subsidiaries, included in the Summary Consolidated Restated Financial Statements of the Company. The restated summary financial statements of such subsidiaries reflect total assets of Rs. 2,047.91 millions as at March 31, 2003, Rs. 5,054.03 millions as at March 31, 2004, Rs. 7,372.37 millions as at March 31, 2005, Rs. 10,903.42 millions as at March 31, 2006 and total revenues of Rs. 11.78 millions, Rs. 870.76 millions and Rs. 1,631.45 millions for the years ended on March 31, 2003, March 31, 2005 and March 31, 2006 respectively. Further, we also did not examine the restated summary financial statements of associates whose financial statements reflect the consolidated entities' share of profits of Rs. 8.06 millions, Rs. 0.01 million and Rs. 2.17 millions for the years ended March 31, 2002, March 31, 2004 and March 31, 2005 respectively included in the Summary Consolidated Restated Financial Statements. These financial statements have been examined by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of such subsidiaries and associates, is based solely on the report of the other auditors.

The preparation and presentation of the Summary Consolidated Restated Financial Statements are based on the Consolidated Financial Statements of the Company and are in accordance with the requirements of

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated September 6, 2005 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company.

The preparation and presentation of these Summary Consolidated Restated Financial Statements is the responsibility of the management of the Company.

In our opinion, the Summary Consolidated Restated Financial Statements of the Company enclosed as Annexure T of Appendix I to this report, read with the respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the India Companies Act, 1956. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if had been carried out in accordance with those standards.

P. Ramakrishna
Partner
Membership Number 22795

For and on behalf of

Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: July 3, 2006

APPENDIX II

Annexure T

GMR INFRASTRUCTURE LIMITED

I. Summary of Consolidated restated Profit and Loss Account

(Rs. in millions)

		Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
I.	**Income**					
	Sales and Operating Income	10,585.49	9,929.10	9.732.77	4,747.69	157.94
	Other Income	315.14	285.43	300.67	184.83	85.43
		10,900.63	**10,214.53**	**10,033.44**	**4,932.52**	**243.37**
II.	**Expenditure**					
	Fuel Costs	4,080.75	4,064.92	4,536.82	2,345.80	-
	Generation and Operating Expenses	977.09	1,069.30	792.20	297.13	-
	Employee Remuneration and Benefits	316.56	239.85	169.58	71.59	18.79
	Administration and Other Expenses	711.68	618.36	382.84	272.28	35.19
	Interest and Finance Charges	1,557.77	1,129.15	1,215.63	712.37	84.68
	Depreciation	2,199.71	1,911.65	1,874.81	796.36	1.32
	Amortisation of Miscellaneous Expenditure (Net)	-	10.06	5.40	17.22	2.09
		9,843.56	**9,043.29**	**8,977.28**	**4,512.75**	**142.07**
III.	**Profit Before Taxation and before Minority Interest/Share of profits of Associate**	**1,057.07**	**1,171.24**	**1,056.16**	**419.77**	**101.30**
	Provision for Taxation					
	- Current	112.29	121.85	93.34	45.07	22.50
	- Deferred	(0.80)	(69.15)	(16.29)	20.57	-
	- Fringe benefit tax	13.59	-	-	-	-
IV.	**Profit After Taxation and before Minority Interest/Share of profits of Associate as per audited consolidated statement of accounts**	**931.99**	**1,118.54**	**979.11**	**354.13**	**78.80**
	Minority Interest	230.59	430.24	299.12	99.04	-
	Share of profits of Associate	4.09	2.17	0.01	-	8.06
V.	**Net Profit after Minority Interest/Share of profits of Associate as per audited consolidated statement of accounts - (A)**	**705.49**	**690.47**	**680.00**	**255.09**	**86.86**
	Adjustments on account of changes in accounting policies (Refer note III(4)(i)(a))	-	8.54	2.75	(3.09)	(7.64)
	Tax impact on adjustments	-	-	-	-	2.80
	Total adjustments net of tax impact - (B)	**-**	**8.54**	**2.75**	**(3.09)**	**(4.84)**

Annexure T (contd...)

GMR INFRASTRUCTURE LIMITED

I. Summary of Consolidated restated Profit and Loss Account

(Rs. in millions)

	Year ended March 31, 2006	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
VI. Net Adjusted Profit after Minority Interest/Share of profits of Associate	**705.49**	**699.01**	**682.75**	**252.00**	**82.02**
Surplus brought forward from Previous Year	681.82	613.20	80.01	21.29	5.47
Prior year adjustments	-	-	-	-	(0.58)
VII. Profit Available for Appropriation	**1,387.31**	**1,312.21**	**762.76**	**273.29**	**86.91**
Appropriations:					
Debenture Redemption Reserve	37.50	370.00	7.50	7.50	7.50
Capital Redemption Reserve	-	185.00	-	-	-
Special Reserve u/s 45 IC of RBI Act, 1934	-	-	114.93	80.41	25.10
Preference Dividend	-	15.48	24.05	24.05	3.69
Issue of Bonus shares	99.31	-	-	-	-
Proposed Equity Dividend	-	-	-	16.17	29.33
Tax on Dividend	73.17	59.91	3.08	65.15	-
VIII. Adjusted Available surplus carried to Balance Sheet	**1,177.33**	**681.82**	**613.20**	**80.01**	**21.29**

Note: The accompanying significant accounting policies and notes are an integral part of this statement.

Annexure T (contd...)

II. Summary of Consolidated Restated Assets and Liabilities

(Rs. in millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I. Fixed Assets					
(a) Gross Block	24,558.88	24,274.84	17,658.93	18,042.23	209.74
(b) Less : Depreciation	11,051.19	8,856.68	69,43.60	5,068.34	2.21
(c) Net Block	**13,507.69**	**15,418.16**	**10,715.33**	**12,973.89**	**207.53**
(d) Capital Work-in-Progress (including capital advances)	13,868.34	7,058.02	4,768.02	1,157.16	23.73
(e) Expenditure during construction period, pending allocation (net)	2,450.04	890.33	1,268.18	577.13	78.08
Total	**29,826.07**	**23,366.51**	**16,751.53**	**14,708.18**	**309.34**
II. Investments	2,556.98	1,754.79	365.53	921.13	867.94
III. Current Assets, Loans and Advances					
(a) Inventories	358.64	306.30	311.46	268.06	-
(b) Sundry Debtors	2,433.34	1,832.31	1,683.36	2,808.76	463.62
(c) Cash and Bank Balances	6,754.21	4,509.43	4,810.88	4,883.60	380.38
(d) Other Current Assets	841.35	32.63	48.60	99.71	79.71
(e) Loans and Advances	1,051.46	507.63	917.98	1,235.94	262.0
Total	**11,439.00**	**7,188.30**	**7,772.28**	**9,296.07**	**1,185.75**
IV. Less: Liabilities and Provisions					
(a) Current Liabilities and Provisions	4,653.18	4,647.72	3,148.54	3,200.42	276.02
(b) Share Application Money	-	400.00	-	14.58	-
(c) Secured Loans	25,438.48	18,037.20	14,004.78	14,401.16	686.12
(d) Unsecured Loans	3,778.17	1,117.36	379.43	1,994.98	-
(e) Deferred Tax Liability (net)	1.79	2.61	70.62	85.49	0.77
Total	**33,871.62**	**24,204.89**	**17,603.37**	**19,696.63**	**962.91**
V. Minority Interest	4,243.38	3,709.30	3,329.54	2,220.12	14.12
VI. Net Worth (I+II+III-IV-V)	**5,707.05**	**4,395.41**	**3,956.43**	**3,008.63**	**1,386.00**
Net Worth represented by:					
VII. Equity Share Capital	2,644.37	1,586.62	1,586.62	1,586.62	586.62
VIII. Preference Share Capital	-	-	185.00	185.00	185.00
IX. Reserves and Surplus					
Share Premium	-	552.99	552.99	552.99	552.99
Capital Reserve on consolidation	1,447.88	768.70	768.70	476.36	-
Capital Redemption Reserve	-	185.00	-	-	-
Debenture Redemption Reserve	437.50	400.00	30.00	22.50	15.00
Special Reserve (u/s 45 IC of RBI Act, 1934)	-	220.44	220.44	105.51	25.10
Profit and Loss Account	1,177.33	681.82	613.20	80.01	21.29
Total	**3,062.71**	**2,808.95**	**2,185.33**	**1,237.37**	**614.38**
X. Miscellaneous Expenditure (to the extent not written off or adjusted)	0.03	0.16	0.52	0.36	-
Net Worth (VI+VII+VIII+IX-X)	**5,707.05**	**4,395.41**	**3,956.43**	**3,008.63**	**1,386.00**

Note:

The accompanying significant accounting policies and notes are an integral part of this statement.

III. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED RESTATED ACCOUNTS

1. Description of business

GMR Infrastructure Limited ('GIL' or 'the Company') is predominantly a holding company with its investments mainly in subsidiaries and associates (hereinafter collectively referred to as 'Group') which are engaged in generation of power, development of expressways and airport infrastructure facilities.

Power business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed which have entered into Power Purchase Agreements with the electricity distribution companies / electricity boards of the respective state governments.

Airport business

An entity of the Group is developing the Greenfield International Airport at Hyderabad on build, own, operate and transfer basis along with a consortium of sponsors like Airport Authority of India, Government of Andhra Pradesh and Malaysian Airport Holdings Berhad under concessionaire agreement.

The Group has, subsequent to March 31, 2006, invested in a special purpose vehicle which would be involved in the operation, maintenance and development of the Delhi International Airport.

Development of expressways

Certain entities of the Group are engaged in development of expressways on build, operate and transfer basis. There are special purpose vehicles which have entered into concessionaire agreements with National Highways Authority of India for carrying out these projects.

2. Principles of consolidation

The consolidated financial statements include accounts of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate. Subsidiary undertakings are those companies in which GIL, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the composition of the Board of Directors. Subsidiaries are consolidated from the date on which effective control is transferred to the Group to the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. All inter Company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated.

Investments in the Associates have been accounted in these consolidated statements as per Accounting Standard 23 on Accounting for Investments in Associates in Consolidated Financial Statements. Investments in associate companies which have been made for temporary purposes have not been considered for consolidation.

Minority Interest in the consolidated subsidiaries represents the minority shareholders' proportionate share of the net worth and the results of operations of such subsidiaries.

Annexure T (contd.)

The companies considered in the consolidated financial statements in each of the years are listed below:

Subsidiaries/Associates of GIL

S. No.	Name of the Company	Relationship	Percentage of ownership interest				
			March 31, 2006	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
1	GMR Energy Limited (GEL)	Subsidiary	84.90%	84.90%	84.90%	88.92%	-
2	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary	63.00%	63.00%	63.00%	-	-
3	GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)*	Subsidiary	43.12%	29.92%	32.52%	41.12%	-
4	GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)*	Subsidiary	43.12%	29.92%	32.52%	41.12%	-
5	GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)	Subsidiary	91.30%	-	-	-	-
6	GMR Jadcherla Expressways Private Limited (GJEPL)	Subsidiary	51.00%	-	-	-	-
7	GMR Pochanpalli Expressways Private Limited (GPEPL)	Subsidiary	51.00%	-	-	-	-
8	Vemagiri Power Generation Limited (VPGL)	Subsidiary	-	-	-	62.50%	62.50%
9	GMR Power Corporation Private Limited (GPCPL)	Subsidiary	-	-	-	60.50%	-
10	GMR Operations Private Limited (GOPL)	Associate	-	49.00%	49.00%	99.98%	49.00%
11	Gateways for India Airports Private Limited (GFIAPL)	Associate	37.00%	37.00%	-	-	-

* As at March 31, 2006, 51% of the Equity Share Capital of these companies is held by GPCPL.

Annexure T (contd.)

Subsidiaries of GEL

S. No.	Name of the Company	Relationship	Percentage of ownership interest				
			March 31, 2006	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
1	VPGL	Subsidiary	100.00%	100.00%	100.00%	-	-
2	GPCPL	Subsidiary	51.00%	51.00%	51.00%	-	-
3	GMR Mining and Energy Limited (GMEPL)	Subsidiary	89.00%	-	-	-	-

3 The significant accounting policies are as follows:

(i) REVENUE RECOGNITION

In case of power generating companies, revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, on grounds of prudence, are accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance. The PPA provides for payment of fixed tariff based on availability of plant for the year and also the fuel cost at a predetermined station heat rate.

In case of companies involved in construction and maintenance of roads, annuity is accrued on time basis in accordance with the provisions of the Concessionaire Agreement entered into with National Highways Authority of India ('NHAI'). Claims raised on NHAI under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

Significant items of income and expenditure are accounted for on accrual basis except in case of those with significant uncertainties. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to Profit and Loss Account. These will be dealt with at appropriate time for recovery/capitalization.

(ii) OPERATIONS AND MAINTENANCE

GEL has entered into a Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

(iii) FIXED ASSETS

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

In case of GTAEPL and GTTEPL, all costs incurred to construct, widen and rehabilitate the respective expressways have been capitalised as Carriage Ways.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any qualifying asset are recognised as expenses in the period in which they are incurred.

The expenditure incurred during construction period, pending allocation (net) represents expenses incurred for setting up of project facilities including pre-operative expenses for trial runs and borrowing costs incurred prior to the date of commencement of commercial operations. These expenses are net of sales during trial run and other income accrued prior to the commencement of commercial operations.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying the value of the asset upon re-assessment in the subsequent years.

(iv) DEPRECIATION

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives whichever is higher except for assets costing less than Rs. 5,000, which are fully depreciated in the year of acquisition and as stated otherwise below. Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual life of the asset.

In respect of GEL, the Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement.

In case of GPCPL and VPGL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

In case of GTTEPL and GTAEPL, depreciation on Fixed Assets other than Carriage Ways is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The cost of carriage ways which is in the nature of an intangible asset, is amortised over the period of the Concessionaire agreement with NHAI i.e 15.09 years and 14.88 years respectively.

(v) INVESTMENTS

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross of tax deducted at source.

Gains/losses, on investment in futures, both equity and index, and on forward contracts being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

(vi) INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

(vii) RETIREMENT BENEFITS

Contribution on account of Provident Fund is charged to the Profit and Loss Account. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Contributions towards these schemes are based on the contributions called for by the insurer and the same is charged to the Profit and Loss Account. In addition, at the end of the year, an independent actuarial valuation is obtained and shortfall, if any, as compared to the contributions payable is provided for. Liability on account of accumulated leave is provided on accrual basis.

(viii) FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans are adjusted for any change in liability arising out of repayment of /expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

(ix) EARNINGS PER SHARE

The earnings considered in ascertaining the Company’s Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of shares and potentially dilutive shares are adjusted for bonus shares issued.

(x) TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax in respect of timing differences which originate and reverse during tax holiday period are not recognised.

4. Notes to the Consolidated Restated Financial Statements of the Company and its subsidiaries and associate:

(i) Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(Rs. in millions)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Profit after taxation and after Minority Interest/Share of profits of Associate as per audited consolidated financial statements – (A)	**705.49**	**690.47**	**680.00**	**255.09**	**86.86**
Adjustments on account of:					
I) Changes in accounting policies					
a) Miscellaneous Expenditure and Deferred Taxation [Note (a) below]	-	8.54	2.75	(3.09)	(7.64)
Tax impact on adjustments	-	-	-	-	2.80
Total Adjustments net of tax impact – (B)	**-**	**8.54**	**2.75**	**(3.09)**	**(4.84)**
Net Adjusted Profit after Minority Interest/ Share of profits of Associate (A+B)	**705.49**	**699.01**	**682.75**	**252.00**	**82.02**

Notes

a. During the year ended March 31, 2005, the Company has written off the balance of Miscellaneous Expenditure in accordance with the requirements of Accounting Standard 26, "Intangible assets". This being a change in the accounting policy of the Company, the same has been written off in the year in which it is incurred. Similarly, accounting of deferred taxes, adopted by the Company during the year ended March 31, 2003 has been treated as change in accounting policy and restated to the year ended March 31, 2002.

b. The Company has prepared consolidated financial statements for the first time for the four years ended March 31, 2005; and events relating to earlier years occurring after the respective Balance Sheet dates have been adjusted to the years to which they relate, irrespective of the year in which the event triggering the profit or loss occurred. Consequently, while preparing the summary restated consolidated financial statements for the five years ended March 31, 2006, there are no restatements on account of material adjustments relating to earlier years, as specified in The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 and paragraph B (1) of Part II of Schedule II to the Companies Act, 1956.

(ii) Contingent Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Bank guarantees outstanding	6,070.67	512.50	1,141.79	1,141.79	494.04
Corporate guarantees	2,759.58	1,229.10	444.9	6115.10*	255.10
Performance Guarantees	-	150.80	150.80	150.80	-
Stamp Duty Payable for registration	2.99	2.99	-	-	-
Letters of Credit Outstanding	-	-	-	1,086.10	-
Income tax matters	-	5.35	-	-	-
Claims against the company not acknowledged as debts	-	0.20	-	-	-
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL payable to minority shareholders	81.57	36.45	-	-	-
Disputed Seigniorage Fee**	157.83	-	-	-	-

* A corporate guarantee had been given by the Company to the consortium lenders of the road projects undertaken by GTTEPL and GTAEPL for any cost overrun beyond the estimated project cost (up to the date of commercial operations of GTTEPL and GTAEPL), any increase in operations and maintenance cost beyond the budgeted base cost and to cover any shortfall in the amount payable to NHAI in respect of the facility in the event of termination due to borrowers default as per the terms of the concession agreement.

**The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on GTAEPL levying seigniorage fee amounting to Rs. 157.83 millions (including penalty). An appeal has been filed by GTAEPL and the Engineering Procurement and Construction (EPC) contractor, jointly, with the DOM&G against such demand notices. Pending settlement/finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on crystallization of such matter will be borne by the EPC contractor.

(iii) Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Uncalled liability in respect of partly paid shares	-	-	-	560.35	-
Estimated value of contracts remaining to be executed on capital account, not provided for	8,982.09	3,656.49	9,059.91	5,103.56	444.20
Investment in equity shares of subsidiary company	2,077.15	1,109.85	1,354.85	-	-

(iv) Equity Shares

During the year ended March 31, 2006, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the Company has utilised the balances lying in Share Premium, Capital Redemption Reserve, General Reserve and the Profit and Loss Account (to the extent required) for the purpose of the bonus issue.

(v) Preference Shares

During the year 2004-05, GIL had redeemed 1,850,000 fully paid up 13% Optionally Convertible Cumulative Preference Shares of Rs. 100/- each at par aggregating to Rs. 185.00 millions.

(vi) Reserves and Surplus

a) Consequent to the exemption obtained from compliance with regulations applicable to Non Banking Financial Companies, the Company has during the year ended March 31, 2006, transferred the balance in Special Reserve created under Section 45IC of the Reserve Bank of India Act, 1934 amounting to Rs. 220.44 millions to General Reserve.

b) GHIAL has received an amount of Rs. 353.10 millions during the year ended March 31, 2006 from Government of Andhra Pradesh towards Advance Development Fund Grant, out of a total grant of Rs. 1,070.00 millions, as per the State Support Agreement. This being in the nature of financial support for the project, the grant has been considered as Capital Reserve.

(vii) Secured Loans

In case of GTTEPL and GTAEPL, the Secured Loans as at March 31, 2006 are received on the assignment of future Annuity/Receivables under the Concession Agreement with National Highway Authority of India and are further secured by way of mortgage of all the present and future immovable fixed assets and by way of hypothecation over the movable fixed assets of these companies.

(viii) Fixed Assets

a) In pursuance of the State Support Agreement, GHIAL has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eighth anniversary of the Commercial Operation Date. GHIAL has taken the possession of the said land during the year 2004-05. Capital Work-in-progress as on March 31, 2006 includes Rs.4,776.92 millions primarily representing Boundary Wall, Site Preparation Works and progress on passenger terminal building and airside landside works on such Leasehold Land.

b) During 2003-04, GEL has exercised its option to purchase 33.41 acres of land from Karnataka Industrial Area Development Board (KIADB) covered under the Lease cum Sale Agreement during the year. Consequently, the advances paid to KIADB for acquisition of land and the deferred revenue expenditure (including amounts amortised in the earlier years) pertaining to land development have been capitalised.

c) During the year 2003-04, VPGL reassessed the estimated useful life of the fixed assets. Accordingly the rates of depreciation have been changed from the rates prescribed under schedule XIV of the Companies act 1956, of those of Electricity (Supply) Act, 1948. Consequent to such change, depreciation for the year is higher by Rs. 0.13 million.

(ix) Investments

GIL, GEL and GPCPL, holding equity and preference shares in their respective subsidiaries, have pledged certain of such shares as security towards borrowings of the investee companies as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002. As such investments do not form part of these consolidated financial statements (on account of elimination during consolidation), details of the shares pledged have not been presented.

(x) Sundry Debtors

a) During the year 2003-2004, GEL entered into a Memorandum of Settlement with Karnataka Power Transmission Corporation Limited. Consequent to the settlement, various pending issues were resolved and necessary adjustments including interest income arising out of the same have been considered appropriately in the financial statements.

b) In case of GPCPL, sundry debtors include Rs. 748.74 millions (2005 – Rs. 536.89 millions, 2004 – Rs. 584.95 millions and 2003 – Rs. 1,411.98 millions), being amounts due from Tamil Nadu Electricity Board, which are subject to confirmation.

(xi) Loans and Advances

During the year 2003-04 and 2004-05, GEL has received refund of additional customs duty aggregating to Rs. 995.58 millions paid at the time of import of the barge mounted power plant. GEL has reduced the tariff [which was earlier fixed taking into account the customs duty claimable from Karnataka Power Transmission Corporation Ltd. (KPTCL)] to pass on the entire corresponding benefit to KPTCL over the balance term of Power Purchase Agreement.

(xii) Foreign Currency Swap Transactions

GIL has entered into dollar denominated currency swap contracts during the year 2003-04 and 2004-05 for the part of amounts borrowed and interest thereon. These swap contracts involve exchange of principal amounts aggregating to Rs. 450 millions and Rs. 650 millions as at March 31, 2004 and March 31, 2005 respectively.

(xiii) Operating Income

a) Income from dividends and profit on sale of investments are treated as operating incomes as the main activities of GIL involve investments.

b) In case of GEL, the Government of Karnataka has vide its order dated 10th May, 2005 directed that the Electricity Supply Companies (ESCOM's) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power.

(xiv) Operations and Maintenance Expenses

a) Expenses incurred by GEL and GPCPL as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operations and maintenance expenses.

b) In case of GPCPL, Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board ('TNEB') to revise the land lease agreement entered into by TNEB with the Company, at the rates specified which are lower than the present rates. GPCPL is awaiting necessary intimation from TNEB in this regard and accordingly, adjustments if any, that may arise on this account will be dealt with in the financial statements on receipt of such intimation.

(xv) Others

a) Projects in GHIAL, GACEPL, GJEPL and GPEPL are in construction stage and the project in VPGL has started trial run generation/ testing of equipments. Consequently, no Profit and Loss Account has been drawn up for these Companies. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

b) VPGL has not commenced commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in the financial statements, pending settlements/negotiations with the concerned parties.

c) The accounts of GIL for the financial year 2002-2003 were approved by the Board on 23rd July 2003 with a proposed dividend of 5% on Equity Shares and the same were duly audited by the statutory auditors vide their report dated 23rd July 2003. However, shareholders in the Annual General Meeting held on 30th September 2003 have approved for the payment of dividend of 2.5% only. Hence, after incorporating this change in the financial statements, these were approved by the Board of Directors and a revised audit report dated 30th September 2003 was obtained on the financial statements.

d) During the year 2002-2003, VPGL has changed its financial year from July-June to April-March. Consequently, the financial statements have been prepared for a period of nine months ended March 31, 2003.

e) GTTEPL and GTAEPL have commenced commercial operations on October 11, 2004 and December 24, 2004. Accordingly, the profit and loss account for these companies for the year ended March 31, 2005 have been drawn up from those dates.

f) GFIAPL, an associate of GIL, has been incorporated to build, own and operate Airports & Airport Infrastructure, Airlines and other Infrastructure facilities. GIL, GVL Investments Private Limited, Fraport AG Frankfurt Airport Services Worldwide and India Development Fund are the shareholders of the Company. The company has incurred a total expenditure of Rs. 295.75 millions towards bids for restructuring and modernization of the Mumbai and Delhi Airports and pre takeover expenditure as per the financial statements as at March 31, 2006. Out of the above, expenses incurred subsequent to the results of the bid would be reimbursed by the Special Purpose Vehicle formed for taking up the project and those expenses incurred prior to that date would be reimbursed to GFIAPL by certain shareholders of GFIAPL and the holding company of GIL.

(xvi) Operating Leases

The Group has entered into certain operating lease agreements. An amount of Rs. 52.32 millions (2005 - Rs. 49.75 millions, 2004 – Rs. 30.97 millions, 2003 – Rs. 20.06 millions, 2002 – Rs. 6.06 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancelable in nature.

AUDITOR'S REPORT

The Board of Directors
GMR Infrastructure Limited
Skip House, 25/1, Museum Road
Bangalore – 560 025

Dear Sirs,

1. We have audited the attached Consolidated Balance Sheet of GMR Infrastructure Limited (the Company) and its subsidiaries and associates (hereinafter together referred to as 'consolidated entities') as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006, the Consolidated Profit and Loss Account for the years ended on those dates, annexed hereto and the Consolidated Cash Flow statement for the years ended on those dates annexed hereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 2,047.91 millions as at March 31, 2003, Rs. 5,054.03 millions as at March 31, 2004, Rs. 7,372.37 millions as at March 31, 2005, Rs. 10,903.42 millions as at March 31, 2006 and total revenues of Rs. 11.78 millions, Rs. 870.76 millions and Rs. 1,631.45 millions for the years ended on March 31, 2003, March 31, 2005 and March 31, 2006 respectively. Further, we did not audit the financial statements of associates whose financial statements reflect the consolidated entities' share of profits of Rs. 8.06 millions, Rs. 0.01 million and Rs. 2.17 millions for the years ended March 31, 2002, March 31, 2004 and March 31, 2005 respectively. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of such subsidiaries and associates, is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' and Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid consolidated entities, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006;
   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006; and
   (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.
6. This report is solely for your information and for inclusion in the offer document being issued by the Company in connection with the Initial Public Offer of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

P. Ramakrishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: July 3, 2006

I.S.PRASAD & SETTY ASSOCIATES
CHARTERED ACCOUNTANTS

PHONE:26706749/26709069
FAX: 080-26709069
E-MAIL: isprasad@vsnl.com

I.S.PRASAD,B.Sc.,LL.B.,FCA,DISA

 # 47, J.C.ROAD,
SEETHARAMA BUILDINGS,
BANGALORE – 560 002

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF

GMR TAMBARAM-TINDIVANAM EXPRESSWAYS PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **GMR TAMBARAM-TINDIVANAM EXPRESSWAYS PRIVATE LIMITED, No.6-3-866/1/G2, Greenlands, Begumpet, Hyderabad – 560 004** as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 and the relative Profit and Loss Accounts for the period ended March 31st 2005, and year ended March 31st 2006 and the relative Cash Flow Statements for the years ended on those dates annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that:

   a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of the audit;

   b) In our opinion, proper books of account have been kept by the company so far as appears from our examination of the books;

   c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statements dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statements dealt with by this report comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India;

   e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 respectively;

      (ii) in the case of the Profit and Loss Account, of the profits for the period ended March 31st 2005 and year ended on March 31st 2006; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the years ended on those dates.

This report is provided solely for the purpose of assisting you in including the financial statements annexed to this report in the consolidated financial statements of GMR Infrastructure Limited ('GIL') being prepared for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.

Date: July 3, 2006
Place: Bangalore

For I. S. Prasad & Setty Associates
Chartered Accountants

(I.S.Prasad)
Partner
Membership No: 21968

I.S.PRASAD & SETTY ASSOCIATES

CHARTERED ACCOUNTANTS

I.S.PRASAD,B.Sc.,LL.B.,FCA,DISA

PHONE:26706749/26709069

FAX: 080-26709069
E-MAIL: isprasad@vsnl.com

 # 47, J.C.ROAD,
SEETHARAMA BUILDINGS,
BANGALORE – 560 002

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF

GMR TUNI-ANAKAPALLI EXPRESSWAYS PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **GMR TUNI-ANAKAPALLI EXPRESSWAYS PRIVATE LIMITED, No.6-3-866/1/G2, Greenlands, Begumpet, Hyderabad** as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 and the relative Profit and Loss Accounts for the period ended March 31, 2005, and year ended March 31, 2006 and relative Cash Flow Statements for the years ended on those dates annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that:

   a. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of the audit;

   b. In our opinion, proper books of account have been kept by the company so far as appears from our examination of the books;

   c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statements dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statements dealt with by this report comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India;

   e. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 respectively ;

      (ii) in the case of the Profit and Loss Account, of the profits for the period ended March 31, 2005 and year ended on March 31, 2006; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the years ended on those dates.

This report is provided solely for the purpose of assisting you in including the financial statements annexed to this report in the consolidated financial statements of GMR Infrastructure Limited ('GIL') being prepared for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.

Date: July 3, 2006

Place: Bangalore

For I. S. Prasad & Setty Associates

Chartered Accountants
(I.S.Prasad)
Partner
Membership No: 21968

APPENDIX III

GMR INFRASTRUCTURE LIMITED
CONSOLIDATED BALANCE SHEET

(Rs. in millions)

	Schedule Reference	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I. Sources of Funds						
1. Shareholders' Funds						
(a) Capital	1	2,644.37	1,586.62	1,771.62	1,771.62	771.62
(b) Reserves and Surplus	2	3,059.93	2,806.17	2,191.09	1,245.88	619.80
		5,704.30	**4,392.79**	**3,962.71**	**3,017.50**	**1,391.42**
2. Minority Interest		4,243.38	3,709.30	3,329.54	2,220.12	14.12
3. Loan Funds						
(a) Secured Loans	3	25,438.48	18,037.20	14,004.78	14,401.16	686.12
(b) Unsecured Loans	4	3,778.17	1,117.36	379.43	1,994.98	-
4. Deferred Tax Liabilities (Net)		1.79	2.61	71.77	88.06	-
(Refer Note 4(xvii) on schedule 20)						
Total		**39,166.12**	**27,259.26**	**21,748.23**	**21,721.82**	**2,091.66**
II. Application of Funds						
1. Fixed Assets						
(a) Gross Block	5	24,558.88	24,274.84	17,658.93	18,042.23	209.74
(b) Less: Depreciation		11,051.19	8,856.68	6,943.60	5,068.34	2.21
(c) Net Block		**13,507.69**	**15,418.16**	**10,715.33**	**12,973.89**	**207.53**
(d) Capital Work-in-Progress (including capital advances)		13,868.34	7,058.02	4,768.02	1,157.16	23.73
(e) Expenditure during construction period, pending allocation (net)	6	2,450.04	890.33	1,268.18	577.13	78.08
		29,826.07	**23,366.51**	**16,751.53**	**14,708.18**	**309.34**
2. Investments	7	2,556.98	1,754.79	365.53	921.13	867.94
3. Current Assets, Loans and Advances						
(a) Inventories	8	358.64	306.30	311.46	268.06	-
(b) Sundry Debtors	9	2,433.34	1,832.31	1,683.36	2,808.76	463.62
(c) Cash and Bank Balances	10	6,754.21	4,509.43	4,810.88	4,883.60	380.38
(d) Other Current Assets	11	841.35	32.63	48.60	99.71	79.71
(e) Loans and Advances	12	1,051.46	507.63	917.98	1,235.94	262.04
		11,439.00	**7,188.30**	**7,772.28**	**9,296.07**	**1,185.75**
Less: Current Liabilities and Provisions	13					
(a) Liabilities		3,859.20	4,092.78	2,599.02	2,646.85	245.84
(b) Share Application Money		-	400.00	-	14.58	-
(c) Provisions		796.76	557.72	552.30	556.36	33.01
		4,655.96	**5,050.50**	**3,151.32**	**3,217.79**	**278.85**
Net Current Assets		**6,783.04**	**2,137.80**	**4,620.96**	**6,078.28**	**906.90**
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	14	0.03	0.16	10.21	14.23	7.48
Total		**39,166.12**	**27,259.26**	**21,748.23**	**21,721.82**	**2,091.66**
Significant Accounting Policies and Notes to the Consolidated Accounts	20					

The schedules referred to above form an integral part of the Consolidated Balance Sheet.
This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

G. M. Rao — *Chairman cum Managing Director*

G. B. S. Raju — *Director*

A. S. Cherukupalli — *Company Secretary*

Place: Bangalore
Date : July 3, 2006

GMR INFRASTRUCTURE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in millions)

	Schedule Reference	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
I. Income						
Sales and Operating Income	15	10,585.49	9,929.10	9,732.77	4,747.69	157.94
Other Income	16	315.14	285.43	300.67	184.83	85.43
		10,900.63	**10,214.53**	**10,033.44**	**4,932.52**	**243.37**
II. Expenditure						
Generation and Operating Expenses	17	5,057.84	5,134.22	5,329.02	2,642.93	-
Administration and Other Expenses	18	1,028.24	858.21	552.42	343.87	53.98
Interest and Finance Charges	19	1,557.77	1,129.15	1,215.63	712.37	84.68
Depreciation		2,199.71	1,911.65	1,874.81	796.36	1.32
Amortisation of Miscellaneous Expenditure (Net)		-	10.06	5.40	17.22	2.09
		9,843.56	**9,043.29**	**8,977.28**	**4,512.75**	**142.07**
III. Profit Before Taxation and before Minority Interest/Share of profits of Associate		**1,057.07**	**1,171.24**	**1,056.16**	**419.77**	**101.30**
Provision for Taxation						
- Current		112.29	121.85	93.34	45.07	22.50
- Deferred		(0.80)	(69.15)	(16.29)	20.57	-
- Fringe Benefit		13.59	-	-	-	-
IV. Profit after Taxation and before Minority Interest/Share of profits of Associate		**931.99**	**1,118.54**	**979.11**	**354.13**	**78.80**
Minority Interest		230.59	430.24	299.12	99.04	-
Share of Profits of Associate		4.09	2.17	0.01	-	8.06
V. Net Profit after Minority Interest/ Share of profits of Associate		**705.49**	**690.47**	**680.00**	**255.09**	**86.86**
Surplus brought forward		679.04	618.96	88.52	26.71	5.47
VI. Amount available for appropriation		**1,384.53**	**1,309.43**	**768.52**	**281.80**	**92.33**
Appropriations:						
Debenture Redemption Reserve		37.50	370.00	7.50	7.50	7.50
Capital Redemption Reserve		-	185.00	-	-	-
Special Reserve (under Section 45IC of The Reserve Bank of India Act, 1934)		-	-	114.93	80.41	25.10
Preference dividend		-	15.48	24.05	24.05	3.69
Issue of bonus shares		99.31	-	-	-	-
Proposed Equity Dividend		-	-	-	16.17	29.33
Dividend Distribution Tax		73.17	59.91	3.08	65.15	-
VII. Available Surplus carried to Balance Sheet		**1,174.55**	**679.04**	**618.96**	**88.52**	**26.71**
Earnings Per Share (Rs.) - Basic		2.50	2.41	2.47	1.35	0.51
- Diluted		2.50	2.41	2.40	1.35	0.51
(Equity Share of Rs. 10/- each, fully paid up) (Refer note 4(xvi) on Schedule 20)						
Significant Accounting Policies and Notes to the Consolidated Accounts	20					

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

G. M. Rao
Chairman cum Managing Director

G. B. S. Raju
Director

A. S. Cherukupalli
Company Secretary

Place: Bangalore
Date : July 3, 2006

GMR INFRASTRUCTURE LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 1	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
CAPITAL					
Authorised					
400,000,000 (2005, 2004, 2003 - 175,000,000 and 2002- 70,000,000) Equity shares of Rs.10/- each	4,000.00	1,750.00	1,750.00	1,750.00	700.00
Nil (2005, 2004, 2003 & 2002 - 3,000,000) Preference Shares of Rs.100/- each	-	300.00	300.00	300.00	300.00
	4,000.00	**2,050.00**	**2,050.00**	**2,050.00**	**1,000.00**
Issued, Subscribed and Paid Up					
264,436,814 (2005, 2004, 2003 - 158,662,091 & 2002 - 58,662,091) Equity shares of Rs.10/- each fully paid up	2,644.37	1,586.62	1,586.62	1,586.62	586.62
[Out of the above, 264,435,651 (2005-158,661,391, 2004-1,647,700, 2003-1,647,700 and 2002-675,000) Equity shares fully paid up are held by GMR Holdings Private Limited, which is the holding company with effect from April 1, 2003)]					
[Out of the above 105,747,237 (2005, 2004, 2003 & 2002 - Nil) Equity shares of Rs.10 each were alloted as fully paid by way of bonus shares by capitalising free reserves of the company.]					
Nil (2004, 2003 & 2002 - 1,850,000) 13% Optionally Convertible Cumulative Redeemable Preference shares of Rs. 100/- each fully paid up	-	-	185.00	185.00	185.00
(1,200,000 preference shares are optionally convertible into equity shares of the Company between 36-42 months from the date of subscription - January 8, 2002 or redeemable in four equal installments commencing from January 8, 2005.)					
(650,000 preference shares are optionally convertible into equity shares of the Company between 36-42 months from the date of subscription - February 4, 2002 or redeemable in four equal installments commencing from February 5, 2005.)					
Total	**2,644.37**	**1,586.62**	**1,771.62**	**1,771.62**	**771.62**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 2	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
RESERVES AND SURPLUS					
Securities Premium Account					
As at the commencement of the year	552.99	552.99	552.99	552.99	552.99
Less:Utilsed for the issue of bonus shares	552.99	-	-	-	-
	-	**552.99**	**552.99**	**552.99**	**552.99**
Capital Reserve on consolidation					
As at the commencement of the year	768.70	768.70	476.36	-	-
Add: Additions for the year	679.18	-	292.34	476.36	-
	1,447.88	**768.70**	**768.70**	**476.36**	**-**
Capital Redemption Reserve					
As at the commencement of the year	185.00	-	-	-	-
Less:Utilsed for the issue of bonus shares	185.00	185.00	-	-	-
	-	**185.00**	**-**	**-**	**-**
Debenture Redemption Reserve					
As at the commencement of the year	400.00	30.00	22.50	15.00	7.50
Additions during the year	37.50	370.00	7.50	7.50	7.50
	437.50	**400.00**	**30.00**	**22.50**	**15.00**
Special Reserve					
(under Section 45 IC of the Reserve Bank of India Act, 1934)					
As at the commencement of the year	220.44	220.44	105.51	25.10	-
Less: Transfer to General Reserve	220.44	-	114.93	80.41	25.10
	-	**220.44**	**220.44**	**105.51**	**25.10**
General Reserve					
As at the commencement of the year	-	-	-	-	-
Add: Transfer from Special Reserve	220.44	-	-	-	-
Less:Utilsed for the issue of bonus shares	220.44	-	-	-	-
Total	-	-	-	-	-
Profit and Loss Account	**1,174.55**	**679.04**	**618.96**	**88.52**	**26.71**
Total	**3,059.93**	**2,806.17**	**2,191.09**	**1,245.88**	**619.80**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SECURED LOANS					
Debentures					
Nil (2005, 2004 - Nil, 2003 - Nil & 2002 - 5,000,000) 14% Secured Optionally Convertible Debentures of Rs. 100/- each	-	-	-	500.00	
Interest accrued and due					0.37
(The debentures are secured on pari-passu basis, by first mortgage by way of deposit of title deeds in respect of all immovable properties of the Company and first charge by way of hypothecation of all movable properties of the Company, both present and future and pledge of equity shares of the Company and certain consolidated entities. The debentures are optionally convertible into equity shares of the Company between 24-30 months from the date of allotment or within six months from the date of listing after initial public offer, whichever is earlier or to be redeemed in four equal annual installments commencing from February 8, 2004)					
1,850,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	46.25	83.25	120.25	157.25	185.00
(Out of the above, debentures amounting to Rs.16,250,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto March 31, 2004) and debentures amounting to Rs.30,000,000 as at March 31, 2006 bear interest at the rate of 10% per annum (14% upto December 31, 2004). These debentures are redeemable in 20 equal quarterly instalments from October 1, 2002)					
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)					
6,000 Secured Redeemable Non-Convertible Debentures of Rs.100,000 each	300.00	420.00	540.00	600.00	-
(These debentures bear interest at the rate of 9% per annum (12% upto June 30, 2004). These debentures are redeemable in 10 equal semi annual instalments from December 1, 2003)					
(Secured by the hypothecation of immovable property of the company, pledge and exclusive first charge on dividends to be declared / received by the Company on 48,000,000 (2005 - 48,000,000, 2004 & 2003 - 69,209,325) shares held in GMR Energy Limited.					
1,200,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	60.00	90.00	-	-	-
(These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from January 8, 2005)					
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)					
650,000 Secured Redeemable Non-Convertible Debentures of Rs.100 each	32.50	48.75	-	-	-

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 3 (Contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
(These debentures bear interest at the rate of 10% per annum and are redeemable in four equal annual instalments from February 4, 2005)					
(The debentures are secured, on pari-passu basis, by first charge through hypothecation of all movable and immovable properties of the Company, both present and future, pledge of equity shares of the Company held by promoter shareholders and their associates.)					
1,250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each	1,100.00	1,250.00	-	-	-
(These debentures bear interest at the rate of 8.9% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.)					
(The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)					
250 Secured Redeemable Non-Convertible Debentures of Rs.1,000,000 each	220.00	250.00	-	-	-
(These debentures bear interest at the rate of 8.71% per annum (7.9% upto September 30, 2005) and are redeemable in 10 annual instalments from September 2005.)					
(The debentures are secured by immovable property of the company, pledge of 41,253,000 equity shares of the Company held by the promoter shareholders.)					
Term Loans					
Rupee loans					
From Financial Institutions	2,682.48	2,041.75	2,246.91	792.78	-
(Out of the above Rs. 760 millions (2005 - Rs. 700 million, 2004, 2003 & 2002 - Nil) relating to GMR Energy Limited was secured by first charge on all the intangibles and cashflows, both present and future, in the form of dividends and management / consultancy fees from subsidiary companies and a joint mortgage of the immovable properties, both present and future, rights, title, interests, benefits, claims and demands in the operating cash flows, treasury income, revenues / receivables and by a first charge by way of pledge of 64,350,000 equity shares held in a subsidiary company and 52,171,861 equity shares of GMR Energy Limited held by the Company)					
From Banks	15,040.67	7,395.22	3,979.66	2,007.93	-
Foreign currency loans					
From Financial Institutions	1,774.02	1,789.40	2,512.91	4,008.72	-
From Banks	2,403.75	2,435.24	1,929.31	2,353.19	-
(Loans of GMR Energy Limited are secured by an English Mortgage on all movable and immovable assets, tangible and intangible, both present and future, including all revenues and receivables and rights, interest and title in the project documents, trust and retention account balances and guarantees. The rupee term loans from banks in the previous years were further secured by pledge of fixed deposit receipts).					

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 3 (Contd.)	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
(Loans of GMR Power Corporation Private Limited (GPCPL) are secured by way of joint equitable mortgage by deposit of title deeds of the leasehold land of GPCPL and are also secured by parri-passu first charge on GPCPL's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future subject to charges created / to be created in favour of GPCPL's bankers on inventories, book debts and such movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of GPCPL and pledge of 61,875,000 shares of GPCPL held by GMR Infrastructure Limited.)					
(Loans of Vemagiri Power Generation Limited (VPGL) are secured by way of pari-passu first charge over land, VPGL's moveable and other assets, both present and future. Further secured by the right, title, interest, benefits, claims and demands of VPGL in respect of the project agreements, executed / to be executed, insurance policies both present and future and all right, title, interest, benefits, claims and demand of the Company in respect of monies lying to the credit of trust and retention account and other accounts. Further secured by way of pledge of 141,015,000 shares of VPGL held by GMR Infrastructure Limited.)					
(Loans of GMR Tambaram Tindivanam Expressways Private Limited and GMR Tuni Anakapalli Expressways Private Limited are secured by movable and immovable assets of these companies by way of deed of hypothecation and by way of legal mortgage in English form respectively.					
(Loans of GHIAL are secured by mortgage of leasehold land and first charge on all moveable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further, secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad.)					
From Others	614.69	0.33	-	1,600.61	0.75
(The loan from Housing and Urban Development Corporation Limited is secured by pledge of 100,000,000 equity shares of the Company held by the promoter shareholders and other third party securities. The loan on account of hire purchase is secured by way of hypothecation of vehicle).					
(Loans of GHIAL are secured by mortgage of leasehold land and first charge on all moveable and immovable assets and intangibles and revenues, both present and future, as well as assignment of all right, title, interest, benefits, claims and demands available under the concession agreement and other project documents and further, secured by pledge of certain equity shares, both present and future, held or to be held, as the case may be, by both, the holding company and Malaysia Airport Holdings Berhad.)					

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 3 (Contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Supplier's Credit	-	1,243.93	1,563.40	2,024.99	-
(Supplier's credit availed by GMR Power Corporation Private Limited (GPCPL) is guaranteed by Financial Institutions and Banks under Deferred Payment Guarantee Scheme. Deferred payment guarantees are secured by way of joint equitable mortgage by deposit of the title deeds of the leasehold land of GPCPL and are also secured by first charge on GPCPL's movables including movable plant and machinery, machinery spares and other movable assets (save and except book debts) both present and future ranking pari passu with other term loans, subject to charges created / to be created in favour of GPCPL's bankers on inventories, book debts and such other movables as may be specifically permitted for securing the working capital requirements. Further secured by the irrevocable personal guarantees by some of the Directors of GPCPL).					
Short Term Loans					
From Banks					
Cash Credit and Demand Loans	1,164.12	989.33	1,112.34	855.69	-
(The facilities of GMR Energy Limited are secured by hypothecation of stocks and book debts, both present and future, and further to be secured by creation of a joint mortgage by deposit of title deeds in respect of immovable properties together with all plant and machinery attached to the earth).					
(The facilities of GMR Power Corporation Private Limited (GPCPL) are secured by way of charge on current assets, stocks of raw materials, stores and spares not relating to plant and machinery, bills receivable, book debts and other movables of the Company, both present and future. Cash credit availed from State Bank of India is further to be secured by way of second charge on the fixed assets of the company situated at the plant and is secured by the personal guarantees of some of the Directors of GPCPL)					
(The facilities of GMR Hyderabad International Airport Limited in 2004 were secured by corporate guarantee of the holding company, GMR Infrastructure Limited and pledge of certain equity shares in the holding company held by third parties)					
Total	**25,438.48**	**18,037.20**	**14,004.78**	**14,401.16**	**686.12**

(Rs. in millions)

Schedule 4	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
UNSECURED LOANS					
Short Term					
From Banks	1,060.50	837.24	299.24	1,733.08	–
Interest accrued and due	0.26	-	-	–	–
From Others	518.00	61.90	252.70	–	–
Other than Short Term					
From Others	2,199.41	218.22	80.19	9.20	–
Total	**3,778.17**	**1,117.36**	**379.43**	**1,994.98**	**-**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5
FIXED ASSETS *(Rs. in millions)*

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2001	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2002	As at March 31, 2001	For the year	On account of inclusion of subsidiaries	On Withdrawals	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Goodwill (Refer Note 1 below)	-	-	189.25	-	189.25	-	-	-	-	-	189.25	-
Land	-	0.39	-	-	0.39	-	-	-	-	-	0.39	-
Office Equipment	4.95	6.12	1.97	-	13.04	0.34	0.92	0.19	-	1.45	11.59	4.61
Furniture & Fixtures	3.88	1.31	0.94	-	6.13	0.22	0.30	0.17	-	0.69	5.44	3.66
Vehicles	0.31	0.92	-	0.30	0.93	0.02	0.10	-	0.05	0.07	0.86	0.29
Total	**9.14**	**8.74**	**192.16**	**0.30**	**209.74**	**0.58**	**1.32**	**0.36**	**0.05**	**2.21**	**207.53**	**8.56**
Capital work in progress (including capital advances)	—	—	—	—	—	—	—	—	—	—	23.73	—

Note:

1. Goodwill represents the excess of consideration paid towards purchase of equity shares in Vemagiri Power Generation Limited over the net assets acquired.

(Rs. in millions)

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2002	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2003	As at March 31, 2002	For the year	On account of inclusion of subsidiaries	On Withdrawals	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
Goodwill (Refer Note 1 below)	189.25	-	-	-	189.25	-	-	-	-	-	189.25	189.25
Land	0.39	16.11	1.14	-	17.64	-	-	-	-	-	17.64	0.39
Buildings	-	-	1,168.46	-	1,168.46	-	19.26	160.24	-	179.50	988.96	-
Plant & Machinery	-	59.52	16,514.01	-	16,573.53	-	770.02	4,084.69	-	4,854.71	11,718.82	-
Office Equipment	13.04	2.89	41.76	-	57.69	1.45	3.75	12.64	-	17.84	39.85	11.59
Furniture & Fixtures	6.13	1.55	20.69	-	28.37	0.69	2.76	8.60	-	12.05	16.32	5.44
Vehicles	0.93	0.00	6.36	-	7.29	0.07	0.68	3.49	4.24	3.05	0.86	
Total	**209.74**	**80.07**	**17,752.42**	**-**	**18,042.23**	**2.21**	**796.47**	**4,269.66**	**-**	**5,068.34**	**12,973.89**	**207.53**
Capital work in progress (including capital advances)											1,157.16	23.73

Notes:

1. Goodwill represents the excess of consideration paid towards purchase of equity shares in Vemagiri Power Generation Limited over the net assets acquired.
2. Plant and machinery include foreign exchange fluctuations capitalised Rs. 713.79 millions (2002 - Rs. Nil)
3. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs. 1,073.37 millions (2002 - Rs. Nil) are on leasehold land.
4. Depreciation for the year includes Rs. 0.11 million (2002 - Rs. Nil) relating to certain consolidated subsidiaries in the project stage which is included in Schedule 6.

(Rs. in millions)

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2003	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2004	As at March 31, 2003	For the year	On account of inclusion of subsi-diaries	On Withdrawals	As at March 31, 2004	As at March 31, 31, 2004	As at March 31, 2003
Goodwill (Refer Note 1 below)	189.25	-	20.32	-	209.57	-	-	-	-	-	209.57	189.25
Land	17.64	81.72	-	-	99.36	-	-	-	-	-	99.36	17.64
Buildings	1,168.46	0.29	-	-	1,168.75	179.50	48.65	-	-	228.15	940.60	988.96
Plant & Machinery	16,573.53	31.60	-	538.64	16,066.49	4,854.71	1,815.49	-	-	6,670.20	9,396.29	11,718.82
Office Equipment	57.69	13.49	5.70	0.24	76.64	17.84	8.03	0.27	0.12	26.02	50.62	39.85
Furniture & Fixtures	28.37	0.82	-	0.20	28.99	12.05	2.73	-	0.12	14.66	14.33	16.32
Vehicles	7.29	0.22	2.85	1.23	9.13	4.24	0.84	0.03	0.54	4.57	4.56	3.05
Total	**18,042.23**	**128.14**	**28.87**	**540.31**	**17,658.93**	**5,068.34**	**1,875.74**	**0.30**	**0.78**	**6,943.60**	**10,715.33**	**12,973.89**
Capital work in progress (including capital advances)	-	-	-	-	-	-	-	-	-	-	4,768.02	1,157.16

Notes:

1. Goodwill represents the excess of consideration paid towards purchase of equity shares in Vemagiri Power Generation Limited over the net assets acquired.
2. Plant and machinery include foreign exchange fluctuations capitalised Rs. 175.15 millions (2003 - Rs. 713.79 millions)
3. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs. 1,073.66 millions (2003 - Rs.1,073.37 millions) are on leasehold land.
4. Additions to fixed assets include gross block of subsidiary companies acquired during the year. Accordingly, depreciation for the year includes accumulated depreciation of such subsidiaries.
5. Depreciation for the year includes Rs. 0.93 million (2003 - Rs. 0.11 million) relating to certain consolidated subsidiaries in the project stage which is included in Schedule 6.

Schedule 5 (contd.)

FIXED ASSETS *(Rs. in millions)*

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2004	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2005	As at March 31, 2004	For the year	On account of inclusion of subsidiaries	On Withdrawals	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Goodwill (Refer Note 1 below)	209.57	-	-	-	209.57	-	-	-	-	-	209.57	209.57
Land	99.36	12.52	-	-	111.88	-	-	-	-	-	111.88	99.36
Carriage Ways	-	6,571.98	-	-	6,571.98	-	166.30	-	-	166.30	6,405.68	-
Buildings	1,168.75	-	-	-	1,168.75	228.15	65.97	-	-	294.12	874.63	940.60
Plant & Machinery	16,066.49	4.46	-	5.06	16,065.89	6,670.20	1,667.27	-	1.30	8,336.17	7,729.72	9,396.29
Office Equipment	76.52	23.97	-	1.78	98.71	25.99	10.31	-	1.30	35.00	63.71	50.53
Capitalised Software	0.12	2.17	-	-	2.29	0.03	1.14	-	-	1.17	1.12	0.09
Leasehold Improvements	-	1.91	-	-	1.91	-	0.10	-	-	0.10	1.81	-
Furniture & Fixtures	28.99	3.93	-	0.01	32.91	14.66	3.45	-	0.01	18.10	14.81	14.33
Vehicles	9.13	1.82	-		10.95	4.57	1.15	-	-	5.72	5.23	4.56
Total	**17,658.93**	**6,622.76**	**-**	**6.85**	**24,274.84**	**6,943.60**	**1,915.69**	**-**	**2.61**	**8,856.68**	**15,418.16**	**10,715.33**
Capital work in progress (including capital advances)	-	-	-	-	-	-	-				7,058.02	4,768.02

Notes:

1. Goodwill represents the excess of consideration paid towards purchase of equity shares in Vemagiri Power Generation Limited over the net assets acquired.
2. Plant and machinery include foreign exchange fluctuations capitalised Rs. 172.74 millions (2004 - Rs. 175.14 millions)
3. Capital work in progress is net of foreign exchange fluctuation amounting to Rs. 7.25 millions (2004 - Rs. Nil)
4. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs.1,073.66 millions (2004 - Rs.1,073.66 millions) are on leasehold land.
5. Depreciation for the year includes Rs. 4.04 millions (2004 - Rs. 0.93 million) relating to certain consolidated subsidiaries in the project stage which is included in Schedule 6.
6. Carriage Ways are intangible assets representing all costs incurred to construct, widen, rehabilitate the expressways.
7. Capitalised software are intangible assets having useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

(Rs. in millions)

Description	Gross Block					Depreciation					Net Block	
	As at March 31, 2005	Additions	Additions on inclusion of subsidiaries	Withdrawals	As at March 31, 2006	As at March 31, 2005	For the year	On account of inclusion of subsidiaries	On Withdrawals	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
Goodwill (Refer Note 1 below)	209.57	-	-	-	209.57	-	-	-	-	-	209.57	209.57
Land	111.88	16.58	-	-	128.46	-	-	-	-	-	128.46	111.88
Carriage Ways	6,571.98	-	-	-	6,571.98	166.30	438.28	-	-	604.58	5,967.40	6,405.68
Buildings	1,168.75	0.32	-	-	1,169.07	294.12	48.15	-	-	342.27	826.80	874.63
Plant & Machinery	16,065.89	187.67	-	-	16,253.56	8,336.17	1,700.28	-	-	10,036.45	6,217.11	7,729.72
Office Equipment	98.71	54.30	4.52	13.65	143.88	35.00	13.67	-	9.81	38.86	105.02	63.71
Capitalised Software	2.29	5.63	1.75	-	9.67	1.17	1.40	-	-	2.57	7.10	1.12
Leasehold Improvements	1.91	4.47	-	-	6.38	0.10	0.95	-	-	1.05	5.33	1.81
Furniture & Fixtures	32.91	20.12	0.47	3.19	50.31	18.10	3.55	-	2.34	19.31	31.00	14.81
Vehicles	10.95	6.00	-	0.95	16.00	5.72	1.33	-	0.95	6.10	9.90	5.23
Total	**24,274.84**	**295.09**	**6.74**	**17.79**	**24,558.88**	**8,856.68**	**2,207.61**	**-**	**13.10**	**11,051.19**	**13,507.69**	**15,418.16**
Capital work in progress (including capital advances)	-	-		-	-	-			-	-	13,868.34	7,058.02

Notes:

1. Goodwill represents the excess of consideration paid towards purchase of equity shares in Vemagiri Power Generation Limited over the net assets acquired
2. Plant and machinery include foreign exchange fluctuations capitalised Rs. 187.62 millions (2005 - Rs. 172.74 millions)
3. Capital work in progress is net of foreign exchange fluctuation amounting to Rs. 32.87 millions (2005 - Rs. 7.25 millions)
4. Buildings of GMR Power Corporation Private Limited with a gross book value of Rs.1,073.97 millions (2005 - Rs.1,073.66 millions) are on leasehold land.
5. Depreciation for the period includes Rs. 7.90 millions relating to certain consolidated entities in the project stage which is included in Schedule 6.
6. Carriage Ways are intangible assets representing all costs incurred to construct, widen, rehabilitate the expressways.
7. Capitalised software are intangible assets having useful lives ranging from 6-7 years. Amortisation of these assets is based on straight line method.

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 6	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
EXPENDITURE DURING CONSTRUCTION PERIOD, PENDING ALLOCATION (NET)					
Fuel Cost (including transmission charges)	360.98	-	-	-	-
Operation and Maintenance	59.25	-	-	-	-
Salaries, allowances and benefits to employees	305.13	119.10	201.03	133.55	6.68
Contribution to provident fund and others	6.02	1.46	0.23	0.17	0.17
Staff welfare expenses	34.96	10.20	3.98	0.74	0.50
Pre-closing date development expenses	20.28	117.88	-	-	-
Advertisement	62.59	20.08	-	-	-
Rent	96.05	44.69	36.08	20.92	4.29
Repairs and Maintenance - Others	36.27	6.67	3.65	1.50	0.78
Rates and taxes	29.00	5.62	14.71	9.51	-
Insurance	82.34	28.09	19.85	12.62	-
Consultancy and professional charges	188.50	94.03	208.83	69.19	13.84
Director's Sitting Fees	0.66	0.24	0.04	-	-
Electricity Charges	84.12	7.70	4.12	-	-
Remuneration to auditors	3.06	1.02	0.58	0.28	0.09
Travelling and conveyance	170.32	91.40	73.36	33.29	8.18
Comunication Expenses	28.86	12.93	8.22	4.13	0.90
Income Tax	10.02	4.40	2.96	0.55	-
Fringe Benefit Tax	9.40	-	-	-	-
Depreciation	13.46	5.57	2.41	1.15	0.81
Interest on term loans	602.66	93.93	273.50	26.66	-
Interest - others	7.87	7.87	-	-	-
Bank/ other finance charges	212.58	173.02	337.76	208.49	34.88
Loss on sale of fixed assets (net)	43.22	2.13	2.13	2.16	0.76
Miscellaneous expenses	63.64	75.92	99.85	63.61	11.03
Preliminary Expenses	0.20	-	-	-	-
	2,531.44	**923.95**	**1,293.29**	**588.52**	**82.91**
Less: Other Income					
Sale of Power 4.94	-	-	-	-	
Interest received (gross) [Tax deducted at source - Rs. 1.82 millions (2005 - Rs. 1.12 millions, 2004 - Rs. 1.83 millions, 2003 - Rs. 0.38 million and 2002 - Rs. Nil)]	37.50	23.03	24.12	11.22	4.83
Income from investments - Other than trade (Gross)	39.79	9.69	0.49	-	-
Profit on sale of invesments	1.32	0.45	0.52	0.17	-
Gain/(Loss) on account of foreign exchange fluctuations (net)	(3.02)	0.17	(0.04)	-	-
Miscellaneous income	0.87	0.28	0.02	-	-
	2,450.04	**890.33**	**1,268.18**	**577.13**	**78.08**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 7	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
INVESTMENTS					
Long term					
Other than Trade - Quoted *					
In equity shares of Rs.10/- each, fully paid up					
Artilligence Biotech Limited (formerly Infrastructure Development & Industries Limited)	-	-	14.66	14.66	14.66
(Nil (2005 - Nil, 2004, 2003 & 2002 - 315,000) Equity Shares)					
N E Electronics Limited	-	33.15	38.25	38.25	38.25
(Nil (2005 - 780,000, 2004, 2003 & 2002 - 900,000) Equity Shares)					
Sangam India Limited	-	0.05	0.05	-	-
(Nil (2005 - 1,500, 2004 - 1,500) Equity Shares)					
IFCI Limited					
(Nil (2005, 2004 - Nil, 2003 - 250,000 Equity Shares)	-	-	-	2.50	
Mega Corporation Limited					
(Nil (2005 - 2,088,500, 2004, 2003 & 2002 - 4,000,000) equity shares of Re. 1/- each, fully paid up)	-	9.19	17.60	17.60	17.60
	-	**42.39**	**70.56**	**73.01**	**70.51**
Less: Provision for diminition in value of investments	-	-	11.35	1.51	-
(i)	**-**	**42.39**	**59.21**	**71.50**	**70.51**
Other than Trade - Unquoted					
In shares of subsidiary company					
Quintant Services Private Limited #	-	-	-	750.53	-
(Nil (2005, 2004 - Nil, 2003 - 56,179 & 2002 - Nil) equity shares of Rs. 10/- each, fully paid up)					
Quintant Services Private Limited	-	-	-	0.04	-
(Nil (2005, 2004 - Nil, 2003 - 41,944 & 2002 - Nil) equity shares of Rs. 10/- each, partly paid up)					
In shares of associate company					
(At cost plus share of profits based on equity accounting)					
GMR Operations Private Limited	-	20.85	18.69	-	8.31
(Nil (2005, 2004 & 2002 - 2,450) equity shares of Rs. 100/- each, fully paid up)					
Gateways for India Airports Private Limited	0.04	0.04	-	-	-
(3,784 (2005 - 3,784, 2004, 2003 & 2002 - Nil) Equity Shares of Rs.10/- each, fully paid up)					
Others					
In equity shares of Rs.10/- each, fully paid up					
GMR Power Corporation Private Limited	-	-	-	-	500.90
(2002 - 28,462,100 equity shares)					
GMR Energy Limited	-	-	-	-	283.22
(2002 - 26,433,314 equity shares)					
Sri Varalakshmi Jute Twine Mills Private Limited	-	30.00	-	-	-
(4,000,000 (2004, 2003 & 2002 - Nil) equity shares)					
In preference shares					
GVL Investments Private Limited	-	205.10	-	-	-
(Nil (2005 - 6%, 5,127,500, 2004, 2003 & 2002 - Nil) Preference shares of Rs. 10/- each, fully paid up)					
GMR Industries Limited	-	190.40	-	-	-
(Nil (2005 - 8%, 20,695,580, 2004, 2003 & 2002 - Nil) Preference shares of Rs. 11/- each, fully paid up)					
In bonds					
Industrial Development Bank of India - Growing Interest Bond	2.50	2.50	2.50	-	-
(500 Bonds (2005, 2004 - 500, 2003 & 2002 - Nil) of Rs.5,000 each, fully paid up)					
(ii)	**2.54**	**448.89**	**21.19**	**750.57**	**792.43**
# Quintant Services Private Limited has not been considered for consolidation as it was held for temporary purposes.					

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 7 (contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Current					
Other than trade - unquoted					
(Purchased during the year)					
Mutual Funds **					
Principal Mutual Fund - Cash Management Fund - Growth Plan (8,345,307.93 units of Rs. 10/- per unit)	-	-	-	99.06	-
Principal Mutual Fund - Cash Management Fund - Dividend Reinvestment Plan (15,000,334.05 units of Rs. 10/- per unit)	-	-	150.05	-	-
JM Mutual Funds - Fixed Maturity Plan - Dividend Option (5,000,000 units of Rs. 10/- per unit)	-	-	50.00	-	-
Chola Mutual Fund-Liquid Institutional Plus Daily Dividend (126,615,675.93 units of Rs.10/- per unit)	1,270.06	-	-	-	-
Canbank Mutual Fund-Liquid Fund-Institutional Dividend (1,702,419.31 units of Rs.10/- per unit)	17.09	-	-	-	-
HDFC Mutual Fund Cash - Management Fund - Call Option Daily Dividend Reinvestment (680,980.78 units of Rs.10/- per unit)	7.10	-	-	-	-
LIC Liquid Fund Daily Dividend (2,140,839.45 units of Rs.10/- per unit)	23.44	-	-	-	-
Kotak Mutual Fund - Institutional Premium Plan - Daily Dividend (7,899,088.39 units of Rs.10/- per unit)	96.59	-	-	-	-
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option (3,999,627.99 units of rs.10/- per unit)	40.01	-	-	-	-
Can Liquid Fund - Institutional Daily Dividend Reinvest (3,162,010.85 units of Rs.10/- per unit)	31.75	-	-	-	-
Kotak Mahindra Mutual Fund - Daily Dividend Option (8,709,447.91 units of Rs.10/- per unit) (Sold during the year)	-	106.50	-	-	-
Kotak Mutual Fund-Liquid Institutional Growth (11,466,029.49 units of Rs.10/- per unit) (Sold during the year)	-	152.21	-	-	-
Chola Mutual Fund - Liquid Institutional Dividend Reinvestment Plan (39,466,853.06 (2005-21,301,830) units of Rs. 10/- per unit)	395.51	213.31	-	-	-
Kotak Liquid Institutional Premiun Plan Daily Dividend (28,652,496.38 units of Rs.10/- each)	350.37	-	-	-	-
Alliance Cash Manager Institutional Plan - Daily Dividend Scheme (2,001,010 units of Rs. 10/- per unit)	-	-	20.01	-	-
Alliance Cash Manager Institutional Plan - Growth Scheme (869,171 units of Rs. 10/- per unit)	-	-	9.07	-	-
Chola Liquid Fund - Cumulative Institutional Plus - Growth Option (10,029,196.1 units of Rs.10/- per unit) (Sold during the year)	-	135.00	-	-	-
Chola Mutual Fund - Liquid Institutional Plus Cumulative (14,936,797.28 units of Rs.10/- per unit) (Sold during the year)	-	201.00	-	-	-
ING Vysya Liquid Fund - Daily Dividend Option (5,57,966.722 units of Rs. 10/- per unit)	-	-	6.00	-	-
Reliance Fixed Term Scheme - Monthly Plan - 6 - Dividend Option (50,00,000 units of Rs. 10/- per unit)	-	-	50.00	-	-
Morgan Stanley Growth Fund (25,000 units of Rs.10 each, fully paid up)	1.00	-	-	-	-
UTI G-Sec Fund - Income Plan (471,285 units of Rs. 10/- per unit)	-	-	-	-	5.00
(iii)	**2,232.92**	**808.02**	**285.13**	**99.06**	**5.00**

GMR

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 7 (contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Other than Trade - Quoted					
Government Securities* **					
6.35% Government of India 2020 (1,500,000 units of Rs. 100 per unit)	132.97	140.70	-	-	-
6.05% Government of India 2019 (500,000 units of Rs. 100 per unit)	43.31	45.67	-	-	-
5.59% Government of India 2016 (1,000,000 units of Rs. 100 per unit) (Sold during the year)	-	90.45	-	-	-
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit) (Sold during the year)	-	52.65	-	-	-
7.38% Government of India 2015 (500,000 units of Rs. 100 per unit) (Sold during the year)	-	52.65	-	-	-
7.46% Government of India 2017 (500,000 units of Rs. 100 per unit)	40.08	52.38	-	-	-
Equity Shares******					
(Purchased during the year)					
Alstom Projects India Limited (13,092 (2005-1,000) shares of Rs.10 each, fully paid up)	14.40	0.17	-	-	-
Andhra Bank (337,728 shares of Rs.10 each,fully paid up)	27.31	-	-	-	-
Bank of Baroda (58,108 shares of Rs.10 each,fully paid up)	11.09	-	-	-	-
Bajaj Hindustan Limited (5,000 shares of Re.1 each, fully paid up)	0.99	-	-	-	-
Ballarpur Industries Limited (16,840 shares of Rs.10 each, fully paid up) (Sold during the year)	-	1.49	-	-	-
Birla Corporation Limited (3,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.54	-	-	-
Century Textiles & Industries Limited (5,000 shares of Rs.10 each, fully paid up)	1.59	-	-	-	-
Coromandel Fertilisers Limited (10,000 shares of Rs.2 each, fully paid up)	0.84	-	-	-	-
Cipla Limited (1,000 shares of Rs.2 each, fully paid up)	0.64	-	-	-	-
Dredging Corporation Limited (1,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.51	-	-	-
Elecon Engineering Limited (500 shares of Rs.10 each, fully paid up)	0.35	-	-	-	-
Engineers India Limited (715 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.23	-	-	-
EID Parry India Limited (7,732 shares of Rs.10 each, fully paid up) (Sold during the year)	-	3.06	-	-	-
Federal Bank Limited (5,000 shares of Rs.10 each, fully paid up)	0.89	-	-	-	-
Futura Polyster Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.28	-	-	-
Great Eastern Shipping Company Limited (5,000 (2005-2,000) shares of Rs.10 each, fully paid up)	1.23	0.31	-	-	-
Gujarat Industries Limited (5,200 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.37	-	-	-
Hindalco Limited (3,303 shares of Re.1 each, fully paid up)	0.56	-	-	-	-
Hindustan Petroleum Corporation Limited (5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	1.53	-	-	-
Indian Petrochemicals Corporation Limited (5,000 shares of Rs.10 each, fully paid up)	1.21	-	-	-	-

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 7 (contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Indraprashta Gas Limited (5,000 shares of Rs. 10 each, fully paid up) (Sold during the year)	-	0.49	-	-	-
J K Paper Limited (18,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.86	-	-	-
Jindal Iron & Steel Company Limited (3,000 shares of Rs. 2 each, fully paid up) (Sold during the year)	-	0.29	-	-	-
Jain Irrigations Systems Limited (10,000 shares of Rs.10 each, fully paid up)	1.83	-	-	-	-
Kesoram Industries Limited (10,000 shares of Rs.10 each, fully paid up)	1.97	-	-	-	-
Mangalore Petroleum Refinery Limited (5,000 shares of Rs.10 each, fully paid up)	-	0.24	-	-	-
Maruti Udyog Limited (2,000 shares of Rs.5 each, fully paid up)	-	0.84	-	-	-
Neyveli Lignite Corporation Limited (50,000 shares of Rs.10 each, fully paid up)	3.48	-	-	-	-
NIIT Technologies Limited (5,000 shares of Rs.10 each, fully paid up)	0.90	-	-	-	-
Punjab National Bank Limited (1,000 shares of Rs.10 each, fully paid up)	0.48	-	-	-	-
Ranbaxy Laboratories Limited (2,500 shares of Rs.5 each, fully paid up)	1.04	-	-	-	-
Ramco Systems Limited (15,000 shares of Rs.10 each, fully paid up)	2.91	-	-	-	-
Reliance Industries Limited (25,000 (2005-5,000) shares of Rs.10 each, fully paid up)	9.20	2.37	-	-	-
Reliance Natural Resources Limited (20,000 shares of Rs.5 each, fully paid)	1.24	-	-	-	-
Reliance Communication Ventures Limited (20,000 shares of Rs.5 each, fully paid)	6.84	-	-	-	-
Reliance Communication Ventures Limited (2,500 shares of Rs.10 each, fully paid)	0.77	-	-	-	-
Raymond Limited (6,100 shares of Rs.10 each, fully paid up)	-	1.92	-	-	-
State Bank Of India (2,000 shares of Rs.10 each, fully paid up)	1.88	-	-	-	-
SRF Limited (5,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.42	-	-	-
T N Newsprint Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.59	-	-	-
TRF Limited (30,637 shares of Rs.10 each, fully paid up)	9.42	-	-	-	-
Tata Motors Limited (4,900 shares of Rs.10 each, fully paid up) (Sold during the year)	-	2.03	-	-	-
Tata Tele Services Limited (10,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.25	-	-	-
Tata Power Limited (2,000 shares of Rs.10 each, fully paid up) (Sold during the year)	-	0.72	-	-	-

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 7 (contd.)	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Uniphos Enterprises Limited					
(23,174 shares of Rs.10 each, fully paid up)	0.70	-	-	-	-
UCO Bank Limited					
(15,000 shares of Rs.10 each, fully paid up)	-	0.45	-	-	-
(Sold during the year)					
Vijaya Bank Limited					
(5,000 shares of Rs.10 each, fully paid up)	-	0.32	-	-	-
(Sold during the year)					
Webel-SI-Energy Systems Limited					
(7,609 shares of Rs.10 each, fully paid up)	1.40	-	-	-	-
Wockhardt Limited					
(2,000 shares of Rs.5 each, fully paid up)	-	0.71	-	-	-
(Sold during the year)					
(iv)	**321.52**	**455.49**	**-**	**-**	**-**
Total (i)+(ii)+(iii)+(iv)	**2,556.98**	**1,754.79**	**365.53**	**921.13**	**867.94**

Notes:

* Aggregate Market value of long term equity shares - Rs. Nil (2005 - Rs. 91.99 millions , 2004 - Rs. 93.05 millions, 2003 - Rs. 106.45 millions & 2002 - Rs. 74.13 millions)

** Aggregate Net Asset Value of Mutual Funds - Rs. 2,232.22 millions (2005 - Rs. 808.89 millions, 2004- Rs.285.43 millions, 2003 - Rs. 99.58 millions & 2002 - Rs.5.00 millions)

*** Aggregate Market value of Government securities as at March 31, 2006 - Rs. 216.36 millions (2005 - Rs. 434.50 millions)

**** Aggregate Market Value of short term quoted equity shares - Rs. 120.90 millions (2005 - Rs.22.67 millions, 2004, 2003, & 2002 - Rs. Nil)

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 8	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
INVENTORIES					
Stores and spares	177.70	191.10	190.56	159.37	-
Raw Materials	180.94	115.20	120.90	108.69	-
Total	**358.64**	**306.30**	**311.46**	**268.06**	**-**

(Rs. in millions)

Schedule 9	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SUNDRY DEBTORS					
(Trade, unless otherwise stated)					
Debts outstanding for a period exceeding six months:					
Secured - considered good	320.70	217.42	193.20	-	-
Unsecured - considered good	-	-	0.02	-	42.91
Sub Total (i)	**320.70**	**217.42**	**193.22**	**-**	**42.91**
Other debts:					
Secured - considered good	1,552.55	976.11	1,485.76	2,798.06	-
Unsecured - considered doubtful	127.81	-	-	-	-
Unsecured - considered good*	547.61	621.88	4.38	10.70	420.71
Unsecured - other than trade - considered good	12.48	16.90	-	-	-
Sub Total (ii)	**2,240.45**	**1,614.89**	**1,490.14**	**2,808.76**	**420.71**
Less Provision for doubtful debts (iii)	127.81	-	-	-	-
Total (i + ii - iii)	**2,433.34**	**1,832.31**	**1,683.36**	**2,808.76**	**463.62**

* includes unbilled revenue amounting to Rs.547.32 millions (2005: Rs. 611.47 millions, 2004, 2003 & 2002 - Rs.Nil)

(Rs. in millions)

Schedule 10	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
CASH AND BANK BALANCES					
Cash and Cheques on hand	1.21	83.97	1.13	0.30	0.64
Balances with scheduled banks					
- On Current accounts	314.56	687.22	381.87	202.75	0.94
- On Deposit accounts	6,385.78	3,695.52	4,191.42	4,524.54	378.80
- On Margin Money*	52.66	42.72	236.46	156.01	-
Total	**6,754.21**	**4,509.43**	**4,810.88**	**4,883.60**	**380.38**

*The margin money deposits are towards letters of credit and Bank Guarantees issued by the bankers on behalf of the Company.

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 11	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
OTHER CURRENT ASSETS					
(Unsecured and Considered Good)					
Interest accrued but not due on deposits	31.06	32.63	48.60	99.71	79.47
Claims receivable	93.39	-	-	-	-
Grant accrued	716.90	-	-	-	-
Dividend receivable	-	-	-	-	0.24
Total	**841.35**	**32.63**	**48.60**	**99.71**	**79.71**

(Rs. in millions)

Schedule 12	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
LOANS AND ADVANCES					
(Unsecured and considered good, unless otherwise stated)					
Advance towards share application money	112.46	1.13	-	20.37	69.20
Advances recoverable in cash or in kind or for value to be received					
- considered good	716.05	414.39	777.96	1,097.09	190.28
- considered doubtful	28.67	160.03	-	-	-
Deposit with government authorities	131.00	22.67	27.88	35.18	-
Advance tax (net of provision)	91.95	69.44	112.14	83.30	2.56
	1,080.13	**667.66**	**917.98**	**1,235.94**	**262.04**
Less: Provision for doubtful advances	28.67	160.03	-	-	-
Total	**1,051.46**	**507.63**	**917.98**	**1,235.94**	**262.04**

(Rs. in millions)

Schedule 13	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
CURRENT LIABILITIES AND PROVISIONS					
a) Liabilities					
Sundry Creditors					
Dues to small scale industrial undertakings	-	-	-	-	
Dues to other than small scale industrial undertakings	3,685.67	3,840.98	2,494.80	2,383.64	243.26
	3,685.67	**3,840.98**	**2,494.80**	**2,383.64**	**243.26**
Book overdraft	29.02	32.53	13.16	198.36	-
Interest accrued but not due	24.68	42.45	38.36	23.68	-
Other liabilities	119.83	176.82	52.70	41.17	2.58
Sub Total 3,859.20	**4,092.78**	**2,599.02**	**2,646.85**	**245.84**	
b) Provisions					
Proposed dividend	-	-	-	16.16	33.01
Dividend distribution tax	73.17	-	151.42	73.01	-
Provision for employee benefits	16.67	9.12	7.84	2.69	-
Provision for Operations and Maintenance (net of advances)	642.00	483.68	335.78	464.50	-
Provision against claims recoverable	64.92	64.92	57.26	-	-
Sub Total	**796.76**	**557.72**	**552.30**	**556.36**	**33.01**
Total	**4,655.96**	**4,650.50**	**3,151.32**	**3,203.21**	**278.85**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in millions)

Schedule 14	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
MISCELLANEOUS EXPENDITURE					
(to the extent not written off or adjusted)					
Preliminary expenses	0.03	0.16	0.97	0.81	0.88
Deferred Revenue expenses	-	-	9.24	13.42	6.60
Total	**0.03**	**0.16**	**10.21**	**14.23**	**7.48**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in millions)

Schedule 15	**For the year ended March 31, 2006**	**For the year ended March 31, 2005**	**For the year ended March 31, 2004**	**For the year ended March 31, 2003**	**For the year ended March 31, 2002**
SALES AND OPERATING INCOME					
Income from sale of electrical energy	9,196.36	9,207.98	9,789.44	4,668.90	-
Less: Prompt Payment Rebate	163.81	152.93	135.43	48.52	-
	9,032.55	**9,055.05**	**9,654.01**	**4,620.38**	**-**
Annuity income	1,392.45	625.51	-	-	-
Income from variation works	111.85	244.07	-	-	-
Income from management and other services	12.50	1.42	-	125.70	109.40
Dividend received	57.92	0.63	73.75	0.88	0.77
Profit / (Loss) on sale of investments (Net)	(21.78)	2.42	5.01	0.73	47.77
Total	**10,585.49**	**9,929.10**	**9,732.77**	**4,747.69**	**157.94**

(Rs. in millions)

Schedule 16	**For the year ended March 31, 2006**	**For the year ended March 31, 2005**	**For the year ended March 31, 2004**	**For the year ended March 31, 2003**	**For the year ended March 31, 2002**
OTHER INCOME					
Interest received on deposits, debts, loans, etc. (gross)	264.18	179.05	254.08	171.74	77.15
[Tax deducted at source - Rs. 24.60 millions (2005: Rs.30.27 millions,					
2004: Rs. 46.51 millions, 2003 - Rs. 59.89 millions, 2002 - Rs. 13.96 millions)]					
Income from investments- other than trade (Gross)	36.36	7.27	6.91	-	-
Liabilities/Provisions no longer required, written back	1.06	25.88	-	-	-
Claims Received	-	70.00	(3.22)	-	-
Gain/(loss) on account of foreign exchange fluctuations (net)	0.47	(9.47)	32.11	0.04	-
Provision for diminution in value of investments written back	-	11.35	-	-	-
Miscellaneous income	13.07	1.35	10.79	13.05	8.28
Total	**315.14**	**285.43**	**300.67**	**184.83**	**85.43**

GMR INFRASTRUCTURE LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in millions)

Schedule 17	**For the year ended March 31, 2006**	**For the year ended March 31, 2005**	**For the year ended March 31, 2004**	**For the year ended March 31, 2003**	**For the year ended March 31, 2002**
GENERATION AND OPERATING EXPENSES					
Consumption of fuel and lubricants	4,080.75	4,064.92	4,536.82	2,345.80	-
Operations and Maintenance	568.78	561.58	588.16	237.38	-
[net of warranty and other claims - Rs. 31.11 millions (2005, 2004, 2003 & 2002 - Rs. Nil) and includes stores and spare parts consumed Rs.162.2 millions (2005: Rs. 77.85 millions, 2004 - Rs. 89.97 millions, 2003 - Rs. 40.59 millions, 2002 - Rs. Nil)]					
Cost of variation works	102.06	232.51	-	-	-
Technical consultancy fee	102.30	97.09	-	-	-
Salaries, allowances and benefits to employees	5.71	5.59	6.64	2.30	-
Water charges	1.46	3.35	8.47	1.84	-
Repairs and maintenance:					
Plant and machinery (net of claims)	20.44	28.26	50.95	3.02	-
Buildings	54.54	18.43	14.33	0.24	-
Others	2.38	3.02	1.15	0.25	-
Land lease rentals	119.42	119.47	122.50	52.10	-
[net of sub lease rentals - Rs. 2.81 millions (2005, 2004 and 2003 - Rs. 2.81 millions, 2002- Rs. Nil)					
	5,057.84	**5,134.22**	**5,329.02**	**2,642.93**	**-**

(Rs. in millions)

Schedule 18	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
ADMINISTRATION AND OTHER EXPENSES					
Salaries, allowances and benefits to employees	294.19	218.03	160.53	63.60	17.91
Contribution to Provident and other funds	13.24	12.54	7.64	6.91	0.88
Staff welfare expenses	9.13	9.29	1.41	1.08	-
Rent	52.32	49.75	30.97	20.06	6.06
Repairs & Maintenance					
- Buildings	0.74	1.04	-	-	-
- Others	5.20	5.34	0.33	1.70	0.29
Rates and Taxes	17.35	5.46	6.47	5.32	0.66
Insurance	81.96	83.88	73.55	27.42	0.32
Consultancy and other professional charges	105.88	77.63	116.41	54.25	10.70
Directors' sitting fee	1.09	0.82	0.18	0.05	-
Electricity charges	3.22	1.82	1.55	0.59	-
Remuneration to Auditors	2.95	2.11	1.27	0.48	0.05
Green belt maintenance	1.61	6.32	1.37	0.82	-
Travelling and conveyance	82.97	29.09	33.29	23.66	4.33
Communication expenses	17.53	10.22	8.49	5.87	2.65
Provision for doubtful advances/ Write off of claims and debts	127.81	160.03	7.66	21.54	-
Advances written off	28.68	-	-	-	-
Loss on sale of fixed assets	(0.11)	27.53	(22.46)	8.47	0.11
Fixed Assets written off	4.65	-	25.72	-	-
Provision for diminution in value of investments	-	-	11.35	-	-
Miscellaneous Expenses	177.83	157.31	86.69	121.01	10.02
Less: Reimbursement of expenses	-	-	-	(18.96)	-
Total	**1,028.24**	**858.21**	**552.42**	**343.87**	**53.98**

(Rs. in millions)

Schedule 19	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
INTEREST AND FINANCE CHARGES					
Interest on term loans	1,257.06	976.10	964.79	589.20	76.89
Interest - Others	29.63	54.32	130.79	60.98	7.18
Guarantee Commission	23.55	33.73	40.00	19.41	-
Bank/other finance charges/prepayment premium (net of reimbursement)	247.53	65.00	80.05	42.78	0.61
Total	**1,557.77**	**1,129.15**	**1,215.63**	**712.37**	**84.68**

GMR INFRASTRUCTURE LIMITED - CONSOLIDATED

Schedule 20

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

1. Description of business

GMR Infrastructure Limited ('GIL' or 'the Company') is predominantly a holding company with its investments mainly in subsidiaries and associates (hereinafter collectively referred to as 'Group') which are engaged in generation of power, development of expressways and airport infrastructure facilities.

Power business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed which have entered into Power Purchase Agreements with the electricity distribution companies / electricity boards of the respective state governments.

Airport business

An entity of the Group is developing the Greenfield International Airport at Hyderabad on build, own, operate and transfer basis along with a consortium of sponsors like Airport Authority of India, Government of Andhra Pradesh and Malaysian Airport Holdings Berhad under concessionaire agreement.

The Group has subsequent to March 31, 2006, invested in a special purpose vehicle which would be involved in the operation, maintenance and development of the Delhi International Airport.

Development of expressways

Certain entities of the Group are engaged in development of expressways on build, operate and transfer basis. There are special purpose vehicles which have entered into concessionaire agreements with National Highways Authority of India for carrying out these projects.

2. Principles of consolidation

The consolidated financial statements include accounts of GMR Infrastructure Limited ('the Company') and its subsidiaries and associate. Subsidiary undertakings are those companies in which GIL, directly or indirectly, has an interest of more than one half of voting power or otherwise has power to exercise control over the composition of the Board of Directors. Subsidiaries are consolidated from the date on which effective control is transferred to the Group to the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated.

Investments in the Associates have been accounted in these consolidated statements as per Accounting Standard 23 on Accounting for Investments in Associates in Consolidated Financial Statements. Investments in associate companies which have been made for temporary purposes have not been considered for consolidation.

Minority Interest in the consolidated subsidiaries represents the minority shareholders' proportionate share of the net worth and the results of operations of such subsidiaries.

The companies considered in the consolidated financial statements in each of the years are listed below:

Subsidiaries/Associates of GIL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest				
			March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	GMR Energy Limited (GEL)	Subsidiary	84.90%	84.90%	84.90%	88.92%	-
2	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary	63.00%	63.00%	63.00%	-	-
3	GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)*	Subsidiary	43.12%	29.92%	32.52%	41.12%	-
4	GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)*	Subsidiary	43.12%	29.92%	32.52%	41.12%	-
5	GMR Ambala-Chandigarh Expressways Private Limited (GACEPL)	Subsidiary	91.30%	-	-	-	-
6	GMR Jadcherla Expressways Private Limited (GJEPL)	Subsidiary	51.00%	-	-	-	-
7	GMR Pochanpalli Expressways Private Limited (GPEPL)	Subsidiary	51.00%	-	-	-	-
8	Vemagiri Power Generation Limited (VPGL)	Subsidiary	-	-	-	62.50%	62.50%

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest				
			March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
9	GMR Power Corporation Private Limited (GPCPL)	Subsidiary	-	-	-	60.50%	-
10	GMR Operations Private Limited (GOPL)	Associate	-	49.00%	49.00%	99.98%	49.00%
11	Gateways for India Airports Private Limited (GFIAPL)	Associate	37.00%	37.00%	-	-	-

* As at March 31, 2006, 51% of the Equity Share Capital of these companies is held by GPCPL.

Subsidiaries of GEL

Sl. No.	Name of the Company	Relationship	Percentage of ownership interest				
			March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1	VPGL	Subsidiary	100.00%	100.00%	100.00%	-	-
2	GPCPL	Subsidiary	51.00%	51.00%	51.00%	-	-
3	GMR Mining and Energy Limited (GMEPL)	Subsidiary	89.00%	-	-	-	-

3 The significant accounting policies are as follows:

(i) REVENUE RECOGNITION

In case of power generating companies, revenue from sale of energy is recognised on accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed payment charges and any other claims, which the Company is entitled to under the Power Purchase Agreement, on grounds of prudence, are accounted for in the year of acceptance. Insurance claims are accounted on finalization and acceptance. The PPA provides for payment of fixed tariff based on availability of plant for the year and also the fuel cost at a predetermined station heat rate.

In case of companies involved in construction and maintenance of roads, annuity is accrued on time basis in accordance with the provisions of the Concessionaire Agreement entered into with National Highways Authority of India (‘NHAI’). Claims raised on NHAI under Concessionaire Agreement, on grounds of prudence, shall be accounted for in the year of acceptance.

Significant items of income and expenditure are accounted for on accrual basis except in case of those with significant uncertainties. Income from management/technical services is recognised as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to Profit and Loss Account. These will be dealt with at appropriate time for recovery/capitalization.

(ii) OPERATIONS AND MAINTENANCE

GEL has entered into a Long Term Service Agreement (LTSA) for maintenance of the main plant, Operations and Maintenance Agreement for regular and major maintenance and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to the Profit & Loss Account based on actual factored fired hours of the Gas Turbines during the period on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical minimum payments are accounted as and when due.

(iii) FIXED ASSETS

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as Capital Work in Progress.

In case of GTAEPL and GTTEPL, all costs incurred to construct, widen and rehabilitate the respective expressways have been capitalised as Carriage Ways.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition of any qualifying asset are recognised as expenses in the period in which they are incurred.

The expenditure incurred during construction period, pending allocation (net) represents expenses incurred for setting up of project facilities including pre-operative expenses for trial runs and borrowing costs incurred prior to the date of commencement of commercial operations. These expenses are net of sales during trial run and other income accrued prior to the commencement of commercial operations.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying the value of the asset upon re-assessment in the subsequent years.

(iv) DEPRECIATION

Depreciation is provided on straight line method at the rates specified under Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives whichever is higher except for assets costing less than Rs. 5,000, which are fully depreciated in the year of acquisition and as stated otherwise below. Leasehold improvements are amortised over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual life of the asset.

In respect of GEL, the Plant & Machinery and Buildings (except temporary structures, which are charged off at 100%) at project site are depreciated up to 95% of their cost on straight-line method over 7 years i.e. the term of Power Purchase Agreement.

In case of GPCPL and VPGL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

In case of GTTEPL and GTAEPL, depreciation on Fixed Assets other than Carriage Ways is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The cost of carriage ways which is in the nature of an intangible asset, is amortised over the period of the Concessionair Agreement with NHAI i.e 15.09 years and 14.88 years respectively.

(v) INVESTMENTS

Long term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognised in the year in which it is accrued and stated at gross of tax deducted at source.

Gains/losses, on investment in futures, both equity and index, and on forward contracts being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier, are recognised in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

(vi) INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition.

(vii) RETIREMENT BENEFITS

Contribution on account of Provident Fund is charged to the Profit and Loss Account. Liability for gratuity and superannuation is funded through a scheme administered by an insurer. Contributions towards these schemes are based on the contributions called for by the insurer and the same is charged to the Profit and Loss Account. In addition, at the end of the year, an independent actuarial valuation is obtained and shortfall, if any, as compared to the contributions payable is provided for. Liability on account of accumulated leave is provided on accrual basis.

(viii) FOREIGN CURRENCY TRANSACTIONS

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain /loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans are adjusted for any change in liability arising out of repayment of /expressing the outstanding foreign currency loan at the rate of exchange prevailing at the date of the Balance Sheet. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

(ix) EARNINGS PER SHARE

The earnings considered in ascertaining the Company’s Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of shares and potentially dilutive shares are adjusted for bonus shares issued.

(x) TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences; being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax in respect of timing differences which originate and reverse during tax holiday period are not recognised.

4. **Notes to the Consolidated Financial Statements of the Company and its subsidiaries and associate:**

(i) Contingent Liabilities

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Bank guarantees outstanding	6,070.67	512.50	1,141.79	1,141.79	494.04
Corporate guarantees	2,759.58	1,229.10	444.9	6115.10*	255.10
Performance Guarantees	-	150.80	150.80	150.80	-
Stamp Duty Payable for registration	2.99	2.99	-	-	-
Letters of Credit Outstanding	-	-	-	1,086.10	-
Income tax matters	-	5.35	-	-	-
Claims against the company not acknowledged as debts	-	0.20	-	-	-
Arrears of dividend on cumulative preference shares of GTAEPL and GTTEPL payable to minority shareholders	81.57	36.45	-	-	-
Disputed Seigniorage Fee**	157.83	-	-	-	-

* A corporate guarantee had been given by the Company to the consortium lenders of the road projects undertaken by GTTEPL and GTAEPL for any cost overrun beyond the estimated project cost (up to the date of commercial operations of GTTEPL and GTAEPL), any increase in operations and maintenance cost beyond the budgeted base cost and to cover any shortfall in the amount payable to NHAI in respect of the facility in the event of termination due to borrowers default as per the terms of the concession agreement.

**The Department of Mines and Geology, Government of Andhra Pradesh (DOM&G) has raised demand notices on GTAEPL levying seigniorage fee amounting to Rs. 157.83 millions (including penalty). An appeal has been filed by GTAEPL and the Engineering Procurement and Construction (EPC) contractor, jointly, with the DOM&G against such demand notices. Pending settlement/finalisation of this matter, no effect has been considered in these financial statements. In terms of the EPC contract, any liability arising on crystallization of such matter will be borne by the EPC contractor.

(ii) Capital Commitments

(Rs. in millions)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Uncalled liability in respect of partly paid shares	-	-	-	560.35	-
Estimated value of contracts remaining to be executed on capital account, not provided for	8,982.09	3,656.49	9,059.91	5,103.56	444.20
Investment in equity shares of subsidiary company	2,077.15	1,109.85	1,354.85	-	-

(iii) Equity Shares

During the year ended March 31, 2006, the Company has issued 105,774,723 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Accordingly, the Company has utilised the balances lying in Share Premium, Capital Redemption Reserve, General Reserve and the Profit and Loss Account (to the extent required) for the purpose of the bonus issue.

(iv) Preference Shares

During the year 2004-05, GIL had redeemed 1,850,000 fully paid up 13% Optionally Convertible Cumulative Preference Shares of Rs. 100/- each at par aggregating to Rs. 185.00 millions.

(v) Reserves and Surplus

a) Consequent to the exemption obtained from compliance with regulations applicable to Non Banking Financial Companies, the Company has during the year ended March 31, 2006, transferred the balance in Special Reserve created under section 45IC of the Reserve Bank of India Act, 1934 amounting to Rs. 220.44 millions to General Reserve.

b) GHIAL has received an amount of Rs. 353.10 millions during the year ended March 31, 2006 from Government of Andhra Pradesh towards Advance Development Fund Grant, out of a total grant of Rs. 1,070.00 millions, as per the State Support Agreement. This being in the nature of financial support for the project, the grant has been considered as Capital Reserve.

(vi) Secured Loans

In case of GTTEPL and GTAEPL, the Secured Loans as at March 31, 2006 are received on the assignment of future Annuity/Receivables under the Concession Agreement with National Highway Authority of India and are further secured by way of mortgage of all the present and future immovable fixed assets and by way of hypothecation over the movable fixed assets of these companies.

(vii) Fixed Assets

a) In pursuance of the State Support Agreement, GHIAL has entered into a Land Lease Agreement with Government of Andhra Pradesh, for obtaining the Land on Lease for the development of Airport Project. As per the agreement, the lease term is in line with the term of the Concession Agreement entered into with the Ministry of Civil Aviation. The lease rentals are payable from the eighth anniversary of the Commercial Operation Date. GHIAL has taken the possession of the said land during the year 2004-05. Capital Work-in-progress as on March 31, 2006 includes Rs.4,776.92 millions primarily representing Boundary Wall, Site Preparation Works and progress on passenger terminal building and airside landside works on such Leasehold Land.

b) During 2003-04, GEL has exercised its option to purchase 33.41 acres of land from Karnataka Industrial Area Development Board (KIADB) covered under the Lease cum Sale Agreement during the year. Consequently, the advances paid to KIADB for acquisition of land and the deferred revenue expenditure (including amounts amortised in the earlier years) pertaining to land development have been capitalised.

c) During the year 2003-04, VPGL reassessed the estimated useful life of the fixed assets. Accordingly the rates of depreciation have been changed from the rates prescribed under Schedule XIV of the Companies Act 1956, of those of Electricity (Supply) Act, 1948. Consequent to such change, depreciation for the year is higher by Rs. 0.13 million.

(viii) Investments

GIL, GEL and GPCPL, holding equity and preference shares in their respective subsidiaries, have pledged certain of such shares as security towards borrowings of the investee companies as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002. As such investments do not form part of these consolidated financial statements (on account of elimination during consolidation), details of the shares pledged have not been presented.

(ix) Sundry Debtors

a) During the year 2003-04, GEL entered into a Memorandum of Settlement with Karnataka Power Transmission Corporation Limited. Consequent to the settlement, various pending issues were resolved and necessary adjustments including interest income arising out of the same have been considered appropriately in the financial statements.

b) In case of GPCPL, sundry debtors include Rs. 748.74 millions (2005 – Rs. 536.89 millions, 2004 – Rs. 584.95 millions and 2003 – Rs. 1,411.98 millions), being amounts due from Tamil Nadu Electricity Board, which are subject to confirmation.

(x) Loans and Advances

During the year 2003-04 and 2004-05, GEL has received refund of additional customs duty aggregating to Rs. 995.58 millions paid at the time of import of the barge mounted power plant. GEL has reduced the tariff [which was earlier fixed taking into account the customs duty claimable from Karnataka Power Transmission Corporation Ltd. (KPTCL)] to pass on the entire corresponding benefit to KPTCL over the balance term of Power Purchase Agreement.

(xi) Foreign Currency Swap Transactions

GIL has entered into dollar denominated currency swap contracts during the year 2003-04 and 2004-05 for the part of amounts borrowed and interest thereon. These swap contracts involve exchange of principal amounts aggregating to Rs. 450 millions and Rs. 650 millions as at March 31, 2004 and March 31, 2005 respectively.

(xii) Operating Income

a) Income from dividends and profit on sale of investments are treated as operating incomes as the main activities of GIL involve investments.

b) In case of GEL, the Government of Karnataka has vide its order dated 10^{th} May, 2005 directed that the Electricity Supply Companies (ESCOMs) will purchase power from the various electricity generating companies and Karnataka Power Transmission Corporation Limited (KPTCL) will not trade in power.

(xiii) Operations and Maintenance Expenses

a) Expenses incurred by GEL and GPCPL as per the terms of the Operations and Maintenance contract which mainly represent repairs and maintenance, due to the composite nature of the contract have been grouped and disclosed under operations and maintenance expenses.

b) In case of GPCPL, Tamil Nadu Government vide a letter dated April 29, 2003, requested Tamil Nadu Electricity Board (‘TNEB’) to revise the land lease agreement entered into by TNEB with the Company, at the rates specified which are lower than the present rates. GPCPL is awaiting necessary intimation from TNEB in this regard and accordingly, adjustments if any, that may arise on this account will be dealt with in the financial statements on receipt of such intimation.

(xiv) Others

a) Projects in GHIAL, GACEPL, GJEPL and GPEPL are in construction stage and the project in VPGL has started trial run generation/testing of equipments. Consequently, no Profit and Loss Account has been drawn up for these Companies. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under expenditure during construction period, pending allocation (net).

b) VPGL has not commenced commercial operations. Claims/counterclaims, if any, arising out of the project related contracts including Power Purchase Agreement and Engineering, Procurement and Construction contracts, on account of delays or any other reasons, have not been reflected in the financial statements, pending settlements/negotiations with the concerned parties.

c) The accounts of GIL for the financial year 2002-03 were approved by the Board on 23rd July 2003 with a proposed dividend of 5% on Equity Shares and the same were duly audited by the statutory auditors vide their report dated 23rd July 2003. However, shareholders in the Annual General Meeting held on 30th September 2003 have approved for the payment of dividend of 2.5% only. Hence, after incorporating this change in the financial statements, these were approved by the Board of Directors and a revised audit report dated 30th September 2003 was obtained on the financial statements.

d) During the year 2002-03, VPGL has changed its financial year from July-June to April-March. Consequently, the financial statements have been prepared for a period of nine months ended March 31, 2003.

e) GTTEPL and GTAEPL have commenced commercial operations on October 11, 2004 and December 24, 2004. Accordingly, the profit and loss account for these companies for the year ended March 31, 2005 have been drawn up from those dates.

f) GFIAPL, an associate of GIL, has been incorporated to build, own and operate Airports & Airport Infrastructure, Airlines and other Infrastructure facilities. GIL, GVL Investments Private Limited, Fraport AG Frankfurt Airport Services Worldwide and India Development Fund are the shareholders of the Company. The Company has incurred a total expenditure of Rs. 295.75 millions towards bids for restructuring and modernization of the Mumbai and Delhi Airports and pre takeover expenditure as per the financial statements as at March 31, 2006. Out of the above, expenses incurred subsequent to the results of the bid would be reimbursed by the Special Purpose Vehicle formed for taking up the project and those expenses incurred prior to that date would be reimbursed to GFIAPL by certain shareholders of GFIAPL and the holding company of GIL.

g) The financial statements of the consolidated entities for the four years ended March 31, 2005 have been adjusted for events occurring after the respective Balance Sheet Dates that provide additional information affecting the determination of the amounts relating to conditions existing at the balance sheet date.

(xv) Operating Leases

a) The Group has entered into certain operating lease agreements. An amount of Rs. 52.32 millions (2005 - Rs. 49.75 millions, 2004 – Rs. 30.97 millions, 2003 – Rs. 20.06 millions, 2002 – Rs. 6.06 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancelable in nature.

(xvi) Earnings Per Share (EPS)

Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
Net Profit after Tax (Rs. in millions)	705.49	690.47	680.00	255.09	86.86
Preference Dividend (including tax thereon)	45.12	53.96	27.13	25.29	3.69
Net Profit after tax – for Basic EPS	660.37	636.51	652.87	229.80	83.17
Effect of Dilutive instruments	-	-	27.13	-	-
Net Profit after tax – for Diluted EPS	660.37	636.51	680.00	229.80	83.17
Weighted Average number of shares for Basic EPS	264,436,814	264,436,814	264,436,814	170,464,211	164,436,814
Weighted Average number of shares for Diluted EPS	264,436,814	264,436,814	282,936,814	170,464,211	164,436,814
Earning Per Share – Basic (Rs.)	2.50	2.41	2.47	1.35	0.51
Earning Per Share – Diluted – (Rs.)	2.50	2.41	2.40	1.35	0.51

Calculation of weighted average number of shares outstanding during the year

Particulars	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Nominal value of equity shares – (Rs.)	10	10	10	10	10
Total number of equity shares at the beginning of the year – Rs. 10 per share paid up	158,662,091	158,662,091	158,662,091	58,662,091	58,662,091
Equity shares issued during the year:	105,774,723	-	-	100,000,000	-
Total equity shares at the end of the year	264,436,814	158,662,091	158,662,091	158,662,091	58,662,091
Bonus Equity Shares issued (Refer Note 1 below)	-	105,774,723	105,774,723	105,774,723	105,774,723
Weighted Average number of Equity shares for Basic EPS	**264,436,814**	**264,436,814**	**264,436,814**	**170,464,211**	**164,436,814**
Potential Equity Shares - Convertible Preference Shares issued on (Note 2)	-	-	18,500,000	-	-
Weighted Average number of Equity shares outstanding during the year – Considered for Diluted EPS	**264,436,814**	**264,436,814**	**282,936,814**	**170,464,211**	**164,436,814**

Notes

1. On September 30, 2005, the company has issued 105,774,709 bonus shares to the shareholders in the ratio of two shares for every three shares held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred from the beginning of the year 2002, the earliest period reported.
2. 1,850,000 – 13% Optionally Convertible Cumulative Preference Shares of Rs. 100 each fully paid up, outstanding at each balance sheet date have been converted into 10 equity shares of Rs. 10 each for the purpose of calculation of Diluted EPS. For the years ended March 31, 2003 and March 31, 2002, these have not been included in the computation of Diluted EPS because they were anti-dilutive in nature.
3. Share application money as on March 31, 2005 and March 31, 2003, which has been refunded subsequently have not been considered for calculation of diluted Earning Per Share.

(xvii)Deferred Tax

Deferred tax liability comprises mainly of the following as at March 31,

(Rs. in millions)

Particulars	**2006**	**2005**	**2004**	**2003**	**2002**
Miscellaneous expenditure (to the extent not written off)	(0.21)	(0.28)	0.45	1.87	-
Depreciation	2.22	2.89	71.32	86.19	-
Leave Encashment	(0.21)	-	-	-	-
Total	**1.80**	**2.61**	**71.77**	**88.06**	**-**

In case of GIL, in view of the management's assessment that the future income mainly in the form of dividends is tax free, deferred tax asset on carry/ brought forward losses have not been recognised by the Company, on the grounds of prudence. In case of GPCPL, as a result of change in depreciation rates under the Income Tax Act, 1961, during the year 2004-05, all the timing differences as at March 31, 2005 are reversing during the tax holiday period of the Company under the provisions of Section 80-IA of the Income Tax Act, 1961. Accordingly, the opening accumulated deferred tax liability of Rs. 67.77 millions has been reversed during the year. In case of GEL, GTAEPL and GTTEPL, the timing differences are originating and reversing within the tax holiday period of the Company under the provisions of section 80-IA of the Income Tax Act, 1961. Consequently, deferred tax has not been recognised in these financial statements.

(xviii)Provisions ***(Rs. in millions)***

Sl. No.	**Particulars**	**As at April 1, 2005**	**Provision made during the year**	**Amount used during the year**	**As at March 31, 2006**
a)	Provision against claims recoverable	64.92 (57.26)	- (7.66)	- (-)	64.92 (64.92)
b)	Provision for operations and maintenance (Note 1 below)	483.68 (335.78)	178.89 (240.76)	20.57 (92.86)	642.00 (483.68)

Notes:

a. Amounts provided during the year include transfers from sundry creditors on account of change in terms of the agreement.

b. Previous year's figures are mentioned in brackets.

(xix) Segment Reporting:

a) The segment report of GIL and its consolidated subsidiaries and associates (the Group) has been prepared in accordance with Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

b) The corporate strategy of the Group aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups: Power, Roads, Airport Infrastructure and Others. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.

c) The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.

d) For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.

e) The various business segments comprise of the following companies:

S. No.	Segment	Name of the Company
1.	Power	1. GMR Energy Limited 2. GMR Power Corporation Private Limited 3. Vemagiri Power Generation Limited 4. GMR Mining and Energy Limited and 5. GMR Operations Private Limited (for 2002-2003)
2.	Roads	1. GMR Tuni-Anakapalli Expressways Private Limited and 2. GMR Tambaram-Tindivanam Expressways Private Limited 3. GMR Ambala-Chandigarh Expressways Private Limited 4. GMR Jadcherla Expressways Private Limited 5. GMR Pochanpalli Expressways Private Limited
3.	Airport Infrastructure	1. GMR Hyderabad International Airport Limited (formerly Hyderabad International Airport Limited)
4.	Others	1. GMR Infrastructure Limited

f) The details of segment information for the five years ended March 31, 2006 are given below:

(Rs. in millions)

Business Segments	**Power**	**Roads**	**Airport Infrastructure**	**Others**	**Inter Segment**	**Total**
	2006	**2006**	**2006**	**2006**	**2006**	**2006**
Revenue						
Revenue from Customers	9,032.55	1,504.30	-	52.73		10,589.58
Inter Segment Revenue	-	-	-	521.70	(521.70)	-
Total Revenues	**9,032.55**	**1,504.30**	**-**	**574.43**	**(521.70)**	**10,589.58**
Operating Expenses	4,779.25	228.59	-	-	50.00	5,057.84
Depreciation	1,758.54	439.00		2.17	-	2,199.71
Segmental Operating Profit/(Loss)	**2,494.76**	**836.71**	**-**	**572.26**	**(571.70)**	**3,332.03**
Interest Income/(expense), net	(367.93)	(447.28)	-	(180.11)	-	(995.32)
Other income/(expense), net	(849.71)	(319.59)	-	(37.09)	(69.17)	(1,275.56)
Profit/(Loss) before tax	**1,277.12**	**69.84**	**-**	**355.06**	**(640.87)**	**1,061.15**
Taxation -						
Current tax	105.56	6.71	-	0.02	-	112.29
Fringe Benefit tax	12.15	1.04	-	0.40	-	13.59
Deferred tax				(0.80)		(0.80)
Net Profit/(Loss) for the year	**1,159.41**	**62.09**	**-**	**355.44**	**(640.87)**	**936.07**
Other Information						
Segment Assets	29,599.72	10,984.56	7,511.50	6,510.83	(10,784.57)	43,822.04
Capital Expenditure	3,677.01	77.53	5,000.66	(1.12)	(100.00)	8,654.08
Depreciation / Amortisation	1,758.54	439.00	-	2.17	-	2,199.71
Segment Liabilities	18,224.13	8,823.62	4,538.04	2,850.59	(563.85)	33,872.53

(Rs. in millions)

Business Segments	**Power**		**Roads**		**Airport Infrastructure**		**Others**		**Inter Segment**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Revenue												
Revenue from Customers	9,057.22	9,659.03	869.57	-	-	-	4.48	73.75	-	-	9,931.27	9,732.78
Inter Segment Revenue	-	-	-	-	-	-	477.54	1,059.23	(477.54)	(1,059.23)	-	-
Total Revenues	**9,057.22**	**9,659.03**	**869.57**	**-**	**-**	**-**	**482.02**	**1,132.98**	**(477.54)**	**(1,059.23)**	**9,931.27**	**9,732.78**
Operating Expenses	4,849.75	5,229.17	284.47	-	-	-	-	-	-	(60.15)	5,134.22	5,169.02
Depreciation	1,742.62	1,872.52	166.48	-	-	-	2.55	2.29	-	-	1,911.65	1,874.81
Segmental Operating Profit/(Loss)	**2,464.85**	**2,557.34**	**418.62**	**-**	**-**	**-**	**479.47**	**1,130.69**	**(477.54)**	**(999.08)**	**2,885.40**	**2,688.95**
Interest Income/(expense), net	(430.62)	(444.05)	(201.17)	-	-	-	(219.59)	(397.47)	-	292.81	(851.38)	(548.71)
Other income/(expense), net	(782.97)	(823.02)	(36.70)	-	-	-	(7.14)	(160.96)	(33.80)	(100.09)	(860.61)	(1,084.07)
Profit/(Loss) before tax	**1,251.26**	**1,290.27**	**180.75**	**-**	**-**	**-**	**252.74**	**572.26**	**(511.34)**	**(806.36)**	**1,173.41**	**1,056.17**
Taxation -												
Current tax	107.81	93.34	14.18	-	-	-	(0.14)	-	-	-	121.85	93.34
Deferred tax	(67.77)	(15.07)	-	-	-	-	(1.38)	(1.22)	-	-	(69.15)	(16.29)
Net Profit/(Loss) for the year	**1,211.22**	**1,212.00**	**166.57**	**-**	**-**	**-**	**254.26**	**573.48**	**(511.34)**	**(806.36)**	**1,120.71**	**979.12**
Other Information												
Segment Assets	22,163.35	18,660.93	7,190.83	5,053.38	1,211.89	420.88	6,434.28	5,695.79	(4,900.32)	(5,151.21)	32,100.03	24,679.77
Capital Expenditure	6,126.26	795.48	1,883.23	3,074.35	587.75	112.11	(0.76)	1.86	(68.42)	(85.51)	8,528.06	3,898.29
Depreciation / Amortisation	1,742.62	1,873.75	166.85	-	-	-	12.24	6.46	-	-	1,921.71	1,880.21
Segment Liabilities	15,780.62	12,393.84	5,166.05	3,810.61	154.16	128.34	3,106.84	2,450.37	-	(1,175.86)	24,207.67	17,607.30

SEGMENT REPORTING

(Rs. in millions)

Business Segments	**Power**		**Roads**		**Airport Infrastructure**		**Others**		**Inter Segment**		**Total**	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Revenue												
Revenue from Customers	4,620.38	-	-	-	-	-	127.31	166.00	-	-	4,747.69	166.00
Inter Segment Revenue	11.77	-	-	-	-	-	610.10	-	(621.87)	-	-	-
Total Revenues	**4,632.15**	**-**	**-**	**-**	**-**	**-**	**737.41**	**166.00**	**(621.87)**	**-**	**4,747.69**	**166.00**
Operating Expenses	2,690.73	-	-	-	-	-	-	-	(47.80)	-	2,642.93	-
Depreciation	792.92	-	-	-	-	-	3.44	1.32	-	-	796.36	1.32
Segmental Operating Profit/(Loss)	**1,148.50**	**-**	**-**	**-**	**-**	**-**	**733.97**	**164.68**	**(574.07)**	**-**	**1,308.40**	**164.68**
Interest Income/(expense), net	(292.94)	-	-	-	-	-	(185.50)	(84.67)	-	-	(478.44)	(84.67)
Other income/(expense), net	(270.44)	-	-	-	-	-	(183.65)	29.35	43.90	-	(410.19)	29.35
Profit/(Loss) before tax	**585.12**	**-**	**-**	**-**	**-**	**-**	**364.82**	**109.36**	**(530.17)**	**-**	**419.77**	**109.36**
Taxation -												
Current tax	45.07	-	-	-	-	-	-	22.50	-	-	45.07	22.50
Deferred tax	15.35	-	-	-	-	-	5.22	-	-	-	20.57	-
Net Profit/(Loss) for the year	**524.70**	**-**	**-**	**-**	**-**	**-**	**359.60**	**86.86**	**(530.17)**	**-**	**354.13**	**86.86**
Other Information												
Segment Assets	21,771.09	180.12	2,010.86	-	-	-	7,252.08	2,303.57	(6,297.90)	(120.66)	24,736.13	2,363.03
Capital Expenditure	17,706.95	293.97	1,620.27	-	-	-	4.60	17.58	(56.10)	-	19,275.72	311.55
Depreciation / Amortisation	805.97	-	-	-	-	-	7.61	3.41	-	-	813.58	3.41
Segment Liabilities	14,785.24	37.33	1,055.53	-	-	-	4,549.13	927.64	(687.91)	-	19,701.99	964.97

(xxxvi) Related Party Transactions

a) Names of related parties and description of relationship:

Year ended March 31, 2006

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited
(ii)	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Airports Authority of India, Government of Andhra Pradesh Malaysian Airports Holdings Berhad, Odeon Limited, U E Development India Private Limited
(iii)	Enterprises where significant influence exists / Fellow Subsidiaries	GMR Varalakshmi Foundation, GMR Operations Private Limited (upto March 30, 2006) and GVL Investments Private Limited
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. Kiran Kumar Grandhi, Mr. B.V.N.Rao, Mr. Srinivas Bommidala, Mr. O. B. Raju and Mr. K.Balasubramanian

Year ended March 31, 2005

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited (formerly Rao Investments Private Limited)
(ii)	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/Joint Venture	Airports Authority of India, Government of Andhra Pradesh Malaysian Airports Holdings Berhad, Odeon Limited, U E Development India Private Limited
(iii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation, GMR Operations Private Limited
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. Kiran Kumar Grandhi, Mr. B.V.N.Rao, Mr. Srinivas Bommidala, Mr. O. B. Raju and Mr. K. Balasubramanian

Year ended March 31, 2004

Sl. No.	Relationship	Name of the Parties
(i)	Holding Company	GMR Holdings Private Limited (formerly Rao Investments Private Limited)
(ii)	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Airports Authority of India, Government of Andhra Pradesh Malaysian Airports Holdings Berhad, Odeon Limited, U E Development India Private Limited
(iii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation, GMR Operations Private Limited
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. Kiran Kumar Grandhi, Mr. B.V.N.Rao and Mr. Srinivas Bommidala and Mr. O. B. Raju

Year ended March 31, 2003

Sl. No.	Relationship	Name of the Parties
(i)	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	GMR Investments Private Limited, Varalakshmi Investments Private Limited, Vasavi Finance Private Limited, Rao Investments Private Limited, Alterio (Mauritius) Limited, Odeon Limited, U E Development India Private Limited
(ii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation
(iv)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju, Mr. B.V.N.Rao and Mr. Srinivas Bommidala

Year ended March 31, 2002

Sl. No.	Relationship	Name of the Parties
(i)	Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	GMR Investments Private Limited, Varalakshmi Investments Private Limited, Vasavi Finance Private Limited, Rao Investments Private Limited
(ii)	Enterprises where significant influence exists	GMR Varalakshmi Foundation, GMR Operations Private Limited, Ideaspace Solutions Limited
(iii)	Key Management Personnel	Mr. G.M.Rao, Mr. G.B.S.Raju and Mr. Kiran Grandhi

b) Details of transactions

Year ended March 31, 2006 **(Rs. in millions)**

Nature of transactions	Holding Company	Shareholders' having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture	Enterprises where significant influence exists	Key Management Personnel	Balance Payable (Receivable)
	2006	2006	2006	2006	2006
Share Application Money Received	2,912.55	534.98	-	-	-
Share Application Money Refunded	3,312.55	-	-	-	-
Purchase of Investments	-	-	-	0.10	
Share Application Money Invested and refunded	-	-	2,524.91	-	-
Redemption of Preference Shares	-	-	205.10	-	-
Loans Received and Repaid	1,205.50	-	-	-	-
Issue of Bonus Shares	1,057.74	-	0.004	-	-
Pre-closing Date Development Cost	-	11.62	-	-	-
Operation and Maintenance Services	-	52.32	36.61	-	52.32
Technical Service Fee paid	-	-	102.30	-	-
Unsecured Loans Taken and Repaid	-	-	2.67	-	-
Unsecured Loans including interest accrued and due thereon	-	-	-	-	62.01
Interest on Unsecured Loan	-	-	5.15	-	-
Donations given	-	-	62.50	-	-
Services Rendered	-	-	0.13	-	-
Director's Remuneration	-	-	-	140.41	67.80

Year ended March 31, 2005 and March 31, 2004

(Rs. in millions)

Nature of transactions	Holding Company		Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture		Enterprises where significant influence exists		Key Management Personnel		Balance Payable (Receivable)	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Director's Remuneration	-	-	-	-	-	-	151.99	108.77	61.14	45.05
Manpower Deputation Charges	0.36	0.24	-	-	-	-	-	-	-	-
Share Application Money received	400.00	-	-	-	-	-	-	-	-	-
Payment under Engineering, Procurement and Construction Contract	-	-	1,285.54	-	-	-	-	-	167.14	-
Pre Closing Date Development Costs	-	-	13.38	-	-	-	-	-	-	-
Technical Service Fee/ Management Fees/ Shared Service Fees paid	-	-	-	-	102.09	-	-	-	31.91	-
Unsecured Loans	-	-	-	-	61.90	-	-	-	71.10	9.20
Operation and Maintenance Services	-	-	-	-	54.79	83.53	-	-	0.47	7.52
Interest on Unsecured Loan	-	-	-	-	2.82	-	-	-	-	-
Donations given	-	-	-	-	57.50	35.05	-	-	-	(0.01)

Year ended March 31, 2003 and March 31, 2002 ***(Rs. in millions)***

Nature of transactions	Holding Company		Shareholders having substantial interest/ Enterprises in respect of which the reporting enterprise is an associate/ Joint Venture		Enterprises where significant influence exists		Key Management Personnel		Balance Payable (Receivable)	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Director's Remuneration	-	-	-	-	-	-	20.20	18.07	-	17.48
Manpower Deputation Charges	-	-	-	45.82	-	-	-	-	-	-
Advance Given	-	-	-	-	-	-	-	-	-	(119.21)
Interest Income	-	-	-	-	-	1.16	-	-	-	-
Payment under Engineering, Procurement and Construction Contract	-	-	-	62.58	-	-	-	-	-	-
Technical Service Fee/ Management Fees/ Shared Service Fees	-	-	13.32	44.53	-	56.93	-	10.83	23.23	(106.45)
Unsecured Loans	-	-	-	49.10	9.20	16.11	-	-	9.20	32.08
Operation and Maintenance Services	-	-	-	-	-	52.30	-	-	-	21.47
Donations given	-	-	-	-	43.36	5.98	-	-	-	-
Manpower charges										62.59
Professional and Consultancy fees	-	-	-	-	0.35	-	-	-	-	-

Financial and Other Information of Group Companies

Our Promoters, Mr. G.M Rao and GMR Holdings Private Limited have direct and indirect ownership control of all the Indian group companies described herein. Financial data for each group company has been derived from their financial statements prepared in accordance with Indian GAAP.

The details of the aforesaid Indian promoter group companies have been described in the following order:

1. Bharat Sugar Mills limited
2. GMR Estates & Properties Private Limited
3. GMR Ferro Alloys & Industries Private Limited
4. GMR Highways Private Limited
5. GMR Industries Limited
6. GMR Operations Private Limited
7. GMR Projects Private Limited
8. GMR Varalakshmi Foundation
9. Ideaspace Solutions Limited
10. Raxa Security Services Limited.
11. Saci Sports Private Limited
12. Sri Varalakshmi Jute Mills Twine Private Limited
13. Sucharitha Estates Private Limited

1. Bharat Sugar Mills Limited ("Bharat Sugar")

Bharat Sugar was incorporated on August 29, 1994 in Dandeli in the state of Karnataka. The registered office of Bharat Sugar is located at Bangur Nagar, Dandeli, Karnataka 581 325. The company is in the process of shifting of its registered office from the State of Karnataka to the State of Andhra Pradesh. Bharat Sugar received its certificate for commencement of business June 28, 1995. Bharat Sugar became a group company on July 11, 2005 when GMR Industries acquired 98.60% shares of Bharat Sugar through itself or nominees. Bharat Sugar has been incorporated with the main object of manufacture and sale of sugar.

Shareholding

The equity share holding pattern of Bharat Sugar as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	GMR Industries Limited	50,000	98.60
2.	Mr. M.R. Ramachandran	100	0.20.
3.	Mr. K. Narayan Rao	200	0.40
4.	Mr. M.V. Subba Rao	100	0.20
5.	Mr. R. Chakrapani	100	0.20
6.	Mr. Kada Sridevi	100	0.20
7.	Mr. T.C.S. Reddy	100	0.20
	Total	50,700	100.00

Board of Directors

The directors on the board of Bharat Sugar as on June 30, 2006 are:

1. Mr. K. Narayana Rao
2. Mr. T.C.S.Reddy
3. Mr. M.V. Subba Rao

Financial Performance

The operating results of Bharat Sugar as at and for the last three years are set forth below

(Rs. in million except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	—	0.01	0.01
Profit / (Loss) After Tax	(0.01)	(0.01)	0.32
Equity Capital	0.51	0.51	0.51
Reserves	(0.34)	(0.33)	(0.33)
Earnings per Share (Rs.)	—	—	—
Book Value per Share (Rs.)	3.20	3.32	3.35

2. GMR Estates & Properties Private Limited ("GMR Estates")

GMR Estates was incorporated on April 7, 1993 in Tamil Nadu as Emerald Investments Private Limited. The registered office of GMR Estates was shifted to Karnataka on June 18, 2003. The name of the company was changed to GMR Estates on June 10, 2005. The registered office is located at 8/1, King Street, Off Richmond Road, Bangalore 560 025. GMR Estates is engaged in construction and real estate activities.

Shareholding

The equity share holding pattern of GMR Estates as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Holdings Private Limited	1,950,220	98.00
2	Mr. G.M. Rao	39,800	2.00
	Total	**1,990,020**	**100.00**

Board of Directors

The directors on the board of GMR Estates as on June 30, 2006 are:

1. Mr. G.B.S. Raju
2. Mr. P.V.N.Vijaya Kumar
3. Mr. V.R.L. Papa Rao
4. Mr. P. Sreenivasa Rao

Financial Performance

The operating results of GMR Estates (formerly Emerald Investments Private Limited) for the lastthree years are set forth below:

(Rs. in million except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	0.95	1.10	20.86
Profit/(Loss) After Tax	0.42	(0.10)	0.13
Equity Capital	19.90	19.90	19.90
Reserves	1.19	0.77	0.87
Earnings per Share Rs.	0.21	(0.05	0.06
Book Value per Share Rs.	10.60	10.39	10.44

3. **GMR Ferro Alloys & Industries Private Limited ("GMR Ferro Alloys")**

GMR Ferro Alloys was incorporated on March 23, 2006 in Hyderabad in the state of Andhra Pradesh and received its certificate for commencement of business on March 28, 2006. The registered office of GMR Ferro Alloys is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad– 500 016. The main object of the Company is manufacture and sale of ferro alloys.

Shareholding

The equity share holding pattern of GMR Ferro Alloys as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	Bharat Sugar Mills Limited	50,000	98.60
2.	Mr. T.C.S. Reddy	100	0.20
3.	Mr. K. Narayana Rao	100	0.20
4.	Mr. Gunwant D. Patel	100	0.20
5.	Mr. M.R. Ramachandran	100	0.20
6.	Ms. K. Sridevi	100	0.20
7.	Ms. T. Usha	100	0.20
8.	Mr. R. Chakrapani	100	0.20
	Total	**50,700**	**100.00**

Board of Directors

The directors on the board of GMR Ferro Alloys as on June 30, 2006 are:

1. Mr. K. Balasubramanian
2. Mr. K. Narayana Rao
3. Mr. N.V. Varadarajulu

Financial Performance

GMR Ferro Alloys has been incorporated only on March 23, 2006, hence no financial results have been prepared.

4. **GMR Highways Private Limited ("GMR Highways")**

GMR Highways was incorporated on February 3, 2006 in Bangalore, in the State of Karnataka. The registered office of GMR Highways is located at Skip House, 25/1, Museum Road, Bangalore 560025. It was set up to consolidate the road project business of the Group under one company and to extend all possible support to such projects.

Shareholding

The equity shareholding pattern of GMR Highways as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Holdings Private Limited	25,000	50.00
2.	GVL Investments Private Limited	25,000	50.00
	Total	**50,000**	**100.00**

Board of Directors

The directors on the board of GMR Highways as on June 30, 2006 are:

1. Mr. G.M. Rao
2. Mr. Srinivas Bommidala
3. Mr. G.B.S. Raju

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus.

5. GMR Industries Limited ("GMR Industries ")

GMR Industries was originally incorporated on June 30, 1986 under the provisions of the Companies Act as a public limited company by name of Sree Sarada Ferro Alloys Limited. The registered office of GMR Industries is located at 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. GMR Industries is engaged in the business of manufacture of ferro alloys, sugar, generation and sale of power from co-generation plants and international trading.

The name Sree Sarada Ferro Alloys Limited was changed to GMR Vasavi Industries Limited with effect from February 1, 1994. The name GMR Vasavi Industries Limited was changed to GMR Technologies and Industries Limited with effect from April 12, 2000. The name GMR Technologies and Industries Limited was further changed to GMR Industries Limited with effect from January 30, 2004. Pursuant to a scheme of amalgamation under Sections 391 to 394 of the Companies Act, the High Court of Andhra Pradesh at Hyderabad sanctioned the merger of Varalakshmi Sugars Limited into GMR Industries effective from April 1, 1999. Pursuant to a scheme of arrangement under Sections 391 to 394 of the Companies Act, the High Court of Andhra Pradesh at Hyderabad sanctioned the demerger of the brewery unit of GMR Industries to a separate entity, GMR Beverages & Industries Limited effective from January 1, 2001. Pursuant to a scheme of amalgamation under Sections 391 to 394 of the Companies Act, the High Court of Andhra Pradesh at Hyderabad, High Court of Judicature at Madras and Calcutta High Court at Calcutta sanctioned the merger of Varalakshmi International Limited and its 3 subsidiaries into GMR Industries effective from April 1, 2002.

Subsequent to the public issue of the company in, the equity shares of GMR Industries were listed on the BSE, The Hyderabad Stock Exchange Limited, The Stock Exchange Ahmedabad and The Calcutta Stock Exchange Association Limited. On April 28, 2006 the equity shares of GMR Industries were also listed on the NSE. The equity shares of GMR Industries were voluntarily delisted from The Stock Exchange, Ahmedabad with effect from January 01, 2006 and the Company has received in-principle approval for voluntary delisting from the Calcutta Stock Exchange Association Limited.

Shareholding

The equity shareholding pattern of GMR Industries as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	Promoters	22,788,733	70.78
2	Private Bodies Corporate	4,738,327	14.72
3	Resident Individuals	3,823,998	11.88
4	Others	684,192	2.13
5	NRIs/ OCBs	159,352	0.49
6	Banks, FIs and Mutual Funds	1,700	0.01
	Total	**32,196,302**	**100.00**

The preference shareholding pattern of GMR Industries as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Holdings Private Limited	20,696,580	100%
	Total	**20,696,580**	**100%**

Board of Directors

The directors on the board of GMR Industries as on June 30, 2006 are:

1. Mr. K. Balasubramanian
2. Mr. K. Narayana Rao
3. Mr. G. Kiran Kumar
4. Mr. A. Subba Rao
5. Mr. A. Sankara Rao

6. Mr. I. Sada Siva Gupta
7. Mr. N. V. Varadarajulu
8. Mr. M. Sudhakara Rao
9. Mr. V. P. Singh

Financial Performance

The operating results of GMR Industries for the last three years are set forth below:

(Rs. in million, except share data)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Total Income (net of change in stocks)	2954.16	3,165.91	2,699.00
Profit/(Loss) After Tax	345.23	187.03	111.00
Equity Capital	321.96	321.96	270.22
Preference Capital	227.66	227.66	282.67
Reserves 909.75	677.08	796.20	
Earnings per Share** (Rs.)	9.35	5.28	3.67
Book Value per Share** (Rs.)	38.26	31.02	39.46

** Earnings per share for the years ended March 31, 2003 and March 31, 2004 and book value as at March 31, 2003 and March 31, 2004 are calculated considering the equity shares allotted subsequently against suspense capital. Earnings per share have been computed after deducting preference dividend and tax on preference dividends.

Share Quotation

The highest and lowest market price of shares of GMR Industries as listed on the BSE during the preceding six months is as follows:

Month	High (Rs.)	Low (Rs.)
January 2006	192.80	154.10
February 2006	202.45	157.00
March 2006	175.00	140.05
April 2006	196.00	149.25
May 2006	368.00	190.10
June 2006	260.00	167.30

Previous Issues

(i) Public Issue in 1992

GMR Industries made a public issue of 25,50,000 equity shares of Rs.10/- each for cash at par aggregating Rs.25.50 millions, excluding 4,10,000 equity shares of Rs.10/- each reserved for allotment to promoters after obtaining approval from the Department of Company Affairs for retention of 15% of the issue amount as over subscription. The details of the issue are as follows:

Issue opened on	February 24, 1992
Issue closed on	March 6, 1992
Date of completion of dispatch of delivery of security certificates	May 11, 1992
Object of the issue	1. To meet the cost of the expansion project for manufacture of High Carbon Ferro Chrome 2. To meet long term working capital requirement
Rate of dividend paid prior to the issue	—

Particulars of changes in the capital structure are given below:

(Rs. in million)

Particulars	Equity Share Capital	Share Premium
Prior to the issue	13.68	—
After the public issue	43.28	—
After retention of 15% over-subscription	47.72	—

Promise v/s Performance

(Rs. in million except share data)

Year ended March 31,	1992		1993		1994	
	Projections	Performance	Projections	Performance	Projections	Performance
Sales	61.69	48.13	87.58	122.86	92.73	129.24
PAT	6.17	2.98	13.54	15.41	14.58	13.24
EPS (Rs.)	4.50	2.18	2.83	3.23	3.06	2.77
Dividend (%)	—	6%	—	15%	—	15%

GMR Industries vide their prospectus dated January 24, 1992 indicated that the buildings in the second phase of project would be completed by May 1992. The civil construction was completed as per schedule. The trial runs and full fledged commercial production on the increased capacity which was expected to commence from September, 1992 was postponed to honor heavy order book position and to synchronise with the stoppage of the plant for renewal of furnace lining and also due to stoppage of the plant in 1993 when heavy power cut was imposed by the APSEB. GMR Industries was able to complete the expansion only by July 1993 as against September 1992 mentioned in the prospectus.

(ii) Rights Issue in 1994

GMR Industries made a rights issue of 4,772,100 equity shares of Rs. 10 each for cash at premium of Rs.5 per share aggregating Rs. 71.58 million.

Issue opened on	December 9, 1994
Issue closed on	January 7, 1995
Date of completion of dispatch of delivery of security certificates	February 18, 1995
Object of the issue	To part-finance the setting up of a brewery unit with an installed capacity of 10,000 KL of beer per annum To finance a downstream fishery project To upgrade existing 33 KV substation to 132 KV To meet expenses of the issue
Rate of dividend paid prior to the issue	15%

(iii) Public Issue in 1994

GMR Industries made an issue of 4,289,100 equity shares of Rs. 10 each for cash at a premium of Rs.15 per share aggregating Rs. 107.23 million. Out of the 4,289,100 equity shares, 1,300,000 shares were reserved for promoters, directors and others and 200,000 shares were reserved for United Breweries Limited, with whom there was a marketing arrangement. The public issue offer vide the prospectus was for 2,789,100 equity shares of Rs.10 each for cash at a premium of Rs.15 per share aggregating Rs. 69.73 million with the net offer to the Indian public being Rs. 32.1 million. The details of the said issue are as follows:

Issue opened on	December 5, 1994
Issue closed on	December 15, 1994
Date of completion of dispatch of delivery of security certificates	Resident Indians on February 16, 1995 Non Resident Indians on September 14, 1995
Object of the issue	1. To part-finance the setting up of a brewery unit with an installed capacity of 10,000 KL of beer per annum 2. To finance a downstream fishery project 3. To upgrade existing 33 KV substation to 132 KV 4. To meet expenses of the issue
Rate of dividend paid prior to the issue	15%

Particulars of changes in the capital structure are given below:

(Rs. in million)

Particulars	Equity Share Capital	Share Premium
Prior to the issue	47.72	0.00
After the rights issue	95.44	23.86
After the public issue	138.33	88.20

Promise v/s Performance

(Rs. in million except share data)

Year ended March 31,	1995		1996[1]		1997[2]	
	Projections	Performance	Projections	Performance	Projections	Performance
Sales	227.13	258.84	341.86	581.13	444.71	607.32
PAT	21.30	21.16	63.29	81.88	72.63	51.82
EPS (Rs.)	3.39	1.53	4.58	5.92	5.25	3.75
Dividend	-	16%	-	16%	-	10%

* *Weighted Average*

[1] *Variation between the projected and actual figures is attributable to higher operational efficiency and optimum utilization of resources*

[2] *Variation between the projected and actual figures for sales is attributable to better product mix and improved efficiency. The lower profit after tax is on account of higher interest burden*

Due to legislation that was enacted in 1995 in Andhra Pradesh prohibiting the manufacture, sale and consumption of Indian Made Foreign Liquor including beer, GMR Industries kept in abeyance the implementation of brewery and downstream fishery projects. Instead, after obtaining the approval of the shareholders in the extraordinary general meeting held on September 28, 1995, it utilized the proceeds of the issue amount for (a) expanding its ferroalloy production capacity, (b) meeting long-term working capital requirements and (c) investment in GMR Power. Since the projects underlying the issue were not implemented, a comparison of projected cost and time vis-à-vis actual cost and time cannot be established.

Investor Grievance Redressal

The investors' grievance committee of GMR Industries consists of Mr. K. Balasubramanian (Chairman) and Mr. K. Narayana Rao as members. Mr. M. R. Ramachandran is the compliance officer and secretary to the investors' grievance committee. The primary responsibility of the committee is to redress shareholders / investors complaints like transfers of shares, non-receipt of balance sheet, non-receipt of declared dividends / share certificates, dematerialization of shares, replacement of lost / stolen / mutilated share certificates, etc. and to strengthen the investors' relations. Depending on the nature of the grievance, it typically takes between one week to ten days to respond to the same.

Details of investor requests, correspondence, complaints and grievance redressal from April 1, 2005 to May 31, 2006 are as under:

Sl. No.	Nature	Received	Attended
1.	Non receipt of annual report	16	16
2.	Non receipt of dividend warrants	202	202
3.	Non receipt of electronic credits	18	18
4.	Non receipt of securities	123	123
5.	Non receipt of securities after transfer	39	39
6	Non receipt of stickers after company's name change/ amalgamation	38	38
	Total	**436**	**436**

6. **GMR Operations Private Limited ("GMR Operations")**

GMR Operations was incorporated on December 10, 1999 in Tamil Nadu under the name of GMR PSEG Operations Private Limited. On January 29, 2003 the name was changed to GMR Operations Private Limited. On September 25, 2003 the company shifted its registered office from Tamil Nadu to Karnataka. The registered office of GMR Operations is located at Skip House, 25/1 Museum Road, Bangalore 560 025. GMR Operations is engaged in the business of operation and maintenance services of power projects, including the Mangalore power project.

Shareholding

The equity shareholding pattern of GMR Operations as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 100 each	Percentage (%)
1	GMR Holdings Private Limited	4,980	99.60
2.	Mrs. G. Varalakshmi*	20	0.40
	Total	**5,000**	**100.00**

* Nominee of GMR Holdings

Board of Directors

The directors on the board of GMR Operations as on June 30, 2006 are:

1. Mr. G. Kiran Kumar
2. Mr. M. V. Subba Rao
3. Mr. S. Nagarajan

Financial Performance

The operating results of GMR Operations for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total income	30.68	27.96	28.28
Profit/(Loss) after tax	4.43	5.16	15.23
Equity capital (par value Rs. 100 per share)	0.50	0.50	0.50
Reserves and Surplus	41.95	37.52	32.36
Profit/Loss per equity share (Rs.)	885.72	1032.51	3045.96
Book value per equity share (Rs.)	8490.00	7604.17	6571.67

7. **GMR Projects Private Limited ("GMR Projects ")**

GMR Projects was incorporated on January 8, 1996 in the State of Andhra Pradesh as Natwest Constructions Limited and its certificate for commencement of business was received on January 23, 1996. Effective from June 6, 2003 the name of the company was changed to Natwest Constructions Private Limited. Effective from April 21, 2006 the name of the company was changed to GMR Projects Private Limited. The registered office of GMR Projects is located at 6-2-953, 1st Floor, Krishna Plaza, Hyderabad 500004. GMR Projects is engaged in the construction business.

Shareholding

The equity shareholding pattern of GMR Projects as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Holdings Private Limited	520,700	54.67
2	Corporate Infrastructure Services Private Limited	431,700	45.33
	Total	**952,400**	**100.00**

Board of Directors

The directors on the board of GMR Projects as on June 30, 2006 are:

1. Mr. A.Subba Rao
2. Mr. K.V.V.Rao
3. Mr. A.S.Cherukupalli
4. Mr. P.V.N.Vijaya Kumar

Financial Performance

The operating results of GMR Projects as at and for the years ended March 31, 2005, 2004 and 2003 is set forth below:

(Rupees in Millions, except share data)

	Year ended March 31, 2005	As at and for the Year ended March 31, 2004	As at and for theYear ended March 31, 2003
Total Income	378.52	141.38	9.57
Profit/(Loss) after Tax	(1.69)	(0.95)	2.92
Equity Capital	9.52	9.52	9.52
Reserves	6.88	8.58	9.54
Earning Per Share	(1.78)	(1.00)	3.51
Book Value per share	17.23	19.00	20.00

8. GMR Varalakshmi Foundation ("GMR Varalakshmi Foundation")

GMR Varalakshmi Foundation was incorporated on December 9, 2003 under the name of GMR Varalakshmi Foundation. On March 31, 2005 the name was changed to GMR Varalakshmi Foundation. The registered office of GMR Varalakshmi Foundation is located at GMR Nagar, Rajam, Srikakulam (Dist), Andhra Pradesh-532127. GMR Varalakshmi Foundation is the corporate social responsibility arm of the GMR group. GMR Varalakshmi Foundation aims to contribute to this objective by focusing on education, community service, health care, sanitation, drinking water supply, poverty alleviation primary education and livelihood programs to enhance employment and incomes among rural people

In order to bring high quality technical education to the economically weaker sections of the society in rural regions of India, the GMR Varalakshmi Foundation has set up several schools and colleges in Andhra Pradesh, including the GMR Institute of Technology in Rajam, Srikakulum district, which is a wireless campus for engineering students, with hostels and faculty houses. Some of the other educations institutions include Sri GCSR College, Bhartiya Vidhya Bhavan School and Sitamahalakshmi DAV School.

The Chief Executive Officer of the GMR Varalakshmi Foundation is Dr. V. Raghunathan, a former Professor of Finance at Indian Institute of Management, Ahmedabad and former President of ING Vysya Bank.

Shareholding

GMR Varalakshmi Foundation is limited by guarantee and does not have a share capital. The members as on June 30, 2006 are as under:

1. Mr. G.M. Rao
2. Mrs. G.Varalakshmi
3. Mr. Srinivas Bommidala
4. Mrs. B.Ramadevi
5. Mr. G.B.S. Raju
6. Mrs. G.Smitha Raju
7. Mr. G. Kiran Kumar
8. Mrs. G. Ragini

Board of Directors

The directors on the board of GMR Varalakshmi Foundation as on June 30, 2006 are:

1. Mr. G. M. Rao
2. Mrs.G.Varalakshmi
3. Mr. Srinivas Bommidala
4. Mrs. B.Ramadevi
5. Mr. G.B.S. Raju
6. Mrs. G. Smitha Raju
7. Mr. G. Kiran Kumar
8. Mrs. G. Ragini
9. Mr. B.V.N. Rao
10. Mr. P.D.K. Rao
11. Mr. P.M. Kumar
12. Mr. K. Balasubramanian
13. Mr. K.V.K. Seshavataram
14. Mr. P.P. Sukumaran

Financial Performance

The operating results of GMR Varalakshmi Foundation for the last three years is set forth below:

(Rs. in million except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	80.59	26.83	N.A.
Profit/(Loss) After Tax**	(26.13)	(9.71)	N.A.
Equity Capital*	N.A.	N.A.	N.A.
Reserves / Corpus Fund	205.46	135.70	N.A.
Cumulative excess of Income over expenditure	(56.57)	(30.44)	N.A.
Earnings per Share Rs.*	N.A.	N.A.	N.A.
Book Value per Share Rs.*	N.A.	N.A.	N.A.

* *The Company does not have a share capital and hence the data relating to share capital, earnings per share and book value per share are not available.*

** *Excess of expenditure over income since profit after tax is not relevant to the context*

9. Ideaspace Solutions Limited ("Ideaspace")

Ideaspace Solutions Limited was incorporated on April 6, 1993 under the name of Geemer (Vasavi) Finance Limited in Hyderabad, in the State of Andhra Pradesh. The company obtained the certificate of commencement of business on June 18, 1993. Effective September 15, 1994, the name was changed to Natwest Finance Limited. Effective January 1, 1996, the name was changed to Natwest Capital Services Limited. Effective February 25, 1999, the name was changed to GMR Vasavi Infotech Limited. Effective August 7, 2000, the name was changed to Idea Space Solutions Limited. Effective January 31, 2002, the name was changed to Ideaspace Solutions Limited. On June 17, 2002, the registered office of the company was shifted from State of Andhra Pradesh to the State of Karnataka. The registered office of Ideaspace is located at Skip House, 25/1 Museum Road, Bangalore 560 025. Ideaspace is engaged in the business of providing information technology services to the financial services industry and is involved in software development and related services.

Ideaspace is a public limited company which was earlier listed in India on the Hyderabad Stock Exchange (HSE), the Bangalore Stock Exchange (BgSE) and Bombay Stock Exchange Limited, Mumbai (BSE). Ideaspace has delisted its shares from the above stock exchanges through the reverse book-building route. The promoters with GMR Holdings Private Limited (formerly Rao Investments Private Limited) being designated as the 'Acquirer' along with the other promoters being persons acting in concert, acquired 605,085 shares in May 2004 through the SEBI (Delisting of Securities) Guidelines, 2003. The exit price at which these shares were acquired was Rs.15 per equity share. In accordance with the Guidelines and pursuant to the undertakings given to the HSE, BgSE and BSE, the Acquirer has made a final exit offer to the shareholders on March 11, 2005 at an exit price of Rs. 15 per share for a period commencing from March 16, 2005 till September 16, 2005.

Shareholding

The equity share holding pattern of Ideaspace as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1	GMR Holdings Private Limited	5,638,283	94.62
2	Mr.G.M. Rao	3,100	0.05
3	Mr. G.B.S. Raju	128,200	2.15
4	GVL Investments Private Limited	1,725	0.03
5	Public (Individuals & Body Corporates)	187,557	3.15
	Total	**5,958,865**	**100.00**

Board of Directors

The directors on the board of Ideaspace as on June 30, 2006 are:

1. Mr. G. Kiran Kumar
2. Mr. A. P. Rao
3. Mr. A.Subba Rao
4. Mr. A.S.Cherukupalli.

Financial Performance

The operating results of Ideaspace for the last three years are set forth below:

(Rs. in million except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	3.24	60.23	125.29
Profit/(Loss) After Tax	1.17	33.07	(29.56)
Equity Capital	59.59	59.59	59.59
Reserves and Surplus	26.01	24.85	(8.22)
Earnings per Share Rs.	0.20	5.55	(4.96)
Book Value per Share Rs.	14.37	14.17	8.62

Share Quotation

The Shares of Ideaspace were delisted from the BSE on September 17, 2004, from Hyderabad Stock Exchange Limited on November 6, 2004 and from the Bangalore Stock Exchange Limited on October 26, 2005.

10. Raxa Security Services Private Limited (“Raxa”)

Raxa Security Services Private Limited was incorporated on July 29, 2005 with the object to carrying on the business of providing security, safety to industrial, Business, Commercial, Residential establishments including infrastructure projects, national and international conferences, Sports, Cultural and entertainment events etc.. The registered office of Raxa is located at MTB Mahameru, # 81, 1st Cross, Wellington Street, Richmond Road, Bangalore-560 025.

Shareholding

The equity share holding pattern of Raxa as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	GMR Holdings Private Limited	1,999,800	99.99
2.	Mr.G.M. Rao	100	0.00
3.	Mrs. G. Varalakshmi	100	0.00
	Total	2,000,000	100.00

Board of Directors

The directors on the board of Raxa as on June 30,, 2006 are:

1. Mr. G.M. Rao
2. Mr. B.V.N. Rao
3. Mr. M.R.Reddy
4. Mr. Narayana Rao Deshmukh
5. Dr. V.Raghunathan

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus.

11. Saci Sports Private Limited ("Saci Sports")

Saci Sports Private Limited was incorporated on November 25, 2003 in Bangalore in the state of Karnataka. The registered office of Saci Sports is located at Skip House, 25/1, Museum Road, Bangalore – 560 025. The company was incorporated with an object to undertake all kinds of commercial activities in the sports and sports related health fields including the providing of sports infrastructure.

Shareholding

The equity share holding pattern of Saci Sports as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	GMR Holdings Private Limited	9,900	99.00
2.	AS Cherukupalli & GMR Holdings Private Limited	100	1.00
	Total	10,000	100.00

Board of Directors

The directors on the board of Saci Sports as on June 30, 2006 are:

1. Mr. T.S.S.V.L. Narayana
2. Mr. Gunda Srinivas
3. Mr. V.R.L. Papa Rao

Financial Performance

Since Saci Sports Private Limited is yet to start commercial operations total income and profit / loss after tax is not provided.

(*Rs. in million except share data)*

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Equity Capital	0.10	-	-
Reserves	-	-	-
Earnings per Share (Rs.)	-	-	-
Book Value per Share (Rs.)	10	-	-

12. Sri Varalakshmi Jute Twine Mills Private Limited ("Varalakshmi Jute")

Varalakshmi Jute was incorporated on December 17, 1990 under the name of Sri Lakshmi Jute Twine Mills Private Limited in Andhra Pradesh. Effective February 23, 1994 the name was changed to Sri Varalakshmi Jute Twine Mills Private Limited. Effective July 1, 1997 the name was changed to Sri Varalakshmi Jute Twine Mills Limited. Effective November 20, 2001 the name was changed to Sri Varalakshmi Jute Twine Mills Private Limited. Varalakshmi Jute is engaged in the business of manufacture of fine yarn

Shareholding

The equity shareholding pattern of Varalakshmi Jute as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	GMR Holdings Private Limited	4,000,000	46.27
2.	GMR Industries Ltd	620,220	7.17
3.	GMR Projects Private Limited	4,000,000	46.27
4.	V. Kesava Rao	24,100	0.29
	Total	**8,644,320**	**100.00**

Board of Directors

The board of directors of Varalakshmi Jute as on June 30, 2006 are:

1. Mr. K. Narayana Rao
2. Mr. Rajesh Jhunjhunwala
3. Mr. E. Siva Sankaran
4. Mr. V.S. Prakasa Rao

Financial Performance

The operating results of Varalakshmi Jute as at and for the years ended March 31, 2005, 2004 and 2003 are set forth below

(Rs. in million except share data)

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	153.08	325.88	498.78
Profit / (Loss)After Tax	(12.41)	1.99	7.01
Equity Capital	86.44	86.44	86.44
Reserves	46.47	58.88	56.89
Earnings per Share (Rs.)	(1.44)	0.23	0.81
Book Value per Share (Rs.)	15.38	16.76	16.46

13. Sucharitha Estates Private Limited ("Sucharitha")

Sucharitha Estates Private Limited was incorporated on June 7, 2005 under the name of Sucharitha Estates Private Limited. The registered office of Sucharitha is located at 6-2-953, 1st Floor, Krishna Plaza, Khairatabad, Hyderabad 500 004. Sucharitha is engaged in construction and real estate activities.

Shareholding

The equity share holding pattern of Sucharitha as on June 30, 2006 is as under:

Sl. No.	Name of the Shareholder	No of Shares of Rs. 10 each	Percentage (%)
1.	GMR Estates & Properties Private Limited	9,900	99.00
2.	Mrs.G.Varalakshmi and GMR Estates	100	1.00
	Total	**10,000**	**100.00**

Board of Directors

The directors on the board of Sucharitha as on June 30, 2006 are:

1. Ms. G.Varalakshmi
2. Ms. G.Smitha Raju
3. Ms. G.Ragini
4. Mr. A.S.Cherukupalli

Financial Performance

No financial statements have been prepared as on the date of this Red Herring Prospectus

Common pursuits

We do not have any common pursuits or conflicts of interest (apart from the related party transactions) within the promoter groups of the aforesaid companies.

Disassociated Companies of Promoters in last three years

Sl No	Name of the Entity	Date of acquisition / incorporation	Year of divestment	Reasons for Disassociation
1	Eros Vyapaar Private Limited	February 19, 1993	2003 - 04	Application filed for striking off the name of the company u/s 560
2	Nath Camco Private Limited	November 17, 1996	2003 - 04	Application filed for striking off the name of the company u/s 560
3	Prime Syntex Private Limited	March 15, 1993	2003 - 04	Struck off u/s 560
4	Ravlon Vyapaar Private Limited	December 2, 1993	2003 - 04	Struck off u/s 560
5	Scroll Holdings Private Limited	February 19, 1993	2003 - 04	Struck off u/s 560
6	Welford Commodities Private Limited	September 28, 1993	2003 - 04	Application filed for striking off the name of the company u/s 560
7	Sri Vasavi Soft Drinks Private Limited	July 6, 1982	2003 - 04	Application filed for striking off the name of the company u/s 560
8	Padmavati Finco Private Limited	January 11, 1993	2003 - 04	Struck off u/s 560
9	Aminex Commercial Private Limited	September 28, 1993	2003 - 04	Application filed for striking off the name of the company u/s 560
10	GMR Exports	February 3, 1993	2003 - 04	Dissolved
11	Arkay Exports	January 12, 1995	2003 - 04	Dissolved
12	Varalakshmi Investments Private Limited	February 12, 1992	2003 - 04	Merged with GMR Holdings Private Limited***
13	GMR Investments Private Limited	December 8, 1992	2003 - 04	Merged with GMR Holdings Private Limited***
14	Vasavi Finance Private Limited	January 22, 1992	2003 - 04	Merged with GMR Holdings Private Limited***
15	Vasavi Securities Limited	June 13, 1995	2003 - 04	Merged with GMR Holdings Private Limited***
16	Varalakshmi International Limited	March 15, 1994	2002 - 03	Merged with GMR Industries Limited
17	Shulton Commercial Company Private Limited	February 12, 1993	2002 - 03	Merged with GMR Industries Limited
18	Varistha Finco Private Limited	October 4, 1993	2002 - 03	Merged with GMR Industries Limited

Sl No	Name of the Entity	Date of acquisition / incorporation	Year of divestment	Reasons for Disassociation
19	Eastern Syntex Private Limited	March 15, 1993	2002 - 03	Merged with GMR Industries Limited
20	Rajam Investments Private Limited	February 12, 1992	2002 - 03	Merged with GVL Investments Private Limited**
21	Monotype Sales Agencies Private Limited	September 6, 1993	2002 - 03	Merged with GVL Investments Private Limited**
22	Ideaspace Financial Technologies Private Limited	September 22, 2000	2002 - 03	Merged with Ideaspace Solutions Limited
23	Shrine Finance & Investments Private Limited	March 22, 1993	2003 - 04	Sold
24	Satabdi Investments Private Limited	March 5, 1992	2003 - 04	Sold
25	Roshan Investments Private Limited	December 20, 1995	2003 - 04	Sold
26	Bluemoon Investments Private Limited	July 4, 1993	2003 - 04	Sold
27	Corporate Infrastructure Services Private Limited	August 26, 1993	2003 - 04	Sold
28	Cosmos Syntex Private Limited	March 15, 1993	2003 - 04	Sold
29	Neozone Marketing Private Limited	December 7, 1993	2003 - 04	Sold
30	Odyssy Commerce Private Limited	December 2, 1993	2003 - 04	Sold
31	Pashupati Artex Agencies Private Limited	March 15, 1993	2003 - 04	Sold
32	Wonil Toys Private Limited	January 24, 1990	2003 - 04	Sold
33	GMR Ventures Private Limited	September 22, 2000	2002 - 03	Sold
34	Quintant Services Private Limited	January 2, 2003	2003 - 04	Sold
35	Sri Vasavi Hotels & Properties Private Limited	May 19, 1981	2004 - 05	Sold
36	ING Vysya Life Insurance Company Private Limited	December 13, 2000	2005 - 06	Stake Divested
37	Tejaswini Finance & Investments Private Limited	December 12, 1995	2002 - 03	Struck off u/s 560
38	Firestone Investments Private Limited	October 13, 1992	2003 - 04	Struck off u/s 560

** *Formerly Medvin Finance Private Limited*

*** *Formerly Rao Investments Private Limited*

Group companies making losses

The following companies forming part of the Promoter group of companies have accumulated losses:

(Rs. in million)

Name of the company	Profit/(Loss) for the year ended March 31,			Accumulated Profits/(Losses) as on March 31,		
	2005	2004	2003	2005	2004	2003
Bharat Sugar Mills Limited	(0.01)	(0.01)	0.32	(0.344)	(0.334)	(0.328)
GMR Holdings Private Limited	25.69	(4.22)	442.43	1,282.09*	1,256.40*	451.26
GMR Estates & Properties Private Limited	0.42	(0.10)	0.13	1.19	0.77	0.87
GMR Projects Private Limited	(1.69)	(0.96)	2.92	6.89	8.58	9.54
GMR Varalakshmi Foundation	(26.13) **	(9.71) **	-	(56.57)	(30.44)	-
Sri Varalakshmi Jute Twine Mills Private Limited	(12.41)	1.99	7.01	46.47	58.88	56.89
Ideaspace Solutions Limited	1.16	33.07	(29.56)	26.01	24.85	(8.22)

* *Due to merger of companies*

** *represents expenditure over income, since the Varalakshmi Foundation is a non profit making organization.*

Group Companies with negative net worth

None of the companies forming part of the Promoter group of companies has a negative net worth.

Sick companies/BIFR proceedings

There are no sick companies or BIFR proceedings initiated against any of the aforesaid Indian group companies.

Struck off from the register of the Registrar of Companies

The following companies forming part of our group companies have been struck off from the Register of the relevant Registrar of Companies:

1. Firestone Investments Private Limited
2. Tejaswini Finance & Investments Private Limited

We have applied for strike off of the following group companies from the Register of the relevant Registrar of Companies. We have not yet received any formal intimation that the strike off process is completed.

1. Aminex Commercial Private Limited;
2. Eros Vyapaar Private Limited;
3. Nath Camco Private Limited;
4. Padmavati Finco Private Limited
5. Prime Syntex Private Limited
6. Ravlon Vyapaar Private Limited
7. Scroll Holdings Private Limited
8. Welford Commodities Private Limited;

Management's Discussion and Analysis of Financial Condition and Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, prepared as per Indian GAAP, including the schedules, annexure and notes thereto, included in the Auditors' Report beginning on page 230 of this Red Herring Prospectus. Further, we also include a discussion of the restatements based on our consolidated restated financial statements, included in the Auditors' Report beginning on page 170 of this Red Herring Prospectus and prepared in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI Guidelines. Indian GAAP and U.S. GAAP differ in certain material respects. Unless otherwise stated, the financial information used in this section is derived from our audited consolidated financial statements.

Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our fiscal year ended March 31 of such year. In this section, any reference to "we", "us" or "our" refers to GMR Infrastructure Limited on a consolidated basis.

Overview

We are a major power and infrastructure group in India having substantial experience in the development and operation of power plants and road projects. As of the date of this Red Herring Prospectus, we generate revenues through a power business, a road business and an airport business. Our power business currently derives revenues from two power projects, a 220MW naphtha-fired power plant in Mangalore in the state of Karnataka, or the Mangalore power plant, and a 200MW diesel-fired power plant in Chennai in the state of Tamil Nadu, or the Chennai power plant. Our road business currently derives revenues from two annuity road projects, which consist of a 59 kilometers stretch on the Chennai-Kolkata (NH-5) highway, or the Tuni-Anakapalli road project, and a 93 kilometers stretch on the Chennai-Dindigul (NH-45) highway, or the Tambaram-Tindivanam road project. Our airport business currently derives revenues from an international airport in New Delhi. See "The Power, Road and Airport Industries in India–The Road Industry" for an explanation of the differences between an annuity road project and a toll road project.

GMR Infrastructure Limited, or GMR Infrastructure, is a holding company and conducts all of its business operations through its subsidiaries. Consequently, the revenues of GMR Infrastructure on a non-consolidated basis will principally comprise of dividends and other distributions received from its subsidiaries and associates. GMR Infrastructure intends intend to pursue a policy of distributing a portion of our profits through dividends, subject to, among other things, our financial performance and financial position. See "Dividend Policy" included on page 168 in this Red Herring Prospectus for a detailed discussion of our dividend policy.

Our net profit after minority interest/share of profits of associate in 2006 was Rs. 705.5 million, on total sales and operating income of Rs. 10,585.5 million. For fiscal 2006, our power business recorded sales and operating income of Rs. 9,032.6 million, or 85.3% of our total sales and operating income, while our road business recorded sales and operating income of Rs. 1,504.3 million, or 14.2% of our total sales and operating income. In the last four years, our profit before taxation and before minority interest/share of profits of associate has improved significantly, from Rs. 419.8 million in 2003 to Rs. 1,057.1 million in 2006, primarily reflecting the increase in our shareholding in GMR Power and GMR Energy, as well as the commencement of commercial operations of our road business. We began commercial operations of Tambaram-Tindivanam and Tuni-Anakapalli road projects in October 2004 and December 2004, respectively. Accordingly, our results of operations for fiscal 2005 included revenues generated by these projects for part of the year only whereas our results of operations for fiscal 2004 consist of revenues generated by our power business only. We commenced operations of our airport business in fiscal 2007.

The following table sets forth, for the periods indicated, our total revenues by business segment as a percentage of our total sales and operating income:

Particulars	For the Year Ended March 31,							
	2003		2004		2005		2006	
	Rs. million	% of total sales and operating income	Rs. million	% of total sales and operating income	Rs. million	% of total sales and operating income	Rs. million	% of total sales and operating income
Power Business	4,620.4	97.3%	9,654.0	99.2%	9,055.1	91.2%	9,032.6	85.3%
Road Business	-	-	-	-	869.6	8.8%	1,504.3	14.2%
Other[1]	127.3	2.7%	78.8	0.8%	4.4	-	48.6	0.5%
Total	**4,747.7**	**100.0%**	**9,732.8**	**100.0%**	**9,929.1**	**100.0%**	**10,585.5**	**100.0%**

1: "Other revenues" represents the income of GMR Infrastructure Limited, on a non-consolidated basis, less intercompany revenues.

One of our key strategies is to reduce risks through diversification. We aim to achieve this through entry into new businesses, increasing the mix of fixed-revenue assets and assets in which our revenue is not limited, expanding the geographical coverage of our assets, as well as reducing the reliance of such assets on any one type of commodity. As of the date of this Red Herring Prospectus, substantially all of our revenues are derived from two power projects and two annuity road projects, and substantially all of such revenues are fixed by the terms of our agreements. Under these agreements, if our assets are available to our customers for their utilization, our customers have to pay us fixed amounts irrespective of whether they in fact utilize such assets. Through this arrangement, we are able to derive stable and predictable revenues. However, in the case of annuity road projects, it does not allow us to benefit from any increase in road traffic volume as the Indian economy continues to grow. Consequently, we have taken, and are continuing to take, steps to diversify at various levels. These steps include the following:

- the development of a 388.5 MW gas fired power plant in Vemagiri in the state of Andhra Pradesh, or the Vemagiri power plant, for which we expect that the natural gas will be available to us by the end of July 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas;
- the development of a 140MW hydroelectric power plant on the river Alaknanda in the Chamoli district in Uttaranchal, or the Alaknanda project, pursuant to a concession we won in May 2005;
- the development of a toll road on a 35 kilometers stretch covering Ambala-Chandigarh on the New Delhi-Chandigarh highway, or the Ambala-Chandigarh road project, which we expect to be operational by mid-2008; and
- the development of a toll road on a 46 kilometers stretch covering Faruknagar-Jadcherla and the operation of an additional 12 kilometers stretch on the Bangalore-Hyderabad highway, or the Faruknagar-Jadcherla road project, which we expect to be operational by mid-2008;
- the development of an annuity road on a 86 kilometers stretch covering Adloor Yellareddy-Kalkallu and the operation of an additional 17 kilometers stretch on the Hyderabad Nagpur highway, or the Hyderabad-Nagpur road project, which we expect to be operational by the end of 2008;
- the development of a toll road on a 73 kilometers stretch covering Tindivanam-Ulundurpet on the Chennai-Dindigul (NH-45) highway, or the Tindivanam-Ulundurpet road project, which we expect to be operational by the end of 2008;
- the development of an international airport near the city of Hyderabad, or the Hyderabad airport project, which we expect to be operational by the first quarter of 2008;
- the development of the New Delhi international airport, the management and operation of which were transferred to us in May 2006 for an initial term of 30 years; and
- the development of a power trading business, which we have received a license to operate, as well as our plans to develop a power transmission and distribution business as and when suitable opportunities arise;

We expect that once these new projects enter into commercial operation, they will help to reduce our risks and improve our business prospects. Specifically, these projects are expected to do the following:

- *Diversify our asset mix*. We generate the bulk of our revenues from three segments: power, road and airport. We have obtained the requisite approval to operate and manage the New Delhi airport in May 2006 and have since commenced operations of our airport business. This new business allows us to reduce the risks associated with any downturn in the power and road sectors. Similarly, the development of a power trading business (should suitable opportunities arise), as well as a power transmission and distribution business and a captive mining business, will allow us to generate revenues from alternate sources, thereby reducing our reliance on our other businesses.
- *Opportunity to capture the benefit of increased demand/usage*. Unlike our two existing revenue-generating road projects, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project are all toll road projects and our revenues from such projects will be dependent on the volume of traffic and the toll levied on each user of the road. Similarly, our revenues from our airport business will depend on several factors, including the state of the Indian economy, the cost and popularity of air travel, as well as the competitiveness of such airports. The revenues from these new projects are not fixed and, more importantly, are proportional to the demand of the services offered by such projects. We expect demand for infrastructure-related services (including road and airport services) to increase as the Indian economy continues to grow, and we believe that these three projects, together with other projects that we may develop in future and for which revenues are not fixed, will help us to capture the benefits associated with such growth.
- *Diversify our customer base*. All of our existing customers are government-owned entities. We sell the electricity generated by our power plants to state electricity boards and distribution companies, in each case owned by the Government. In addition, as of the date of this Red Herring Prospectus, our only customer for the road business is NHAI. With the Hyderabad airport project, the Delhi Airport project, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project and the Tindivanam-Ulundurpet road project we will be able to sell our services directly to end-users and, accordingly, will be able to diversify our customer base.

- *Reduce our reliance on any one type of fuel*. Our two existing power projects rely on naphtha and low sulphur heavy stock, or LSHS, for generation of electricity. As the price for naphtha and LSHS is high compared to coal, electricity generated by our two existing power projects is generally more expensive than electricity generated by coal-fired power plants. Through the development of the Vemagiri power plant, which is gas-fired, and the Alaknanda power project, which is a hydroelectric power plant, we aim to reduce our reliance on naphtha and LSHS through the use of low-cost alternate fuels. In addition, we have been qualified to submit a bid for development of Ultra Mega Power Project (with net exportable capacity of 3500 MW-3800 MW) at Sasan in the state of Madhya Pradesh on BOO basis and have submitted requests for qualification for development (on BOO route) of a 450 MW+/- 10% Gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh. We have also been actively evaluating options of alternative fuels, such as domestic natural gas and imported liquefied natural gas, for the Mangalore power plant and the Chennai power plant.
- *Diversify the geographical location of our assets*. Historically, we have focused our operations principally in the Southern part of India, with particular focus in the states of Karnataka, Andhra Pradesh and Tamil Nadu. We are currently developing a power project, an annuity road project, a toll road project and an airport project in the state of Andhra Pradesh, together with two toll road projects in each of the union territory of Chandigarh and the state of Tamil Nadu. We have also won a concession to develop a hydroelectric power plant in the state of Uttaranchal and are the lead member to the consortium that has won the bid for the project relating to the operation, management, and development of the Delhi Airport, for which we commenced operations in May 3, 2006. We have submitted requests for qualification materials with respect to the competitive bidding of the development and operation of a 450 MW+/- 10% gas based combined cycle power project at Sirajganj (near Dhaka) in Bangladesh on a BOO basis. We believe the diversification of the location of our assets will help us to reduce the risk associated with political events and natural disasters that are specific to certain states and regions, as well as to increase the geographical scope of our business network.

See "Business – Business Strategy" on page 79 of the Red Herring Prospectus for a detailed discussion of our overall strategy.

Principal Factors Affecting Our Performance

Our business, results of operations and financial condition are affected by a number of factors, including:

- *Macroeconomic factors in India*. As of the date of this Red Herring Prospectus, all of our assets are located in India. As the revenues from our existing projects (other than Delhi airport) are all fixed, we believe that macroeconomic factors, including the growth of the Indian economy, interest rates, as well as the political and economic environment, may not currently have a direct significant impact on our business, results of operations and financial condition. We believe that the Indian economy will grow in the next few years and, consequently, we are currently developing, and expect to continue to develop, projects whose revenues are dependent on the growth in Indian economy. Accordingly, we believe that macroeconomic factors in India will, in the long run, have a significant impact on our operating results.
- *Asset Mix*. We currently own three types of operating assets: power plants, annuity road projects and airport projects. We are increasing our asset mix through the development of an international airport, three toll roads, one annuity road and a hydroelectric power plant. We are also evaluating opportunities in, among other things, the power trading business, the power transmission and would consider opportunities for entry into distribution business, the coal fired power business, the captive mining business and the development or modernization of other roads. We believe this increase in our asset mix will enable us to benefit from the expected growth in different sectors within the power and infrastructure sectors.
- *Customer mix*. As of the date of this Red Herring Prospectus, we generate revenues largely from customers in the public sector. With the commencement of our commercial operation of the Delhi Airport project, our customer base has expanded into the private sector. We expect that, once the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Hyderabad airport project enter into commercial operation, our customer base will further expand and we will be able to sell more services to customers in the private sector. This in turn would help to reduce the level of market risk to which we are exposed.
- *Effect of price volatility and availability of fuel*. Under the power purchase agreements relating to the Mangalore power plant and the Chennai power plant, we are entitled to be reimbursed for our fuel costs based on certain agreed parameters. If prices for naphtha or LSHS continue to be high in comparison to other types of fuel, we may experience difficulty in securing new long-term purchase commitments, or renewing our existing purchase commitments, in each case once our existing power purchase agreements expire and, accordingly, our earnings could be adversely impacted. We are currently evaluating our fuel options, including the use of alternate fuels as well as the relocation of the Mangalore power plant to a site that is close to a natural gas source. The Vemagiri power project will rely on the combustion of natural gas for the generation of electricity. While we have procured the supply of natural gas to the Vemagiri power plant, we expect that the plant will not have sufficient fuel to operate at its contracted capacity for the first 20 to 24 months of operation. This shortage of natural gas will likely remain until 2008, when we expect the Krishna-Godavari basin gas fields to enter into commercial operation.

- *Income tax*. Except for DIAL, each of our subsidiaries that has developed, or is developing, an infrastructure project has been granted a 10-year tax concession by the Government, during which time such subsidiary is only subject to Indian income tax at the minimum alternate tax rate (currently 10%), instead of the normal income tax rate (currently 30%). The relevant subsidiary may at its option decide on the commencement date of the 10-year tax concession. The amount of current income tax payable does not currently affect the financial performance of GMR Energy and GMR Power as under the power purchase agreements for the Mangalore power plant and the Chennai power plant, the power purchasers are required to reimburse us for any current income tax paid (excluding tax on other income, if any). However, if the rates of income tax for our road and airport businesses change, our results of operations would be impacted.
- *Investments in our new projects*. We plan to make significant investments in a number of new projects over the next several years: two airports, three toll roads, an annuity road project, a hydroelectric power plant and other projects that we may win following competitive bids. If the development of these projects costs substantially less than what we have budgeted, or if we are able to complete these projects ahead of schedule, our financial condition and earnings could improve. Conversely, if we are unable to complete these projects in accordance with our budgets, or if these projects, once built, do not operate profitably, our financial condition and earnings could be adversely affected. For a more detailed discussion of our plans with respect to these investments and the factors which may affect their timing and amounts, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" on page 306 of the Red Herring Prospectus.
- *Ability to borrow funds at competitive rates*. Power and infrastructure projects, by their nature, are typically capital intensive and may require high levels of debt financing. We have in the past been able to raise debt financing on terms acceptable to us. We believe that, with the continued growth of our businesses and reputation in the power and infrastructure sectors, we may be able to obtain debt financing on competitive terms. However, if for any reason we are unable to obtain adequate finances in a timely manner and on acceptable terms or at all, our financial condition and earnings could be adversely affected.

Our Power Business

Our power business currently involves the operation of the Mangalore power plant and the Chennai power plant, which commenced commercial operation in fiscal 2002 and 1999, respectively. We currently own 100% and 51.0% of the Mangalore power plant and the Chennai power plant, respectively. We generated revenues of Rs. 9,654.0 million, Rs. 9,055.1 million and Rs. 9,032.6 million in 2004, 2005 and 2006, respectively, from our power business. We began to recognize revenues from our subsidiaries GMR Energy and GMR Power in October 2002, following the acquisition of our shareholding interests in these subsidiaries. We expect revenues under this business to increase in the next few years following the commercial operation of the Vemagiri power plant, for which we expect that the natural gas will be available by the end of July 2006 and the plant to begin commercial operation within one month of such date of availability of natural gas. We own 100.0% of the Vemagiri power plant.

In fiscal 2006, approximately 48.6% of our revenues in the power business came from our operations of the Mangalore power plant, with the remaining 51.4% coming from the Chennai power plant. As the Vemagiri power plant is not yet operational ,our results of operations for fiscal 2005 and 2006 did not include any revenue generated by such power plant.

Our customers for the power business consist of state utility companies and electricity boards. We sell all of the electricity generated by the Chennai power plant to TNEB and all of the electricity generated by the Mangalore power plant to two utility companies in the state of Karnataka. In addition, we will sell all of our electricity generated by the Vemagiri power plant to four distribution companies, namely, APCPDCL, APEPDCL, APNPDCL and APSPDCL. The following table sets forth the tariff payable with respect to each of our three power plants, the minimum "take-or-pay" quantity and the average amount we received per month from such customers in the last 12 months:

	Mangalore Power Plant	**Chennai Power Plant**	**Vemagiri Power Plant**
Name of Customers	(i) Bangalore Electricity Supply Company (ii) Mangalore Electricity Supply Company	TNEB	(i) APCPDCL (ii) APSPDCL (iii) APEPDCL (iv) APNPDCL
Minimum "take-or-pay" quantity	85.0% of plant load factor	68.5% of plant load factor	80.0% of plant load factor (based on a capacity of 370MW)
Average amount invoiced per month between April 2005 and March 2006 (Rs.million)	369.8	396.5	Not applicable, since operations yet to commence.

The power purchase agreements for the Mangalore power plant and the Chennai power plant expire in 2008 and 2014, respectively. In the case of the Vemagiri power plant, the power purchase agreement is due to expire 15 years after the date on which the plant achieves commercial operation. We are in the process of negotiating with AP Transco, which acts on behalf of the four distribution companies, for certain amendments to the Vemagiri power purchase agreement, including (i) an extension of the power purchase agreement; (ii) the ability to sell up to 18.5 MW of surplus electricity to third parties; (iii) deletion of a clause requiring the power plant to support alternate sources of fuel; (iv) recovery of certain expenses relating to our foreign debt service and (v) extension of scheduled date of commercial operation of the project from January 18, 2006 to March 31, 2006. The draft of amendment agreement to the PPA incorporating the stated changes have been initialed between VPGL and the four DISCOMs and has been forwarded to APERC for its approval prior to execution. Following the expiry of a power purchase agreement, we will either have to negotiate a new long-term agreement or sell our electricity to the relevant state power grids. If we are unable to secure such long-term purchase commitments, our revenues in the power business may fluctuate. See "Risk factors - The power purchase agreement for the Mangalore power plant expires in 2008 and we will need to secure alternative arrangements" on page xviii of the Red Herring Prospectus.

Our Road Business

We currently generate revenues under our road business through the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project. We commenced this business in October 2004, when the Tambaram-Tindivanam road project entered into commercial operation. In 2006, we generated sales and operating income of Rs. 1,504.3 million from this business, of which approximately 40.1% came from the Tuni-Anakapalli road project and the remaining 59.9% from the Tambaram-Tindivanam road project. We own 74.0% in each of the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project.

As of the date of this Red Herring Prospectus, we own 100.0% of GMR Ambala-Chandigarh Limited, which is developing the Ambala-Chandigarh road project. We expect this project to enter into commercial operation by mid-2008. The estimated cost of developing this project is approximately Rs. 3,911.0 million. We expect to fund approximately 28% of the cost through equity and the remaining 72% through non-recourse commercial loans. Our total investments in this project as of June 30, 2006 were Rs. 570.1 million, approximately 52.0% of our projected total equity contribution.

As of the date of this Red Herring Prospectus, we own 100% of each of GMR Jadcherla Expressways Limited and GMR Pochanpalli Expressways Limited, which are developing the Faruknagar-Jadcherla road project and the Adloor Yellareddy-Kalkallu road project, respectively. We expect these two projects to enter into commercial operation by mid-2008 and the end of 2008, respectively. The estimated costs of developing these two projects are approximately Rs. 4,713.0 million and Rs. 6,900.0 million, respectively. In the case of GMR Jadcherla Expressways Limited, 25% of such costs is expected to be through equity contribution and the remaining 75% through non-recourse commercial loans. In the case of GMR Pochanpalli Expressways Limited, 20% of the estimated costs is expected to be through equity contribution and the remaining 80% through non-recourse commercial loans. Our total investments in these projects as of June 30, 2006 were Rs. 47.3 million and Rs. 40.8 million, respectively, or approximately 4.0% and 3.0% of our projected total equity contribution, respectively.

As of the date of this Red Herring Prospectus, we own 100.0% of GMR Ulundurpet Expressways Private Limited, which is developing the Tindivanam-Ulundurpet road project. We were granted a concession to this project in February 2006 and entered into a concession agreement on April 19, 2006. We expect the project to enter into commercial operation by the end of 2008. The estimated cost of developing the project is approximately Rs. 7,244.0 million. We expect to fund approximately 20% of the cost through equity and the remaining 80% through non-recourse commercial loans. Our investment in this project as of June 30, 2006 was Rs. 26.5 million, or approximately 1.8% of our projected total equity contribution.

We expect revenues under the road business to increase once the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Tindivanam-Ulundurpet road project and the Adloor Yellareddy-Kalkallu road project enter into commercial operation.

We rely exclusively on NHAI for revenues under our two existing road projects. Pursuant to the relevant concession agreements, NHAI is required to make semi-annual payments amounting to Rs. 294.8 million and Rs. 418.6 million for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, respectively.

In May 2005, our subsidiaries, GTTEPL and GTAEPL, entered into an arrangement with a consortium of banks and financial institutions led by the Industrial Development Bank of India, pursuant to which they granted to such banks and financial institutions their right to receive, for the then remaining balance of the 15-year concession period (which remaining balance was 14.5 years from May 2005), amounts equal to approximately 73% and 68% of the semi-annual annuity payments from NHAI under the concession agreements for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, respectively. In return for such grant, they received an upfront payment of Rs. 8,711.0 million from the consortium of banks and financial institutions. The amounts received have been classified as secured loans in the financial statements. Due to this arrangement, they will, for the remaining term of the concessions for the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project, only have 27% and 32% of the semi-annual amounts that we are entitled to receive from NHAI under the two concession agreements, respectively, for our use.

Our Airport Business

We own 50.1% of Delhi International Airport Private Limited, or DIAL, which recently signed a long-term agreement to operate, manage and develop the Delhi Airport, pursuant to a 30-year concession granted by the Government of India acting through the Ministry of Civil Aviation. Not less than three years prior to the end of such 30-year period, DIAL may, at its option, either extend the concession for another 30 years or exercise its right to require the Government of India to purchase the airport in accordance with the terms of the concession agreement.

We own 63.0% of GMR Hyderabad International Airport Limited, or GHIAL, which is developing the Hyderabad airport project. This project is being developed in two phases. We expect Phase I to enter into commercial operation by the first quarter of 2008. The estimated cost of Phase I is Rs. 17,600.0 million, of which approximately 45% is expected to come from equity contributions, including grants and long term interest-free loans extended by the Government of Andhra Pradesh, and the remaining 55% from non-recourse commercial loans. Our total investment in this project as of March 31, 2006 was Rs. 1,356.6 million, approximately 57.0% of our total projected equity contribution.

Other New Projects and Businesses

In addition to the Vemagiri power project currently in development, the four new road projects and the two airport projects discussed above, we are evaluating opportunities in the power trading, transmission and distribution sectors, as well as the captive coal mining business, and would also consider opportunities for entry into distribution business. We are still evaluating the merits of some of these new projects and businesses and, accordingly, have not specifically budgeted any amounts for their development.

Overview of Our Results of Operations

The following table sets forth certain information with respect to our revenues, expenditures and profits on a consolidated basis, for the periods indicated.

Particulars	For the year ended March 31							
	2003		2004		2005		2006	
	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income
Sales and Operating Income	4,747.7	96.3%	9,732.8	97.0%	9,929.1	97.2%	10,585.5	97.1%
Other Income	184.8	3.7%	300.7	3.0%	285.4	2.8%	315.1	2.9%
Total Income	**4,932.5**	**100.0%**	**10,033.5**	**100.0%**	**10,214.5**	**100.0%**	**10,900.6**	**100%**
Expenditure								
Generation and Operating Expenses	2,642.9	53.6%	5,329.0	53.1%	5,134.2	50.3%	5,057.8	46.4%
Administration and Other Expenses	343.9	7.0%	552.4	5.5%	858.2	8.4%	1,028.2	9.4%
EBIDTA	**1,945.7**	**39.4%**	**4,152.1**	**41.4%**	**4,222.1**	**41.3%**	**4,814.6**	**44.2%**
Interest and Finance Charges	712.4	14.4%	1,215.7	12.1%	1,129.2	11.0%	1,557.8	14.3%
Depreciation	796.4	16.2%	1,874.8	18.7%	1,911.7	18.7%	2,199.7	20.2%
Amortization of Miscellaneous Expenditure (net)	17.2	0.3%	5.4	0.1%	10.1	0.1%	-	-
Total Expenditure	**4,512.8**	**91.5%**	**8,977.3**	**89.5%**	**9,043.4**	**88.5%**	**9,843.5**	**90.3%**
Profit Before Taxation and before Minority Interest/Share of Profits of Associate	**419.7**	**8.5%**	**1,056.2**	**10.5%**	**1,171.1**	**11.5%**	**1,057.1**	**9.7%**
Provision for Taxation								
Current Tax	45.0	0.9%	93.3	0.9%	121.9	1.2%	112.3	1.0%
Deferred Tax	20.6	0.4%	(16.2)	(0.2%)	(69.2)	(0.7%)	(0.8)	-
Fringe Benefit Tax	-	-	-	-	-	-	13.6	0.1%
Total Tax Liability	**65.6**	**1.3%**	**77.1**	**0.7%**	**52.7**	**0.5%**	**125.1**	**1.1%**

Particulars	For the year ended March 31							
	2003		2004		2005		2006	
	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income
Profit After Taxation and Before Minority Interest and Share of Profits of Associate	**354.1**	**7.2%**	**979.1**	**9.8%**	**1,118.4**	**11.0%**	**932.0**	**8.6%**
Minority Interest	(99.0)	(2.0%)	(299.1)	3.0%	(430.2)	4.2%	(230.6)	2.1%
Share of Profits of Associate	-	-	0.01	-	2.2	-	4.1	-
Net Profit After Minority Interest /Share of Profits of Associate	**255.1**	**5.2%**	**680.0**	**6.8%**	**690.4**	**6.8%**	**705.5**	**6.5%**
Surplus Brought Forward	**26.7**	**-**	**88.5**	**-**	**619.0**	**-**	**679.0**	**-**
Amount Available for Appropriation	**281.8**	**-**	**768.5**	**-**	**1,309.4**	**-**	**1,384.5**	**-**

Income

Our total income is broken down as follows:

Particulars	For the year ended March 31							
	2003		2004		2005		2006	
	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income
Sales and Operating Income								
Power Business	4,620.4	93.7%	9,654.0	96.2%	9,055.1	88.7%	9,032.6	82.8%
Road Business	-	-	-	-	869.6	8.5%	1,504.3	13.8%
Other[1]	127.3	2.6%	78.8	0.8%	4.5	-	48.6	0.5%
Total Sales and Operating Income	**4,747.7**	**96.3%**	**9,732.8**	**97.0%**	**9,929.1**	**97.2%**	**10,585.5**	**97.1%**
Other Income	184.8	3.7%	300.7	3.0%	285.4	2.8%	315.1	2.9%
Total Income	**4,932.5**	**100.0%**	**10,033.5**	**100.0%**	**10,214.5**	**100.0%**	**10,900.6**	**100.0%**

1: "Other revenues" represents the income of GMR Infrastructure Limited, less inter-company revenues.

Income from power business.

For fiscal 2003, 2004, 2005 and 2006, income from our power business consists of fixed and variable components of electricity tariff charged to KPTCL and TNEB as per the terms of the respective power purchase agreements. In December 2005, the obligations of KPTCL under the power purchase agreement were transferred to two newly-established distribution companies. Accordingly, going forward, income from the Mangalore power plant will come from these two distribution companies. Income from our power operations as a percentage of total income was 93.7%, 96.2%, 88.7% and 82.8% in 2003, 2004, 2005 and 2006, respectively.

Income from road business.

Income from our road operations is derived from semi-annual annuity payments made by NHAI. Income from our road operations as a percentage of total income was 8.5% and 13.8% in 2005 and 2006, respectively. We did not have revenue from our road business in 2003 and 2004 as the road projects were still under construction.

Other Income.

Other income is derived from interest received on deposits and debts, income from investments other than trade, gain on foreign exchange fluctuations, liabilities and provisions no longer required and written back in, claims received and other miscellaneous income. Other income as a percentage of total income was 3.7%, 3.0%, 2.8% and 2.9% in 2003, 2004, 2005 and 2006, respectively.

Expenditures

Our expenditures have the following major components: generation and operating expenses (including fuel consumption, water, salaries and wages of operational employees, operations and maintenance, technical consultancy fee, cost of variation works, lease rentals and repairs and maintenance to plant and machinery), administration and other expenses (including salaries, allowances and benefits to employees, office rental, travel, insurance, consultancy and other professional charges, contributions to provident fund, provision for advances, claims and debts, losses on sale of fixed assets and investments and other miscellaneous expenses), finance charges (including interest on term loans, guarantee commissions, interest to others and prepayment premiums), depreciation and amortization of miscellaneous expenditure.

Earnings Before Interest, Taxes, Depreciation and Amortization

Our Earnings Before Interest, Taxes, Depreciation and Amortization (EBIDTA) for the fiscal 2003, 2004, 2005 and 2006 were Rs. 1,945.7 million, Rs. 4,152.1 million, Rs. 4,222.1 million and Rs. 4,814.6 million, respectively.

Profit Before Taxation and Before Minority Interest/Share of Profits of Associate

Our profit before taxation and before minority interest/share of profits of associate for fiscal 2003, fiscal 2004, fiscal 2005 and fiscal 2006 was Rs. 419.7 million, Rs. 1,056.2 million, Rs. 1,171.1 million and Rs. 1,057.1 million, respectively.

Taxes

Income Taxes are accounted for in accordance with Accounting Standard – 22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise current, deferred and fringe benefit taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax Act 1961. Please refer to "Statement of Possible Tax Benefits available to the Company and its shareholders" included on page 48 in this Red Herring Prospectus for further details of our tax benefits.

Deferred tax is recognized on timing differences (being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years). Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax in respect of timing differences which originate and reverse during tax holiday period are not recognized.

Profit After Taxation and Before Minority Interest/Share of Profits of Associate

Our profit after taxation and before minority interest and share of profits of associate for 2003, 2004, 2005 and 2006 were Rs. 354.1 million, Rs. 979.1 million, Rs. 1,118.4 million and Rs. 932.0 million, respectively.

Net Profit After Minority Interest/Share of Profits of Associate as per Audited Consolidated Statement of Accounts

Our net profit after minority interest/share of profits of associate for fiscal 2003, 2004, 2005 and 2006 was Rs. 255.1 million, Rs. 680.0 million, Rs. 690.4 million and Rs. 705.5 million, respectively.

Restatements

Our restated consolidated financial information for each of fiscal 2003, 2004, 2005 and 2006 has been presented in compliance with paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI guidelines. The effect of such restatement is that our previous years' financial statements included in this Red Herring Prospectus have been restated to conform to methods used in preparing our latest financial statements, as well as to conform to any changes in accounting policies and estimates. The cumulative effect of these adjustments for fiscal 2003, 2004, 2005 and 2006 was Rs. (3.1) million, Rs. 2.8 million, Rs. 8.5 million and Rs. nil million, respectively. The principal adjustments to our financial statements, including on account of changes in accounting policies and estimates, are described below:

Restatements arising out of change in accounting policies and prior period items.

Particulars	For the year ended March 31							
	2003		2004		2005		2006	
	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income	Amount in Rs. million	% of Total Income
Profit after taxation and after Minority Interest/Share of profits of Associate as per audited consolidated financial statements – (A)	**255.1**	**5.2%**	**680.00**	**6.8%**	**690.4**	**6.8%**	**705.5**	**6.5%**
Adjustments on account of changes in accounting policies								
Miscellaneous Expenditure and Deferred Taxation	(3.1)	(0.1%)	2.8	(0.0%)	8.5	0.1%	-	-
Tax impact on adjustments	-	-	-	-	-			
Total Adjustments net of tax impact – (B)	**(3.1)**	**(0.1%)**	**2.8**	**(0.0%)**	**8.5**	**0.1%**	**-**	**-**
Net Adjusted Profit after Minority Interest/Share of profits of Associate (A+B)	**252.0**	**5.1%**	**682.8**	**6.8%**	**698.9**	**6.9%**	**705.5**	**6.5%**

Changes in Accounting Policies and Estimates.

Miscellaneous Expenditure to the extent not written off

During the year ended March 31, 2006, the Company has written off the balance of Miscellaneous Expenditure in accordance with the requirements of Accounting Standard 26, “Intangible assets”. This being a change in the accounting policy of the Company, the same has been written off in the year in which it was incurred.

Deferred Tax

We adopted Accounting Standard 22 (“AS-22”), “Accounting for taxes on Income” issued by the Institute of Chartered Accountants of India for the first time in preparing our financial statements for the year ended March 31, 2003. Hence, accounting of deferred taxes, adopted by the Company during the year ended March 31, 2003 has been restated as change in accounting policy and restated to the year ended March 31, 2002.

Current tax impact of restatements

Our current tax expenses in each period has been recomputed and adjusted in order to reflect the changes discussed above.

Net Profit as Restated.

As a result of the foregoing adjustments, our net profit as restated for fiscal 2003, 2004, 2005 and 2006 was Rs. 351.0 million, Rs. 981.9 million, Rs. 1,126.9 million and Rs. 932.0 million, respectively.

Comparison of our consolidated financial statements for the year ended March 31, 2006 with the year ended March 31, 2005

Sales and Operating Income. Sales and operating income increased by 6.7% from Rs. 9,929.1 million in fiscal 2005 to Rs. 10,585.5 million in fiscal 2006, primarily reflecting an increase in revenues from our annuity road projects, which commenced in October 2004 from Rs. 625.5 million in fiscal 2005 to Rs. 1,392.5 million in fiscal 2006, partially offset by a decrease in income from additional works granted by the NHAI in fiscal 2006 from Rs. 244.1 million in fiscal 2005 to Rs. 111.9 million in fiscal 2006, and a slight decrease in income from our power business from Rs. 9,055.1 million in fiscal 2005 to Rs. 9,032.6 million in fiscal 2006, which was due to a decline in electricity off-take. The decline in electricity off-take was attributable to increased rainfall which decreased demand for the electricity generated by our power plants. This was partially offset by an increase in the variable component of our power revenues due to higher fuel costs.

Other Income. Other income increased by 10.4% from Rs. 285.4 million in fiscal 2005 to Rs. 315.1 million in fiscal 2006. This is primarily due to the increase in interest income received on deposits and debts from our road business and income from investments other than trade in fiscal 2006, partially offset by a decrease in liabilities and provisions no longer required, written back and claims received. In fiscal 2005, we also received a lump-sum insurance payment of Rs. 70.0 million for loss of profit following the breakdown of the steam turbine at our Mangalore power plant.

Generation and Operating Expenses. Generation and operating expenses decreased by 1.5% from Rs. 5,134.2 million in fiscal 2005 to Rs. 5,057.8 million in fiscal 2006, primarily reflecting a decrease in the cost of variation works, partially offset by an increase in the cost of fuel consumption due to higher fuel prices and an increase in the cost of repair and maintenance of factory buildings.

Administration and Other Expenses. Administration and other expenses increased by 19.8% from Rs. 858.2 million in fiscal 2005 to Rs. 1,028.2 million in fiscal 2006, mainly due to increases in salaries, allowances and benefits to employees from Rs.218.0 million in fiscal 2005 to Rs. 294.2 million in fiscal 2006, traveling and conveyance from Rs. 29.1 million in fiscal 2005 to Rs. 83.0 million in fiscal 2006, and consultancy and other professional charges from Rs. 77.6 million in fiscal 2005 to Rs. 105.9 million in fiscal 2006, each of which were primarily attributable to the commencement of our road business in October 2004.

Interest and Finance Charges. Interest and finance charges increased by 38.0% from Rs. 1,129.2 million in fiscal 2005 to Rs. 1,557.8 million in fiscal 2006, primarily reflecting an increase in interest on term loans principally due to additional borrowings to fund developments in our road and power businesses, as well as an increase in finance charges and prepayment premiums paid to banks and others arising from upfront fees and processing charges paid on additional borrowings, partially offset by a decrease in other interest expenses.

Profit Before Taxation and before Minority Interest/Share of Profits in Associate. Profit before taxation and before minority interest/ share of profits in associate decreased by 9.7% from Rs. 1,171.1 million in fiscal 2005 to Rs. 1,057.1 million in fiscal 2006, primarily reflecting the increase in interest and finance charges, depreciation and administration and other expenses, partially offset by an increase in revenues.

Total Tax Liability. Total tax liability increased by 137.4% from Rs. 52.7 million in fiscal 2005 to Rs. 125.1 million in fiscal 2006. This is primarily due to reduction in deferred tax liability from Rs. 69.2 million in fiscal 2005 to Rs. 0.8 million in fiscal 2006 and the addition of the fringe benefit tax in fiscal 2006, partially offset by a decrease in current tax from Rs. 121.9 million in fiscal 2005 to Rs. 112.3 million in fiscal 2006 in line with the decrease in profits in fiscal 2006. The tax rates applicable to our business remained stable over this period.

Profit After Taxation and Before Minority Interest and Share of Profits of Associate. As a result of foregoing, our Profit After Taxation and Before Minority Interest and Share of Profits of Associate decreased by 16.7% from Rs. 1,118.4 million in fiscal 2005 to Rs. 932.0 million in fiscal 2006.

Minority Interest. Minority interest represents the share of profits of minority shareholders in GMR Energy, GMR Power, GMR Tuni-Anakapalli, GMR Tambaram-Tindivanam and GHIAL. Share of minority interest in the profits decreased by 46.4% from Rs. 430.2 million in fiscal 2005 to Rs. 230.6 million in fiscal 2006, primarily due to .a decrease in the profits of our subsidiaries engaged in the power business and an increase in our shareholding in our subsidiaries that are engaged in the road business.

Share in Profits of Associate. Share in profits of associate represents our share in the profits of GOPL, which has been appointed by us as the operator of the Mangalore power plant. GOPL was our subsidiary until February 2004 when we divested 51% interest to GMR Holdings thereby making GOPL our associate company. Share in the profits of associate company increased from Rs. 2.2 million in fiscal 2005 to Rs.4.1 million in fiscal 2006. We sold our remaining 49% interest in GOPL to GMR Holdings in March, 2006.

Net Profit after Minority Interest / Share of Profits of Associate. Our net profit after minority interest/share of profits of Associate increased from Rs. 690.4 million in fiscal 2005 to Rs. 705.5 million in fiscal 2006, reflecting a growth of 2.3%.

Net Adjusted Profit after Minority interest / Share of profits of Associate. Our adjusted profit after Minority Interest / Share of profits of Associate is a result of restatements made for, among other items, changes in accounting policies. As a result of the foregoing adjustments, our adjusted profit increased by 0.9 % from Rs. 698.9 million in fiscal 2005 to Rs. 705.5 million in fiscal 2006.

Comparison of our consolidated financial statements for the year ended March 31, 2005 with the year ended March 31, 2004

Sales and Operating Income. Sales and operating income increased by 2.0% from Rs. 9,732.8 million in fiscal 2004 to Rs. 9,929.1 million in fiscal 2005, primarily reflecting the addition of revenues from our road business which commenced in October 2004, partially offset by a decrease in income from our power business due to a decline in electricity off-take. The decline in electricity off-take was attributable to increased rainfall which decreased demand for the electricity generated by our power plants. This was partially offset by an increase in the variable component of our power revenues due to higher fuel costs.

Other Income. Other income decreased by 5.1% from Rs. 300.7 million in fiscal 2004 to Rs. 285.4 million in fiscal 2005. This is primarily due to a decrease in interest income received on deposits and debts and a decrease in gains on foreign exchange fluctuations in 2005, partially offset by receipt of an insurance claim of Rs. 70.0 million in fiscal 2005 representing a loss of profit claim for damage to the steam turbine at our Mangalore power plant.

Generation and Operating Expenses. Generation and operating expenses decreased by 3.7% from Rs. 5,329.0 million in fiscal 2004 to Rs. 5,134.2 million in fiscal 2005, primarily reflecting lower off-take of power in fiscal 2005, which in turn is principally due to lower demand for electricity as there was heavy rainfall in fiscal 2005 and consequently farmers did not have to pump as much water into their fields.

Administration and Other Expenses. Administration and other expenses increased by 55.4% from Rs. 552.4 million in fiscal 2004 to Rs. 858.2 million in fiscal 2005, primarily reflecting expenses arising from the commencement of the road business in October, 2004 and an increase in personnel cost.

Interest and Finance Charges. Interest and finance charges decreased by 7.1% from Rs. 1,215.6 million in fiscal 2004 to Rs. 1,129.2 million in fiscal 2005, primarily reflecting lower interest rates and the payment of loan installments for the energy sector subsidiaries, partially offset by finance charges incurred in connection with loans obtained for the development of our road business.

Profit Before Taxation and Before Minority Interest/ Share of Profits in Associate. Profit before taxation and before minority interest/ share of profits in associate increased by 10.9% from Rs. 1,056.2 million in fiscal 2004 to Rs. 1,171.1 million in fiscal 2005, primarily reflecting the decrease in generation and operation expenses and interest and finance charges and a small increase in total revenues on account of our road business, partially offset by a decrease in other income.

Total Tax Liability. Total tax liability decreased by 31.6% from Rs. 77.1 million in fiscal 2004 to Rs. 52.7 million in fiscal 2005. This is primarily due to the fact that, while current tax increased from Rs. 93.3 million in fiscal 2004 to Rs. 121.9 million in fiscal 2005 due to an increase in profits, there was a reversal of deferred tax liability of Rs. 69.2 million in fiscal 2005. The tax rates applicable to our business remained stable over this period.

Profit After Taxation and Before Minority Interest and Share of Profits of Associate. As a result of foregoing, our Profit After Taxation and Before Minority Interest and Share of Profits of Associate increased by 14.2% from Rs. 979.1 million in fiscal 2004 to Rs. 1,118.4 million in fiscal 2005.

Minority Interest. Minority interest represents the interest of minority shareholders in GMR Energy, GMR Power, GMR Tuni-Anakapalli, GMR Tambaram-Tindivanam and GHIAL. Share of minority interest in the profits increased by 43.8% from Rs. 299.1 million in fiscal 2004 to Rs. 430.2 million in fiscal 2005, primarily due to subscription to equity by IDF in GMR Energy in March 2004, the commencement of the road business in October 2004 and the corresponding provision for the interests of minority shareholders in GMR Tuni-Anakapalli and GMR Tambaram-Tindivanam, and also on account of the sale of a 9.5% interest in GMR Power.

Share in Profits of Associate. Share in profits of associate represents our share in the profits of GOPL, which has been appointed by us as the operator of the Mangalore power plant. GOPL was our subsidiary until February 2004 when we divested 51% interest to GMR Holdings thereby making GOPL our associate company. Share in the profits of associate company increased from Rs. 10,000 in fiscal 2004 to Rs. 2.2 million in fiscal 2005, which was due to the change in the status of GOPL from our subsidiary until February 2004 to our associate company in fiscal 2005, thereby required us to recognize our share of the profits generated by GOPL in fiscal 2005 as “share in the profit of associate company”. We have sold our remaining 49% interest in GOPL to GMR Holdings in March 2006.

Net Profit after Minority Interest / Share of Profits of Associate. Our net profit after minority interest/share of profits of associate increased by 1.4% from Rs. 680.0 million in fiscal 2004 to Rs. 690.4 million in fiscal 2005.

Net Adjusted Profit after Minority interest / Share of profits of Associate. Our adjusted profit after Minority Interest / Share of profits of Associate is a result of restatements made for, among other items, changes in accounting policies. As a result of the foregoing adjustments, our adjusted profit increased by 2.4 % from Rs. 682.8 million in fiscal 2004 to Rs. 698.9 million in fiscal 2005.

Comparison of our consolidated financial statements for the year ended March 31, 2004 with the year ended March 31, 2003

Sales and Operating Income. Sales and operating income increased by 105.0% from Rs. 4,747.7 million in fiscal 2003 to Rs. 9,732.8 million in fiscal 2004, primarily reflecting the fact that the companies which own the Mangalore power plant and the Chennai power plant became our subsidiaries only in October 2002, and thus their revenues were consolidated only for five months in fiscal 2003 as compared to the full year in fiscal 2004.

Other Income. Other income increased by 62.7% from Rs. 184.8 million in fiscal 2003 to Rs. 300.7 million in fiscal 2004, primarily reflecting an increase in interest received on deposits and debts, as well as the addition of income from investments, claims received and gain on foreign exchange fluctuations, partially offset by a decrease in miscellaneous income.

Generation and Operating Expenses. Generation and operating expenses increased by 101.6% from Rs. 2,642.9 million in fiscal 2003 to Rs. 5,329.0 million in fiscal 2004, primarily reflecting the fact that the companies which own the Mangalore power plant and the Chennai power plant became our subsidiaries only in October 2002, and thus their fuel consumption and operations and maintenance expenses were consolidated only for five months in fiscal 2003 as compared to one full year in fiscal 2004.

Administration and Other Expenses. Administration and other expenses increased by 60.6% from Rs. 343.9 million in fiscal 2003 to Rs. 552.4 million in fiscal 2004, primarily reflecting additional expenses arising from the operation of the Mangalore power plant and the Chennai power plant which were included in our results of operations beginning only in the second half of fiscal 2003, primarily increases in costs associated with salaries and benefits to employees, rent, repairs and maintenance, insurance, consultancy and other professional charges, travel, fixed assets written off, provision for advances, claims and debts, diminution in the value of investments and loss on the sale of fixed assets and investments.

Interest and Finance charges. Interest and finance charges increased by 70.6% from Rs. 712.4 million in fiscal 2003 to Rs. 1,215.6 million in fiscal 2004, primarily reflecting increases in interest on loans, guarantee commissions and finance charges from banks and other entities associated with the Mangalore power plant and the Chennai power plant, which were included in our results of operations beginning only in the second half of fiscal 2003.

Profit Before Taxation and before Minority Interest/Share of Profits in Associate. Profit before taxation and before minority interest/ share of profits in associate increased by 151.7% from Rs. 419.7 million in fiscal 2003 to Rs. 1,056.2 million in fiscal 2004, primarily reflecting revenues from the Mangalore power plant and the Chennai power plant, which were included in our results of operations beginning only in the second half of fiscal 2003.

Total Tax Liability. Total tax liability increased by 17.5% from Rs. 65.6 million in fiscal 2003 to Rs. 77.1 million in fiscal 2004. This is primarily due to the increase in profits following the acquisition of the Mangalore power plant and the Chennai power plant, partially offset by a deferred tax asset in fiscal 2004. The tax rates applicable to our business remained stable over this period.

Profit After Taxation and Before Minority Interest and Share of Profits of Associate. As a result of foregoing, our Profit After Taxation and Before Minority Interest and Share of Profits of Associate increased by 176.5% from Rs. 354.1 million in fiscal 2003 to Rs. 979.1 million in fiscal 2004.

Minority Interest. Minority interest, for the years 2003 and 2004 representing the interest of minority shareholders in GMR Energy and GMR Power, increased by 202.1% from Rs. 99.0 million in fiscal 2003 to Rs. 299.1 million in fiscal 2004, primarily reflecting the fact that GMR Energy and GMR Power became our subsidiaries only in October 2002.

Share in the Profits of Associate Company. Share in the profits of associate company, representing our share in the profits of GOPL, was Rs. 10,000 in fiscal 2004. We owned 100% of GOPL in fiscal 2003 and until February 2004, when we sold 51% of GOPL to GMR Holdings. Accordingly, we only commenced accounting for GOPL as an associate company in February 2004.

Net Profit after Minority Interest / Share of Profits of Associate. *Our net profit after minority interest/share of profits of Associate increased from Rs. 255.1 million in fiscal 2003 to Rs. 680.0 million in fiscal 2004, reflecting a growth of 166.6%.*

Net Adjusted Profit after Minority interest / Share of profits of Associate. Our adjusted profit after Minority Interest / Share of profits of Associate is a result of restatements made for, among other items, changes in accounting policies. As a result of the foregoing adjustments, our adjusted profit increased by 171.0 % from Rs. 252.0 million in fiscal 2003 to Rs. 682.8 million in fiscal 2004.

Liquidity and Capital Resources

We operate in capital intensive industries and have historically financed the development of our projects and other capital expenditures through a combination of cash generated from operations, sale of equity interests, and borrowings from commercial banks in India. Our liquidity requirements relate to servicing our debt, funding investments in new projects, funding our working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. Our funding and treasury activities are conducted within corporate policies designed to enhance investment returns while maintaining appropriate liquidity for our requirements. We currently hold our cash and cash equivalents in Rupees.

Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations.

Our long-term liquidity requirements include partial funding of our investments in new projects, funding our equity investments in our joint venture companies and repayment of long-term debt under our credit facilities. Sources of funding our long-term liquidity requirements include new loans, equity or debt issues.

As at March 31, 2006, we had cash and cash equivalents of Rs. 6,754.2 million in addition to our investments, including mutual funds investments of Rs. 2,232.9 million and other current investments of Rs. 321.5 million. We believe that the cash flows we are entitled to receive pursuant to our agreements with third parties are sufficient to fund our scheduled debt service requirements. To date we have funded our growth principally from internal cash flow and other funds, affiliate loans and bank borrowings. Our principal uses of cash have been, and are expected to continue to be, construction and development costs of our projects. The following table presents our cash flow data for 2004, 2005 and 2006.

Cash Flow Data

(Amount in Rs. million)

	For the years ended March 31,		
	2004	**2005**	**2006**
Net Cash from Operating Activities	5,224.6	5,990.0	2,380.4
Net Cash used in Investing Activities	(2,987.7)	(9,724.6)	(9,123.5)
Net Cash used in Financing Activities	(2,309.6)	3,433.1	8,987.9
Net increase/(decrease) in Cash and Cash Equivalents	(72.7)	(301.5)	2,244.8

Net Cash from Operating Activities

2006. Our net cash from operating activities was Rs. 2,380.4 million in 2006, which was primarily due to cash generated from operations before working capital changes of Rs. 4,338.1 million, offset by a negative change in trade and other receivables/other assets of Rs. 1,381.3 million mainly due to higher electricity off-take from our Mangalore power plant and a grant to GHIAL from the Government of Andhra Pradesh, a negative change in current liabilities and provisions of Rs. 375.7 million due to the repayment of liabilities in connection with our power business and road business, a negative change in inventories due to an increase in closing stock of fuel and lubricants and on account of cash outflow towards payment of direct taxes of Rs. 148.4 million.

2005. Our net cash from operating activities was Rs. 5,990.0 million in 2005, which was primarily due to cash generated from operations before working capital changes of Rs. 4,084.3 million, as well as a change in inventories of Rs. 5.2 million due to the decrease in the closing stock of fuel and lubricants, change in trade and other receivables/other assets of Rs. 58.7 million mainly due to a decrease in loans and advances recoverable, a change in current liabilities and provisions of Rs. 1,921.0 million due to the increase in the liabilities in connection with our power business and road business and on account of cash outflow towards payment of direct taxes of Rs. 79.2 million.

2004. Our net cash from operating activities was Rs. 5,224.6 million in 2004, which was primarily due to cash generated from operations before working capital changes of Rs. 3,714.5 million, as well as a change in trade and other receivables of Rs. 1,764.6 million due to receipts of sundry debtors and decrease in loans and advances, partially offset by negative changes in inventories of Rs. 43.4 million due to increase in stock of stores and spares, fuel and lubricants and in current liabilities and provisions of Rs. 88.8 million mainly due to the payment of book overdraft.

Net Cash used in Investing Activities

2006. Our net cash used in investing activities was Rs. 9,123.5 million in 2006, which was primarily due to the net addition in fixed assets of Rs. 8,663.7 million resulting from our continued development of the Vemagiri power project and the Hyderabad airport project; the purchase of investments (net of sales) of Rs. 819.9 million; offset by interest receipt of Rs. 265.8 million, dividend receipt of Rs. 57.9 million and income from investment of Rs. 36.4 million.

2005. Our net cash used in investing activities was Rs. 9,724.6 million in 2005, which was primarily due to the net addition in fixed assets of Rs. 8,554.1 million resulting from our development of the Vemagiri power project, the Hyderabad airport project, the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project; the purchase of investments (net of sales) of Rs. 1,373.3 million; offset by interest receipt of Rs. 195.0 million, income from investment of Rs. 7.3 million and dividend receipt of Rs. 0.6 million.

2004. Our net cash used in investing activities was Rs. 2,987.7 million in 2004, which was primarily due to the net addition in fixed assets of Rs. 3,921.4 million resulting from our development of the Vemagiri power project, the Tuni-Anakapalli road project and the Tambaram-Tindivanam road project; offset by the sale of investments (net of purchases) of Rs. 549.3 million, mainly due to the disposal of our 62.7% stake in Quintant Services Private Limited, a company involved in the outsourcing of business processes, interest receipt of Rs. 305.2 million, income from investments of Rs. 6.9 million and dividend receipt of Rs. 73.8 million.

Net Cash Flow (used in Financing Activities)

2006. Our net cash from financing activities was Rs. 8,987.9 million in 2006, which was primarily due to the receipt of proceeds from borrowings (net of repayments) of Rs. 10,062.1 million for the development of the Hyderabad airport project, the Delhi Airport project, the Vemagiri power project and our road business, as well as the issuance of common stock of Rs. 303.5 million, partially offset by interest paid of Rs. 1,304.5 million, dividend and dividend distribution tax paid of Rs. 73.2 million.

2005. Our net cash from financing activities was Rs. 3,433.1 million in 2005, which was primarily due to the receipt of proceeds from borrowings (net of repayments) of Rs. 4,770.3 million, offset by interest paid of Rs. 1,026.3 million, dividend and dividend distribution tax paid of Rs. 75.4 million and the redemption of preference shares in October and December 2004 of GMR Infrastructure amounting to Rs. 185.0 million held by Life Insurance Corporation and General Insurance Corporation, respectively, and Rs. 50.5 million raised through the issuance of common stock.

2004. Our net cash used in financing activities was Rs. 2,309.6 million in 2004, which was primarily due to interest paid of Rs. 1,080.9 million, dividend and dividend distribution tax paid of Rs. 27.1 million and repayment of borrowing (net of proceeds) of Rs. 2,011.9 million offset by Rs. 810.3 million raised through the issuance of common stock.

Anticipated Expenditure

Our capital expenditure for fiscal 2004, 2005 and 2006, which totaled approximately Rs. 3,921.4 million, Rs. 8,554.1 million and Rs. 8,663.7 million, respectively, consisted primarily of costs related to the construction of new projects. We anticipate that our capital expenditures in the next 24 months will increase significantly due to our commitment to develop and fund our new projects, including the Delhi Airport project, the Hyderabad airport project, the Ambala-Chandigarh road project, the Faruknagar-Jadcherla road project, the Adloor Yellareddy-Kalkallu road project and the Tindivanam-Ulundurpet road project.

Anticipated Sources of Funds

As at March 31, 2006, our cash and cash equivalents totaled Rs. 6,754.2 million, denominated principally in Rupees, representing an increase from Rs. 4,509.4 million as at March 31, 2005.

We have in the past relied principally on cash flow from operations, borrowings from banks and equity funding as our main sources of funds. During fiscal 2007, we completed five private placements of newly issued Equity Shares directly to certain Private Equity Investors, and raised approximately Rs. 5,442.4 million. For more details regarding these private placements, including information on our Private Equity Investors, please refer to the section entitled "History and Corporate Structure – Pre-IPO Placements" on page 121 of this Red Herring Prospectus. We expect that, going forward, we will finance the development of new projects and our working capital requirements with a combination of the proceeds from our private placements of Equity Shares, this offering, bank borrowings, operating cash flows and the proceeds we had received from the consortium of banks and financial institutions led by IDBI.

Taking into account the estimated net proceeds available to us from the offering, available bank facilities and net operating cash flow, we believe we have sufficient working capital for our requirements for at least the next 12 months. In addition to our net cash provided by operating activities and our net proceeds from the offering, we expect to borrow additional amounts to finance the development of our new projects after the completion of the offering. However, we cannot assure you that our business or operations will not change in a manner that would consume our available capital resources more rapidly than anticipated, especially as we continue to evaluate other investment and development opportunities. For more information, see "Objects of the Issue" on page 34 of the Red Herring Prospectus.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

We have entered into short-term and long-term bank facilities and trade credit facilities. As of March 31, 2006, the aggregate amount of these facilities drawn was Rs. 29,216.7 million, of which Rs. 3,778.2 million was unsecured. As of March 31, 2006, we had trade credit facilities of Rs. 11,673.6 million, of which Rs. 9,713.5 million had been drawn.

The following table summarizes our contractual obligations and commitments to make future payments as of March 31, 2006, and the effect that such obligations and commitments are expected to have on liquidity and cash flow in future periods:

(Rs. in million)

	As of March 31, 2006				
	Payment Due by Period				
	Total	**Within 1 year**	**Second Year**	**Third to Fifth Year**	**After Five Years**
Long-term bank loans	26,684.9	3,606.5	3,341.4	5,162.8	14,574.2
Short Term Loans	2,531.8	2,531.8	-	-	-
Operating lease arrangements	569.0	97.6	71.2	191.8	208.4
Other capital commitments	8,985.6	7,332.6	1,653.0	-	-
Total contractual obligations	38,771.3	13,568.5	5,065.6	5,354.6	14,782.6

Some of our contractual obligations, including purchase obligations, are not generally required to be recognized as liabilities in our balance sheet. These obligations may, however, result in future cash requirements.

Our subsidiary GMR Energy has also entered into a long-term fuel supply agreement with BPCL for the supply of naphtha to the Mangalore power plant, pursuant to which GMR Energy is obligated to purchase 285,000 metric tonnes of naphtha per annum. This agreement has the same term as the power purchase agreement, expiring in 2008. While fuel cost is a pass-through item under the power purchase agreements, this does not eliminate all the risks associated with our obligations to pay an additional premium to BPCL to cover any shortage in the agreed amount of naphtha. See "Risk Factors - Even if our customers do not comply with their obligations under the power purchase agreement for the Mangalore power plant, we are still required to purchase naphtha under our supply agreement and pay our operators" on page xviii of the Red Herring Prospectus.

We have significant contingent liabilities. See "Risk Factors - We are a party to significant number of legal proceedings, including a dispute pertaining to the bidding process of the Delhi Airport project" on page xiv of the Red Herring Prospectus.

A number of the loan agreements entered into by GMR Infrastructure and GMR Power are guaranteed by personal guarantees issued by their respective directors, including, in some instances, by guarantees issued by our Chairman, Mr. G.M. Rao. The terms of these guarantees provide that to the extent the guarantees are called upon, the directors may only claim any amount paid pursuant to the guarantees after the relevant lenders have been repaid in full.

Except as disclosed above and under "Related Party Transactions," there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks, in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. We have from time to time entered into derivative transactions for the purpose of minimizing our exposure to interest rate and foreign exchange risks. The following discussion and analysis, which constitute "forward-looking statements" that involve risk and uncertainties, summarize our exposure to different market risks.

Credit Risk

We currently generate all of our operating revenues from customers in the public sector. The payment obligations of these customers are secured by collateral and, in the case of our two operating power plants, are supported by guarantees issued by the relevant state governments. See "Risk Factor – Our existing operations are dependent exclusively upon revenues from customers in the public sector."

Interest Rate Risk

Except in the case of the Chennai power plant, we are subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Pursuant to our power purchase agreement for the Chennai power plant, all interest payments made by us under our loan agreements relating to this project are to be reimbursed by TNEB. As such, we are not exposed to interest rate risk for the Chennai power plant.

Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rate may adversely affect our ability to service long-term debt and to finance development of new projects, all of which in turn may adversely affect our results of operations.

Foreign Currency Exchange Rate Risk

We conduct our business primarily in Indian Rupees and have minimal direct exposure to foreign exchange fluctuations. A depreciation of the Indian Rupees would, however, result in an increase in the price of imported goods and professional services that we purchase from our suppliers and foreign companies.

We are not exposed to foreign currency exchange rate risk in our road and airport businesses as both our business and our expenses, including interest expense, are denominated in Indian Rupees. Our exposure to foreign currency exchange rate risk is minimal in our power business as our customers are required to reimburse us for any foreign exchange fluctuations. We are exposed to foreign currency exchange rate risk between the time we incur the foreign currency expense and the time we invoice our customers, which period can last up to five months. In addition, we are exposed to foreign currency exchange rate risk under our operation and maintenance agreement with General Electric, Hyundai Heavy Industries Company Limited and Korea Plant Service and Engineering Company Limited as pursuant to such agreement, we are required to pay a portion of these companies' compensation in US dollars. Such amount is equal to approximately US$9 million per year. Please see "Risk Factor - We are subject to risks arising from exchange rate fluctuations" on page xxxiii of the Red Herring Prospectus for more details.

Commodities Risk

We are not exposed to fuel price fluctuations under our power business as our customers are required to reimburse us for such fluctuations. Similarly, we typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies. These contracts usually cover both the supply of the building materials and the construction of the project, for a construction period of one to three years. If the price of the building materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we may be required to pay more to prospective contractors.

Inflation

Inflation and deflation in India has not had a material impact on our results of operations in the past three years. According to the Centre for Monitoring Indian Economy, the overall national inflation rate in India was 4.6%, 5.1% and 4.5% in 2004, 2005 and 2006, respectively.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with Indian GAAP. Our significant accounting policies are set forth in note 3 to our consolidated financial statements included in the Auditors' report on page 268 of this Red Herring Prospectus. Indian GAAP requires that we adopt accounting policies and make estimates that our directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and the understanding of our financial condition and results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout the "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect our reported financial results. The preparation of our financial statements requires us to make difficult, complex and subjective judgment in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

Revenue recognition. In the case of our power companies, revenue from the sale of energy is recognized on an accrual basis in accordance with the provisions of the relevant power purchase agreements. Claims for delayed payment charges and any other claims, which the company is entitled to under our power purchase agreements, are accounted for in the year of acceptance. Insurance claims are accounted for upon finalization and acceptance. Our power purchase agreements provide for payment of fixed tariff based on availability of plant for the year and also the fuel cost at a predetermined station heat rate.

In the case of our road companies, annuity is accrued on time basis in accordance with the provisions of the concessionaire agreement with NHAI. Claims raised on NHAI under the concession agreement are accounted for in the year of acceptance.

Significant items of income and expenditure are accounted on accrual basis except in case of those with significant uncertainties. Income from management and technical services is recognized as per the terms of the agreement and on the basis of services rendered.

Expenses incurred on developmental projects are charged to profit and loss account. These expenses are dealt with subsequently for recovery /capitalization.

Fixed assets. Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

In the case of GMR Tuni-Anakapalli and GMR Tambaram-Tindivanam, all costs incurred in the construction, widening and rehabilitation of the respective expressways have been capitalized as "Carriage Ways".

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that requires a long gestation period before realization of its intended use or sale. Other borrowing costs not attributable to the acquisition of any qualifying asset are recognized as expenses in the period in which they are incurred.

The expenditure incurred during construction period, pending allocation (net) represents expenses incurred for setting up of project facilities, including pre-operative expenses for trial runs and borrowing costs incurred prior to the date of commencement of commercial operations. These expenses are net of sales during trial run and other income accrued prior to the commencement of commercial operations.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognized in prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in subsequent years.

Capital works in progress. Assets under installation or under construction as at the balance sheet date are shown as "capital works in progress", which represent the amount of work certified against the bills submitted for the completion of the corresponding contracts.

Depreciation. Depreciation is calculated on a straight-line basis at the rates specified under Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives, whichever is higher, except for assets of less than Rs. 5,000 in value, which are fully depreciated in the year of acquisition. Leasehold improvements are amortized over the period of the lease or estimated useful life whichever is shorter. Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is calculated prospectively over the residual life of the asset.

In respect of GMR Energy, the costs of plants, machinery and buildings (except temporary structures, which are charged off at 100%) at project sites are depreciated up to 95% of their cost on a straight-line basis over 7 years corresponding to the term of the power purchase agreement.

In the case of GMR Power and Vemagiri Power, depreciation is calculated on a straight-line basis at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of the Electricity (Supply) Act, 1948 (repealed), as applicable to electricity generating companies or as per the rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

In case of GMR Tambaram-Tindivanam and GMR Tuni-Anakapalli, depreciation on fixed assets other than "Carriage Ways" is calculated on a straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The cost of carriage ways which is in the nature of an intangible asset, is amortized over a period of 15 years, in accordance with the terms of the concession agreement with NHAI.

Investments. Long term investments are valued at cost until there is a permanent diminution of their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition. Income from investments is recognized in the year in which it is accrued and stated at gross of tax deducted at source.

Gains/losses, on investment in futures, both equity and index, and on forward contracts (being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier) are recognized in the profit and loss account on settlement and sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the profit and loss account.

Foreign currency transactions. All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Current assets and current liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain or loss is recognized in the financial statements. The original cost of fixed assets acquired prior to April 1, 2004 and imported fixed assets acquired on or after April 1, 2004, through foreign currency loans are adjusted for any change in liability arising out of repayment of the outstanding foreign currency loan at the rate of exchange prevailing at the balance sheet date. The amounts so adjusted are depreciated over the remaining useful lives of the respective assets.

Taxes on Income. Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences (being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent years). Deferred tax assets and liabilities are computed on the timing differences applying the substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax in respect of timing differences which originate and reverse during tax holiday period are not recognized.

Information required as per Clause 6.10.5.5 of the SEBI Guidelines

Unusual or infrequent events or transactions: There have been no events, to our knowledge, other than as described in this Red Herring Prospectus, which may be called "unusual" or "infrequent".

Significant economic changes that materially affected or are likely to affect income from continuing operations: Other than as mentioned under the paragraph of 'Principal factors affecting our performance' in the section "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP", to our knowledge, there are no other significant economic changes that materially affected or are likely to affect income from continuing operations.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations: Other than as described elsewhere in this Red Herring Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP", to our knowledge, there are no trends or uncertainties that have had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known: Other than as described elsewhere in this Red Herring Prospectus, particularly in "Risk

Factors" and "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP", to our knowledge, there are no known factors that might affect the future relationship between costs and revenues.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices: Changes in revenues during the last 3 years are as explained in the "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP" under the paragraph "Comparison of consolidated financial statements for the year ended March 31, 2006 with year ended March 31, 2005", "Comparison of consolidated financial statements for the year ended March 31, 2005 with year ended March 31, 2004" and "Comparison of consolidated financial statements for the year ended March 31, 2004 with year ended March 31, 2003" under sub paragraph "Sales and Operating Income".

Total turnover of each major industry segment in which the issuer company operated: Segmental information has been disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP" in the table in the "Overview" section.

Status of any publicly announced new products or business segment: The status of any publicly announced new products or business segment is as disclosed in "Business", "Material Developments" and "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP" in the Red Herring Prospectus.

The extent to which business is seasonal: The impact of seasonality during the last 3 years is as explained in the "Management's Discussion and Analysis of Financial Condition & Results of Operations of GMR Infrastructure Limited based on the Audited Consolidated Financial Statements prepared as per Indian GAAP" under the paragraph "Comparison of consolidated financial statements for the year ended March 31, 2006 with the year ended March 31, 2005", "Comparison of consolidated financial statements for the year ended March 31, 2005 with the year ended March 31, 2004" and "Comparison of consolidated financial statements for the year ended March 31, 2004 with the year ended March 31, 2003" under sub paragraph "Sales and Operating Income".

Any significant dependence on a single or few suppliers or customers: Customer and supplier concentration for our Roads & Power Business has been disclosed under the section "Business" and "Risk factors".

Competitive conditions: Competitive conditions are as described under the "Industry Overview" section and under the "Risk Factors" in this Red Herring Prospectus.

SECTION VI : LEGAL AND OTHER INFORMATION

Outstanding Litigation and Defaults

Except as stated in this Red Herring Prospectus, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, its Subsidiary, Promoters, Group Companies or Directors and there are no defaults, non payment or overdues of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters, Group Companies or Directors.

Cases filed against our Company

Civil Cases

1. A Special Leave Petition (S.L.P. No. 7663 of 2006, the "**Reliance Airport Developers SLP**") was filed by Reliance Airport Developers Private Limited ("**Reliance Airport Developers**") on April 24, 2006 in the Supreme Court of India against the Airport Authority of India ("**AAI**"), the Union of India, GIL and GVK Industries Limited ("**GVK**") under Article 136 of the Constitution of India. The Reliance Airport Developers SLP was filed by the aggrieved against the order dated April 21, 2006 ("**Order**") passed by Hon'ble Justices T.S.Thakur and B.N.Chaturvedi of the Delhi High Court in writ petition (W.P. (C) No. 1581 of 2006, the "**Reliance Airport Developers Writ Petition**") and *inter alia* seeking:

    1. grant of special leave to appeal to Reliance Airport Developers against the impugned final judgment and order in the Reliance Airport Developers Writ Petition;

    2. grant of an ad-interim exparte order staying the operation of the impugned final judgment and order in the Reliance Airport Developers Writ Petition;

    3. pass an ad-interim ex parte stay / order / direction on the operation and effect of the award of contracts for the Delhi and Mumbai airport; and

    4. pass an ad-interim ex parte order restraining GIL and GVK from creating third party rights;

    5. to restrain AAI and the Union of India, their office bearers or any other authority from proceeding any further in respect of the contracts for upgradation and modernization of the Delhi and Mumbai airports granted to GIL and GVK.

    The Reliance Airport Developers Writ Petition was filed before the Delhi High Court by Reliance Airport Developers against the AAI, the Union of India, GIL and GVK under Article 226, Article 14 and Article 19(1)(g) of the Constitution of India in relation to the request for proposal (RFP) by AAI and their decision dated January 31, 2006 wherein *inter alia* GIL and GVK were selected to carry on the modernization of the Delhi and Mumbai airports, respectively. The following contentions were examined by the Delhi High Court in relation to the Reliance Airport Developers Writ Petition:

    1. Was there any material non-disclosure of relevant information by GIL? If so was the tender submitted by GIL liable to be summarily rejected on that ground?

    2. Was the constitution of the Group of Eminent Technical Experts (GETE) permissible under the terms of the RFP? If so, was the reference made to it supported by valid reasons?

    3. Was the approach adopted by GETE in the process of validation of the evaluation process, in any way, discriminatory or otherwise bad in law?

    4. Was the modification of para 5.4 of the RFP and allotment of the contract for Delhi Airport in favour of GIL vitiated by any illegality or procedural irregularity?

    5. Was the allotment of the contract for Mumbai Airport in favour of GVK vitiated by any illegality or procedural irregularity?

    The Delhi High Court, while dismissing the Reliance Airport Developers Writ Petition, vide dated in order dated April 21, 2006, after hearing the arguments of the parties, in its Order categorically stated that their answer to questions (1), (3), (4) and (5) was in the negative and their answer to question (2) was in the affirmative.

    Further, by an order dated February 20, 2006 the Hon'ble Justices T.S.Thakur and B.N.Chaturvedi of the Delhi High Court in the Reliance Airport Developers Writ Petition, directed that the allotment of works in question shall remain subject to the ultimate result of the Reliance Airport Developers Writ Petition. The Delhi High Court further directed that GIL and GVK shall not claim any equity in their favour on the basis of any steps that they may have taken or thereafter take or any investment they have made in relation to the implementation of the contracts allotted in their favor. On a specific prayer by Reliance Airport Developers seeking continuation of the interim order dated February 20, 2006, the Hon'ble High Court saw it fit to direct vide a separate order dated April 21, 2006, that the order dated February 20, 2006 shall continue to protect the interest of Reliance Airport Developers for a period of two weeks from April 21, 2006.

As on the date of filing this Red Herring Prospectus, the Reliance Airport Developers SLP has been admitted by the Supreme Court vide its order dated May 5, 2006. The Reliance Airport Developers SLP has presently been listed for arguments on July 18, 2006 before an appropriate bench of the Supreme Court.

2. A writ petition (WP No. 684 of 2006) has been filed in the High Court of Mumbai by Mr. Vinay Kumar Vishnu Awate against Union of India, Secretary to the Government of India (Civil Aviation Department), Airport Authority of India, National Security Council Secretariat, GVK Power Infrastructure Limited and GIL. The matter has been filed keeping in mind the importance of the security in the airports in the wake of privatization of the airports of New Delhi and Mumbai. The petition states that in wake of the terrorist attacks all over the world in the past 2-3 decades, the threats will persist and may continue and in the event that the joint venture under the guise of modernization is continued or allowed, then such similar attacks cannot be ruled out. The petitioner has also stated that the respondent 3, has financial resources available and given the constraints of security threats and also the recovery of various debts available to them, it is undesirable to enter into proposed joint venture for modernization of the airports. The joint venture, the petitioner has stated will jeopardize the security of airports, citizens and international security. The petitioner has stated that the existing layers of security that exist will be tampered with by the private agencies. Therefore parting with the possession or leasing for a period of 30 years, would be illegal. The petitioner has prayed that the court (i) issue a writ of certiorari calling for certain information (ii) issue a writ of mandamus calling for respondent 1-3 to have transparent dealings (iii) pending the hearing and disposal of the petition, the court set aside the final steps taken over by respondent 3 with respondent 5 and 6 (iv) pending hearing and disposal of the petition, court be pleased to order respondent 1 to 3 to have transparent dealings.

   Vide an order dated April 25, 2006, the Senior and Prothonotary Master has directed the petitioner to comply with the objections raised by the registry of the High Court of Mumbai on the writ petition filed by him within a period of two weeks from the date of the order. As the petitioner has failed to comply with the said directions, the writ petition was disposed off. However on June 14, 2006 the matter was mentioned by the Petitioner’s Advocate before the Prothonotary and Senior Master whereupon the order of rejection was set aside and the matter was restored to file. In the order dated June 14, 2006, the Petitioner was directed to remove the office objection within a further date of June 21, 2006. Based on submissions by our legal counsel for the matter and as on the date of filing this Red Herring Prospectus, the Writ Registrar has stamped the Writ Petition as rejected.

3. A suit (No. 1164 of 2006) has been filed in the court of the Civil Judge, Delhi by Mr. Diwan Singh against Delhi Development Authority, Airport Authority of India, Tehsildar, Vasanth Vihar and GIL in relation to the certain lands wherein the plaintiff has sought relief from the courts to pass a decree to direct the defendants 1, 2 and 4 to issue allotment letter and deliver the physical of the plot at No. 53, Pocket/Block-D measuring 250 square metres to the plaintiff and also to pass any other order as it may deem fit. The application moved by the plaintiff to make the Company a party to the above suit has been dismissed by the Court vide its order dated May 24, 2006.

4. A suit (No. 1163 of 2006) has been filed in the court of the Civil Judge, Delhi by Mrs. Suman wife of Late Shri Ranbir against Delhi Development Authority, Airport Authority of India, Tehsildar, Vasanth Vihar and GIL in relation to the certain lands wherein the plaintiff has sought relief from the courts to pass a decree to direct the defendants 1, 2 and 4 to issue allotment letter and deliver the physical of the plot at No. 20, Pocket/Block-D measuring 368 square metres to the plaintiff and also to pass any other order as it may deem fit.

   The application moved by the plaintiff to make the Company a party to the above suit has been dismissed by the Court vide its order dated May 24, 2006.

Cases filed by the Company

Criminal cases

The following complaints have been filed in the court of XIV Additional Chief Metropolitan Magistrate, Bangalore by GIL against Mr. S.P. Mani for dishonour of certain cheques under S.138 of the Negotiable Instruments Act:

Case number	Details of the Cheque	Value of the cheque	Next date of hearing
C.C.26715/03 P.C.R No. 2299/2002	Cheque dated March 15, 2002 bearing number 684663 drawn on Karnataka Bank Limited, Sarakki Layout branch, Bangalore	Rs. 103,700	July 12, 2006
C.C. No. 26799/03	Cheque dated January 15, 2002 bearing number 684661 drawn on Karnataka Bank Limited, Sarakki Layout branch, Bangalore	Rs. 50,000	July 14, 2006
	Cheque dated February 15, 2002 bearing number 684662 drawn on Karnataka Bank Limited, Sarakki Layout branch, Bangalore	Rs. 50,000	
P.C.R. No. 29543/05	Cheque dated June 4, 2005 bearing No. 224560 drawn on The National Co-Operative Bank Ltd, Jayanagar Branch, Bangalore	Rs. 225,000	August 1, 2006
	Cheque dated June 4, 2005 bearing No. 224560 drawn on The National Co-Operative Bank Ltd, Jayanagar Branch, Bangalore	Rs. 225,000	

Civil Matters

1. A transfer petition (civil) (No. 244 of 2006) has been filed in the Supreme Court by GIL against Mr. Vinay Kumar Vishnu Awate, Union of India, Secretary to the Government of India (Civil Aviation Department), Airport Authority of India, National Security Council Secretariat and GVK Power Infrastructure Limited, seeking for transferring the petition writ petition (Lodging) No. 684 of 2006 filed by respondent No. 1 in the High Court, at Mumbai which deals with award of the contract for modernization of the airport of Delhi and Mumbai. As the relief sought in writ petition (Lodging) No. 684 of 2006 and Civil writ petition no. 1581 of 2006 are similar, to avoid multiplicity of proceedings the matter are requested to be transferred. The Supreme Court vide its order dated April 24, 2006 has directed us to amend the Transfer Petition to provide for the transfer of the aforesaid writ petition to the Supreme Court, in view of the dismissal of the Writ Petition No. 1581 of 2006 and filing of Special Leave Petition in the same before the Supreme Court. The Company had filed and amended application requesting for transfer of petition from High Court of Mumbai to Supreme Court in place of Delhi High Court. The Supreme Court has issued notice to the respondents to show cause why the writ petition filed in Mumbai High Court be not transferred to the Supreme Court. Based on submissions by our legal counsel for the matter and as on the date of filing this Red Herring Prospectus, the Writ Registrar has stamped the Writ Petition as rejected.

Tax cases

1. An appeal has been filed in relation to the assessment year 2001-02 made to the Income Tax Appellate Tribunal, Hyderabad against the order dated November 30, 2005 passed by the Commissioner of Income-tax (Appeals)-III, Hyderabad challenging upholding the disallowance of Rs. 3,113,867 being the cost of addition and alteration made to the premises at 1st Floor of SKIP House which was claimed as allowable business expenditure under S.37(1). The Assessing Officer instead of allowing the aforesaid amount as deduction has allowed depreciation thereon by treating the same as capital expenditure having enduring benefit.

2. An appeal has been filed by the Assistant Commissioner of Income Tax in relation to the assessment year 2001-02 made to the Income tax Appellate Tribunal, Hyderabad against the order dated November 30, 2005 passed by the Commissioner of Income-tax (Appeals)-III, Hyderabad, allowing company's appeal against action of Assessing Officer for denial of set-off of brought forward business loss of Rs.9,041,727 pertaining to the assessment year 2000-01 on the alleged ground that the same was wrongly assessed under the head "Business" instead of "Income from other sources" and as such is not eligible for set-off against the income of the year.

3. An appeal has been filed in relation to the assessment year 2001-02 before the Commissioner of Income tax (Appeals) - III, Hyderabad for short grant of interest under section 244A by Rs.495,177 on tax refund granted in the order giving effect to the CIT(Appeals) order No. 0113/04-05 dated March 13, 2006.

4. An appeal has been filed in relation to the assessment year 2002-03 made to the Income Tax Appellate Tribunal, Hyderabad against the order dated December 23, 2005 passed by the Commissioner of Income-tax (Appeals)-III, Hyderabad, upholding the action of Assessing Officer in treating an amount of Rs.717,531 as capital expenditures out of Rs.1,080,670 challenging the disallowance Rs.1,080,670 being the cost of addition and alteration made to the office premises at Dawandeep Building, Jantar Mantar Road, New Delhi which was claimed as allowable business expenditure under S. 37(1).

5. A tax demand of Rs.26,694,642 has been created in the Assessment order passed under section 143(3) for the Assessment Year 2003-04. The Assessing Officer has disallowed on estimated basis the claim of Interest & Financial charges and Administration expenses to the extent of Rs. 150,000,000 under section 14A and further has disallowed a sum of Rs.1,422,738 being the cost of addition and alteration made to the premises at 10th Floor of Dalamal Towers, Nariman Point, Mumbai which was claimed as allowable business expenditure under S.37(1). The Assessing Officer instead of allowing the aforesaid amount as deduction has allowed depreciation thereon by treating the same as capital expenditure having enduring benefit. The tax demand raised has been paid by the Company.

   The company has paid tax demand of Rs. 2,55,76,170/- out of Rs.26,694,642 as aforesaid and has filed an application under Section 154 of the Income Tax, 1961 ("Act") before the Assistant Commissioner of Income Tax, Circle 2(3), Hyderabad for the balance tax demand. The application has been filed in relation for rectification of mistakes, namely (i) short allowance of depreciation by Rs. 488,480; (ii) no deduction allowed under section 80G of the Act Rs. 1,601,975 from the total income; (iii) short grant of interest under S. 244A of Rs. 64,021; and (iv) excess charge of interest under S. 234 D of the Act by Rs. 286,209 in the Assessment Order dated March 29, 2006 passed under Section 143(3) of the Act.

6. An appeal has been filed in relation to the assessment year 2004-05 before the Commissioner of Income tax (Appeals) – III for the tax refund of Rs.917,527/-. The company has claimed for short grant of credit for TDS certificates of Rs.178,058/- and short grant of interest under section 244A of Rs.739,469/- on processing of return of income. Further, an application has been preferred under S.154 in relation to the Assessment year 2004-05 before the Assessing Officer, Hyderabad for the refund of Rs.917,527/. The Company has claimed for short grant of credit for TDS certificates of Rs.178,058/- and short grant of interest under section 244A of Rs.739,469/- on processing of return of income.

Vide an order dated April 5, 2006, the Commissioner of Income Tax (Appeals) – III has allowed the appeal of the Company and has directed the Assessing Officer to dispose off the application accordingly. The order giving effect to the same is yet to be passed by the Assessing Officer.

Economic Offences

There are no pending proceedings initiated against the Company or its Directors for any economic offences.

Dues to Small Scale Undertakings

The Company has no pending dues to any small scale industries for a sum exceeding Rs. 0.1 million that has been outstanding for a period of more than 30 days.

Cases involving our Subsidiaries

I. GMR Energy

Cases filed against GMR Energy

Civil dispute

1. A suit (Misc. Pet. 82 of 2001) has been filed in the court of the II Additional District Judge, Mangalore by Mr. Nagesh Poojary against KPTCL and GMR Energy under S.18(3) of the Indian Telegraph Act, 1885 on the grounds that KPTCL and GMR Energy have drawn an electricity transmission line of 220 KV double circuit across his property which has affected the land and resulted in the respondents felling certain trees on the property including revenue yielding trees. The plaintiff has claimed compensation of Rs. 308,000 with interest at the rate of 12% per annum. GMR Energy contends that the drawing of the transmission lines was done by KPTCL and at their full responsibility and therefore, no responsibility can be attributed to GMR Energy. KPTCL refutes the allegations of the plaintiff by maintaining that the property was not damaged as no new transmission lines were drawn but only an existing line had been upgraded from 110 KVA to 220 KVA and only one coconut tree had been felled for which it had agreed to pay a compensation of Rs. 3078. The plaintiff has filed an application under S.16(3) of the Indian Telegraph Act, 1885. The next date of hearing is August 2, 2006.

Cases filed by GMR Energy

Criminal cases

1. The following criminal complaints have been filed in the court of the Judicial Magistrate First Class II, Mangalore by Mr. Gopalakrishna Shenava on behalf of GMR Energy, against Mr. Joseph Paul Lobo, Mr. Ivan D'Souza and others under S. 143, 147, 341, 342, 384, 427, 447, 504, 506 of the Indian Penal Code read with S.149 of the Indian Penal Code and S.2 of the Karnataka Prevention of Destruction and Loss of Property Act, 1981:

   (i) Criminal case (P.C.No. 26/03) for alleged nuisance and inconvenience caused by the accused in front of the power plant at Tanirbavi and for threatening the management of the power plant. The police has filed a B report. The matter is posted on July 28, 2006 for hearing.

   (ii) Criminal complaint (P.C. 27/03) for alleged nuisance and inconvenience caused by the accused near the city office of the GMR Energy. The police have filed B report. The matter is posted to August 24, 2006 for hearing.

   (iii) Criminal complaint (P.C. 28/03) for alleged nuisance caused by the accused in front of the residence of Mr. Gopalakrishna Shenava, the complainant, damage to the property of the complainant and further defamation caused to the complainant. The police have filed B report and the case has been posted to August 5, 2006 for hearing.

Civil cases

1. A suit (O.S. No. 2 of 2003) has been filed in the court of the Civil Judge (Senior Division), Mangalore by GMR Energy through Mr. G.K.Sheneva, Senior Vice-President of the Company against Mr. Ivan D'Souza and others for allegedly: (i) causing defamation to GMR Energy and Mr.G K Shenava (ii) making illegal demands on GMR Energy for payment of compensation in respect of certain properties that were acquired by GMR Energy and which properties supposedly belonged to the defendants. GMR Energy has claimed an amount of Rs. 500,000 (along with interest at 12% per annum), a permanent injunction restraining the defendants from making any derogatory speeches or statements against the plaintiffs, agitating before the power plant or in any way interfering with the peaceful functioning of the power plant. An application for temporary injunction against the defendants has been filed. The case is posted for evidence on July 24, 2006.

2. A suit (O.S. No. 77 of 2003) has been filed in the court of the Civil Judge (Senior Division), Mangalore by GMR Energy represented by Senior Vice-President Mr. G.K.Sheneva and Mr. G.M. Rao against Mr. Ivan D'Souza and others for allegedly: (i) causing defamation to GMR Energy and Mr.G.M. Rao (ii) making illegal demands on GMR Energy for payment of compensation in respect of certain properties that were acquired by GMR Energy and which properties supposedly belonged

to the defendants. GMR Energy has claimed an amount of Rs. 1,000,000 (along with interest at 12% per annum), a permanent injunction restraining the defendants from making any derogatory speeches or statements against the plaintiffs, agitating before the power plant or in any way interfering with the peaceful functioning of the power plant. An application for temporary injunction against the defendants has been filed. The case is posted for evidence on July 24, 2006.

3. A suit (O.S. No. 555 of 2001) has been filed in the court of the Civil Judge (Junior Division), Mangalore by GMR Energy against Tanirbavi Nivasigala Horata Samithi and others wherein GMR Energy has sought for a declaration that the demands made by the defendants are illegal and an order of permanent injunction restraining the defendants from agitating at the power plant site, obstructing the employees of GMR Energy from entering the site, or interfering with the peaceful functioning of the power project. The court has passed an ex-parte ad interim order of temporary injunction dated September 7, 2001 to this effect. The defendants argue that they were evicted from the property upon acquisition of the same by GMR Energy and no rehabilitation was provided to them. Therefore, they had resorting to peaceful agitations which did not cause any obstruction to the smooth functions of the plant. The case is posted on July 25, 2006 for continuation of cross-examination.

4. A suit (O.S. No. 613 of 2002) has been filed in the court of the Civil Judge (Junior Division), Mangalore by GMR Energy against Tanirbavi Nagarika Vedhike and others on substantially the same grounds and for the same relief as aforementioned in O.S. No. 555/2001. The Court vide its order dated October 8, 2002, granted a temporary injunction restraining the defendants and any persons alleging to be the members of the Defendant No.1 from agitating in and around the plant and facility of GMR Energy or obstructing the employees of GMR Energy from entering the plant site and in any way interfering with the peaceful and smooth functioning of the power project. GMR Energy has made an application under Order 39, Rule 2-A, CPC for detainment of certain defendants in the civil prison for disobedience of the ad-interim order of temporary injunction granted on October 8, 2002 against the defendants. The case is posted on July 25, 2006 for continuation of cross-examination.

Other Cases

1. A total of three (3) appeals (Nos. 271 of 2004, 272 of 2004 and 309 of 2005) are pending before the Karnataka State Pollution Control Board, Bangalore which has been filed by GMR Energy against the Member Secretary, KSPCB and the Environmental Officer, KSPCB appealing against the order dated September 5, 2003 passed by Mr. B.G. Mohan, Environmental Officer for the period August 1, 2003 to August 31, 2003, order dated October 15, 2003 passed by Mr. B.G. Mohan, Environmental Officer for the period September 1, 2003 to September 31, 2003 and order dated January 29, 2004 and February 10, 2004 passed by Mr. B.G. Mohan Environment Officer for the period October 1, 2003 to December 31, 2003 and January 1, 2004 to January 31, 2004. The above appeals filed by GMR Energy state that they are eligible for 25% rebate in pursuance of Section 7 of the Water (Prevention and Control of Pollution) Cess Act, 1977. Further, GMR Energy has stated that as per the government notification no. SO 499(e) dated May 6, 2003 the use of sea water under item 1 "industrial cooling" for which the rate of cess is specified under sub section 2 of Section 3, as 5 paise per kilo litre. But the assessing officer has not given GMR Energy a rebate of 25% on the cess imposed. Further the officer has also not assessed GMR Energy at rate of 5 paise per kilolitre of sea water drawn but has assessed GMR Energy at 10 paise per kilolitre, which only defaulters under S.25 of Water (Prevention and Control of Pollution) Act 1974 are charged. GMR Energy has prayed that the assessing officer has not correctly assessed the appellant at the rate of 5 paise per kilolitre and not given rebate of 25% on the cess under Section 7 of the Water (Prevention and Control of Pollution) Cess Act, 1977. The appellant has prayed that a rebate of 25% on the cess and further be assessed at rate of 5 paise per kilolitre of sea water drawn. GMR Energy has submitted its arguments and the next date will be intimated by the Karnataka State Pollution Control Board. The total liability is approximated at Rs. 2,600,000.

Tax Cases

1. An application has been filed under S.154 in relation to the assessment year 2000-01 before the Deputy CIT, Central Circle-3, Hyderabad for the refund of Rs. 1,545 as the return of income furnished by the company was processed under S.143(1) but the amount of tax refund due of Rs.1,545/- has not been allowed.

2. An application has been filed under S.154 in relation to the assessment year 2003-04 before the Assistant Commissioner of Income Tax, Circle 2(3), Hyderabad for the short grant of refund of Rs.1,94,697/-. The credit for the TDS Certificates of Rs.1,94,697/- was not granted in the Assessment order passed under section 143(3) of the Income tax Act, 1961 dated March 10, 2006 which were filed subsequent to filing of the return of income as well as processing of the return of income

3. An application has been filed under S. 154 in relation to the assessment year 2004-05 before the Assistant Commissioner of Income Tax, Circle 2(3), Hyderabad for the short grant of refund of Rs.94,245/-. The short grant of tax refund has mainly arisen due to mistake in calculation of interest under Section 234B and 234C of the Income-tax Act, 1961 at the time of processing return of income.

Indirect Tax

A show cause Notice No. DRI/MRU/NVN/2/2003/749 dated August 12, 2004 was issued by Directorate of Revenue Intelligence (DRI) towards alleged under valuation of Hotpath imports by GMR Energy. An associated demand by DRI was made towards non furnishing of requisite certificate at the time of import of Hotpath imports under the renovation scheme. The total claim by DRI for this notice is Rs.73.7 million. GMR Energy is contesting this demand of DRI since it is of the opinion that DRI claim is without basis. The Company has filed its reply to the same on March 7, 2005 and has also appeared for a hearing before the Commissioner of Customs, Bangalore. The Commissioner vide order No.V111/1048/2004/Cus/Djn/12568 dated September 30, 2005 has upheld the demand of the show cause notice and has further imposed an equivalent amount as penalty of about Rs.73.7 million, interest at applicable rates and a penalty of Rs. 10 million on Mr. Siddarth Deb, Asst. General Manager of GMR Energy. The abovesaid order was received by GMR Energy in May 2006. GMR Energy may prefer an appeal against the said order.

II. GMR Power

Cases filed against GMR Power

Civil cases

1. A miscellaneous petition (M.P. No. 1 of 2003) was filed by Mr. Nellikuppam V. Krishnamurthy against TNEB, GMR Power, M/s. Samalpatti Power Company Private Limited, M/s. Madurai Power Corporation Private Limited and M/s. P.P.N. Power Generation Company Limited seeking revision of the tariff at which TNEB purchases electricity from rest of the respondents (being independent power producers) on the grounds that the tariff rates fixed are high and would affect consumers. TNEB refutes the contentions of the petitioner on the grounds that the power purchase cost were based on the capital cost clearance by CEA and the executed PPAs which were based on the guidelines issued by the central government. GMR Power contends that the petitioner has no locus standi to and he is not an aggrieved person and Commission is not entitled to revise the tariff agreed to in the PPA since it is in accordance with the applicable law. The Commission has passed an interim order dated July 21, 2004 stating that the petitioner has locus standi and directed TNEB to explore all possible options with the all respondents (IPP's) to optimise the cost of power purchase and send a report to the commission. GMR Power had preferred an appeal against the order of TNERC dated July 21, 2004 to the High Court of Madras, in which the High Court of Madras has stayed the operation of the TNERC order has been stayed by the High Court. The matter shall be taken up for hearing as per the discretion of the court.

   TNERC has vide its letter dated June 1, 2006, informed GMR Power that as the petitioner in the M.P. No. 1 of 2003 has since expired, the matter should be closed.

Cases filed by the GMR Power

1. A writ petition (W.P. No. 40904 of 2005) has be filed in the High Court of Tamil Nadu by GMR Power against Union of India and others seeking for the issue of writ of prohibition, prohibiting the Commissioner of Central Excise, Chennai from proceeding with the show cause notice No. 3/2003 dated September 24, 2003. GMR Power has been obtaining LSHS from Hindustan Petroleum Corporation Limited and has been also seeking benefit under the Exemption Notification (CEN 6/2003). In the said show cause notice, GMR Power was required to show cause why: (i) it should not be denied of the exemption from duty availed by it for the low sulphur heavy stock from September 1998, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to them for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 1,383,296,154 should not be demanded from it under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. GMR Power has contended that the SCN is ex-facie without jurisdiction, arbitrary and not maintainable. It has further contended that the Exemption Notification should also apply to an undertaking, which is controlled by TNEB. The court has stayed the operation of the notice for a period of 8 weeks vide its order dated March 8, 2006. GMR Power shall approach the Court for further extension of the stay order.
2. A writ petition (W.P. No. 40905 of 2005) has be filed in the High Court of Tamil Nadu by GMR Power against Union of India and others seeking for the issue of writ of prohibition, prohibiting the Commissioner of Central Excise, Chennai from proceeding further with the show cause notice No. 4/2003 dated November 5, 2003. GMR Power has been obtaining LSHS from Hindustan Petroleum Corporation Limited and has been also seeking benefit under the Exemption Notification (CEN 6/2003). In the said show cause notice, GMR Power was required to show cause why: (i) it should not be denied of the exemption from duty availed by it for the low sulphur heavy stock from September 1998, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to them for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 144,237,805 should not be demanded from it under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. GMR Power has contended that the SCN is ex-facie without jurisdiction, arbitrary and not maintainable. It has further contended that the Exemption Notification should also apply to an undertaking, which is controlled by TNEB. The court has stayed the operation of the notice for a period of 8 weeks vide its order dated March 8, 2006. GMR Power shall approach the Court for further extension of the stay order.

Tax Cases

1. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner of Income tax (Appeals) – III for a tax demand of Rs.33,431. The Assessing Officer has added back the amount of Provision for leave encashment of Rs.424,515 to the net profit while determining the amount of Book Profit under section 115JB in the Assessment order dated March 28, 2006 passed under section 143(3).

2. An application has been filed under S. 154 in relation to the assessment year 2004-05 before the Income tax officer, Ward 2(2), Hyderabad for short grant of tax refund by Rs.36,397. The short grant of tax refund has mainly arisen due to mistake in calculation of interest under Section 234C and 244A of the Income-tax Act, 1961 at the time of processing return of income.

Show cause notices

1. Show cause notice (SCN No. 3/2003) dated September 24, 2003 has been issued against GMR Power by the Office of the Commissioner of Central Excise, Chennai requiring it to show cause why: (i) it should not be denied of the exemption from duty availed by it for the low sulphur heavy stock from September 1998, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to them for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 1,383,296,154 should not be demanded from it under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. A writ petition (W.P. No. 40904 of 2005) has been preferred before the Hon'ble High Court, at Madras and the court has granted an interim stay for the period of 8 weeks.

2. Show cause notice (SCN No. 4/2003) dated November 5, 2003 issued by the Commissioner of Central Excise, Chennai to GMR Power requiring it to show cause, within 30 days from the date of receipt of the notice, primarily why: (i) it should not be denied the benefit of the exemption from duty as availed by it as regards the low sulphur heavy stock from October 2002 to February 2003, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to it for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 144,237,805 should not be demanded from them under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. A writ petition (W.P. No. 40905 of 2005) has been preferred before the Hon'ble High Court, at Madras and the court has granted an interim stay for the period of 8 weeks.

III. Vemagiri Power

Cases filed against Vemagiri Power

Civil cases

1. Suits (No 52 to 54 of 1999) has been filed against Vemagiri Power as a garnishee for an amount of Rs. 621,953, along with an interest of 24% per annum, payable to Mr. Subbaraju. Vemagiri Power has deposited this amount in court and the court has stayed the payment of interest upon Vemagiri Power paying the principal amount. The final order is pending.

2. A writ petition (W.P M.P No. 8155 in W.P No. 6139 of 2005) has been filed in the High Court of Andhra Pradesh by Mr. A.B.K. Prasad against the Union of India, through the Secretary, Ministry of Petroleum and Natural Gas and also Ministry of Petroleum, the Gas Linkage Committee, Gas Authority of India Limited, Oil and Natural Gas Corporation Limited, Government of Andhra Pradesh represented by the Secretary- Department of Energy, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Electricity Regulatory Commission Limited, GVK Industries Limited, Gautami Power Private Limited, Konaseema EPS Oakwell Power Limited and Vemagiri Power. The writ petition has been filed questioning the action of respondents in allowing the respondent 9 –12 to set up natural gas based power projects within the Krishna Godavari basin region without there being adequate supply of gas when admittedly the projection of the respondents 3 and 5 indicate that there will be no availability of additional gas till end of the year 2008. The petitioner has prayed that the Honorable Court may be pleased to issue an order or direction in the nature of a writ of mandamus directing respondent 3, 4 and 7 not to implement their power purchase agreement and Gas Supply agreement entered into with respondent 9-12 till the supply of natural gas in the Krishna Godavari basin improves. The matter will be taken up for hearing as per the discretion of the court.

3. A writ petition (W.P No. 22051 of 2005) has been filed in the High Court of Andhra Pradesh by A.P. Gas Power Corporation Limited against Gas Authority of India Limited, Union of India, through the Secretary, Ministry of Petroleum and Natural Gas and also Ministry of Petroleum, Gas Linkage Committee, Oil and Natural Gas Corporation Limited, Government of Andhra Pradesh represented by the Secretary- Department of Energy, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Electricity Regulatory Commission Limited, GVK Industries Limited, Gautami Power Private Limited, Konaseema EPS Oakwell Power Limited and Vemagiri Power. The petitioner has been making use of the gas which has been supplied

by the respondent 1 under the various agreements entered into by it. The petitioner has stated that the respondent 1 also supplied gas to various other industries. However, in light of the shortage of natural gas, the supply to the petitioner has also been affected and therefore finds it difficult to achieve the optimum level of electricity. However, the petitioner has stated that the respondents 8 -11 have entered into agreements with AP TRANSCO and that there arises a need to submit additional gas to these four companies to generate electricity. In light of the shortage of the gas, the petitioner has alleged that the act of AP TRANSCO in entering into PPAs and grant of licenses by the APERC in favour of respondents 8 -11 is arbitrary, illegal and against public interest. Therefore the petitioner has expressed concerns that any diversion of the existing allotment of the gas from the power plants of the petitioner to the plants of respondents 8 – 11 would cause public mischief and would result in exploitation of electricity consumers. The petitioner has therefore prayed that the supply of natural gas to petitioner should not be stopped and must continue. The matter will be taken for hearing as per the discretion of the court.

4. A writ petition (W.P No. 1442 of 2006) has been filed in the High Court of Andhra Pradesh by Andhra Sugars Limited against Union of India, through the Secretary, Ministry of Petroleum and Natural Gas, Gas Authority of India Limited, A.P. Gas Power Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Konaseema EPS Oakwell Power Limited, Lanco Kondapalli power Private Limited, Reliance Energy Limited, Vemagiri Power and Gautami Power Private Limited. The petitioner has filed the petition challenging the action of respondent 1 and 2 in curtailing the gas supply to respondent 3, which has led to the respondent 3 to shut down a gas turbine and subsequently reducing the generation of power by respondent 3 and affecting and causing irreparable harm and injury to the petitioner. The petitioner has prayed that court declare the action of the respondent 2 in curtailing the gas supply to respondent 3 and supplying gas to the respondent 5 to 9 and any others who have subsequent allocations as arbitrary and direct respondent 1 and 2 to ensure that the entire quantity of gas is supplied regularly to respondent 3. The matter will be taken for hearing as per the discretion of the court.

5. A writ petition (W.P No. 1443 of 2006) has been filed in the High Court of Andhra Pradesh by Hindustan Zinc Limited against Union of India, through the Secretary, Ministry of Petroleum and Natural Gas, Gas Authority of India Limited, A.P. Gas Power Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Konaseema EPS Oakwell Power Limited, Lanco Kondapalli power Private Limited, Reliance Energy Limited, Vemagiri Power and Gautami Power Private Limited. The petitioner has filed the petition challenging the action of respondent 1 and 2 in curtailing the gas supply to respondent 3, which has led to the respondent 3 to shut down a gas turbine and subsequently reducing the generation of power by respondent 3 and affecting and causing irreparable harm and injury to the petitioner. The petitioner has prayed that court declare the action of the respondent 2 in curtailing the gas supply to respondent 3 and supplying gas to the respondent 5 to 9 and any others who have subsequent allocations as arbitrary and direct respondent 1 and 2 to ensure that the entire quantity of gas is supplied regularly to respondent 3. The matter will be taken for hearing as per the discretion of the court.

6. A suit (O.S. No. 68/ 2000) had been filed by Velugubanti Satyanarayana Murthy against District Collector, East Godavari and Ispat Power challenging the survey and preparation of the sub-divisions by the Mandal Revenue Officer. Vemagiri Power has been impleaded as a respondent from September 30, 2005. The case has been posted for hearing on July 13, 2006.

7. A suit (O.S. No. 93/ 2005) had been filed by Pattapagalu Venkatarao against Velugubanti Subba Rao for recovery of Rs. 217,650 and pleaded that the defendant be barred from disposing off his land to Vemagiri Power. However, before the order of the Court, the land had been transferred and registered in the name of Vemagiri Power. Vemagiri Power has been impleaded in the case. The matter will be taken up for hearing in December 2006.

Tribunal Cases

1. A notice dated July 31, 2004 was received by Vemagiri Power from the APERC, Hyderabad to file objections/comments to the petition filed by APTRANSCO in O.P. No. 25 of 2004 filed against Vemagiri Power and other electricity generation companies. APTRANSCO had filed the petition seeking directions for deletion of naphtha and LSHS as alternate fuel from the relevant clause of the PPA for Vemagiri Power. APTRANSCO has contended that since there is an abnormal rise in the price of naphtha and LSHS, the respondents should not be allowed to be utilized as alternate fuel even if there is a shortage of gas as it would lead to increase in per unit cost of generation and as result would affect the interests of the concumers adversely. Vemagiri Power has filed a reply to the notice stating that such petition is premature and not maintainable and hence liable to be dismissed. Vemagiri has also contended that APTRANSCO had agreed to amend the Vemagiri Power PPA on June 18, 2003 to incorporate the provision for use of naphtha and LSHS as alternate fuel. The said amendment has been approved by the APERC, Hyderabad, and is binding on both APTRANSCO and Vemagiri Power. The rights and obligations of APTRANCSCO have since been assigned to 4 DISCOMs vide a notification dated June 9, 2005. Vemagiri Power and the petitioner have agreed to a settlement. A formal settlement and an amendment to PPA has been initialed by Vemagiri Power and by all the DISCOMs. The settlement agreement has been forwarded to APERC, Hyderabad for its approval.

Tax Cases

An application under S. 154 has been filed with the Income tax Officer, Ward 3(3)(4), Mumbai for refund of Rs.1,21,561 on account of the company claiming for short grant of refund of Rs.110,000 and interest under S. 244A of Rs.11,561.

Indirect Tax Cases

A show cause notice No. GI No.4702/2004-05 dated June 12, 2006 was issued by Commercial Tax Officer, Alcotgargens, Rajamundry for payment of entry tax on Aluminium products and Electrical Wire & Switches vide Govt G.O.Ms. No.367 Revenue (CT-11) Dept dated June 22, 2002 and in G.O. Ms.552 Rev (CT-11) Dept dated September 12, 2002 associated with a demand of Rs.58,55,037. Vemagiri Power will be filing the objection in due course.

IV. GMR Tambaram-Tindivanam

Tax Cases

An application has been preferred under S.154 in relation to the Assessment year 2003-04 before the ITO, Ward-1(2), Hyderabad for the refund of Rs.2,932 on account of the company claiming for short grant of interest under S.244A on tax refund vide modification order dated April 21, 2004.

V. GMR Tuni-Anakapalli

Other cases

1. The Mines and Geology Department, Government of Andhra Pradesh has issued demand notice 3175/Q2/Vg/2005 dated November 28, 2005 under the AP Minor Mineral Concession Rules 1966 calling upon GMR Tuni-Anakapalli to make payment of seigniorage fee of Rs. 2,262,352 together with 5 times penalty, in all amounting to Rs. 13,574,112. GMR Tuni-Anakapalli has preferred an appeal against the said demand, vide appeal dated April 19, 2006, claiming that the amounts demanded to be paid under the demand notices need not be paid as the applicable seigniorage fee has already been paid and has furnished appropriate proof of having paid the requisite Seigniorage fee in the Project works. The appeal is pending with the Director, Department of Mines and Geology, Government of Andhra Pradesh.
2. The Mines and Geology Dept., Govt of Andhra Pradesh has issued Demand Notice 3623/Q/Vg/2005 dated December 7, 2005 under the AP Minor Mineral Concession Rules 1966 calling upon GMR Tuni-Anakapalli to make payment of seigniorage Fee of Rs. 594,780/- together with 5 times penalty, in all amounting to Rs. 3,568,680/-. The Company has preferred an appeal against the said demand, vide appeal dated April 19, 2006, claiming that the amounts demanded to be paid under the demand notices need not be paid as the applicable seigniorage fee has already been paid and has furnished appropriate proof of having paid the requisite seigniorage fee in the Project works. The appeal is pending with the Director, Department of Mines & Geology, Government of Andhra Pradesh.
3. The Mines and Geology Dept., Govt of Andhra Pradesh has issued Demand Notice 2466/Vg/2005 dated January 30, 2006 under the AP Minor Mineral Concession Rules 1966 calling upon GMR Tuni-Anakapalli to make payment of Seigniorage Fee of Rs. 23,448,041.20 together with 5 times penalty, in all amounting to Rs.140,668,247. GMR Tuni-Anakapalli has preferred an appeal against the said demand, claiming that the amounts demanded to be paid under the demand notices need not be paid by as the applicable seigniorage fee has already been paid and has furnished appropriate proof of having paid the requisite Seigniorage fee in the Project works. The appeal is pending with the Director, Dept of Mines & Geology, Government of Andhra Pradesh.

Tax Cases

1. An application has been preferred under S.154 in relation to the Assessment year 2002-03 before the ITO, Ward-1(2), Hyderabad for the refund of Rs.3,252 on account of the company claiming for short grant of interest under S.244A. on tax refund allowed vide modification order dated August 19, 2003.
2. An application has been preferred under S.154 in relation to the Assessment year 2003-04 before the ITO, Ward-1(2), Hyderabad for the refund of Rs.2,699 on account of the company claiming for short grant of interest under S.244A on tax refund allowed vide modification order dated April 21, 2004.

VI. GHIAL

Tax cases

An application has been preferred under S.154 in relation to the Assessment year 2004-05 before the Assistant Commissioner of Income Tax, Range-2, Hyderabad for the refund of Rs. 16,359. An excess charge of interest under S. 234B and 234C on processing of return of income has been made.

VII. GVL Investments (formerly known as Medvin Finance Private Limited)

Tax Cases

1. An appeal has been filed in relation to the assessment year 1999-00 to the Income Tax Appellate Tribunal against the disallowance of claim of interest expenses of Rs.1,152,234 on the ground that it is attributable to borrowing made and utilised for investment in shares the dividend income from which is exempt from tax. The disallowance has been made because of

S. 14A. GVL Investments has contended that claim of interest expenses needs to be allowed u/s. 36(1)(iii) as the borrowal on which interest paid was for the purpose of business. Further, the person distributing dividend is required to pay tax u/s. 115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is an incidental income.

2. An application has been preferred under S. 154 in relation to the assessment year 2003-04 before the Assistant Commissioner of Income Tax, Circle 16(1), Hyderabad in relation to a demand of Rs.146,101 that has been made as against the tax refund of Rs. 98,565 while completing the assessment. This is due to short grant of credit for tax deduction at source by Rs. 227,144 excess charge of interest under section 234C by Rs.4,243 and charge of interest under section 234D at Rs.13,280.

3. An application has been preferred under S. 154 in relation to the assessment year 2004-05 before the Assistant Commissioner of Income Tax, Circle 16(1), Hyderabad in relation to a refund of Rs.500,694. The company has claimed for excess charge of interest under section 234C by Rs.66,497, short grant of interest under section 244A by Rs.72,022 and erroneous tax adjustment of tax demand of Rs.362,175 from tax refund amount at the time of processing of return of income.

4. An appeal has been filed in relation to the assessment year 1999-00 to the Income Tax Appellate Tribunal, contending the disallowance of claim of Interest expenses of Rs.3,053,011. The claim of Interest expenses has been disallowed on the alleged ground that it is attributable to borrowal made and utilised for investment in shares the dividend income from which is exempt from tax. The disallowance is made under S.14A. The said disallowance has been confirmed in first appeal by the CIT (Appeals) in view of S. 14A. The company has contended that claim of interest expenses needs to be allowed u/s. 36(1)(iii) as the borrowal on which interest paid was for the purpose of business. Further, the person distributing dividend is required to pay tax u/s.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is an incidental income. Further, the assessing officer granted refund of Rs.4,977 on giving effect to the order of the CIT (Appeals) but the same has still not been received.

5. An appeal has been filed in relation to the assessment year 2000-01 to the Income Tax Appellate Tribunal, contending the disallowance of claim of Interest expenses of Rs. 2,154,701. The claim of interest expenses has been disallowed on the alleged ground that it is attributable to borrowal made and utilised for investment in shares and the dividend income from which is exempt from tax. The disallowance is made under S.14A. The said disallowance has been confirmed in first appeal by the CIT (A) in view of S.14A. Further, the assessing officer granted refund of Rs.23,286 on giving effect to the order of the CIT (Appeals) but the same has still not been received.

6. An application has been preferred under S. 154 in relation to the Assessment year 2001-02 before the Deputy CIT, Central Circle-3, Hyderabad for the refund of Rs. 36,258. GVL Investments has made a claim for non grant of interest under S.244A of Rs.36,258 on the tax refund granted on processing the return of income. The CIT (Appeals) has passed an order dated March 8, 2004 allowing GVL Investments's appeal and directing the assessing officer to allow interest under S. 244A up to the date of grant of tax refund but the order giving effect to the aforesaid order is yet to be received.

7. An application has been preferred under S. 154 in relation to the Assessment year 2002-03 before the Assessing Officer. A demand of Rs. 253,888 has been made. The assessment has been completed at an income of Rs. 501,510 as against returned loss of Rs.16,44,889. While passing order the B/F amount of capital loss of Rs. 2,973,290 pertaining to assessment year 2000-01 has not been given set-off against the capital gain income of Rs. 501,510 at the time of completion of assessment for the year 2002-03.

VII. Delhi International Airport

Cases filed against Delhi International Airport

1. Rashtriya Mukti Morcha has filed a public interest litigation against Central Bureau of Investigation ("**CBI**"), Ministry of Civil Aviation, Union of India and the Delhi International Airport in the High Court of Delhi inter alia, challenging the award of the contract and granting lease of the assets of the AAI on annual lease of Rs. 100/- to Delhi International Airport. The petitioner has stated that though he has filed a complaint with the CBI on May 1, 2006, no action has been taken on the same. After hearing some of the arguments on June 2, 2006, the High Court directed the CBI and UOI to file their affidavits in reply to the writ petition. The case will now be taken up on July 20, 2006 for hearing.

   In addition, DIAL had filed four interlocutory applications in the special leave petitions (SLP (Civil 6093 of 2003). SLP 6095 of 2003, SLP 8573 of 2003 and SLP 6384 of 2003) pending in the Supreme Court of India stating that the land dispute in the appeals falls within the area of the initial development plan of the Delhi airport and therefore, affects DIAL. Therefore DIAL has requested the court to permit it to intervene in the matter, and make submission before the court. The Supreme Court had permitted DIAL to intervene and make submissions before the court. In these special leave petitions, the petitioners have contended that as the land acquisition award in the respect of some of the land under dispute were made after two years of the initial notification issued under the Land Acquisition Act, 1894, as per the provisions of the Land acquisition Act, acquisition of land under dispute was illegal. The petitioners have also asked for allotment of alternative land for relocating their industrial unit. The final arguments in the above four special leave petitions have been completed and they are reserved for judgment.

Cases involving companies promoted by the same Promoters

The litigation details of the companies coming within the definition of Promoter Group are given below.

I. GMR Estates & Properties (P) Ltd (formerly known as M/s Emerald Investments (P) Limited)

Cases filed against GMR Estates

Civil Suits:

1. A suit (O.S.No.461/2005) has been filed in the Court of the District Munsif, Alandur, Tamil Nadu by Rigid Hospitals Private Ltd against GMR Estate & Properties (P) Ltd seeking for permanent injunction on the grounds of "attempting to trespass" into the land measuring about 1 Acre and 65 cents belonging to Rigid Hospitals situated at Old Survey No.134/1A(Part), Present Survey No.134/1A1(Part) in No.112, Palavakkam Village, Pallikaranai Firka, Tambaram Taluk, Kancheepuram District, situate in part of premises bearing Door No.5/639, Old Mahabalipuram Road, Kandanchavadi, Chennai-600 096. Rigid Hospitals are constructing a Multi Speciality Hospital under the name of "Life Line Hospital" and 95% of the construction is already completed. It has been alleged that employees of GMR Estates have attempted to trespass in to the property belonging to Rigid Hospitals with a view to occupy the vacant premises of the Schedule Property. The Hon'ble Court of the District Munsif, Alandur has passed an interim injunction order dated July 28, 2005 restraining the employees of GMR Estates from interfering into the possession and enjoyment of the Schedule Property till August 8, 2005. The said order has been extended till October 24, 2005. Counsel for GMR Estates had filed vakalat and a memo to bring to the notice of the court that Rigid Hospitals has not furnished all the relevant documents to GMR. The matter is posted for enquiry on July 13, 2006.

Cases filed by GMR Estates

Civil Suits:

1. A suit (O.S.No.164 of 2005) has been filed in the Court of the Additional Subordinate Judge, Chengalpattu, Tamil Nadu by GMR Estate & Properties (P) Ltd against M/s Rigid Hospitals Private Ltd seeking for permanent injunction against the illegal encroachment of the land measuring about 63.25 grounds belonging to GMR Estates situated at Old Survey No.134, Present Survey No.134/1A1 in No.112, Palavakkam Village,Tambaram Taluk, Kancheepuram District, situate in part of premises bearing Door No.5/639, Old Mahabalipuram Road, Kandanchavadi, Chennai-600 096. It has been stated that Rigid Hospitals have constructed a compound wall, septic tank, and sewage treatment plant encroaching into the land belonging to GMR Estates to the extent of 18.29 square metres. The Subordinate Judge, Chengalpet has passed a status quo order dated August 30, 2005. Advocate Commissioner appointed by the court had inspected the property and has submitted his report to the court on September 15, 2005. The case is posted for enquiry on July 27, 2006.

Tax cases

1. An application has been preferred under S.154 in relation to the Assessment year 2003-04 before the Assessing Officer. A tax demand of Rs.12,445 has been created. The company has claimed for Non grant of MAT credit of Rs.10,549 and excess charge of interest under section 234B and 234C on processing of return of income.

II. GMR Industries Limited

Cases filed against GMR Industries

Civil Suits

1. A suit (C.S. No. 14 of 2005) has been filed in the High Court of Madras by Rita Bottling Machines Limited against GMR Industries Limited and GMR Beverages and Industries Limited for the recovery of a sum of Rs. 1,637,873 alongwith interest. It has been alleged that certain amounts were payable by GMR Industries towards the purchase of a bottle washing machine and also a conveyor plant. Over a period of time certain amounts have been paid and the outstanding amount that is sought to be recovered by the way of this suit. A representation is to be made to the court stating that the stake in GMR Beverages and Industries Limited has been divested. The counsel for GMR Industries has filed the vakalat and the counters shall be filed. The matter may be taken up as per the discretion of the court

2. An appeal (A.S. No. 2061 of 2003) has been filed in the High Court of Andhra Pradesh by Mr. Vegesna Narayan Raju against GMR Industries and others the order dated October 21, 2002 in O.S. No. 40/97 has been appealed against. The appeal has been filed on the grounds that the said order grants refund of Rs. 180,000 (along with interest at 6% per annum) to Mr. Raju instead of ordering specific performance of the agreement of sale dated March 12, 1995 for sale of a certain property belonging to the respondents (other than GMR Industries), as prayed for by Mr. Raju in the original suit. Mr Raju's claim against GMR Industries is that purchase of part of the suit property by GMR Industries Ltd was illegal as the original suit was pending at the time of such sale. GMR Industries maintains that it acquired the land as a *bona fide* purchaser without knowledge of the agreement for sale. The said matter is posted onwards in the list for final arguments and may come up for hearing as per the discretion of the court.

3. A civil miscellaneous application (CMA. No. 1232 of 2005) has been filed by Shakti Sugars in the High Court of Andhra Pradesh, against the decree of the lower Court ordering Shakti Sugars to pay the defaulted amount of Rs. 750,000 and to lift the remaining part of Molasses. Shakti Sugars has paid an amount of Rs.2,500,000.00 as advance by telegraph transfer and also confirmed the purchase of molasses, but Shakti Sugars has lifted only 1000 metric tonnes of molasses from the plaintiff premises at Sankili and thereafter inspite of repeated requests by phone and personal contracts of the officials of GMR Industries the defendant have failed to lift the balance of 1000 metric tons. GMR Industries has filed a case in the City Civil Court and the City Civil Court ordered infavour GMR Industries. Subsequent to the order of the City Civil Court, GMR Industries had filed an execution petition against which Shakti Sugars has filed the aforesaid CMA in the High Court. It is onwards in the list, the same may be taken up at the discretion of the Court.

4. An original petition (No. 436 of 2003) has filed in the City Civil Court by the Police Department against Mr. K. Jayasimha and others on a purported scam unearthed in the Social Welfare Department, Hyderabad, in which GMR Industries has been made a proforma party as the shares of the GMR Industries were acquired by him and GMR Industries has to abide by the decision of the Court in respect of title of the share. The next hearing date was on August 2, 2006.

5. Two civil appeals (Civil Appeal. 6787 of 2004 and Civil Appeal. 6788 of 2004) have been filed in the Supreme Court of India by the Government of Orissa and Orissa Mining Corporation against GMR Industries seeking to set aside the order of the High Court of Orissa in OJC. 2236 of 2002 allowing the writ petition and upholding the recommendation of the Chhahar Committee. The Orissa Government constituted the “Chhahar Committee” as directed by the Supreme Court, to evaluate chrome ore requirements of the Mining Lease applicants, of which, GMR Industries was one of the applicants. The Chhahar Committee had considered GMR Industries as a deserving Chromite Mining Lease applicant and recommended allotment of 43.579 hectares. The Orissa Government had then set-aside the Chhahar Committee and allotted the said portion of land in favour of Orissa Mining Corporation. GMR Industries filed a writ petition in the High Court of Orissa against the decision of the Orissa Government and the High Court had allowed the writ petition and upheld the recommendation of the Chhahar Committee. The matter will be taken up at the discretion of the Court

6. GMR Industries had entered into two shipping consignments with Changbai Shipping to deliver cargo to China (Longkou Port (27500 M.T’s) and Xingpjang Port (22000 M.T’s) respectively). There was a delay in delivery of the cargo (27500 M.T’s) at the Longkou Port. Changbai Shipping had claimed an amount of USD 366,643 as demurrage charges for the delay in the delivery of the cargo in the boarding port, for which GMR Industries refused payment. GMR Industries has also raised an invoice of USD 1,385,191 for the losses incurred by it for the delay in delivery at the destination port. Changbai Shipping rejected GMR Industries’s claim and insisted that it submit a fresh LOI and Bank Guarantee for delivering of cargo (22000 M.T’s). GMR Industries expressed its inability to provide for another LOI and Bank Guarantee as they had already provided according to the fixture note terms. Changbai Shipping has filed a case in the maritime Court of Quingdo and had obtained an injunction against the release of the consignment. GIDL has submitted the Bank guarantee and got the consignment released. The notice issued by the Changbai Shipping states that in case the amount of demurrages is not paid within a period of 7 days from receipt of the notice, the matter will be referred to arbitration as per the terms of the Agreement with Changbai Shipping. The notice has also provided the name of the proposed arbitrator.

7. A civil revision petition (C.R.P. No. 153 of 2005) has been filed in the High Court of Andhra Pradesh by Nu Tech Organic Chemicals (petitioner) against GMR Industries for setting aside the order of the lower court rejecting an application filed by the petitioner in the lower court seeking the amendment of written statement and to incorporate the Arbitration Clause under Section 8 of the Arbitration and Conciliation Act, 1996. The Hon’ble High Court has directed the petitioner to serve a personal notice on GMR Industries (respondent) by registered post with acknowledgement due and file proof of service within two weeks. The matter has been posted for further hearings. The matter may be taken up as per the discretion of the court.

8. A suit (O.S. No. 72 of 2003) has been filed by Kimidi Ramakrishna Naidu, a cane grower before the Civil Subordinates Judge Court, Palakonda against GMR Industries for an amount of Rs.14,350. During 2001- 02, GMR Industries had announced that cane growers having at least 4 acres of land under plantation of sugarcane would be entitled to a subsidy. The petitioner planted 2.85 acres of cane on his lands and has filed a claim for more subsidies from GMR Industries. The matter has been adjourned to July 24, 2006.

Tribunals

1. An appeal (Appeal No. 7 of 2006) (under Section 111 of the Electricity Act, 2003) has been filed in the Appellate Tribunal For Electricity, New Delhi by Transmission Corporation of AP Limited & another against APSERC and GMR Industries Limited seeking to set aside the direction of APSERC passed in O P. No 21 of 2005 dated July 17, 2004 and quash the same. The said appeal came up for hearing on January 19, 2006 wherein the Hon’ble Court admitted the appeal and passed orders for issue of notice to the respondents. The matter has been posted for final hearing on July 21, 2006.

2. An appeal (Appeal No. 11 of 2006) (under Section 111 of the Electricity Act, 2003) has been filed in the Appellate Tribunal For Electricity, New Delhi by Transmission Corporation of AP Limited & another against APSERC and GMR Industries Limited seeking to set aside the direction of APSERC dated November 17, 2004 vide its order passed in R P. (SR)No 59 of 2004 dated November 17, 2004 and quash the same. The said appeal came up for hearing on January 19 2006 wherein the Hon’ble Court

admitted the appeal and passed orders for issue of notice to the respondents. The matter has been posted for final hearing on July 21, 2006.

Tax Cases

1. An appeal has been filed in relation to the assessment year 1997-98 before the Income Tax Appellate Tribunal with reference to the deduction under S.80HHC computed with reference to profit (net) after adjusting the amount of loss suffered in manufacturing business from the amount of profit derived from trading of exports.

2. An appeal has been filed in relation to the assessment year 1999-00 made to the Income Tax Appellate Tribunal, Hyderabad against the order dated August 19, 2003 passed by the Commissioner of Income-Tax (Appeals)-1, Hyderabad disallowing the claim of the assessee for exemption of Rs. 37,500,000 under S. 10(23G) of the Income Tax Act in respect of long term capital gains on the sale of certain number of bonus shares of A.P.Gas Power Corporation Limited by GMR Industries. The company is seeking advice from consultants for making a reference to the High Court against the judgment of ITAT.

3. An appeal has been filed in relation to the assessment year 1999-00 to the Income Tax Appellate Tribunal, Hyderabad against the order of CIT passed under S.263 wherein the Tribunal has directed AO to allow MAT credit after charge of interest under S. 234B and 234C and not from the amount of tax payable before charge of interest under S.234B and C and as a result of which a tax demand of Rs.7,006,881/- had been created.

4. An application has been preferred under S. 154 in relation to the Assessment year 2002-03 before Assessing Officer for the tax refund amount of Rs. 5,881 which was short allowed due to non grant of MAT credit of Rs.5,264/- and as a consequence thereof excess charge of interest under S.234B and S.234C by Rs.686 and Rs. 833/- has been made in the assessment order.

5. An appeal has been filed in relation to the Assessment Year 2003-04 before the Commissioner (Appeals), Hyderabad for (i) disallowance of claim of depreciation on goodwill of Rs.3,967,993/-; (ii) expenses incurred in relation new Project of Rs.157,808/-; (iii) Interest on Preference Share application money paid of Rs.39,587,800/-; (iv) Adhoc disallowance expenditure of Rs.50,000/- under section 14A; (v) disallowance of Short term capital loss of Rs.26,000/-; (vi) adoption of amount of Long term Capital Gain higher by Rs.90,500/- by considering the difference in Sale price in comparison with book value / sale price of the same shares made by other company; (vii) charge of interest under Section 234C of the Income Tax Act, 1961 of Rs. 451,462/-; and (viii) short grant of interest under Section 244 A of the Income Tax Act, 1961 of Rs. 1,364,280/- in the assessment order dated March 31, 2006.

6. An application has been preferred under section 154 in relation to the Assessment year 2003-04 before the Assistant Commissioner of Income tax, Circle 2(3), Hyderabad for non grant of tax refund amount of Rs.1,26,32,877/- which was determined as refundable in the Assessment order together with interest under section 244A of Rs.13,64,280/- on the tax refund amount.

7. An application has been preferred under section 154 in relation to the Assessment year 2004-05 before the Assistant Commissioner of Income tax, Circle 2(3), Hyderabad against tax demand of Rs.1,38,107/- created as against the amount of tax refund of Rs.24,444/-. The tax demand has mainly arisen due to mistake in calculation in the amount of interest under section 234B and at the time of processing the return of income.

8. The Assessing Officer had raised a tax demand of Rs.13, 81,180/- on processing of return of income under section 143(1) after issuance of notice under section 143(2) of the Income-tax Act, 1961 in relation to Assessment year 1994-95. The company filed an application under section 154 for rectification of mistake and challenged the tax demand on the ground that no intimation under section 143(1) can be issued after issue of notice under section 143(2) of the Income-tax Act, 1961. The Assessing Officer rejected company's application vide order dated 22.01.1997. Against rectification order, an appeal was preferred before the CIT (Appeals). The CIT (Appeals) allowed the appeal in company's favour by holding that no intimation under section 143(1) can be issued after issuance of notice under section 143(2). Aggrieved by the order of CIT (Appeals), the Assessing Officer, preferred an appeal before ITAT. ITAT vide its order dated 21.1.2003, upheld the order of CIT(Apeals) and took the view that no intimation under section 143(1) can be issued after issue of notice under section 143(2). The commissioner of Income Tax, has now filed an appeal I.T.T.A. No.164/2003 before Andhra Pradesh High Court Bench against the order dated 21.1.2003 of Income Tax Appellate Tribunal. Matter is yet to be listed in the High Court.

Labour Dispute

1. A industrial dispute (ID No. 101 of 2004) has been filed before the Chairman Industrial Tribunal and Presiding Officer Labour Court, Visakhapatnam by Mr. Sampala Seetharama Murthy against the Managing Director and President (Ferro Alloys Division) of GMR Industries Limited stating that he was wrongly dismissed from service and seeking re-instatement into service and claiming back wages and all other consequential benefits. The counter has been filed by GMR Industries Limited and the plaintiff has filed a rejoinder in response to the same. The next date of hearing is on August 21, 2006.

Arbitration proceedings

1. An arbitration proceeding has been initiated between UC Gas Engineering Ltd, GMR Industries and GMR Beverages and Industries Limited, in relation the recovery of Rs. 766,254 . A single arbitrator has been appointed and the parties have been asked to file the statement of claim, in this regard. The next date of hearing is on July 18, 2006 for detailed counter from GMR Industries .

2. A petition (Arbitration Case 20 of 2005) has been filed under S.9 of the Arbitration and Conciliation Act, 1996 in the Court of District Judge, Kamrup, Guwahati by SG Rising Associates Private Limited against The Assam State Cooperative Marketing & Consumers Federation Limited (STATFED) and GMR Industries Limited for non-performance of the agreement entered between them (SG Rising Associates Private Limited & STATFED). An agreement was executed between SG Rising Associates Private Limited and The Assam State Cooperative Marketing & Consumers Federation Limited, wherein SG agreed to supply raw materials to Assam State Cooperative Marketing & Consumers Federation Limited and market for their refined products made out of the raw materials. SG has alleged that STATFED have failed to perform their obligations under the said agreement. In response of the same STATFED have contended that their performance of the obligations is dependent on SG's performance of its obligations. GMR Industries had given a bank guarantee to the tune of Rs. 8.5 million for the procurement of raw materials from WBES on behalf of SG & STATFED. GMR Industries has filed a detailed counter. The next date of hearing is on July 14, 2006 and the matter is posted for arguments.

Cases filed by GMR Industries

Writ petitions / civil disputes

1. A writ appeal (W.A. No. 1146 of 2005) has been filed in the High Court of Andhra Pradesh by GMR Industries against National Thermal Power Corporation Ltd, APTRANSCO and others against the order of the single judge dated April 1, 2005 in WP No. 5713 of 2000. The said order had directed the petitioner to pay the revised supplementary demands in respect of the power supplied to them from out of the 15% unallocated portion of power from NTPC, as per the notifications fixing the NTPC tariff by the Ministry of Power and modified from time to time. The writ appeal is admitted and notice is served to the respondents. The matter shall be taken up for hearing as per the discretion of the court.

   GMR Industries had made a deposit of Rs. 15.4 million by way of fixed deposit receipt during the pendency of WP. No. 5713 of 2000. GMR Industries has received a notice dated June 22, 2006 from respondent informing the company that they will encash the said fixed deposit receipts. The Company is consulting its legal counsels for further course of action.

2. A writ appeal (W.A. No. 1145 of 2005) has been filed in the High Court of Andhra Pradesh by GMR Industries Ltd against National Thermal Power Corporation Ltd, APTRANSCO and others against the order of the single judge dated April 1, 2005 in WP No. 6287 of 2001. The said order had directed the petitioner to pay the revised supplementary demands in respect of the power supplied to them from out of the 15% unallocated portion of power from NTPC, as per the notifications fixing the NTPC tariff by the Ministry of Power and modified from time to time. The writ appeal is admitted and notice is served to the respondents. The matter shall be taken up for hearing as per the discretion of the court.

   GMR Industries had made a deposit of Rs. 6 million by way of fixed deposit receipt during the pendency of WP. No. 5713 of 2000. GMR Industries has now received a notice dated June 22, 2006 from the respondent stating that the respondent intends to encash the said fixed deposit receipts. The Company is consulting with its legal counsels for further course of action.

3. A writ petition (W.P. No. 19706 of 2003) has been filed by GMR Industries against APTRANSCO, Eastern Power Distribution Company of Andhra Pradesh Ltd ("APEPDCL"), the Superintending Engineer and Senior Accounts Officer of APEPDCL in the High Court of Andhra Pradesh praying for issue of a writ of mandamus to declare as unauthorized the demand made by APEPDCL of Rs. 4,816,386 allegedly arising out of delayed payments to NTPC for supplementary arrears and penal interest for the period November 2002 to July 2003. GMR Industries contends that this action is unjustified as payment of the principal amount was pending adjudication in W.P. 5713 of 2000 and W.P. No. 6287 of 2001. An order dated September 18, 2003 was passed in miscellaneous petition (W.P. M.P. No. 24711 of 2003) filed in this suit granting suspension of operation of the letter issued by APEPDCL demanding payment of the additional amount. . The matter shall be taken up for hearing as per the discretion of the court.

4. A suit (O.S. 214 of 2002) has been filed in the court of the Chief Judge, City Civil Court, Hyderabad by GMR Industries against NU TECH Organic Chemicals Ltd and its directors Ms. T.G. Vanaja and Mr. K.H. Vittal Rao for recovery of Rs. 3,200,025.60 (along with interest at the rate of 24% per annum). GMR Industries claims that inferior goods were supplied to it under the MOU dated September 16, 1998 entered into by the parties for the export of castor oil derivates in the name of GMR Industries. This suit was filed pursuant to dishonour of cheques of a total value of Rs. 1,800,000 in favour of GMR Industries and non-payment of the promissory note for Rs. 1,860,480 in the name of GMR Vasavi IndustriesLimited (now GMR Industries). NU TECH denies that it is liable (i) to pay any amount to GMR Industries, or (ii) for non-execution of the promissory note. The matter is reserved for judgment.

5. A suit (O.S. No. 499 of 2004) had been filed by GMR Industries in the Addl. Chief Judge, Andhra Pradesh against Golden Rich (Chung's) Development Company Ltd ("Golden Rich"), Yangming (U.K.) Limited, UTI Bank Limited, Citi Bank (Paris) and others. The case is based on the contract dated May 9, 2000 between GMR Industries and Golden Rich for procurement of aluminium scrap. GMR Industries contends that the same set of goods was sold to multiple parties and further, instead of aluminium scrap, ammonium sulphate was supplied. On this basis, GMR Industries claims that the defendants have fraudulently induced GMR Industries to establish a letter of credit and it has sought for an order of permanent injunction restraining UTI Bank Ltd from paying

under the letter of credit and for award of damages of US$ 88,961. Honourable Court granted Status Quo which Status Quo was vacated on a subsequent date. Against the order of the lower Court (Addl. Chief Judge), GMR Industries preferred an appeal in the High Court of Andhra Pradesh vide C.M.A No. 363 of 2004 for setting aside the order of the lower court (vacating Status Quo) dated January 29, 2004 pursuant of which an order dated August 18, 2004 was passed by the High Court of Andhra Pradesh stating that the status quo be made absolute and that the GMR Industries shall keep the bank guarantee alive till the disposal of the suit and also advised the lower court to complete the matter within 6 months. Since the lower court (Addl. Chief Judge) is taking more time in completing the matter, GMR Industries has made an application to the High Court to extend the time of the order of the High Court, the High Court, vide another order dated March 1, 2005 extended the order for a period of six months and now the lower court is extending the status quo. The matter is posted for July 13, 2006.

6. A suit (O.S. No. 35 of 2001) has been filed by GMR Industries in the High Court of Andhra Pradesh against Yangming (U.K.) Limited ("Yangming"), Ming Comfort (010009), Port Trust Authorities and others under S. 443 and 444 of the Merchant Shipping Act, 1958 read with Admiralty Court Act, 1861 and Colonial Courts of Admiralty Act, 1890 wherein GMR Industries has prayed for order of arrest of the sea going vessel, Ming Comfort 1996, belonging to the group company of Yangming, to be kept in the custody of the Port Authorities, Mumbai in order to satisfy the decree passed in O.S. No. 499 of 2000. By order dated April 20, 2001 the prior order for arrest of the ship was lifted subject to the condition that Yangming furnish a bank guarantee of Rs. 4,000,000 in favour of the registrar of the court. The Bank of Baroda has granted a bank guarantee. The bank guarantee is valid till April 27, 2006. The next date of hearing is on December 28, 2006.

7. A suit (O.S.No.2 of 2005) has been filed in the District Court Srikakulam, by GMR Industries against Transmission Corporation of A.P. and 3 others wherein GMR Industries has prayed *for* an ex-party ad interim injunction restraining the respondents from enforcing the demand dated January 19, 2005 for Rs.1,759,948.55 The Andhra Pradesh Electricity Regulatory Commission ("APERC") had passed the orders revising the tariff rates applicable to the Ferro units and AP Transco raised demands on various dates and GMR Industries made payments on various dates. It is prayed that an amount of Rs. 7,320,624 be refunded along with interest. The status quo order is extended till June 26, 2006. The matter is posted for arguments on July 13, 2006.

8. A writ petition (W.P. No 7358 of 2004) has been filed in the High Court of Andhra Pradesh, by GMR Industries against the Union of India represented by the Ministry of Energy, The Government of Andhra Pradesh and the Chief Electrical Inspector to Government of Andhra Pradesh stating that although GMR Industries owns a facility to generate energy for its own consumption it is not a generating company as defined under the Electricity Act, 2003. Thus it is contended that the levy of duty for self consumption is arbitrary, illegal and ultra vires. Therefore it is prayed that the S. 3B of the Andhra Pradesh Electricity Duty Act, 1939 is ultra vires and the levy of duty on captive customers is discriminatory. The matter is posted onwards in the list and the Union of India is to file the counter in this regard. The matter shall be taken up for hearing as per the discretion of the court.

9. A writ petition (W.P. No 1407 of 2003) has been filed in the High Court of Andhra Pradesh, by GMR Industries against the Union of India represented by the Ministry of Consumer Affairs and Public Distribution, The Joint Secretary (Sugar) and the Chief Director (Sugar) stating that the restrictions imposed in the free sale sugar is unreasonable, arbitrary, illegal and violative of Article 14 and Article 19(1)(g) of the Constitution of India and that they must be allowed to sell the free sale sugar. A petition (WPMP No. 1803 of 2003) has also been filed under Order 39 of the Code of Civil Procedure, to direct the respondents not to restrain the petitioner from selling its free sale sugar pending the writ petition and same has been allowed. The Central Government has filed a vacate petition, in relation to the WPMP No. 1803 of 2003. The matter shall be taken up on the discretion of the court.

10. A suit (O.S. No 181 of 2005) has been filed in the court of the Chief Judge, City Civil Court Hyderabad, by GMR Industries against Shree Mahalaxmi Coke Distributors, has been filed under the provisions of the Code of Civil Procedure stating that they had paid a advance of Rs. 832,000 to the defendants for the supply of low ash metallurgical coke but the same was not been delivered. Over time the defendants have at irregular intervals paid small amounts of money to the plaintiff but they have not repaid the full amount and thus the suit has been filed to recover the outstanding amount of Rs. 1,160,381.32, including interest. The next date of hearing is on August 1, 2006 for the fresh issue of summons to the respondent.

11. An appeal (FA SR No.1829 of 2005) has been filed by GMR Industries against an order dated December 8,2004 passed by the Consumer Disputes Redressal Forum, Vizianagaram. The order has held that GMR Industries are entitled to pay the complainant Mr. Boorle Uma Maheswara Rao a sum of Rs. 3000 and that there was deficiency in service provided to him. The next date of hearing is on July 29, 2006 for final arguments.

12. A suit (O.S.No. 340 of 2005) has been filed by GMR Industries in the Court of the Chief Judge, CCC, Hyderabad, against M/s Raj Metal Industries Ltd., and its Managing Director for the recovery of an amount of Rs. 1,208,905.32. GMR Industries had supplied Aluminium Scrap to Raj Metals from December 1999 and the total quantity supplied was 239.82 MT of sale value of Rs.17.91 million. Raj Metals on behalf of its Managing Director had began making payments towards the price for the supply of Aluminium Scrap but a sum of Rs. 823,505/- only was found to be due as on August, 2005. It is being alleged by GMR Industries that in spite of repeated reminders, M/s. Raj Metals failed to perform their obligations. As a result of which a notice was issued by GMR Industries to Raj Metals and the same was evaded by M/s. Raj Metals. The court has passed orders for issue of notice to the defendants and the matter is posted for hearing on July 19, 2006.

13. Two writ petitions (W.P.(T) No 4128 of 2005 and W.P.(T) No 4199 of 2005) has been filed by GMR Industries Limited in the High Court of Jharkhand against the State of Jharkhand and others, seeking for a declaration that GMR Industries is not liable to pay Entry Tax under the provisions of "The Bihar Tax on Entry of Goods into local Areas for Consumption, Use or Sale therein Act, 1993 and to issue a writ of mandamus to the Respondent 4 directing them to issue Road Permit for bringing the Imported coal from Haldia to Dhanbad. GMR Industries has contended that levy of Entry Tax on imported coal is illegal, unconstitutional and contrary to the Entry Tax Act itself. The court has granted interim stay and passed order for issue of notice to the respondent. The matter is posted for hearing on July 18, 2006.

14. A special appeal (Spl. Case No. 46 of 2003) has been filed in the High Court of Andhra Pradesh challenging the demand of Rs. 1.3 million raised by the Assistant Commissioner of Commercial Taxes vide its order CCT Ref: LV(3)/315/1999-A dated May 16, 2003, Andhra Pradesh holding that sales tax is payable on transfer of license for set up of 200 MW power plant to GMR Power Corporation Private Limited. GMR Industries has paid a sum of Rs. 0.6 million by virtue of an interim order passed by the court dated May 16, 2003 and the balance demand of Rs. 0.6 million has been stayed.

15. A suit (O.S. No. 91 of 2001) has been filed by GMR Industries against Padala Bhaskara Rao, a sugarcane farmer, for recovery of an amount of Rs.16,370 in the Court of Civil Judge, Rajam. The respondent had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs.16,370, but failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries filed civil case for recovery of the amount. The court adjourned the case to July 17, 2006.

16. A civil suit (S.C. No. 23/01) has been filed by the GMR Industries against Nadminti Ramakrishna Naidu for recovery of an amount of Rs.7,558. The respondent, a sugarcane farmer, had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs.7,558, but had failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries has filed the instant civil case for recovery of the said amount. Due to the recent demise of the respondent, legal heirs of deceased have been added as dependants. The case has been adjourned for hearing on July 26, 2006.

17. A civil suit (S.C. No. 24/01) has been filed by the GMR Industries against Kimidi Simhalu, a sugarcane farmer, for recovery of an amount of Rs.4,006. The respondent had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs. 4,006, but had failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries has filed the instant civil case for recovery of the said amount. The case has been adjourned for hearing on July 28, 2006.

18. A suit (O.S. No. 38/02) has been filed by the GMR Industries against Basantha Kumar Das, a sugarcane farmer, for recovery of an amount of Rs. 12,282. The respondent had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs. 12,282, but had failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries has filed the instant civil case for recovery of the said amount. The evidence of the parties has been recorded and the case has been reserved for judgment.

19. A suit (O.S. No.20/03) has been filed by the GMR Industries against Kimidi Surapu Naidu, a sugarcane farmer, for recovery of an amount of Rs. 17,565. The respondent had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs. 17,565, but had failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries has filed the instant civil case for recovery of the said amount. The case is listed for July 27, 2006.

20. A civil suit (S.C. No. 33/02) has been filed by the GMR Industries against Gundreddy Taviti Naidu, a sugarcane farmer, for recovery of an amount of Rs. 8,441. The respondent had executed a cane agreement with GMR Industries, Sugar Division and has drawn all inputs worth of Rs. 8,441, but had failed to send the sugarcane to the factory in accordance with the terms of the agreement. GMR Industries has filed the instant civil case for recovery of the said amount. The evidence of the parties has been recorded and the case has been reserved for judgment.

21. In 2004, GMR Industries had imported 49484 MTs of Australian Coking Coal through Vessel M.V Star Victory at the Haldia and Paradip seaports for discharge of cargo. For discharge and transit of the expected imported cargo both form Paradip and Haldia seaports, the offer of Clearing & Forwarding Agents M/s. Lee & Muirhead was accepted on July 1, 2004. The contract was for a period of 60 days from the date of arrival of the vessel at berth. On July 21, 2004, GMR Industries took a Standard Fire & Special Perils Policy cover from New India Assurance Company Limited which was subsequently shifted to Oriental Insurance Company Limited. On July 21, 2004 GMR Industries also took a Marine Insurance Policy cover from New India Assurance Company Limited and Oriental Insurance Company Limited on a co-insurance basis. GMR Industries filed a claim for Rs. 84,99,410 on April 12, 2005 with New India Assurance Company Limited for shortage loss of cargo and on April 20, 2005 with Oriental Insurance Company Limited; On July 21, 2005 New India Assurance Company Limited has denied our claim. We have filed a complaint before the State Consumer Forum Hyderabad (S.R.No. 5272 of 2006) on April 26, 2004. The next date of hearing is August 21, 2006.

Criminal cases

1. A criminal case (C.C. 418 of 2001) has been filed by GMR Industries against Karnatak Agrochemical Private Limited ("KAC") and its directors, Mr. Ashok Nair and Mr. Sunil Ramachandran in the court of the XI Metropolitan Magistrate, Secunderabad, based

in relation to non-payment of certain disputes sums by KAC for goods supplied by GMR Industries in terms of the contract dated June 10, 2000 entered into by the parties for supply of copper scrap. KAC disputes payment of the amount on the ground that the goods supplied was substandard. The complaint has been filed under S. 420 of the Indian Penal Code on the ground that the accused have fraudulently and dishonestly induced GMR Industries to endorse the shipping documents for supply of the materials in KAC's favour under a false promise to pay the outstanding amount. The matter is in trial stage and the accused No.2 and 3 were absent on the last date of hearing. The next date of hearing is July 13, 2006 for the examination of the accused.

2. Criminal cases have been filed by GMR Industries under S. 138 of the Negotiable Instruments Act for dishonour of the following cheques, issued in its favour:

Details of case	**Name of the accused(s)**	**Details of the cheque**	**Value of the cheque**
C.C.294 of 2000 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH Organic Chemicals Ltd ("NU TECH"), Mr. T.G. Lakshminath, president of NU TECH and Ms. T.G. Vanaja, director of NU TECH	Cheque dated May 24, 1999 bearing number 014260 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs.295,000
		Cheque dated May 29, 1999 bearing number 014261 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs. 157,000
C.C.295 of 2000 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH, Mr. T.G. Lakshminath, and Ms. T.G. Vanaja	Cheque dated February 20, 1999 bearing number 014214 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs.150,000
C.C. No. 640 of 1999 in the court of the Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T.G. Lakshminath, president of NU TECH	Cheque dated March 20, 1999 bearing number 014217 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs. 3,00,000
		1. Cheque dated April 4, 1999 bearing No. 014218 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs.300,000
C.C.641 of 1999 in the court of the Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T.G. Lakshminath	Cheque dated April 14, 1999 bearing No. 014219 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs.300,000
C.C.636 of 1999 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T.G. Lakshminath	Cheque dated March 10, 1999 bearing No. 014216 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs. 200,000
		Cheque dated April 24, 1999 bearing 014220 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs. 400,000
		Cheque dated March 10, 1999 bearing number 014262 drawn on Central Bank of India, Adoni branch, Hyderabad	Rs. 150,000

The above criminal cases are dismissed and GMR Industries has preferred an appeal in the High Court this regard. The matter has been admitted and posted onwards for final arguments. The matter may be taken up as per the discretion of the court.

3. In another criminal cases filed by GMR Industries Limited under Section 138 of the Negotiable Instruments Act for dishonor of the following cheques issued in its favour the court adjourned the matter for appearance of accused on July 28, 2006.

Details of case	Name of the accused(s)	Details of the cheque	Value of the cheque
C.C.No.210/2004 and CC No.311/04 in the court of the Junior Civil Judge Court, Rajam, Srikakulam District	Konatala Appala Naidu, Proprietor of M/s.Jayakrishna Steels, Raja Ram Mohan Roy Road, Municipal Stadium, Visakhapatnam	Cheque no.755061 dated December 22, 2003 drawn on Andhra Bank	Rs. 0.6 million
		Cheque no.085621 dated December 22, 2003 drawn on Corporation Bank	Rs. 0.6 million

The party had agreed to supply steel but was unable to fulfill its obligations. The advance amount repayable was paid by cheques, however, the cheque was dishonoured.

4. A criminal case (CC No 1630 of 2005) has been filed by GMR Industries against Muppidi Ramana Murthy, Managing Partner of Sri Venkatweswara Enterprises Company, in the Court of XIVth Addl. Chief Metropolitan Magistrate, Nampally, Hyderabad. Mr.M.R.Murthy on behalf of his company, had approached the GMR Industries and offered the supply of Bio-mass fuel to an extent of 200-250 tons per day and sought for a mobilization advance for an amount of Rs.600,000 through letter dated January 20, 2005 and agreed to refund the said advance along with 16% interest per annum in the event of non-supply of the said materials. It is stated that on the basis of the assurance given by Mr.M.R.Murthy, GMR Industries released an amount of Rs.600,000. It is alleged that Mr.M.R.Murthy had failed to fulfill his obligation. The court has ordered to issue notice to the accused and the matter is posted on November 17, 2006.

5 . A criminal case (C.C. 312 of 2000) dated November 29, 2000 has been taken on record under S. 420 and 406 of the Indian Penal Code regarding the dispute between GMR Industries and Golden Rich (Chung's) Development Company Ltd. The case has been forwarded to the Central Bureau of Investigation, New Delhi.

Tribunals

1. An appeal (Appeal No. 237 of 2005) (under Section 111(1) of the Electricity Act, 2003) has been filed in the Appellate Tribunal for Electricity, New Delhi by GMR Industries Limited against APERC & others. This appeal was filed by the orders of APERC dated 19 July 2004 and 18 November 2004 in so far rejecting the claim of the appellant that Transmission Corporation of AP Limited would be entitled to collect the energy charges as per the tariff applicable to the HT-I category and for which purpose the demand charges to be calculated on average demand for any billing month. The appeal is admitted and the matter will be posted for counter arguments on July 21, 2006.

2. An appeal (Appeal No. 198 of 2005) (under Section 111(1) of the Electricity Act, 2003) has been filed in the Appellate Tribunal For Electricity, New Delhi by GMR Industries Limited against APERC & others seeking to set aside the impugned orders dated 26 April 2005 passed by APERC in O.P.No 1 of 2005 as contrary to law, arbitrary, irrational, unreasonable and ultra-vires to the powers and functions vested with APERC and direct APERC to implement the tariff order dated 20 March 2004 in permitting GMR Industries power bills up to 55% PLF on installed capacity on annual basis and pass such appropriate orders. The appeal is admitted and the matter will be posted for counter arguments on the next date.

3. GMR Industries has preferred an appeal (Appeal No. 109 of 2006) against the order of the APERC (OP No. 26 of 2006 and OP No. 2), in the Appellate Tribunal, New Delhi. The appeal has been admitted and is posted for hearing on July 10, 2006. A writ petition (W.P.19174 of 2005) was filed before the High Court of Andhra Pradesh by GMR Industries against AP TRANSCO seeking a Writ of Mandamus declaring that the APTRANSCO is liable to purchase and pay for all the energy delivered from the Company's Power project as per the existing Power Purchase Agreement. GMR Industries had assailed the AP TRANSCO's method of deducting amounts for the alleged quantum of excess energy delivered above 100 % PLF during each 30 minutes time block for the months from December 2003 to May 2004. The Hon'ble Court had disposed the matter and has directed APERC to pass appropriate orders. APERC has disposed off the matter vide an order dated June 7 2006 with an observation that the PPA can be amended unilaterally.

Indirect Tax cases

1. An appeal has been filed with STAT, Hyderabad against order No.LV (3) 633/2004 dated January 20, 2005 issued by the Additional (CT) (Legal) (FAC), Hyderabad for setting aside the order granted by the Appellate Deputy Commissioner, Kakinada. The case involves non-deduction of taxes by the assessee under S. 5-H of the APGST Act while making payments to contractors for work contract transactions for the assessment year 1996-97. The amount of tax demanded is Rs. 466,245 from GMR Industries. The decision of the Sales Tax Appellate Tribunal is awaited.

2. An appeal has been filed with STAT, Hyderabad against the order No.Ref. No. LV(3)/650/2004 dated January 20, 2005 issued by the Additional (CT) (Legal) (FAC), Hyderabad for setting aside the aforesaid order granted by the Appellate Deputy Commissioner

(Appellate Tribunal) in relation to the non-deduction of taxes by the assessee under S. 5-H of the APGST Act while making payments to contractors for work contract transactions for the assessment year 1996-97. The amount of tax payable is Rs. 86,686. The Sales Tax Appellate Tribunal, Hyderabad has passed the aforesaid order CCT Ref no LV(3)/650/2004 dated January 20, 2005 confirming the said payment. GMR Industries has preferred an appeal against the said order.

3. A show cause notice (DOR No. 1/04/1506) has been issued by the Assistant Commissioner of Central Excise, Andhra Pradesh raising a demand of Rs. 55,375 and Rs. 89,794 in respect of assessment year 2002-03 and 2003-04, respectively, alleging that Cenvat credit on items of regular inputs for the power plant during off season period would not be available. GMR Industries had filed a detailed reply opposing the aforesaid levy. The Assistant Commissioner of Central Excise vide its order dated April 21, 2006 has rejected the objection by GMR Industries and upheld the demand of Rs. 55,375 and Rs. 89,794 respectively. GMR Industries may prefer an appeal against the said order of the Assistant Commissioner of Central Excise to CESTAT, Bangalore.

4. Two show cause notice (No.IV/5/68/2005) and (No. IV / 5 / 68 / 2205 –AE) have been issued (dated December 08, 2005 and March 24, 2006 respectively) by the Commissioner of Customs & Central Excise, Andhra Pradesh raising demand of Rs. 11,279,312, Rs. 14,515,620 and Rs. 2,741,985 and Rs 1,551,141 respectively towards mis-utilization of CENVAT credit on Capital Goods & regular inputs of our Ethanol Plant. The Department's contention is that Ethanol plant & Sugar Plant are two separate entities as a public road separates the plants, even though they are in the same compound. GMR Industries has filed objections for challenging the aforesaid levy. A reply has been filed with the Commissioner of Central Excise, Vizag on January 31 2006. GMR Operations presented its submissions in a personal hearing on March 20, 2006. The Commissioner, Visakhapatnam vide his order no.V/15/114/2005-Adj dated May 1, 2006 has stated that (i) CENVAT on Capital Goods/Inputs/ Input services are eligible for credit but can be utilised only on the production of Ethanol; (ii) Inputs used for manufacturing of capital goods is also eligible for credit but can be utilised only on production of Ethanol; (iii) Proportionate duty on Molasses to be paid which is used for production of Restricted Spirit (Exempted Goods) and hence total eligible credit (a) on capital goods is Rs.1,255,600; on inputs is Rs. 2,749,000; and (iii) on input services is Rs. 267,000. The net liability being Rs. 3,844,000 along with applicable interest. GMR Industries may prefer an appeal against this order to CESTAT, Bangalore

5. A show cause notice (NO. V/15/105/2005-Adj.) has been issued (dated December 29, 2005) from the Commissioner of Central excise and Customs, Visakhapatnam raising a demand of Rs.3,148,420/- towards mis utilization of CENVAT Credit taken on Capital Goods which are used in building of our Storage tank at Sugar Plant . The Dept contention is that items like MS Channels, MS Beams, Welding electrodes, HR Coils etc., which are used in the fabrication of Storage tanks will not be subject to the credit as these are not forming part of Capital goods definition laid down under the Excise laws. GMR Industries has filed objections challenging the said show cause notice. A reply has been filed with the Commissioner of Central Excise, Vizag on January 20, 2006. Personal hearing giving on April 17 2006. Decision is yet to be received from the Commissioner.

6. A Show Cause Notice (No.11/15/211/2003-Adj) has been issued by Joint Commissioner of Customs and Excise on December 16, 2003 stating that CENVAT Credit on 16MW Power Plant Capital items are not entitled for 100% input credit and requiring GMR Industries to reverse the credit of Rs.1,763,167. The Commissioner of Central Excise filed in CESTAT, Bangalore. The date of Personal hearing is yet to be received

7. A Show Cause notice (DC No.IV/16/274/2004-Adj.) has been issued by Assistant Commissioner of central Excise,Vizianagaram and the same received on November 9, 2004 ,requiring GMR Industries to show cause why they have not levy the Service Tax on clearing and forwarding services of Rs.1,331,188. A reply has been filed by GMR Industries in this regard with The Asst. Commissioner of Central Excise on December 7, 2004. A personal hearing to be given by Department and the case has been transferred to the Joint Commissioner for further hearing..

8. A Show Cause Notice(R.R.No.24/2004-05 dated June 23, 2005, GI No.2536/98-99 dated August 23, 2005) has been received on December 22, 2005 from the Deputy Commissioner, Vizianagaram, against the order of CTO, Rajam, for revision of interstate sale of molasses against Form "C" as local sale associated with a demand of Rs. 22,46,315. GMR Industries has filed a writ petition before the High Court of Andhra Pradesh in this behalf and the High Court had presently granted a stay on collection of tax.

9. A Show Cause Notice (R.R.No.26/2004-05, GI No.2536/2000-01 dated February 23, 2004) received on December 23, 2004 issued by the Deputy Commissioner, Vizianagaram, against the order of CTO, Rajam revision of interstate sales of molasses against Form "C" as local sales with an associated demand of Rs.35,76,813/- for the year 2000-01. Now the issue is pending with the Deputy Commissioner, LTU, Vizianagaram.

10. An assessment order No GI No.2536/2002-03 dated February 4, 2005 passed by the Assistant Commissioner(LTU) ,Vizianagaram, interstate sale of Molasses as local sales with an associated demand of Rs.10,548,501. GMR Industries has filed a writ petition for granting the stay order. The Honorable High court granted stay and the matter is now pending with the Assistant Commissioner (LTU),Vizianagaram for final decision.

11. Show cause notice No.C.No.1V/16/24/2006 ADJ dated April 19, 2006 issued by Assistant Commissioner of Central Excise, alleging cenvat credit on inputs used in sugar plant (i.e. electrodes, industrial chains etc) with demand of Rs. 0.14 million for financial year 2005-06. Personal hearing attended on July 5, 2006, decision is yet to be received

12. A Show cause notice (Order 2257/01-02 APGST dated February 26, 2004) received on February 27 2004 issued by Deputy Commissioner (CT),Vizianagaram considering tax levied on the transfer GMR BIL shares associated with a demand Rs.41,937,201. GMR Industries has filed an appeal with STAT, Hyderabad and got a stay in this regard.

13. A Show cause notice (CCT Ref LV(3)/315/1999-A dated May 16, 2003) received on April 27 2004 issued by Commissioner of Commercial Taxes, Hyderabad(CST Act) stating that the transfer of license of Power Plant license is to be considered as sale of Licence and charged 10% Central Sale Tax for the same. The associated demand is Rs.1,250,000. In this regard GMR Industries has filed a special appeal before the High court of Andhra Pradesh and the proceedings are yet to be started. GMR Industries has remitted an amount of Rs 625,000 as directed by the court.

14. A Show Cause notice (GI No.2257/91-92 to 96-97, PR No.02/99-2000 to 7/99-2000 dated April 27, 2004) issued by the Additional Commissioner of Commercial Taxes, Hyderabad demanding Rs.96,06,663 for misuse of 'G' forms against purchase of molasses and oxygen gas as ordered by Addl. Commissioner (CT), Hyderabad. GMR Industries has filed an appeal with STAT, Hyderabad and the arguments are yet to be started. In the month of January, 2006, Assistant Commissioner, Vizianagaram have given attachment to our bank accounts and our stay petition was considered by High Court and granted 100% stay, further the court ordered STAT to dispose of the case in next 4 weeks. STAT issued stay order on molasses but vacated stay on oxygen as per order dated March 10, 2006.

15. A Show cause notice (LV (3)/1402/2004 dated August 18, 2005) received on September 16 2005 issued by Joint Commissioner (Legal and CT), Hyderabad, demanding Rs.3,51,472 for inclusion of Chromeores in 'G-2' forms with retrospective effect. GMR Industries has filed an appeal with STAT, Hyderabad.

16. A Show cause notice (LR No.S.23/9/54/2002-AP dated July 29, 2005) issued by Customs Appraising Department, Visakhapatnam demanding Rs.1.07 million for bad certification of OG fines tested in Customs laboratory. As a result of which the shipping bills were with held. GMR Industries appeared for the personal hearing before the Commissioner of Customs(Appeals) on January 18 2006. Due to change in office of the Commissioner, the New Appeal Commissioner has called for personal hearing.

17. A Show Cause notice (Order No.26/2005 dated July 29, 2005) received on August 9 2005 issued by Assistant Commissioner, Visakhapatnam associated with a demand of Rs. 2,731,000 for imported lam coke, tested and certified by Customs laboratory as "other than coke". GMR Industries engaged Mr Swaminathan of M/S Lakshmi Kumaran for attending the hearing on January 5, 2006. The Commissioner (Appeals), Visakhapatnam by order dated April 03,2006 has dismissed the order passed by the Assistant Commissioner, Visakhapatnam and further has passed de nova orders and remanded the case for further review and fresh testing of Lamcoke samples.

18. A Show Cause Notice was received from Assistant Commissioner (LTU), Vizianagaram in form VAT 305 A for inclusion of Central Sales Tax turnover of sugar in ITC calculation. ITC had taken opening stocks on prorata basis by applying a certain formula instead of total claim for the months of August 2005 to Feb 2006. The associated demand in this regard is Rs. 1.07 million. GMR Industries has filed replies on April 04 2006 before Assistant Commissioner (LTU), Vizianagaram. The Assistant Commissioner (LTU) vide letter dated May 29, 2006, had directed GMR Industries to appear for a personal hearing on June 2, 2006. However, as the offices of the said authority have closed for vacations, the matter may be taken up for hearing at a later date.

19. VAT notice dated February 10, 2006 under rule 25(5) (Form 305A) of AP Vat Act, 2005 has been received from CTO (LTU), Vizianagaram, for the year 2005-06 demanding Rs.3,53,922/- towards disputed input tax credit calculations. We have filed objections before ACCT (LTU), Vizianagaram, and date of hearing is yet to be communicated to us.

20. A notice has been received from CTO, Jajpur, Orissa, demanding payment of Rs.11,78,412/- towards Entry Tax and under Orissa Sales Tax for the year 2004-05. The company is disputing the same as the assessment has been made on Proforma Invoices, submitted during the course of registration under the Act. Presently, AC, Jajpur has granted stay on the Demand vide order dated July 1, 2006. Hearing date is yet to be communicated.

Threatened/Potential Litigation

1. GMR Industries had entered into an agreement with M/s Wajjilam Exports (Singapore) Pet Ltd and Adisun Impex Singapore, on 18-10-2003 agreeing to supply 10,000 MT Chinese LAM coke of Ferro Alloys Grade with stipulated specifications including 85% Fixed Carbon content at the rate of US$ 105.00 C&F Visakhapatnam port India. Shipment was to be made at Vishakapatnam port, India before November 30, 2003. GMR Industries had agreed to their proposal dated 11-11-2003 for the shipment to be in two consignments. One consignment was to be effected before 31-12-2003, and another before January 31, 2004. Further GMR Industries has opened a letter of credit facility (LC). After opening the LC they have sought amendments to the agreement/LC on four occasions and all these amendments have been received by them through their bankers. Ultimately when they failed to honour the contract, their bankers have returned the LC under instructions after four months. On January 6, 2004, GMR Industries had notified Wajjilam Exports Pte Ltd vide a Letter of Demand on December 27, 2005 that they will be responsible for all their itemized losses US$ 1,679359.09 due to breach of contract. We have not received any reply from them and may initiate arbitration proceedings against them in India.

2. GMR Industries had signed a contract with M/s. Glencore International AG, Baar, Switzerland (Glencore) for import of Australian Coking Coal to the extent of 45,000 MT (+/- 10%) as per Sellers option and contract dated Match 25, 2004. Upon receipt of the material and testing at discharge port, certain discrepancies were noticed and were brought to the notice of Glencore. As per the " sampling and analysis clause" in the contract, the load port results shall be final and binding. In case of any dispute, the agreement provides for arbitration under the England Council of Arbitration. Inspite of repeated requests, Glencore has refused to participate in joint sampling and analysis. Glencore sent a legal notice to GMR Industries on March 1, 2005 for loss and damage quantified at US$ 2,479,950. We have sent a counter reply on March 3, 2005 seeking compensating for the loss amounting to USD 49236.11.

3. GMR Industries had entered into a contract to export iron ore fines to M/s. Shandong Huaxin Industry Co. Ltd, China. A foreign letter of credit for USD 1,725,000 was established with China Construction Bank, Shandong Branch on September 20, 2005, which was subsequently amended and Punjab National Bank, Midcorp Branch, Banjara Hills, accepted to negotiate the documents. GMR Industries had exported 27,500 MT of Iron Ore fines vide export bill No.13/2005-06 dated October 18, 2005 for US$1,686,001.68. GMR Industries submitted the documents through their bankers Andhra Bank. However, M/s. Shandong Huaxin Industry Co. Ltd, remitted the dues after deducting an amount of US$ 53,115.68 on November 8, 2005. Due to the delay in realization of the export bill, GMR Industries incurred an additional bank interest aggregating to Rs.267,800. GMR Industries proposes to file a case before the State Consumer Forum, Hyderabad for recovery of an amount of Rs. 2,712,320.

4. GMR Industries had entered into a contract with M.V. Orange Confidence, for supply of imported metallurgical coke from Xingang Seaport, China to Visakhapatnam Sea port, Andhra Pradesh. The consignment was insured by United Insurance Company. The draught survey at the time of loading of the consignment showed an aggregate of 7,154 metric tonnes of metallurgical coke, whereas the draught survey at the time of unloading of the consignment revealed metallurgical coke equivalent to 6,932 metric tonnes only. Though the Master of M.V Orange Confidence had issued a certificate about discharge of 6,932 Metric tonnes of metallurgical coke, the statement of facts furnished by him to the insurance company, mistakenly, stated that the quantity equal to the quantity stated on the Bill of lading (7,154 metric tonnes) had been released. United India Assurance Company with whom the metallurgical coke had been insured refused to accept the claim of GMR Industries for the short supply of metallurgical coke by 222 Metric tonnes. The estimated cost of short supply of 222 MTs of metallurgical coke is assessed at Rs.1,200,000. GMR Industries may prefer a claim before Civil courts for recovery of the same.

5. GMR Industries has entered into an agreement with Agro Development and Commercial Projects FZC, Sultanate of Oman ("ADPC") for import of raw sugar in January 2005. GMR Industries has provided a letter of credit to ADCP in terms of the agreement. However, ADCP has not supplied the raw sugar. GMR Industries has issued a notice to ADCP claiming loss of profits. The agreement has an arbitration clause and GMR Industries may refer the matter to arbitration.

III. GMR Operations Private Limited

Tax Cases:

1. An application under section 154 has been filed in relation to the assessment year 2003-04 before the Assistant Commissioner of Income tax, Company Circle – 11(2), Chennai for refund of Rs.44,81,181/. The company has claimed for non grant of tax refund of Rs.37,55,179/- together with interest under section 244A of Rs.7,26,002/- which was determined as tax refundable to it at the time of completion of Assessment under Section 143(3) vide order dated February 2, 2006.

Indirect Tax Cases:

1. A Show Notice (IV/9/CE/130/2005 ST Hqrs. Ajn. 5186/06) has been issued by the Joint Commissioner, Central Excise demanding differential service tax of Rs. 833,334 and education cess of Rs. 83,333 being short payment of tax on account of increased rate of tax and Rs. 49,964 short paid on account of the tax payable against technical services provided by GMR Energy. GMR Operations has appeared presented its submissions in a personal hearing before the said authority and the order is awaited.

IV. GMR Projects Private Limited (Formerly known as Natwest Constructions Private Limited)

Taxes Cases

1. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal in relation to short grant of credit for TDS Certificates to the extent of Rs.2,868,671/- on the ground that the amount of advance on which the TDS that was deducted was not recognised as income during the assessment year under consideration.

2. An appeal has been filed in relation to the assessment year 2002-03 before the Income Tax Appellate Tribunal in relation to short grant of credit for TDS Certificates by Rs.2,208,313 on the ground that the amount of advance on which such TDS deducted was not recognised as income during the assessment year under consideration.

3. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner of Income tax (Appeals) – V for the tax demand created of Rs.2,997,519 in the assessment order passed under section 143(3) and further an application has also been filed under S. 154 before the Assessing Officer, Hyderabad. The Assessing officer has computed income under the head

Income for House Property at Rs.174,048 on notional basis, disallowed the work expenditure of Rs.2,040,940 on the alleged ground that contract receipt is shown at Rs.15,000 only. Further he has applied the tax rate of 35% on the amount of Long term capital gain of Rs.3,681,689 as against the correct rate of tax of 10% under section 112. In consequence of the above interest under section 234B and 234C has been levied at Rs.799,725 and Rs.1,55,169 respectively. The company has paid tax demand to the extent of Rs. 5,60,151 on April 28, 2006 and the balance tax demand is contested by way of an appeal as well as an application under section 154 of the Income-tax Act, 1961

4. An appeal has been filed in relation to the assessment year 2004-05 before the Commissioner of Income tax (Appeals) – V for the refund of Rs.34,825. The company has claimed for short grant of interest under section 244A of Rs.34,825 at the time of processing return of income. Further, An application has been preferred under Section 154 in relation to the Assessment year 2004-05 before the ACIT, Central Circle- 16(1), Hyderabad for the tax refund of Rs.34,825 short allowed at the time of on processing of return of income.

V. Idea Space Solutions Limited

Tax cases

1. An appeal has been made for the assessment year 1999-00 to the Income Tax Appellate Tribunal, Hyderabad against the disallowance of Rs.353,330 comprising of brokerage in hire purchase business of Rs.228,330 and loan processing charges of Rs.125,000. It has been held that these relate to prior period. Further, there was also a disallowance of claim of unabsorbed depreciation relating to Esteem Capital Services which was merged with the company with effect from October 1, 1996 and consequently the same was to be added to the opening written down value of assets since the same was never allowed as per the provisions of S. 43(6). The hearing in appeal took place on June 14, 2006. The order of ITAT is awaited.

2. An application has been preferred under S. 154 in relation to the assessment year 2003-04 before the Assessing Officer, Hyderabad for the refund of Rs.447,392 on account of the company making claim for non grant of tax refund of Rs.371,010 at time of on processing of return of income, erroneous adjustment of tax refund of Rs. 49,076 relating to assessment year 1998-99. Further, the company has also made a claim for non grant of Interest of Rs.27,306 under S. 244A. The CIT (Appeals) has passed an order dated July 18, 2005 allowing company’s appeal and directing the assessing officer to grant correct amount of tax refund and interest under S.244A up to the date of grant of tax refund.

3. An application has been preferred under S. 154 in relation to the assessment year 2002-03 before the Assessing Officer, Hyderabad for the refund of Rs.615,713 on account of the company making a claim for non grant of tax refund of Rs.524,996 as refundable in assessment order. Further, the company has also made claim for non grant of interest to the extent of Rs. 90,717 under S.244A.

4. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner Appeals (III), Hyderabad for the Tax demand of Rs.857,805 has been created in the assessment order passed under section 143(3). The tax demand has mainly arisen due to the rejection of Idea Space’s claim for set off of loss in STPI unit and US Branch loss against the income from non STPI unit and disallowance of contribution to Provident fund of Rs.1,780,252 under section 43B of the Income Tax Act, 1961

VI. Sri Varalakshmi Jute Twine Mills Private Limited.

Cases filed against Varalakshmi Jute Twine Mills Private Limited

1. An industrial dispute (I.D. No. 241 of 1998) has been filed before the Industrial Tribunal cum Labour Court by CITU and INTUC against Vasavi Jute Mills, Rajam Union contending that the strike resorted by Rajam Jute Mills Workers Union for the transfer of an employee is on valid and reasonable grounds. In response, Vasavi Jute Mills contended that the transfer of the said employee was made to meet the administrative exigencies and not in accordance to its power to do so under the certified standing orders. It is being claimed by Vasavi Jute Mills also contends that the said employee started enticing/compelling other employees to refrain from work and even threatened some of them, due to which Vasavi Jute Mills declared lockout. Later the matter was referred for conciliation before the Commissioner of Labour, which also could not see the disposal of the dispute. Later the Government of Andhra Pradesh referred the dispute for adjudication to the Industrial Tribunal cum Labour Court, Visakhapatnam. CITU has prayed for time as their petition for the transfer of the case is pending before the High Court of Andhra Pradesh. The Court had given two months time and the matter is posted for hearing to July 26, 2006.

2. An industrial dispute (I.D. No. 243 of 1998) has been filed before the Industrial Tribunal cum Labour Court by CITU against Vasavi Jute Mills, Rajam Union alleging that the leasing of the factory by Vasavi Jute Mills to M/s Mahadeo Jute Mills during lockout and its act of terminating the services of 220 workmen is not justified/reasonable without following the procedures prescribed under Section 25-N of the Industrial Dispute Act, 1947. CITU has prayed for time as their petition for the transfer of the case is pending before the High Court of Andhra Pradesh. The Court had given two months time and the matter is posted for hearing to July 26, 2006.

Cases filed by Varalakshmi Jute Twine Mills Private Limited

Criminal Cases

1. The following complaints have been filed in the court of Judicial First Class Magistrate, Rajam by Sri Varalakshmi Jute Twine Mills Pvt. Ltd. against Mr. R. Venkata Raju Proprietor, CBR Mallikaai for dishonor of certain cheques under S.138 of the Negotiable Instruments Act:

Case number	Details of the Cheque cheque	Value of the Hearing	Next Date of
CC. No. 138/03	Cheque dated December 30, 2002 bearing No. 727544 drawn on State Bank of India, Ramnagar Branch, Coimbatore.	Rs. 10,000/-	August 25 2006
CC. No. 139/03	Cheque dated January 1, 2003 bearing No. 014403 drawn on State Bank of India, Ramnagar Branch, Coimbatore.	Rs. 284,650/-	August 25 2006

Taxes Cases

1. An application under Section 154 has been filed in relation to Assessment Year 2001-02 before the Assessing Officer, Hyderabad for a tax refund of Rs.504,205/-. Varalakshmi Jute has been allowed short credit for TDS by Rs.14,918/- and further a short credit of interest under section 244A to the extent of Rs.489,287/- on tax refund granted at the time of processing of return of income.

2. An application under Section 154 has been filed in relation to Assessment Year 2001-02 before the Assessing Officer, Hyderabad for a tax refund of Rs.203,039/-. Varalakshmi Jute has made claim for tax refund of Rs.203,039/- by revising the computation under section 115JB while completing the Assessment.

3. An application under S.154 has been filed in relation to Assessment Year 2002-03 before the Assessing Officer, Hyderabad for a tax refund of Rs.25,064/-. Varalakshmi Jute has claimed for short grant of interest under section 244A on processing of return of income.

4. An application under S.154 has been filed in relation to Assessment Year 2003-04 before the Assessing Officer, Hyderabad for a tax demand of Rs.76,116/- created while processing of return of income. The tax demand has arisen due to grant of MAT Credit after charge of interest under section 234B and 234C.

5. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner Appeals (III), Hyderabad for the tax demand of Rs.275,628/- has been created while completing the assessment under Section 143 (3) in respect of the Assessment Year 2003-04. The Assessing officer has disallowed excess provision of Bonus and has further disallowed Gratuity of Rs.273,957/- on the ground that the Gratuity fund is not approved by the Chief Commissioner or Commissioner of Income tax and has allowed MAT credit after charge of interest under Section 234B and 234C and not before charge of interest

Indirect Tax Cases

1. A show cause notice (SC No. 23/2004, SC No. 4/2003 dated April 29 2004) was issued by DGCEI Hyderabad to Varalakshmi Jute Twine Mills and three others stating that there are differences in noting production between the production records and statutory records maintained at the factory. Varalakshmi Jute Twine Mills and three others have filed objections before the adjudicating authority. The Adjudicating Authority (Commissionerate of Central Excise & Customs, Visakhapatnam) passed orders for payment of 2.9 million towards pre-deposit against the demand of Rs. 12.5 million. Aggrieved by the Order of the Adjudicating authority, Varalakshmi Jute Twine Mills has preferred appeal before CESAT. The Hon'ble CESTAT while granting Stay Vide Order No's 64 To 67/2006 In E/St/563 To 566/05 In E-834 To 837 directed to pay Rs. 0.80 million towards pre-deposit before 24-04-06, which has been deposited well ahead of schedule by Varalakshmi Jute Twine Mills. The next date of hearing is July 17, 2006.

2. A demand of Rs 4,95,075 has been raised by CTO Rajam for the assessment year 2002/03 towards the Defective & Non Submission of "F" forms. Varalakshmi Jute Twine Mills contesting the demand and appeal filed and DC. CT, Appeals. DC, CT, Appeals Visakhapatnam has remanded the Assessment vide Order No. VZM/23/06-07 dated June 16, 2006 and the remanded assessment is pending before CTO, Rajam.

3. A demand of Rs. 133,013/-, has been raised by the assessing authority for the Financial year 1999-2000 towards defective "F" forms. In this regard, an appeal has been filed by Varalakshmi Jute Twine Mills and the Appellate authority has remanded the Appeal vide Appeal No. VZM/.284/02-03 dated February 18, 2005 and the Remanded Assessment is pending before CTO, Rajam.

4. A demand of Rs. 1,793,117/- has been raised by the assessing authority for the Financial Year 2001-2002, towards defective "F" forms. In this regard, an appeal has been filed by Varalakshmi Jute Twine Mills and the Appellate authority has remanded the Appeal No. VZM/22/05-06 (for Rs. 1,745,998/-) dated May 18, 2005 and the Remanded Assessment is pending before CTO, Rajam.

Cases involving our Promoters

The litigation details of our Promoters are given below.

I. Mr. G.M. Rao

Civil Cases

A suit (O.S. No. 77 of 2003) has been filed in the court of the Civil Judge (Senior Division), Mangalore by GMR Energy and Mr. G.M. Rao against Mr. Ivan D'Souza and others for allegedly: (i) causing defamation to GMR Energy (ii) making illegal demands on GMR Energy for payment of compensation in respect of certain properties that were acquired by GMR Energy and which properties supposedly belonged to the defendants. GMR Energy has claimed an amount of Rs. 1,000,000 (along with interest at 12% per annum), a permanent injunction restraining the defendants from making any derogatory speeches or statements against the plaintiffs, agitating before the power plant or in any way interfering with the peaceful functioning of the power plant. An application for temporary injunction against the defendants has been filed. The case was posted for evidence on July 24, 2006.

Tax cases

1. An appeal (No. ITA/254/Hyd/2002) has been filed in relation to the assessment year 1999-00 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses of Rs. 859,424. The claim of interest has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income. The case is yet to come up for hearing.

2. An appeal has been filed in relation to the assessment year 2000-01 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses of Rs. 894,774. The claim of interest has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income. The case is yet to come up for hearing.

3. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses of Rs. 779,401. The claim of interest has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income.

4. An application has been preferred under S. 154 in relation to the assessment year 2002-03 before Assessing Officer for the refund of Rs.111,390 which was determined as tax refundable in the assessment order but has not been given till date..

5. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner Appeals (III), Hyderabad for refund of Rs. 114,545/- on account of the assessee having made claim for short grant of interest under Section 244A of the Income Tax Act, 1961 for Rs. 114,545/- on tax refunds, at the time of processing of income. Further an application has also been preferred under Section 154 in relation to the Assessment year 2003-04 before the assessing Authority for the refund of Rs.115,951 consisting of short grant of tax refund of Rs.1,406 and short grant of interest under S.244A of Rs.114,545/- on the tax refunds on amount allowed at the time of processing of the return of income.

II. GMR Holdings Private Limited (formerly known as Rao Investments Private Limited. Certain entities have merged into it)

Cases filed against GMR Holdings

Tax cases

1. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal, Hyderabad. It is contended that the claim of interest expenses of Rs.1,461,945 has been disallowed on the ground that it is attributable to borrowal made and utilised for investment in shares the dividend income from which is exempt from tax. The disallowance has been made because of S. 14A. The said disallowance has been confirmed in first appeal by the CIT (A) in view of S. 14A. GMR Holdings has contended that the claim of interest expenses needs to be allowed under S.36(1)(iii) as the borrowal on which interest paid

was for the purpose of the business. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is an incidental income.

2. An appeal has been filed in relation to the assessment year 2002-03 before the Income Tax Appellate Tribunal, Hyderabad. It is contended that the claim of interest expenses of Rs.1,471,232 has been disallowed on the alleged ground that it is attributable to borrowal made and utilised for investment in shares the dividend income from which is exempt from tax. The disallowance has been made because of S.14A. The said disallowance has been confirmed in first appeal by the CIT (A) in view of S. 14A vide order dated July 18, 2005.

3. An application has been preferred under S.154 in relation to the Assessment year 2003-04 before the Assessing Officer for the refund of Rs. 17,489. The assessing officer has not given credit for MAT of Rs.13,649/- and further, he has charged excess interest under S.234C by Rs.3,840/- at the time of processing of return of income.

4. An appeal has been filed for the assessment year 2001-02 before the Income Tax Appellate Tribunal, Hyderabad. A demand of Rs. 526,088 has been made in the order passed by the Assistant Commissioner of Income-tax. The income under the normal provisions of Income Tax Act,1961 is computed at Rs.963,616 as against the amount of loss of Rs.548,545 and income under S.115JB has been computed at Rs.646,277 as against the negative amount of book profit of Rs.39,057,837.

5. An application has been preferred under S. 154 in relation to the Assessment year 2001-02 before the Commissioner of Income tax (Appeals) - Hyderabad in relation to the disallowance of interest on borrowal which has been upheld at Rs.49,192,539 as against the correct amount of Rs.47,679,498 in the appeal order dated December 3,2004.

6. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal. It is contended that the claim of interest expenses of Rs. 49,192,539 has been disallowed on the alleged ground that it is attributable to borrowal made and utilised for investment in shares and the dividend income from which is exempt from tax. Further there is also a disallowance of claim of demat charges of Rs.234,440. The disallowance is made because of S. 14A. The said disallowance has been confirmed in first appeal by the CIT (A) in view of S. 14A. GMR Holdings has contended that the claim of interest expenses needs to be allowed under S.36(1)(iii) as the borrowal on which interest paid was for the purpose of the business. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is an incidental income.

7. An appeal has been filed in relation to the assessment year 2002-03 before the Income Tax Appellate Tribunal against the order of the Commissioner of Income-tax (Appeals)-III, Hyderabad upholding the action of AO in determining the income book profit under Section115JB at Rs.3,382,942 as against the amount of book profit Rs.2,393,395, which is due to the add back of provision for diminution in value of investments of Rs.989,547. Tax demand of Rs.53,548/- has been raised.

8. An application has been filed under S. 154 in relation to the Assessment year 2003-04 before the Assessing Officer for the refund of Rs. 19,399. GMR Holdings has claimed an interest under Section 244A of Rs.19,399 for delay in the grant of tax refund of Rs.775,976.

9. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal, in relation to the disallowance of claim of interest expenses of Rs.36,109,430 on the alleged ground that it is attributable to borrowal made and utilised for investment in shares and the dividend income from which is exempt from tax and disallowance of claim of administrative expenses of Rs.294,173. The disallowance has been made because of S. 14A. The said disallowance has been confirmed in first appeal by the CIT (A) in view of S. 14A. GMR Holdings has contended that claim of interest expenses is to be allowed under S.36(1)(iii) as the borrowal on which interest paid was for the purpose of business. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is an incidental income.

10. An application has been preferred under S. 154 in relation to the Assessment year 2001-02 before the Commissioner of Income Tax (Appeals) Hyderabad. The disallowance of interest on borrowal has been upheld at Rs.36,109,430 as against the correct amount of Rs.35,142,789. Further, the administrative expenses determined have been at Rs.100,809 as against the correct amount of Rs.199,422.

11. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal. The income under the normal provisions of income tax has been computed at Rs.879,080 as against the amount of loss of Rs.100,809. The income under S. 115JB has been computed at negative figure of Rs.15,889,778 as against the negative amount of book profit of Rs.52,195,766.

12. An appeal has been filed in relation to the assessment year 2002-03 before the Income Tax Appellate Tribunal against the order of the Commissioner of Income-tax (Appeals)-III, Hyderabad upholding the action of AO in determining income under S.115JB at Rs.15, 271,284 as against the negative amount of book profit Rs.70,713,117 due to add back of provision for diminution in value of investments of Rs.80,469,784 while determining income under Section 115JB of the Income-tax Act, 1961.

13. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner Appeals (III), Hyderabad for the tax demand of Rs.4,054,682/- has been created in the assessment order passed under section 143(3) for the Assessment Year 2003-04. The Assessing Officer has determined the income under S.115JB at Rs.296,011,804/- as against the amount of book profit

Rs.252,939,990/- which is due to the add back of provision for diminution in value of investments of Rs.43,072,814/- while determining income under Section 115JB of the Income-tax Act, 1961.

14. An application under section 154 has been filed in relation to the assessment year 2004-05 before the Assistant Commissioner of Income Circle 2(3), Hyderabad for the tax demand of Rs.9,01,726/. The AO has not considered the revised return filed based on the consolidated financials consequent to merger of the M/s Varalakshmi Investments Private Limited with the company. The AO has processed the stand alone return of income of M/s Varalakshmi Investments Private Limited and created tax demand.

15. An application under section 154 has been filed in relation to the assessment year 2004-05 before the Assistant Commissioner of Income Circle 2(3), Hyderabad. The AO has not considered the revised return filed based on the consolidated financials consequent to merger of the M/s GMR Investments Private Limited with the company. The AO has processed the stand along return of income of M/s GMR Investments Private Limited and further has determined the tax refund of Rs.14,873/- which he has erroneously adjusted against the tax demand of Assessment Year 2003-04.

16. An application under section 154 has been filed in relation to the assessment year 2004-05 before the Assistant Commissioner of Income Circle 2(3), Hyderabad. The AO has not considered the revised return filed based on the consolidated financials consequent to merger of the M/s Vasavi Finance Private Limited with the company. The AO has processed the stand alone return of income of M/s Vasavi Finance Private Limited and further has determined the tax refund of Rs.1,29,640/- which he has erroneously adjusted against the tax demand of Assessment Year 2003-04.

Cases involving our Directors

I. Mr. G.B.S. Raju

Tax Cases

1. An appeal has been filed in relation to the assessment year 2000-01 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses and bank charges of Rs. 1,058,575. The claim of interest and bank charges has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income. The case is yet to come up for hearing.

2. An appeal has been filed in relation to the assessment year 2001-02 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses of Rs. 1,996,428. The claim of interest has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income. The case is yet to come up for hearing.

3. An application under section 154 has been filed in relation to the assessment year 2003-04 before the Deputy Commissioner of Income tax, Circle 6(1), Hyderabad for a short grant of tax refund of Rs.5,411/- . The AO has granted tax refund of Rs.5,30,039/- as against the amount of tax refund of Rs.5,35,450/- determined in the Assessment order passed under section 143(3) dated February 20, 2006.

4. An application under section 154 has been filed in relation to the assessment year 2005-06 before the Deputy Commissioner of Income tax, Circle 6(1), Hyderabad for tax demand of Rs.5,381/- which has mainly arisen on account of excess charge of interest under section 234B by Rs.388/- and under section 234C by Rs.4,993/- at the time of processing of return of income.

II. Mr. G. Kiran Kumar

Tax Cases

1. An appeal has been filed in relation to the assessment year 1999-00 before the Income Tax Appellate Tribunal in relation to the disallowance of claim of interest expenses of Rs. 1,449,736. The claim of interest has been disallowed on the ground that the entire borrowal on which interest has been paid were used for investment in shares which results in tax-free income. The said disallowance has been confirmed in appeal by the CIT(A) in view of S. 14A. The assessee has contended in appeal that the investments were made out of mixed funds and further all receipts including sale proceeds of investment and borrowals were deposited in the same account and from this account all the payment were affected. Further, the person distributing dividend is required to pay tax under S.115-O and hence it cannot be said that the amount of interest was incurred for earning dividend income. The dividend income is only an incidental income.

2. An application has been filed under S. 154 in relation to the Assessment year 2002-03 before the Assessing Officer for a tax demand of Rs. 1112 on account of excess charge of interest under S.234B by Rs.61 and under S.234C by Rs.3,111 as a result of which a tax refund of Rs. 1761 has been sought.

3. An appeal has been filed in relation to the assessment year 2003-04 before the Commissioner Appeals (III), Hyderabad for the tax demand of Rs.2,61,45,373/- has been created in the assessment order dated 31-03-2006 passed under section 143(3) for assessment year 2003-04 by Assessing Authority,. The Assessing officer has denied exemption U/s 54F in view of non deposit of entire amount of consideration in capital gain account scheme and further, has taxed the amount of Profit earned on sale of equity stake as Business profit being income in the nature of adventure in the nature of trade instead of Long term capital gain and has further charged interest under Section 234B and 234D of Rs. 5,570,676/- and Rs. 1,194,373/- respectively.

Government Approvals

On the basis of the indicative list of approvals below, we are permitted to carry on our project activities and no further major approvals are required to be obtained by us from any government authorities/RBI to continue these activities. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

GMR Infrastructure Limited

RBI approvals

We have received a letter in January 2005 exempting us from registration under section 45 IA of RBI Act, 1934.

Subsidiaries

Energy Sector

1. GMR Energy Limited

RBI/FIPB approvals

GMR Energy has obtained and will obtain necessary approvals subject to certain conditions from FIPB and/or RBI from time to time, including for (i) foreign collaboration for setting up a barge mounted power plant; (ii) increasing the foreign equity participation; and (iii) transfer of equity shares from non resident to resident

Project Related Approvals

GMR Energy has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) Department of Economic Affairs,

(ii) Ministry of Finance,

(iii) Department of Energy,

(iv) Karnataka Electricity Board,

(v) Karnataka Industrial Areas Development Board,

(vi) Ministry of Petroleum,

(vii) Karnataka Power Trading Corporation Limited,

(viii) New Mangalore Port Trust,

(ix) Public Works Department,

(x) Department of Ports and Inland Water Transport,

(xi) Airports Authority of India,

(xii) Factory and Boilers Department,

(xiii) Electrical Inspectorate,

(xiv) Department of Explosives,

(xv) Telecommunications Department,

(xvi) Karnataka State Pollution Control Board,

(xvii) Ministry of Environment and Forests,

(xviii) Ministry of Defence,

(xix) Director General of Police and

(xx) Director of Karnataka Fire Services to the District Magistrate, Mangalore,

(xxi) Customs Authorities,

(xxii) Indian Coast Guard,

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for:

(i) execution of the power purchase agreement;

(ii) establishing, operating and maintaining the 220 MW power project at Tanirbavi;

(iii) fuel supply and linkage;

(iv) water supply from the Gurupur river;

(v) allotment of land to set up the power project;

(vi) off-take of power;

(vii) construction of double circuit transmission line between Bengre and Kavoor to evacuate the power generated from the power project;

(viii) the fuel supply agreement entered into with BPCL;

(ix) granting approval for laying of pipeline permission to dredge Gurupur river and use the stretch of the sea beach at the other side of Bengare to dump the dredged spoil;

(x) construction of a chimney up to height 47 metres above ground level;

(xi) approval for its boilers;

(xii) use of naphtha;

(xiii) establishing wireless telegraph station;

(xiv) permission for discharge of sewage and trade effluents under the Water (Prevention and Control of Pollution) Act, 1974;

(xv) permission for discharge of emissions from chimneys under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 (xviii) authorisation for handling hazardous wastes under Hazardous Waste (Management & Handling) Amendment Rules, 2000; and

(xvi) enhancing the capacity of the power project from 200 MW to 220 MW, respectively as required.

2. GMR Power Corporation Limited

RBI/FIPB approvals

GMR Power has obtained and will obtain necessary approvals subject to certain conditions from FIPB and/or RBI from time to time including for (i) foreign collaboration with EPC Contractor/ O & M Contractor for setting up of 200 MW HFO/LSHS based power plant in Chennai; (ii) increasing the foreign equity participation; (iii) for allotment, acquisition and transfer, including pledge of equity shares from non resident investors to resident investors; and (iv) foreign currency loans.

Project Related Approvals

GMR Power has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) Department of Economic Affairs;

(ii) Ministry of Finance;

(iii) Department of Energy;

(iv) Tamil Nadu Electricity Board;

(v) CEA, Ministry of Petroleum;

(vi) Airports Authority of India;

(vii) Factory and Boilers Department;

(viii) Electrical Inspectorate;

(ix) Department of Explosives;

(x) Madras Metropolitan Water Supply and Sewerage Board;

(xi) Tamil Nadu State Pollution Control Board;

(xii) Tamil Nadu Forest Department; and

(xiii) Ministry of Environment and Forests.

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for:

(i) to set up, establish, operate and maintain a 200 MW basin bridge diesel engine power plant at Basin Bridge Power House Complex, Chennai;

(ii) execution of the power purchase agreement;

(iii) techno-economic clearance;

(iv) fuel supply and linkage;

(v) construction of a chimney of height 100 metres at the Basin Bridge, Madras;

(vi) certificates for use of boilers;

(vii) for importation and storage of petroleum;

(viii) storage of compressed gas in pressure vessels;

(ix) storing of chlorine gas;

(x) allowing diversion of the anti-malaria canal at Basin Bridge;

(xi) approving the allocation of raw sewage;

(xii) consent under the Air Act;

(xiii) consent under the Water Act;

(xiv) handling hazardous wastes; and

(xv) installation of sewage treatment plant in the power plant premises.

3. Vemagiri Power Corporation Limited

RBI/FIPB approvals

Vemagiri Power has obtained and will obtain necessary approvals subject to certain conditions from FIPB and/or RBI from time to time, including for transfer of equity shares from non resident to resident.

Project Related Approvals

Vemagiri Power has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) Department of Energy;

(ii) Andhra Pradesh Electricity Board;

(iii) APTRANSCO;

(iv) Central Electricity Authority;

(v) AP Industrial Infrastructure Corporation Limited;

(vi) Ministry of Petroleum;

(vii) Airports Authority of India;

(viii) Factory and Boilers Department;

(ix) Electrical Inspectorate;

(x) Department of Explosives;

(xi) Irrigation Department;

(xii) Transport, Roads and Buildings Department;

(xiii) National Highways Authority of India;

(xiv) Public Works Department;

(xv) Andhra Pradesh State Pollution Control Board;

(xvi) Andhra Pradesh Forest Department; and

(xvii) Ministry of Environment and Forests

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for

(i) the power project located at Vemagiri;

(ii) execution of the power purchase agreement;

(iii) for change of fuel from naphtha to natural gas and to establish, operate and maintain the implementation of the project in two phases with a total capacity of 520 MW;

(iv) evacuation of power generated from the Vemagiri power project;

(v) techno-economic clearance;

(vi) allotting 300 acres of land near Vemagiri for setting up the power project;

(vii) extension for implementation of the project;

(viii) fuel supply and linkage including allocation of naphtha;

(ix) allocation of natural gas from the ONGC fields in K.G. Basin;

(x) storage of naphtha and HSD;

(xi) construction of a chimney;

(xii) storage of carbon dioxide;

(xiii) granting permission to draw water from Godavari Eastern Main Canal during construction of the power plant

(xiv) to lay the raw water pipeline under NH-5 Canal Bridge near Dowlaiswaram;

(xv) permission for discharge of the treated water into Kadium Aqua Canal;

(xvi) consent under Section 25 of the Water Act and Section 21 of Air Act for setting up a naphtha based combined cycle power plant;

(xvii) use of additional alternate fuel namely liquefied natural gas for the combined cycle power plant in addition to naphtha;

(xviii) usage of natural gas in addition to naphtha and liquefied natural gas as alternate fuel;

(xix) enhancement of the capacity of the power project from 475 MW to 525 MW subject to certain conditions; and

(xx) storage of argonite, hydrogen, carbon dioxide cylinders and chlorine tonners.

Roads Sector

4. GMR Tambaram Tindivanam Expressways Private Limited and GMR Tuni Anakapalli Expressways Limited

GMR Tambaram-Tindivanam and GMR Tuni- Anakapalli has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) NHAI;

(ii) Ministry of Environment and Forests;

(iii) Tamil Nadu Pollution Control Board; and

(iv) Andhra Pradesh Pollution Control Board.

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for

(i) on the execution of the respective annuity projects;

(ii) Provisional Completion Certificate; and

(iii) Consent under section 21 of the Air Act and section 25 of the Water Act.

Airports Sector

5. GMR Hyderabad International Airport Limited

GMR Hyderabad International Airport has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) Airports Authority of India;

(ii) Gram Panchayats;

(iii) Andhra Pradesh Pollution Control Board;

(iv) Ministry of Environment and Forests;

(v) Ministry of Defence; and

(vi) Director General of Civil Aviation

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for

(i) the establishment of International Airport at Shamshabad, Rangareddy District;

(ii) consent for establishment of allied facilities comprising of construction of airport terminal and associated passenger facilities and other related activities under the Water Act and the Air Act; and

(iii) environmental clearances.

6. Delhi International Airport Private Limited

Delhi International Airport has obtained and will obtain necessary approvals subject to certain conditions from relevant statutory and local authorities, including the:

(i) Airports Authority of India;

(ii) Ministry of Defence;

(iii) Chief Commissioner of Customs and Central Excise; and

(iv) Civil Aviation Department.

The above authorities have given their approval from time to time, in relation to various aspects of the projects, including for

(i) the establishment of an aerodrome;

(ii) custodianship of international cargo

Others

7. GVL Investments Private Limited

GVL Investments has obtained necessary approvals from relevant statutory authorities, including the RBI to carry on business as a non banking financial institution without accepting public deposits.

New Projects

For the energy, road and airport projects that have recently been awarded to us, we shall obtain the necessary approval, permits and licenses from time to time and shall apply for the same as and when they are required to be applied for.

Other Registrations

In addition to the various project related approvals, permissions and consents listed above the Company and its Subsidiaries have also obtained the registrations to conduct their business activities, including:

1. Registration under the Contract Labour (Regulation and Abolition) Act, 1970;
2. Registration with the Department of Labour, Government of Karnataka;
3. Registration with the Office of the Inspector and Labour Officer, Hyderabad;
4. Registration under the Karnataka Shops and Commercial Establishments Act, 1961;
5. Registration under Bombay Shops and Establishment Act, 1948;
6. Registration under Punjab Shops and Establishment Act, 1958;
7. Registration with the Department of Commercial Taxes, Government of Karnataka;
8. Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952;
9. Registration with the Income Tax Department, including, for Temporary Account Number and Permanent Account Number;
10. Registration for Value Added Tax and Sales Tax;
11. Registrations under the Central Sales Tax Act, 1956;
12. Registrations under the Karnataka Tax on Professions, Trade, Calling and Employment Act, 1976;
13. Certificate of Importer-Exporter Code;
14. Central Excise Registration Certificate;
15. Registration under the Standards of Weights and Measures (Enforcement) Act, 1985; and
16. Consents from lenders and statutory authorities in relation to financing and investment related activities

Some of the registrations/licenses/approvals obtained by us may have expired in the ordinary course of business or are in the process of being applied for. We undertake to obtain all relevant approvals, licenses, registrations and permissions from time to time as and when it may be required to operate our projects and related business activities.

Material Developments

Apart from the changes mentioned elsewhere in this Red Herring Prospectus, including in the share capital as mentioned below, which have occurred since the date of the last financial statements disclosed (i.e., March 31, 2006) in this Red Herring Prospectus, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

1. In April 2006 Delhi International Airport entered into an operations management and development agreement, an agreement for the provision of communication, navigation and surveillance and air traffic management services and a land lease agreement with the relevant parties.

2. A Special Leave Petition (S.L.P. No. 7663 of 2006) (SLP) was filed by Reliance Airport Developers on April 24, 2006 in the Supreme Court of India against the Airport Authority of India, the Union of India, GIL and GVK Industries Limited under Article 136 of the Constitution of India. The Reliance Airport Developers SLP was filed by the aggrieved against the Order dated April 21, 2006 passed by Hon'ble Justices T.S.Thakur and B.N.Chaturvedi of the Delhi High Court in writ petition (W.P.(C) No. 1581 of 2006). The Reliance Airport Developers SLP has been admitted by the Supreme Court vide its order dated May 5, 2006. The Reliance Airport Developers SLP has presently been listed for arguments on July 18, 2006 before an appropriate bench of the Supreme Court. For more details, please refer to the section titled 'Outstanding Litigation and Defaults' beginning on page 313 of this Red Herring Prospectus.

3. In March 2006 a public interest litigation has been filed in the High Court, at Mumbai against our Company wherein the entire process of modernization of the airports has been questioned on the grounds that the national security of the country will be in danger in the event the modernization of the airports is allowed. For more details, please refer to the section titled 'Outstanding Litigation and Defaults' beginning on page 313 of this Red Herring Prospectus.

4. In May 2006, a public interest litigation has been filed in the High Court of Delhi against our Company, challenging the award of the contract and granting lease of the assets of the AAI on annual lease of Rs. 100/- to Delhi International Airport. For more details, please refer to the section titled 'Outstanding Litigation and Defaults' beginning on page 313 of this Red Herring Prospectus.

5. Delhi International Airport has taken over the operations and management of Delhi Airport with effect from May 3, 2006.

6. GMR Ambala-Chandigarh achieved financial closure on May 11, 2006. Further, the Company has provided a corporate guarantee to a consortium of banks and financial institutions led by Central Bank of India who has sanctioned loan to part finance the project cost, to cover the cost overrun beyond 5% of estimated project cost of the GMR Ambala – Chandigarh.

7. GMR Ambala Chandigarh entered into an Engineering Procurement and Construction Agreement with GMR Projects Private Limited on May 2, 2006. The scope of the EPC Contract includes performance and execution of the project by the EPC Contractor of all design, engineering, procurement, construction of the project highway in strict compliance with the design requirements and all other terms and conditions of the agreement in a timely manner and to the satisfaction of GMR Ambala Chandigarh. For more details, please refer to the section titled "Description of Important Project Contracts" beginning on page 103 of this Red Herring Prospectus.

8. GMR Jadcherla Expressways entered into Concession Agreement with NHAI on February 20, 2006.

9. GMR Pochanpalli Expressways entered into Concession Agreement with NHAI on March 31, 2006.

10. GMR Ulundurpet Expressways entered into Concession Agreement with NHAI on April 19, 2006.

11. Memorandum of understanding dated December 8, 2005 and a supplementary letter memorandum of understanding dated April 20, 2006 entered into between GEL, IDF, Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju, Mr. G. Kiran Kumar and the Company. Pursuant to the terms of which, GIL purchased 49,236,829 equity shares held by IDF in GEL at a price equal to Rs. 20.31 per equity share, aggregating Rs. 1,000 million; and allotted to IDF 11,737,404 Equity Shares of GIL for an issue price of Rs. 85.20 per Equity Share such that IDF holds 4.25% of the issued and paid up share capital of the Company (on a fully diluted basis). Pursuant to the MOU, the parties executed a shareholders' agreement ("GIL-IDF Shareholders Agreement") dated April 19, 2006 embodying the various rights and obligations of the parties. The rights granted IDF pursuant to this shareholders agreement have been incorporated in the Articles but will cease to exist upon the listing of the Equity Shares. For further details please refer to section titled "History and Corporate Structure" beginning on page 119 of this Red Herring Prospectus.

12. Share Subscription Cum Shareholders Agreement dated April 25, 2006 entered into between ICICI Emerging Trusteeship Services Limited (ICICI Emerging Sectors Fund), GMR Holdings, Mr. G.M.Rao, Mr. Srinivas Bommidala, Mr. G.B.S. Raju, Mr. G. Kiran Kumar and the Company under which ICICI Emerging Sectors Fund have subscribed to 9,578,544 Equity Shares at a price of Rs. 261 per Equity Share for a total sale consideration of Rs. 2500,000,000. For further details please refer to section titled "History and Corporate Structure" beginning on page 119 of this Red Herring Prospectus.

13. With respect to the Vemagiri power plant we have not been able to commission the plant on the scheduled commercial operation date (i.e., January 18, 2006) stipulated under the PPA mainly due to non availability of fuel. Due to such default we are liable to pay liquidated damages to APTRANSCO amounting to Rs. 50,000 per day for the first one hundred and eighty (180) days of delay and Rs. 3,50,000 per day for delays in excess of one hundred and eighty (180) days, for each 100 MW of capacity or any part thereof. These damages are due after thirty (30) days from the scheduled date of completion of the last unit and every thirty (30) days thereafter.

    We are in the process of re-negotiating key terms of the power purchase agreement with AP Transco, which is acting as the nodal agency for the four distribution companies. The key terms under negotiation include (i) an extension of the duration of the power purchase agreement; (ii) the sale of an additional 18.5MW over the contracted capacity to a third party; (iii) the deletion of the alternate fuel clause; (iv) the recovery of certain expenses relating to our foreign currency debt service; and (v) an extension of the scheduled date of commercial operation from January 18, 2006 to March 31, 2006. The draft amendment agreement incorporating the said terms have been initialed by VPGL and the four distribution companies and the initialed draft has been sent to the APERC for its approval before execution.

14. GMR Energy Limited and CLP Power India have entered in to a term sheet on May 16, 2006 to co-operate on the evaluation, tendering, funding, development, ownership and operation of the approximately 4,000MW coal fired Sasan Ultra Mega power project currently being tendered by the Ministry of Power of the Government of India in the State of Madhya Pradesh. Pursuant thereto, the GMR CLP Sasan consortium had submitted a request for qualification to submit bid proposal for Sasan Power Limited (wholly owned subsidiary of Power Finance Corporation Limited) for the tariff based bidding process for the supply of power on long term basis at the generator switchyard bus bar. Sasan Power Limited vide its letter dated June 24, 2004 has informed that GMR CLP Sasan consortium has qualified for submission of bid proposal.

15. GMR Infrastructure Limited has entered into a memorandum of understanding with Vipul Limited on May 25, 2006 in relation to the formation of a consortium for bidding in relation to the development of integrated townships in Hyderabad for a specific concession period. Pursuant thereto, the GMR-Vipul consortium has submitted a Expression of Interest cum Request for Quotation on May 29, 2006 to Hyderabad Urban Development Authority for development of integrated townships at Tellapur and Srinagar in Hyderabad.

16. GMR Energy has submitted a qualification statement for selection of bidders to submit proposal to develop a 450 MW(+/-10%) Gas fired combined cycle power station at Sirajganj, Bangladesh on Build, Own and Operate (BOO) basis.

17. GHIAL has entered into a joint venture arrangement with Menzies pursuant to an agreement dated April 18, 2006 in relation to the operation of the cargo terminal at the Hyderabad International Airport. As per the terms of the agreement, GHIAL is entitled to receive 15% of the revenues of the joint venture company, in addition to lease rentals for the cargo building and associated land. As part of this arrangement, Menzies would be responsible for the development of the air cargo business at the Hyderabad International Airport.

18. GMR Energy has entered into a memorandum of understanding with the State Government of Orissa which entitles GMR Energy to develop a 1000 MW coal based power project at Kamalanga in Angul district of Orissa, for which the State will provide necessary support for land acquisition, water, coal linkage and other major approval and clearances for development of project. The State in return would be eligible for an agreed financial benefit on power sold outside the State of Orissa and also has the right to purchase 25% of capacity of the project.

19. With respect to our Delhi International Airport, we have executed certain contracts and entered into certain financial obligations as given below:

Sl. No.	Details of contract/financial obligation
1	CNS/ATM between AAI and DIAL dated April 25, 2006
2	Land Lease Agreement between AAI and DIAL dated April 25, 2006
3.	OMDA between AAI and DIAL dated April 4, 2006
4.	Shareholders Agreement between AAI, DIAL and certain Private Participants (GIL, GMR Energy, GVL Investments, Fraport A.G, Malaysia Airports (Mauritius) Private Limited and IDF) dated April 4, 2006.
5.	Performance Guarantee Facility Agreement between DIAL and ICICI Bank Limited dated April 29, 2006
6.	Equity Guarantee Facility Agreement between GIL and ICICI Bank Limited dated April 28, 2006
7.	State Support Agreement between President of India and DIAL dated April 26, 2006
8.	State Government Support Agreement between Chief Secretary of the National Capital Territory of Delhi and DIAL dated April 26, 2006
9	Escrow Agreement was executed pursuant to OMDA in case of DIAL
10	Airport Operator Agreement executed between Fraport AG, Frankfurt Services worldwide and DIAL on May 1, 2006
11	Short term loan agreement on May 18, 2006 with Punjab National Bank for a financial assistance of Rs. 1000 Million
12	Availed a Bank Guarantee for Rs. 400 Million from ING Vysya Bank in favour of commissioner of Customs on May 2, 2006

20. We issued the following shares before the date of the filing of the Red Herring Prospectus.

Sl. No.	Shareholders	Number of Equity Shares	Issue Price per Equity Share (Rs.)	Date of Issue of Equity Shares
1	India Development Fund	11,737,404	85.20	April 22, 2006
2.	ICICI Trusteeship Services Limited (ICICI Emerging Sectors Fund)	9,578,544	261.00	April 25, 2006
3	Quantum (M) Limited	2,490,555	270.00	May 13, 2006
4	Punjab National Bank	1,000,000	270.00	May 13, 2006
5	Citigroup Venture Capital International Mauritius Limited	3,703,703	270.00	June 5, 2006

Items (3), (4) and (5) were issued pursuant to the pre-Issue private placement of Equity Shares as disclosed in the Draft Red Herring Prospectus.

Description Of Certain Indebtedness

The Company and certain Subsidiaries have availed of certain loans in the form of foreign currency term loans, Rupee term loans, short term loans, working capital facilities, overdraft facilities, debentures and non-fund based limits like bank guarantees and letters of credit from certain banks and financial institutions. Please also refer to the sections titled "Management Discussion and Analysis" and "Related Party Transactions" on pages 295 and 166 of this Red Herring Prospectus. The details of our indebtedness in this regard, as on March 31, 2006 has been presented below:

- **GMR Infrastructure Limited**

The status of facilities availed by GMR Infrastructure Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Name of Bank/FI	**Currency**	**Sanctioned**	**Availed**	**Outstanding**
Debentures				
Life Insurance Corporation of India	INR	120.00	120.00	30.00
Life Insurance Corporation of India	INR	120.00	120.00	60.00
General Insurance Corporation of India	INR	65.00	65.00	16.25
General Insurance Corporation of India	INR	65.00	65.00	32.50
IL&FS Limited	INR	600.00	600.00	300.00
IL&FS Limited and UTI Bank Limited	INR	1,500.00	1,500.00	1,320.00
Sub Total	INR	**2,470.00**	**2,470.00**	**1,758.75**
Other Loans				
Associated Finlease (Car Loan)	INR	0.82	0.82	0.11
SubTotal	INR	**0.82**	**0.82**	**0.11**
Cash Credit				
Indian Overseas Bank	INR	300.00	300.00	300.00
United Bank of India	INR	250.00	250.00	249.50
Sub Total	INR	**550.00**	**550.00**	**549.50**
Non- Fund Based				
Corporation Bank	INR	50.00	50.00	50.00
State Bank of Hyderabad	INR	250.00	80.60	80.60
ICICI Bank Limited	INR	5000.00	5000.00	5000.00
IDBI Bank Limited	INR	96.00	96.00	96.00
Bank of Baroda	INR	149.00	149.00	149.00
IndusInd Bank	INR	250.00	240.00	240.00
Sub Total	INR	**5795.00**	**5615.60**	**5615.60**

- **GMR Energy Limited**

The status of secured facilities availed by GMR Energy Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Name of Bank/FI		Currency	Sanctioned	Availed	Outstanding
Project Term Loans					
A	IDBI	US$	82.35	81.75	19.26
B	Bank of India	US$	20.12	20.12	15.09
C	Canara Bank	US$	11.76	11.76	2.35
D	Bank of Baroda	US$	10.00	10.00	5.00
E	Andhra Bank *	US$	5.00	5.00	1.15
	Sub - Total	US$	**129.23**	**128.63**	**42.85**
	* Converted from Rupee Term Loan				
Working Capital Limits					
Fund Based					
A	Canara Bank	INR	300.00	—	—
B	Bank of India	INR	150.00	—	—
C	Bank of Baroda	INR	150.00	—	—
D	Andhra Bank	INR	150.00	—	—
	Sub Total	INR	**750.00**	**—**	**—**
Non-Fund Based (LC + BG)					
	Canara Bank#	INR	808.74	978.74	978.74
	Bank of India	INR	360.00	105.39	105.39
	Bank of Baroda	INR	280.00	0	0
	Andhra Bank	INR	280.00	0	0
	Sub Total	INR	**1728.74**	**1084.13**	**1084.13**
	# against the fund based limit				
Other Term Loans					
A	IDFC	INR	1,000.00	1,000.00	760.00
B	Canara Bank	INR	211.00	211.00	211.00
	Sub Total	INR	**1211.00**	**1211.00**	**971.00**
Secured Short Term Loans					
A	Bank of Baroda	US$	4.50	4.50	4.50
B	Bank of India	INR	400.00	400.00	400.00
C	Andhra Bank	INR	350.00	350.00	350.00

- **GMR Power Corporation Private Limited**

The status of secured facilities availed by GMR Power Corporation Private Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Sl. No.	Name of Bank	Currency	Sanctioned	Availed	Outstanding
Rupee Term Loans					
	IDBI	INR	1,450.00	1,436.30	847.85
	IFCI	INR	500.00	500.00	159.40
	Bank of India	INR	640.00	640.00	149.65
	State Bank of India	INR	656.70	656.70	454.55
	Canara Bank	INR	150.00	150.00	43.35
	Sub Total :	INR	**3,396.70**	**3,383.00**	**1654.80**
Foreign Currency Loans					
	IDBI	US $	14.29	14.29	3.03
	IFCI	US $	8.57	8.57	2.26
	Bank of India	US $	6.37	6.37	1.99
	US $	US $	**29.23**	**29.23**	**7.28**
Working Capital Loans					
Fund Based					
	State Bank of India	INR	200.00	150.00	150.00
	Bank of India	INR	80.00	80.00	80.00
	Canara Bank	INR	120.00	—	—
	Sub Total :	INR	**400.00**	230.00	230.00
Non Fund Based (LC + BG)					
	State Bank of India	INR	700.00	466.25	466.25
	Canara Bank	INR	420.00	335.00	335.00
	Bank of India	INR	280.00	—	—
	Sub Total:	INR	**1,400.00**	**801.25**	**801.25**
Short Term Loans					
	IDBI	INR	150.00	150.00	150.00
	Sub Total:	INR	**150.00**	**150.00**	**150.00**

- **Vemagiri Power Generation Limited**

The status of secured facilities availed by Vemagiri Power Generation Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Sl. No.	Name of Bank	Currency	Sanctioned	Availed	Outstanding
Rupee Term Loan					
	Infrastructure Development Finance Company Ltd.	INR	847.65	565.23	565.23
	State Bank of India	INR	683.75	555.01	555.01
	Infrastructure Leasing & Financial Services Ltd.	INR	350.00	350.00	350.00
	Indian Overseas Bank	INR	220.00	220.00	220.00
	Union Bank of India	INR	600.00	487.09	487.09
	State Bank of Patiala	INR	400.00	324.70	324.70
	Canara Bank	INR	600.00	487.09	487.09
	United Bank of India	INR	500.00	405.88	405.88
	Allahabad Bank	INR	600.00	487.05	487.05
	UCO Bank	INR	400.00	324.71	324.71
	Punjab National Bank	INR	380.00	366.87	366.87
	Oriental Bank of Commerce	INR	405.00	328.77	328.77
	Sub Total	INR	**5,986.40**	**4,902.40**	**4,902.40**
Foreign Currency Loans					
	Indian Overseas Bank	US$	9.79	9.79	9.79
	Infrastructure Development Finance Company Ltd.	US$	15.00	15.00	15.00
	Bank of India	US$	15.00	15.00	15.00
	Punjab National Bank	US$	2.75	2.75	2.75
	Sub Total	US$	**42.54**	**42.54**	**42.54**
Non-Fund Based					
	Canara Bank	INR	180.34	180.34	180.34
	Corporation Bank	INR	104.30	104.30	104.30
	Sub Total	INR	**284.640**	**284.640**	**284.640**
Non-Fund Based – Foreign Currency					
	Canara Bank	US$	5.50	0	0
	Indian Overseas Bank	US$	1.70	1.70	1.70

- **GMR Tambaram Tindivanam Expressways Private Limited**

The status of secured facilities availed by GMR Tambaram Tindivanam Expressways Private Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Sl. No.	Name of Bank	Currency	Sanctioned	Availed	Outstanding
	IDBI	INR	820.00	820.00	800.76
	Indian Overseas Bank	INR	780.00	780.00	761.79
	Corporation Bank	INR	410.00	410.00	400.37
	Union Bank of India	INR	410.00	410.00	400.38
	The Jammu And Kashmir Bank Limited	INR	410.00	410.00	400.38
	Andhra Bank	INR	660.00	660.00	644.51
	Oriental Bank of Commerce	INR	660.00	660.00	644.46
	Canara Bank	INR	410.00	410.00	400.38
	Bank of Baroda	INR	240.00	240.00	234.37
	State Bank of Mysore	INR	101.00	101.00	98.63
	Total	INR	**4,901.00**	**4,901.00**	**4,786.03**

- **GMR Tuni Anakapalli Expressways Private Limited**

The status of secured facilities availed by GMR Tuni-Anakapalli Expressways Private Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Sl. No.	Name of Bank	Currency	Sanctioned	Availed	Outstanding
	IDBI	INR	730.00	730.00	712.37
	Indian Overseas Bank	INR	580.00	580.00	565.86
	Corporation Bank	INR	330.00	330.00	322.03
	Union Bank of India	INR	330.00	330.00	322.03
	The Jammu And Kashmir Bank Limited	INR	330.00	330.00	322.03
	Andhra Bank	INR	420.00	420.00	409.86
	Oriental Bank of Commerce	INR	420.00	420.00	409.83
	Canara Bank	INR	330.00	330.00	322.03
	Bank of Baroda	INR	240.00	240.00	234.20
	State Bank of Mysore	INR	100.00	100.00	97.58
	Total	INR	**3,810.00**	**3,810.00**	**3,717.82**

- **GMR Hyderabad International Airport Limited**

The status of secured facilities availed by GMR Hyderabad International Airport Limited and outstanding as on March 31, 2006 is as follows:

(in million)

Sl. No.	Name of Bank	Currency	Sanctioned	Availed	Outstanding
Term Loans					
	Allahabad Bank,	INR	1,200.00	368.75	368.75
	Bank of Baroda,	INR	1,100.00	338.02	338.02
	Canara Bank	INR	1,000.00	171.88	171.88
	Industrial Development Bank of India Limited	INR	1,000.00	171.88	171.88
	Infrastructure Development Finance Company Limited	INR	2,000.00	614.58	614.58
	Oriental Bank of Commerce	INR	1,100.00	338.02	338.02
	State Bank of Hyderabad	INR	1,200.00	206.25	206.25
	Vijaya Bank	INR	1,000.00	307.29	307.29
	Total	INR	**9,600.00**	**2,516.67**	**2,516.67**
Interest Free Loan					
A	Govt. of Andhra Pradesh	INR	3,150.00	1,575.00	1,575.00

SECTION VII : OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has pursuant to a resolution dated September 2, 2005 read with Board resolution dated February 2, 2006, authorized the Issue. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on February 28, 2006. The Board of Directors has pursuant to a resolution dated September 2, 2005 read with resolution dated February 2, 2006 authorized a committee of its Directors referred to as the Management Committee (earlier known as the Group Executive Council) to take decisions on behalf of the Board in relation to the Issue. The Board pursuant to its resolutions dated April 25, 2006 and July 12, 2006 has approved and authorized the Draft Red Herring Prospectus and Red Herring Prospectus, respectively. Pursuant to the Board resolution dated July 12, 2006, the price band of the Issue has been fixed at Rs. 210 (floor) to Rs. 250 (ceiling).

Prohibition by SEBI

Our Company, our Directors, our Promoters, the directors and persons in control of our Promoters, our Subsidiaries, our group companies, other companies promoted by our Promoters and companies with which our Companyís Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;
- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoterís contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.
- There has been no change in the name of our Company in the last one year.

Our net tangible assets, monetary assets, net profits and net worth as derived from the unconsolidated financial statements, as per Indian GAAP and included in this Red Herring Prospectus under the section titled ìFinancial Statementsî, as at, and for the last five years ended March 31, 2006 is set forth below:

(Rs. in million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Net tangible assets (1)	5445.4	5,474.3	5,495.8	5,084.5	2,062.7
Monetary assets (2)	22.9	1,134.8	224.3	87.7	368.9
Net profits(3)	355.5	243.81	574.7	402.07	79.5
Net worth	3247.3	2,929.3	3,063.3	2,529.1	1,176.1

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and capital advances and excluding revaluation reserves), investments, current assets (excluding deferred tax assets) less current liabilities and short term liabilities.

(2) Monetary assets include cash on hand and bank balances and investments in mutual funds.

(3) Net Worth = Equity Share Capital + Reserves & Surplus (Excluding revaluation reserve) ñ Miscellaneous Expenditure

Further, the Issue is subject to the fulfillment of the following conditions as required by the Securities Contracts (Regulations) Rules, 1957 under Rule 19 (2)(b)

- A minimum of 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Issue size, which is the Offer Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building Method with allocation of at least 60% of the Net Offer to the Public to Qualified Institutional Buyers, as defined under DIP Guidelines.

For a complete explanation of the above figures please refer to the section entitled "Financial Statements" beginning on page 169 of this Red Herring Prospectus.

Disclaimer Clause

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, JM MORGAN STANLEY PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND SSKI CORPORATE FINANCE PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, JM MORGAN STANLEY PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND SSKI CORPORATE FINANCE PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JULY 13, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITTERS TO FULFIL THEIR UNDERWRITING COMMITTMENTS

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS."

THE BOOK RUNNING LEAD MANAGERS AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

We certify that written consent from Promoters has been obtained for inclusion of their securities as part of Promoters' contribution subject to lock-in and the securities proposed to form part of the Promoters' contribution subject to lock-in, will not be disposed/sold/transferred by the Promoters during the period starting from the date of filing the Red Herring Prospectus with SEBI till the date of commencement of lock-in period as stated in the Red Herring Prospectus.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Bangalore, Karnataka, in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Caution

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site, www.gmrgroup.co.in, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us, the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Bangalore, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons "(as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Further, each Bidder, where required, will be required to agree in the CAN that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any so-called P-Notes or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Disclaimer Clause of BSE

The Bombay Stock Exchange Limited ("BSE") has given vide its letter dated May 26, 2006 permission to this Company to use the BSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The BSE has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner :-

i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or

ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or

iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE. Every, person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to National Stock of India Limited ("**NSE**"). NSE has given vide its letter Ref No. NSE/LIST/22438-W dated May 26, 2006 permission to the Issuer to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Karnataka at Bangalore. A copy of this Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Karnataka located at Bangalore, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

- Price Waterhouse, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.
- Price Waterhouse, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated specifically in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The estimated Issue expenses are as under:

Expenses	Expense details*		
	Issue expenses (Rs. in million)	**% of total issue expenses**	**% of total issue size**
Lead management fee and underwriting commissions	[●]	[●]	[●]
Advertising and Marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Others (Registrars fee, legal fee, listing fee etc.)	[●]	[●]	[●]
Total estimated Issue expenses	[●]	**[●]**	**[●]**

** will be incorporated after finalization of Issue Price*

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by the Company.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Manager will be as per the letter of appointment dated November 28, 2005 with JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and SSKI Corporate Finance Private Limited, a copy of which is available for inspection at our corporate office.

Fees Payable to the Co-Managers

The total fees payable to the Co- Managers will be in accordance with the terms of the letters of appointment dated July 1, 2005 to Canara Bank and Union Bank of India and dated July 5, 2006 to Andhra Bank, copies of which are available for inspection at our corporate office.

Fees Payable to the Syndicate Members

No fees is payable to the Syndicate Members.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated March 23, 2006, issued by our Company, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting commission, brokerage and selling commission

The underwriting commission and brokerage for the Issue is set out in the Underwriting Agreement and the Syndicate Agreement.

Fees Payable to the Monitoring Agency

The total fees payable to the Monitoring Agency will be as per the letter of appointment dated July 4, 2006 with Industrial Development Bank of India, a copy of which is available for inspection at our corporate office.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues except as stated in the section titled “Capital Structure” on page 24 of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Our Company has not made any previous issues of shares otherwise than for cash, except as stated in the section titled "Capital Structure" beginning on page 24 of this Red Herring Prospectus.

Commission and Brokerage on Previous/Current Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the Same Management

The following companies have been declared to be under the same management within the meaning of section 370(1)(B) of the Companies Act:

1. Bharat Sugar Mills Limited
2. GMR (Badrinath) Hydro Power Generation Private Limited
3. GMR Ambala- Chandigarh Expressways Private Limited
4. GMR Energy Limited
5. GMR Estates & Properties Private Limited
6. GMR Ferro Alloys & Industries Private Limited
7. GMR Highways Private Limited
8. GMR Industries Limited
9. GMR Mining & Energy Private Limited
10. GMR Operations Private Limited
11. GMR Power Corporation Private Limited
12. GMR Projects Private Limited (earlier known as Natwest Constructions Private Limited)
13. Ideaspace Solutions Limited
14. Raxa Security Services Private Limited
15. Saci Sports Private Limited
16. Sri Varalakshmi Jute Twine Mills Private Limited
17. Sucharita Estates Private Limited
18. Vemagiri Power Generation Limited

For more details, please refer to the sections titled "History and Corporate Structure" and "Financial and Other Information of Group Companies" beginning on pages 119 and 279, respectively of this Red Herring Prospectus.

Promise vis-à-vis performance

Issuer

Our Company has not undertaken any public issues previously.

Listed ventures of Promoters

For more details please refer to the chapter titled "Financial and Other Information of Group Companies" on page 279 of this Red Herring Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has the following outstanding non convertible debentures as of March 31, 2006

(Rs. in million)

Sl. No.	Outstanding debentures issued in favour of	Value
1.	Life Insurance Corporation of India	30.00
2.	Life Insurance Corporation of India	60.00
3.	General Insurance Corporation of India	16.25
4.	General Insurance Corporation of India	32.50
5.	IL&FS Limited	300.00
6.	IL&FS Limited and UTI Bank Limited*	1,320.00
	Total	**1,758.75**

**The debentures are listed on BSE.*

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed a Share Transfers and Investor Grievance Committee on September 2, 2005 chaired by Mr. Udaya Holla with Mr. K.R. Ramamoorthy, Mr. B.V.N. Rao and MR. G.B.S. Raju as members. We have also appointed Mr. A.S. Cherukupalli as the Compliance Officer for this Issue with effect from September 9, 2005.

Similar mechanisms have been evolved for the listed companies under the same management within the meaning of Section 370(1)(B). For more details please refer to the section titled "Financial and other information for our Group Companies" beginning on page 279 of this Red Herring Prospectus.

Change in Statutory Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the statutory auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of resignation
S. Venkatadri and Co	May 11, 1996	August 31, 2005
Price Waterhouse	August 31, 2005	continuing

Capitalization of Reserves or Profits

Our Company has not capitalized its reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 24 of this Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the last five years.

SECTION VIII : ISSUE INFORMATION

Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the FIPB letters in relation to this Issue, the terms of the, Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, Registrar of Companies, Reserve Bank of India and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Board of Directors has pursuant to a resolution dated September 2, 2005 read with Board resolution dated February 2, 2006, authorized the Issue. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on February 28, 2006. The Board of Directors has pursuant to a resolution dated September 2, 2005 read with resolution dated February 2, 2006 authorized a committee of its Directors referred to as the Management Committee (earlier known as the Group Executive Council) to take decisions on behalf of the Board in relation to the Issue.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The Person in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and/or other corporate benefits, if any, declared by the Company after the date of allotment. Any dividend and/ or other corporate benefits in relation to Equity Shares in respect of which corporate action for credit of fully paid shares to the demat accounts of shareholders has not been executed shall be subject to the Company's lien for the unpaid amount on the shares.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Face Value and Issue Price

The face value of the Equity Share is Rs. 10. The Issue Price is Twenty One (21) times of the face value at the lower end of the price band and Twenty Five (25) times at the higher end of the price band.*

* *The Issue Price (determined on completion of the Book Building Process) for Non-Institutional Bidders and QIBs is Rs. [●] per Equity Share. Issue Price (determined on completion of the Book Building Process) for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) will be Rs. [●] per Equity Share, which is at a 5% discount to the Issue Price determined for Bidders in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutional Bidders and QIBs.*

At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/ splitting, please refer to the section titled "Description of Equity Shares" beginning on page 389 of this Red Herring Prospectus and the section titled "Main Provisions of Articles of Association of GMR Infrastructure Limited" on page 391 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of 25 Equity Shares. For details of allocation and allotment, refer to the section titled "Issue Procedure" beginning on page 363 of this Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Bangalore, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the Equity Shares are partly paid up, the nominee will be liable for payment of balance amount and interest thereon on the said Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or to the Registrar to the Issue and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the net offer to public, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Arrangements for disposal of odd lots

There are no arrangements for disposal of odd lots.

Restrictions on transfer of shares and alteration of capital structure

There are no restrictions on the transfer and transmission of Equity Shares and on their consolidation/splitting up except as provided in the section titled "Articles of Association of GMR Infrastructure Limited" on page 391 of this Red Herring Prospectus.

Issue Procedure

The Red Herring Prospectus reflects the changes made to the SEBI Guidelines in relation to the refunds to the applicants by way of NEFT/ECS/RTGS pursuant to the SEBI Circular SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006. However, we may make certain other changes in the relevant sections of the Red Herring Prospectus to reflect the position arising out of the amendments brought in to the SEBI Guidelines by the terms of the SEBI circular dated January 20, 2006, pursuant to further internal consultations with Stock Exchanges, the Registrar and other intermediaries.

Book Building Procedure

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. The BRLMs
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs; and
4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 (“SCRR”), this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Offer to the Public will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Offer to the Public cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Offer to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Offer to the Public will be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 1,00,000) will be at a 5% discount to the Issue Price determined for Bidders in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutaional Bidders and QIBs.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” on page 361.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 364);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure -'PAN' or 'GIR' Number" on page 381); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	**Colour of Bid-cum-Application Form**
Indian public, including resident QIBs, Non-Institutional Bidders and Retail Bidders applying on a non-repatriation basis	White
Eligible NRIs, Non Resident QIBs, etc. applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion	Pink

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI, on a repatriation basis;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As may be permitted by applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;

- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

As per existing regulations, OCBs are prohibited from investing in this Issue.

Note: The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Payment Methods

For Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 1,00,000), two payment methods are available. The details of the payment method are given below. Payment Method I is not available to Bidders in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutional Bidders and QIB Bidders.

Amount payable per Equity Share	**Payment Method I**			**Payment Method II**		
	(only for Retail Bidders and Bidders in the Employee Reservation Portion)* **			**Retail Bidders and Bidders in the Employee Reservation Portion**	**Non-Institutional Bidders**	**QIBs**
	Face value	**Premium**	**Total**			
Amount Payable on Application	Rs.5 (per Equity Share, irrespective of the Bid)	Rs.120 (per Equity Share, irrespective of the Bid)	Rs.125 (per Equity Share, irrespective of the Bid)	100% of the Bid	100% of the Bid	10% of the Bid
Amount payable on allocation but before allotment	NA	NA	NA	NA	NA	90% of the Bid
By Due Date for Balance Amount Payable	Rs.5	Rs. ●*	Rs. ●*	NA	NA	NA
Total**	**Rs. 10**	**Rs. ●***	**Rs. ●***	**Rs. ●***	**Rs. ●***	**Rs. ●***

* *To be determined after the book building process is complete and the Issue Price is finalized.*

** *The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) will be Rs. [●] per Equity Share, which is at a 5% discount to the Issue Price.*

*** *For Bids upto Rs. 1,00,000.*

Key Features of the Payment Methods

1) Payment Method - I ("Payment Method – I")

a) Only Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 1,00,000) are eligible for this method. ***(Investors may note that the total bid amount will be used to determine if a bid is in categories or not, and not just the amount payable on application).***

Payment Method I is not available to Bidders in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutional Bidders and QIB Bidders.

b) While bidding, the Bidder shall make a payment of Rs. 125 per Equity Share, irrespective of the Bid Amount.

c) Out of the amount of Rs. 125 paid while bidding, Rs. 5 would be adjusted towards face value of the Equity Shares and Rs. 120 shall be towards share premium.

d) At the time of allotment

i) If the amount paid by the Bidder is equal to or higher than the total amount payable (being the Issue Price multiplied by the number of shares allotted) by the Bidder on the Equity Shares allotted to the Bidder, we reserve the right to adjust the excess amount towards the Balance Amount Payable and issue fully paid Equity Shares only. The excess amount, if any, after adjusting the Balance Amount Payable shall be refunded to the Bidder (i.e., Refund equals total amount paid on bidding minus the total amount payable on the shares allotted).

ii) If the amount paid by the Bidder is less than the total amount payable by the Bidder (being the Issue Price multiplied by the number of shares allotted) on the Equity Shares allotted to the Bidder, we reserve the right to adjust any excess of the amount received from the Bidder over the Amount Payable on Application towards the Balance Amount Payable**.** Such adjustment shall first be made towards the balance premium payable on Equity Shares allotted to the Bidder and any excess thereafter will be adjusted against the remaining face value payable on Equity Shares allotted to the Bidder.

e) Equity Shares in respect of which the Balance Amount Payable remains unpaid may be forfeited, at any time after the Due Date for payment of Balance Amount Payable. The Company reserves the right to charge interest at the rate of 15 percent per annum on the Balance Amount Payable from the Due Date for payment of Balance Amount Payable till the date of payment or forfeiture. Any payment received by the Company, after interest has become due on such Equity Shares (prior to forfeiture), shall first be adjusted towards the interest due in this behalf, then balance premium payable on each Equity Share and any excess thereafter will be adjusted against the remaining face value payable on each Equity Share.

f) Indicative timetable for payment and corporate action with respect to Balance Amount Payable under d(ii) above:

Sl. No.	**Event**	**Indicative Time Period (On or around)**
1	(i) Basis of Allotment finalized with the Stock Exchanges	Day X – 9
	(ii) Allotment Notice, including a statement of Balance Amount Payable per allotted share, issued to the shareholders	
2	Listing of Shares	Day X
3	Period (21 days) during which shareholders may make payment for the Balance Amount Payable (at the designated bank branches to be announced)	Day X + 12
4	Corporate action for appropriation of Balance Amount Payable and for credit of fully paid shares to the demat accounts of shareholders who have paid the amount *	Day X + 26

* *Investors please note that these shares will not be traded until the date of corporate action for credit of fully paid shares to the demat accounts of shareholders. See "Risk Factors" on page xxxiii.*

2) Payment Method II ("Payment Method II")

a) Retail Bidders and Bidders in the Employee Reservation Portion can choose this method instead of Payment Method I. Bidders in Employee Reservation Portion bidding for more than Rs. 1,00,000, Non-Institutional Bidders and QIBs will not have the option of Payment Method I.

b) While bidding under Payment Method II, the Retail Bidders, Bidders in the Employee Reservation Portion and Non-Institutional Bidders shall make the full Bid payment (Bid Amount multiplied by number of Equity Shares bid) for the shares bid. However, QIB Bidders will be required to make payment of 10% of the Bid Amount multiplied by the number of Equity Shares bid for, with the balance being payable on allocation but before allotment.

3) Illustration of Payment Methods ***(Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)***

a) Assumptions:

- Issue Price Rs. 100 per Equity Share, subject to a 5% discount for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids up to Rs. 100,000).
- We exercise the option to adjust the excess amount received on Application
- Under Payment Method–I, Rs. 10 per share is payable on Application, of which Rs. 9 is apportioned to face value and Rs. 1 to premium

Amount payable per Equity Share	Payment Method I (only for Retail Bidders and Bidders in the Employee Reservation Portion)**			Payment Method II		
	Face value	Premium	Total	Retail Bidders and Bidders in the Employee Reservation Portion	Non-Institutional Bidders	QIBs
Amount Payable on Application	Rs. 9 (per Equity Share, irrespective of the Bid)	Rs. 1 (per Equity Share, irrespective of the Bid)	Rs. 10 (per Equity Share, irrespective of the Bid)	100% of the Bid	100% of the Bid	10% of the Bid
Amount payable on allocation but before allotment	NA	NA	NA	NA	NA	90% of the Bid
By Due Date for Balance Amount Payable	Rs. 1	Rs. 84	Rs. 85	NA	NA	NA
Total*	**Rs. 10**	**Rs. 85**	**Rs. 95**	**Rs. 95**	**Rs. 100**	**Rs. 100**

* *The Issue Price determined on completion of the Book Building Process for Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000) will be Rs. 95 per Equity Share, which is at a 5% discount to the Issue Price determined for Bidders in Employee Reservation Portion (for more than Rs. 1,00,000), Non-Institutional Bidders and QIBs. Such differential amount shall be adjusted against the Balance Amount Payable (in case of Payment Method I) or the Bid Amount payable (in case of Payment Method II) or be refunded to the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), as the case may be.*

** *For Bidding upto Rs. 1,00,000.*

b) Comparison of Payment Methods (for Retail Bidders and Bidders in the Employee Reservation Portion):

	Illustration 1		Illustration 2		Illustration 3		Illustration 4		Illustration 5	
Payment Method[1]	**I**	**II**	**I**	**II**	**I**	**II**	**I**	**II**	**I**	**II**
Application (No. of Equity Shares)	150		100		200		300		500	
Subscription (times)	3		2		1.33		1.50		10	
Allotment (No. of Equity Shares)[2]	50		50		150		200		50	
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Amount paid on Application	1,500	15,000	1,000	10,000	2,000	20,000	3,000	30,000	5,000	50,000
Refund, if any[3]	Nil	10,000	Nil	5,000	Nil	5,000	Nil	10,000	Nil	45,000
By Due Date, for Balance Amount Payable	3,500	Nil	4,000	Nil	13,000	Nil	17,000	Nil	Nil	Nil
Total	5,000	5,000	5,000	5,000	15,000	15,000	20,000	20,000	5,000	5,000
Type of Equity Share issued	Non-tradable until corporate action for appropriation of Balance Amount Payable	Fully paid up and tradable	Non-tradable until corporate action for appropriation of Balance Amount Payable	Fully paid up and tradable	Non-tradable until corporate action for appropriation of Balance Amount Payable	Fully paid up and tradable	Non-tradable until corporate action for appropriation of Balance Amount Payable	Fully paid up and tradable	Fully paid up and tradable	Fully paid up and tradable

(1) *Payment Method I is available only to Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 1,00,000).*

(2) *Assuming allotment arrived based on the Basis of Allocation and as per the mechanism described in the section titled "Issue Procedure" beginning on page 363 of this Red Herring Prospectus and approved by the Stock Exchanges.*

(3) *The Issue Price, which is payable by the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), will be at a 5% discount compared to the Issue Price for Bidders in the Employee Reservation Portion (for Bids more than Rs. 100,000), the Non-Institutional Bidders and the QIBs. Such differential amount shall be adjusted against the Balance Amount Payable (in case of Payment Method I) or be refunded to the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), as the case may be.*

c) In the event the Issue under the retail category and the employee reservation portion is oversubscribed by 10 or more times as explained in the Illustration 5 above, no further amount will be payable by the successful bidders under Payment Method-I on allotment. Excess amount after adjusting the full amount payable for the shares allotted will be refunded alongwith the discount, if any.

d) In the event the Issue under the retail category and the employee reservation portion is subscribed less than 10 times as explained in Illustration 1 to 4 above, the successful bidders under Payment Method-I will be required to pay the Balance Amount Payable, less the discount offered.

The balance amount shall be paid by the Due Date for Balance Amount Payable.

4) Retail Bidders and Bidders in the Employee Reservation Portion should indicate the choice of Payment Method (i.e. Payment Method-I or Payment Method-II as applicable) in the Bid cum Application Form, subject to the Bidder's eligibility for the Payment Method. Once the choice is indicated, the Retail Bidders and Bidders in the Employee Reservation Portion should not revise the selection. No Retail Bidder or Bidder in the Employee Reservation Portion can select both payment methods in a Bid cum Application Form. **In case no payment method is selected, then the default payment method is Payment Method – II.**

In accordance with the terms of the Issue, relevant Retail Bidders and Bidders in the Employee Reservation Portion shall be required to make the payment of the Balance Amount Payable by the Due Date for Balance Amount Payable. Relevant Retail Bidders and Bidders in the Employee Reservation Portion shall be notified of the Balance Amount Payable simultaneously with the approval of the Basis of Allotment by the Stock Exchanges.

5) **Important note**: If Bidders who opt for Payment Method I do not pay the Balance Amount Payable, the amount raised through the Issue will be lower than the proposed Issue size. Further, shares issued to such investors who opt for Payment Method-I will not be traded until the corporate action for credit of fully paid shares is completed. Please note that all payments received from Bidders who opt for Payment Method I shall first be adjusted towards the balance premium payable on each Equity Share and any excess thereafter will be adjusted against the remaining face value payable on each Equity Share. Equity Shares in respect of which the Balance Amount Payable remains unpaid may be forfeited, at any time after the Due Date for payment of Balance Amount Payable. The Company reserves the right to charge interest at the rate of 15 percent per annum on the Balance Amount Payable from the Due Date for payment of Balance Amount Payable till the date of payment or forfeiture. The shortfall due to forfeiture shall be made up by re-issue of the forfeited shares. Besides, as disclosed under "Objects of the Issue – (General Corporate Purposes)" on page 34 of this Red Herring Prospectus, any excess amount raised through equity over and above Rs. ● million is available to be utilised towards meeting such shortfall. In accordance with our Articles of Association, we shall have a first and paramount lien on all partly paid Equity Shares and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures.

6) The Balance Amount Payable as per the allotment notice issued by us, if any, may not be paid and the amount raised through the Issue may be lower than the proposed Issue. Further, shares, if any, issued unless the over-subscription amount is equal to or in excess of the Balance Amount Payable, will not be traded after the allotment has been made until the Balance Amount Payable is received and corporate action for appropriation of the amounts received towards Balance Amounts Payable is taken. In this Issue, Retail Bidders and Bidders in the Employee Reservation Portion opting for Payment Method I shall be required to make the payment of the Balance Amount Payable by the Due Date for Balance Amount Payable. Such payments shall first be adjusted towards the balance premium payable on the Equity Shares allotted to the Bidders and any excess thereafter will be adjusted against the remaining face value payable on Equity Shares allotted to the Bidders. We shall issue the allotment notice simultaneously with the approval of the Basis of Allotment by BSE. The process of corporate action to make the partly paid up shares to fully paid up shares may take about two weeks from the last date of payment of the Balance Amount Payable or from the date of receipt of Balance Amount Payable, whichever is later. The notice of the Balance Amount Payable will be published in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper along with the statutory advertisement for the Basis for Allotment

7) The Issue Price, which is payable by the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), will be at a 5% discount compared to the Issue Price for the Bidder in the Employee Reservation Portion (for Bids more than Rs. 1,00,000), Non-Institutional Bidders and the QIBs. Such differential amount shall be adjusted against the Balance Amount Payable (in case of Payment Method I) or be refunded to the Retail Bidders and Bidders in the Employee Reservation Portion (for Bids upto Rs. 100,000), as the case may be.

Procedure for applications by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 1,129,110 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, offices of the members of the Syndicate and the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital, i.e. 33,108,400 Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid up capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI, respectively. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed the limits prescribed under these regulations.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Bidders in the Employee Reservation Portion: The Bid by Eligible Employees must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 500,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

(b) For Retail Bidders: The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Share thereafter, so as to ensure that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. ***(Investors may note that Total Bid amount is not just the amount payable at application but the entire amount payable for the bid including the amount payable by the Due Date for Balance Amount Payable)*** In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(c) For Non-Institutional Bidders and QIBs: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Offer to the Public. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.

(d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section titled "Issue Procedure - Bids at Different Price Levels" on page 371 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 373 of this Red Herring Prospectus.

(f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

(g) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Collection Accounts" on page 372 of this Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 210 to Rs. 250 per Equity Share of Rs. 10 each, Rs. 210 being the lower end of the Price Band and Rs. 250 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (Rupee One).

(b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended in accordance with the SEBI DIP Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the web sites of the BRLMs, and at the terminals of the Syndicate Members.

(d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(f) Retail Bidders and Bidders in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Bidders and Bidders in the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Bidders and Bidders in the Employee Reservation Portion who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Bidders and Bidders in the Employee Reservation Portion shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Bidders and Bidders in the Employee Reservation Portion can either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Bidders or Bidders in the Employee Reservation Portion, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 for Retail Bidders or Bidders in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Bidders and Bidders in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure" on page 363 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid cum Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid cum Application Form. An illustrative table of the Payment Method is provided herein ***(Investors may note that this table is provided solely for illustration purposes and is not specific to this Issue)*****:**

Assuming the Issue Price is Rs. 100 per Equity Share.

Amount payable per Equity Share	**Payment Method I** (only for Retail Bidders and Bidders in the Employee Reservation Portion)*			**Payment Method II**		
	Face value	**Premium**	**Total**	**Retail Bidders and Bidders in the Employee Reservation Portion**	**Non-Institutional Bidders**	**QIBs**
Amount Payable on Application	Rs. 9 (per Equity Share, irrespective of the Bid)	Rs. 1 (per Equity Share, irrespective of the Bid)	Rs. 10 (per Equity Share, irrespective of the Bid)	100% of the Bid	100% of the Bid	10% of the Bid
Amount payable on allocation but before allotment	NA	NA	NA	NA	NA	90% of the Bid
By Due Date for Balance Amount Payable	Rs. 1	Rs. 89	Rs. 90	NA	NA	NA
Total	**Rs. 10**	**Rs. 90**	**Rs. 100**	**Rs. 100**	**Rs. 100**	**Rs. 100**

* For Bids upto Rs. 100,000.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Bidders and Bidders in the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 363 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. QIBs will be required to deposit a margin of 10% at the time of submitting of their Bids.

If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres and the websites of BSE and NSE during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor (Investors should ensure that the name given in the Bid-cum-Application Form is exactly the same as the Name in which the Depositary Account is held. In case the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.)
- Investor Category – Individual, Eligible Employee, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Amount.
- Bid-cum-Application Form number.
- Whether Margin Amount has been paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotted either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Bidders in the Employee Reservation Portion, Retail Bidders and Non-Institutional Bidders, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure" on page 382 of this Red Herring Prospectus.

(h) The permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders..

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the Company in consultation with the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

(b) The Company, in consultation with the BRLMs, shall finalise the "Issue Price".

(c) The allocation to QIBs of at least 60% of the Net Offer to the Public (including 5% specifically reserved for Mutual Funds) and allocation to Non-Institutional Bidders of upto 10% and Retail Bidders of upto 30% of the Net Offer to the Public, and to Bidders in the Employee Reservation Portion will be on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs. **However, if the aggregate demand by Mutual Funds is less than 1,129,110 Equity Shares (assuming QIB Portion is 60% of the Net Offer to the Public, i.e. 22,582,188 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** If a minimum allotment of at least 60% of the Net Offer to the Public is not made to the QIBs, the entire subscription monies shall be refunded.

(e) Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for Bidders in the Employee Reservation Portion, Retail Bidders and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as set forth under the chapter “Terms of Issue” of this Red Herring Prospectus.

Signing of Underwriting Agreement and ROC Filing

(a) The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with ROC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 (fifteen) days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within 15 (fifteen) days from the Bid/Issue Closing Date.

(b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Eligible Employee Bid Cum Application Form (pink in colour) as the case may be;

c) Retail Bidders and Bidders in the Employee Reservation Portion should indicate the choice of Payment Method (i.e. Payment Method-I or Payment Method-II as applicable) in the Bid cum Application Form, subject to the Bidder's eligibility for the Payment Method. **In case no payment method is selected, then the default payment method is Payment Method – II.**

d) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

e) Investor must ensure that the name given in the Bid-cum-Application Form is exactly the same as the Name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;

f) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

g) Ensure that you have been given a TRS for all your Bid options;

h) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

i) Ensure that the Bid is within the Price Band;

j) Submit the Bid with the applicable Margin Amount; Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

k) QIBs shall submit their bids only to the BRLMs or Syndicate Members duly appointed in this regard.

l) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and

m) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

a) Do not bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

f) Do not Bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

g) Do not Bid at Bid Amount exceeding Rs 100,000 (for Retail Bidders);

h) Do not Bid for Equity Shares exceeding 500,000 (Bidders in the Employee Reservation Portion);

i) No Retail Bidder or Bidder in the Employee Reservation Portion can select both payment methods (i.e. Payment Method I and Payment Method II) in a Bid cum Application Form.

j) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid exceeds the Net Offer to the Public and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

k) Do not submit Bid accompanied with Stockinvest.

l) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions For Completing The Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour or blue colour or pink colour).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) For Bidders in the Employee Reservation Portion, the Bid must be for a minimum of 25 Equity Shares and in multiples of 25 thereafter, subject to a maximum Bid for 500,000 Equity Shares.

(d) For Retail Bidders, the Bid must be for a minimum of 25 Equity Shares and in multiples of 25 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100,000 and in multiples of 25 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent employee or Director of the Company (or its Subsidiaries) as on July 31, 2006, who is an Indian National based in India and is physically present in India on the date of submission of the Bid-cum-Application Form. In addition, such person should be an employee or Director till the Bid/Issue Closing Date. Promoter Directors are not eligible to be treated as Eligible Employees.

1. Bids by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., pink colour form). Bidders in the Employee Reservation Portion should select either one of Payment Method I or Payment Method II. If no payment method is selected, the default will be Payment Method II.
2. Eligible Employees should mention their Employee identification number at the relevant place in the Bid cum Application Form.
3. The sole/first Bidder should be an Eligible Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.
5. Eligible Employees who apply or bid for securities of a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off.
6. Eligible Employees can also separately bid in the "Net Offer to the Public" and such bids shall not be treated as multiple bids.
7. The maximum Bid in this category should not exceed 500,000 Equity Shares.
8. If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any under-subscription in the Employee Reservation Portion would first be allowed to be met with spill over from the Retail portion and thereafter from any of the other categories at our discretion, in consultation with BRLMs.
9. If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 25 Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Basis of Allotment" on page 384 of this Red Herring Prospectus.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Banks nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation;
4. By other eligible non-resident Bidders, for a minimum of such number of Equity Shares and in multiples of 25 thereafter that the Bid Amount exceeds Rs. 100,000.
5. For further details, please refer to the section titled 'Issue Structure' on page 42 of this Red Herring Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company requires approvals from FIPB and/or RBI for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs and foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. Our Company has received letters dated December 19, 2005 and June 2, 2006 from the FIPB stating that the proposal of FII/NRI investment under the Portfolio Investment Scheme for FIIs registered with SEBI and NRIs does not require FIPB approval. Similarly, FVCIs registered with SEBI also are governed under SEBI's Regulation in consonance with FDI Policy.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation/Allotment in the Issue.

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   (a) In case of Bidders in the Employee Reservation Portion: "Escrow Account –GIL IPO – Eligible Employees"

   (b) In case of Resident QIB Bidders: "Escrow Account –GIL IPO – QIB - R"

   (c) In case of Non Resident QIB Bidders: "Escrow Account –GIL IPO – QIB - NR"

   (d) In case of Resident Retail Bidders: "Escrow Account –GIL IPO - Retail - R"

   (e) In case of Non-Resident Retail Bidders: "Escrow Account –GIL IPO - Retail - NR"

   (f) In case of Resident Non-Institutional Bidders: "Escrow Account –GIL IPO – Non-Institutional - R"

   (g) In case of Non-Resident Non-Institutional Bidders: "Escrow Account –GIL IPO – Non-Institutional - NR"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated/allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account of the Company.

7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/ allotment to the Bidders.

10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

Bids made by Eligible Employees both under Employee Reservation Portion as well as in the Net Offer to the Public shall not be treated as multiple Bids. Our Company reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/ quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Our Right To Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Bidders in the Employee Reservation Portion, Retail Bidders and Non-Institutional Bidders, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds For Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional, QIB Bidders and by Eligible Employees bidding for a value more than Rs. 100,000;
11. Bids for number of Equity Shares which are not in multiples of 25;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid-cum-Application Forms does not have the stamp of the BRLMs, or Syndicate Members;
18. Bid-cum-Application Forms does not have Bidder's depository account details;
19. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by employees of the Company (or Subsidiaries) who are not Indian nationals and are not in India on the date of submission of the Bid-cum-Application Form in the Issue;
23. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the U.S. Securities Act of 1933;
24. Bids under Employee Reservation Portion for more than 500,000 Equity Shares.

25. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same at page 369 of this Red Herring Prospectus;

26. Bids not duly signed by the sole/joint Bidders;

27. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Equity Shares In Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated June 7, 2006 with NSDL, the Company and the Registrar to the Issue;

b) Agreement dated April 24, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Disposal of Applications and Application Moneys and Interest In Case Of Delay

The Company shall ensure dispatch of Allotment advice, refunds and give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section titled "Issue Procedure" on page 386 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The Registrar will send the electronic files with the refund data to the Bankers to the Issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk;and
- We shall pay interest at the rate of 15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. For Employee Reservation Portion

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

- Bids received from the Bidders in the Employee Reservation Portion at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Bidders in the Employee Reservation Portion to the extent of their demand.
- If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares. For the method of proportionate basis of allocation, refer below.
- Undersubscription in the Employee Reservation Portion, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.

B. For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Bidders will be made at the Issue Price.
- The Net Offer to the Public less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 11,291,094 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 11,291,094 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 11,291,094 Equity Shares. For the method of proportionate basis of allotment, refer below.

C. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Offer to the Public less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 3,763,698 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 3,763,698 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 3,763,698 Equity Shares. For the method of proportionate basis of allotment refer below.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders (including mutual funds) who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment to the QIBs shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allotment to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.
- The minimum allotment to QIB Bidders shall be up to 22,582,188 Equity Shares.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 Equity Shares; and

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate Allotment to a Bidder is a number that is more than 25 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of Allotment or Refund Orders

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- **Dispatch of refund orders**

  Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue; and
- **Interest in case of delay in dispatch of allotment letters/refund orders**

  We shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Modes of Refund

The payment of refund, if any, shall be undertaken in the following order of preference:

1. NEFT

   Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

2. ECS

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centers.

3. Direct Credit

   Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

4. RTGS

   Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

   Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders /allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

- The utilisation of monies received under the Employee Reservation Portion shall be disclosed under an appropriate head of the balance sheet indicating the purpose for which such monies have been utilised.
- The details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment under the automatic route in an infrastructure company engaged in the power sector and roads sector is permitted up to 100% of such company's shareholding while in the airports sector, investments are permitted up to 74%. However, in respect of investing companies in the infrastructure/service sector, foreign direct investment in such investing company should not exceed 49% and the management of the investing company should remain with the Indian owners. Further, the automatic route is not available.

RBI has granted general permission under FEMA in respect of proposals approved by the Government. Indian companies getting foreign investment approval through FIPB route do not require any further clearance from RBI for the purpose of receiving inward remittance and issue of shares to the foreign investors. Such companies are however required to notify the concerned regional office of the RBI of receipt of inward remittances within 30 days of such receipt and to file the required documents with the concerned regional office within 30 days of issue of shares to the foreign investors or NRIs.

Our Company has received letters dated December 19, 2005 and June 2, 2006 from the FIPB stating that the proposal of FII/NRI investment under the Portfolio Investment Scheme for FIIs registered with SEBI and NRIs does not require FIPB approval. Similarly, FVCIs registered with SEBI also are governed under SEBI's Regulation in consonance with FDI Policy.

Foreign Investment

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). As stated above, in the case of investing companies in the infrastructure/service sector, foreign direct investment in such investing company should not exceed 49% and the management of the investing company should remain with the Indian owners. Further, the automatic route is not available.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and the transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap subsequent to the approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of a company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post- issue paid up capital of a company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits prevailing under the relevant laws or regulations.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Description of Equity Shares

Described below is the material information concerning our share capital and a brief summary of the material provisions of the Companies Act, or Companies Act, and our charter documents. Certain provisions will be applicable upon our Equity Shares being listed on the Stock Exchanges. The following description is not complete and should be read in conjunction with our Memorandum of Association and our Articles of Association, and the relevant provisions of the Companies Act.

General

Our authorized share capital is Rs. 4,000,000,000 divided into 400,000,000 equity shares, each with par value of Rs. 10. The equity shares are our only class of share capital. However, our Articles and the Companies Act permit us to issue classes of securities other than equity shares. For the purposes of this Red Herring Prospectus, "shareholder" means a shareholder who is registered as a member in the register of members of our Company.

Dividends

Under the Companies Act, unless our Board, recommends the payment of a dividend, we may not declare a dividend. Furthermore, our shareholders at a general (shareholders) meeting may declare a dividend lower than, but not higher than the dividend recommended by our Board. Furthermore, such dividend shall be declared or paid by us only out of our profits for that year arrived at after providing for depreciation in accordance with the relevant provisions of the Companies Act, or out of our profits for any previous financial year(s), after providing for depreciation, and which remain undistributed, or out of both. Similarly, under our Articles, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the Board, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares subject to the limitations described above. The dividend recommended by the Board and approved by our shareholders is distributed and paid to shareholders in proportion to the paid up value of their shares within thirty (30) days of such approval by the shareholders at the annual general meeting. Apart from paying interim dividends, which the Board may do at their discretion, where the company's profit warrant such payment before the holding of the annual general meeting, a final dividend for any financial year can be declared and paid only when the balance sheet and profit and loss account are presented to the shareholders at the annual general meeting, and the shareholders after consideration of the amount recommended by the Board approve the same, or such lesser amount as may appear to them to be reasonable. Pursuant to our Articles, our Board has discretion to declare and pay interim dividends without shareholder approval. Under the Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the annual general meeting or to their order or their banker's order. The Companies Act provides that any dividends that remain unpaid or unclaimed after the 30-day period following the annual general meeting at which such dividend is declared are to be transferred to a special bank account and any dividends that remain unclaimed and unpaid for seven years from the date of such transfer is transferred to a fund created by the Indian government. No claims for the payment of unpaid or unclaimed dividends have been made against us.

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required under the Companies Act and Companies (Transfer of Profits to Reserves) Rules, 1975 to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10% depending upon the dividend percentage to be declared in such year. The Companies Act read with the Companies (Declaration of Dividend out of Reserves) Rules, 1975 further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions:

(i) the rate of dividend to be declared may not exceed ten percent (10%) of the company's paid up capital, or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less;

(ii) the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to ten percent (10%) of the company's paid up capital and free reserves, provided the amount so drawn is used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and

(iii) the balance of reserves after withdrawals shall not fall below fifteen percent (15%) of the company's paid up capital.

Annual General Meetings of Shareholders

We must convene an annual general meeting of shareholders within fifteen months after the date of the previous annual general meeting or 6 months from the end of each financial year, whichever is earlier, and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least ten percent (10%) of our paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by our secretary pursuant to a resolution of the

Board. Written notice setting out the agenda of the meeting must be given at least twenty-one (21) days, excluding the days of mailing and date of the meeting, prior to the date of the general meeting to the shareholders of record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. The annual general meeting of shareholders must be held at our registered office, or at such other place, within the city in which the registered office is located as the Board may decide to be the venue of the meeting. Meetings other than the annual general meeting may be held at any other place if so determined by our Board. Our registered office is located at Skip House, 25/1 Museum Road, Bangalore 560 025.

Our Articles provide that a quorum for a general meeting is the presence of at least five shareholders in person.

Voting Rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least ten percent (10%) of the total shares entitled to vote on the resolution, or by those holding shares with an aggregate paid up capital of at least fifty thousand Indian rupees (Rs. 50,000). A poll may also be ordered by the chairman of the meeting of his own motion. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. In the case of partly paid up shares, the company may make calls on its shareholders at various times for payment of the remaining unpaid amounts and such calls have to be paid by the shareholders in cash. There may be restrictions on exercise of voting right in case of shareholders who have not paid their calls on partly paid-up shares.

Any shareholder may appoint another person (whether a shareholder or not) as his proxy. The instrument appointing a proxy must be delivered to us at least forty-eight (48) hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, special resolutions are required for major matters such as amendments to our Articles or the Memorandum, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution, whether by show of hands or poll, are not less than three times the number of votes, if any, cast against the resolution.

The Companies Act allows a company to issue shares with different rights to dividend, voting or otherwise, subject to certain conditions prescribed under the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001. These rules require that for a public company to issue shares with different voting rights the company must have had distributable profits as provided in the Companies Act for a period of three financial years, the company should not have defaulted in filing annual accounts and annual returns for the immediately preceding three years and that the Articles of Association of the company allow for the issuance of such shares with different voting rights.

Proposed Amendments to the Companies Act

The Ministry of Company Affairs, Government of India, on August 4, 2004, introduced a concept paper with the objective of replacing the existing Companies Act with a re-codified act which will remove redundant provisions, streamline certain existing sections, rearrange inter-related sections dealing with the same topic giving them their proper priority, and place procedures prescribed in the act as part of separate rules.

The concept paper is only an approach to the introduction of a re-codified bill in the Indian Parliament and comments by the public were invited to this concept paper (until October 31, 2004). The concept paper has not yet been vetted by the Legislative Department, Ministry of Law, Government of India. These proposals would have legal effect only after the bill, if any, has been passed by the Indian Parliament re-codifying the Companies Act and such bill has received the assent of the President of India.

Main Provisions of the Articles of Association of GMR Infrastructure Limited

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act I of 1956) shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

Article No.	Heading	Details
2		DEFINITIONS
	"IDF"	means India Development Fund, a unit scheme of IDFC Infrastructure Fund, a trust created under the Indian Trusts Act, 1882, which is a venture capital fund registered under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, having its office at 17, Vaswani mansion, 3rd Floor, Dinshaw Vachha Road, Churchgate, Mumbai – 400 020, State of Maharashtra, of which IDBI Trustee Company is the trustee, acting through its investment manager IDFC Private Equity Company Limited ("IDFC PE") a company registered in India under the Companies Act, 1956 having its registered office at 17, Vaswani mansion, 3rd Floor, Dinshaw Vachha Road, Churchgate, Mumbai – 400 020.
	"Investor Director"	means a Director nominated by IDF and appointed by the Company in accordance with Article 199A.
	"IPO"	means an initial offering of the Company's Shares to the public or other category of investors (whether in India or otherwise) by the Company and/or its Shareholders, as provided in the SHA, in compliance with applicable law pursuant to which the Company's Shares are listed and traded on a stock exchange or securities market..
	"IPO Cut-Off Date"	means the date by which the Company and its Promoters shall make an IPO, viz., September 30, 2006.
	"Permitted Transferee"	means the following:
		(i) a Relative;
		(ii) a family trust where the beneficiaries are only GMR, GBSR, GKK, SB_and/ or the Relatives of GMR, GBSR, GKK and SB; or
		(iii) a company where the Promoters and the persons referred to in (i) and (ii) herein above directly hold 100% of the issued and paid up share capital; or
		(iv) a company where the Promoters and the persons referred to in (i) and (ii) herein above indirectly hold 100% of the issued and paid up share capital through entities which are wholly owned by them.
	"Promoter"	means each of the GMR Holdings, GMR, GBSR, GKK and SB and collectively referred to as "Promoters".
	Shareholders Agreement "SHA"	means the Shareholders Agreement dated April 19, 2006 by and among the Company and GMR Holdings and IDF and GMR and GBSR and GKK and SB and GMR Energy together with all the Schedules and Annexure annexed thereto as well as all the amendments and/or modifications thereof made pursuant to the provisions of the said Shareholders Agreement.
		CAPITAL
6A	Initial Public Offer (IPO):	The Company agrees and undertakes and the Promoters hereby agree and undertake to cause the IPO of the Shares of the Company by September 30, 2006.
6B	Further issue of shares prior to the IPO:	a) Notwithstanding anything contained in the preceding or following sub-clauses and at any point of time before the IPO of the Company, the Company shall be entitled to allot such number of equity shares as may be decided by the Company in its absolute discretion to preferred investors of the Company's choice to raise funding prior to the IPO, for an amount not exceeding Rs. 150 Crores (the "Pre-IPO Placement") without providing a right of first refusal to

Article No.	Heading	Details
		IDF in terms of Article 6C of the Articles, provided however that such investors are investors of repute and market standing. Any issue of shares to preferred investors in excess of said Rs. 150 Crores shall be subject to the right of first refusal granted in favour of IDF in terms of Article 6C of the Articles. Provided, further that all such shares shall be allotted upon such terms and conditions as may be agreed between the Company and such investors.
		b) In the event the Company provides such investors with any special rights which are not available to IDF, the Company shall also provide such rights to IDF
6C	IDF's right to subscribe to further shares:	a) Subject to the applicable law, rules and regulations, IDF shall have a right to invest an additional amount of up to Rs. 30 Crores (inclusive of share premium) in the Company's IPO. Such allotment shall be by way of a firm allotment if the regulations so permit. In the event the regulations do not so permit or in the event IDF's advisory board fails to grant permission to IDF to invest in an IPO of the Shares even after reasonable efforts are made in this regard by the IDF, the Company shall issue and allot to IDF the Shares up to an aggregate value of Rs.30 Crores to be invested by IDF in terms of Article 6C, prior to the IPO at the higher end of the indicative price band as suggested by the book running lead managers at that time.
		b) Subject to the regulations contained in Article 6C, in the event at any time before the IPO the Company proposes to issue Shares to any preferred investors in excess of the permitted Pre-IPO Placement (the "Trigger Event"), then, IDF shall have a right of first refusal to subscribe to further Shares of the Company up to an aggregate value of up to Rs. 30 Crores. For that purpose the Company shall, before allotting any Shares to such person, give a prior written notice of twenty one (21) days ("GIL Notice") to IDF providing the number and class of Shares proposed to be issued to such third person, amount and form of consideration, the manner and time of payment and the proposed details of such proposed issue. Upon receipt of such notice, IDF shall have a right to purchase Shares up to the extent of Rs.30 Crores by providing a written notice ("IDF Acceptance Notice") to the Company within seven (7) days of receipt of the notice. Thereafter the transaction should be completed within the said twenty one (21) day period. The present right to first refusal in favour of IDF shall lapse in the event this right is not exercised by IDF and an equity placement transaction is concluded with any other person.
		FORFEITURE AND LIEN
37	If call or installment not paid notice may be given	If any Member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remain unpaid serve a notice on such Member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment.
38	Form of notice	The notice shall name a day (not being less than 14 days from the date of notice) and a place or places on and at which such call or installment, and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment on or before the time and at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.
39	If notice not complied with, shares may be forfeited.	If the requisitions of any such notice as aforesaid are not complied with any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Article No.	Heading	Details
40	Notice after forfeiture	When any shares shall have been so forfeited notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
41	Forfeited shares become property of Company	Any share so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such a manner as they think fit.
42	Power to annul forfeiture	The Board may, at any time before any share so forfeited shall have been sold, re allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.
43	Arrears to be paid not withstanding forfeiture	Any Member whose shares have been forfeited shall, notwithstanding anything contained above, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment, and the Board may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture which they shall not be under any obligation to do so.
44	Effect of forfeiture	The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share except such of those rights as by these Articles are expressly saved.
45	Evidence of forfeiture	A declaration in writing that the declarant is a Director or Secretary of the Company and that certain shares in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.
46	Effecting sale of shares	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinafter given, the Board may appoint some person to execute an instrument of transfer of the shares sold, cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damage only and against the Company exclusively.
47	Company's lien on shares/debentures	The Company shall have a first and paramount lien upon all the shares/ debentures (other than fully-paid shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. The Board may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this Article.
48	Notice to be given	For the purpose of enforcing such lien the Board may sell the shares subject thereto in such a manner as it thinks fit but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executors or, administrators or his committee, curator bonis, or other legal curator, and default shall have been made by him or them in the payment fulfillment, or discharge of such debts, liabilities or engagements until the expiry of seven days after such notice.
49	Application of proceeds of sale	The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such Members or engagements and the residue (if any) shall be paid to such Member, his heirs, executors, administrators, committee or curator.

Article No.	Heading	Details
50	Certificates of forfeited shares to be void	Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.
		TRANSFER AND TRANSMISSION OF SHARES
51A	Transfer of Shares:	a) Subject to the provisions of this Article 51A, a Shareholder of the Company shall not, directly or indirectly, Transfer any Shares or any legal or beneficial interest therein, except in compliance with this Article 51A.
		b) The Promoters of the Company along with the Permitted Transferee shall, at all times till the successful completion of IPO, hold a minimum of 51% of the issued and paid-up equity share capital of the Company. Provided that if prior to the successful completion of IPO, IDF has divested Shares in excess of 50% of the Shares (which holding shall be determined after taking into consideration any bonus, splitting of capital, reduction of capital, other than by way of buy-back and any other such corporate action which results in an increase/ reduction of the number of shares held without any act or omission of IDF) then the Promoters of the Company and the Permitted Transferee shall not be required to maintain 51% of the issued and paid equity capital of the Company. Provided, however that notwithstanding anything contained herein above, the Promoters shall continue to hold such percentage of the Shares in their capacity as "promoters" as required under the SEBI (Disclosures & Investor Protection) Guidelines, 2000, as amended from time to time.
		c) Each of the Promoters shall be entitled to Transfer inter se and to a Permitted Transferee, their shareholding in GIL without any restrictions at any point of time so long as prior intimation is provided to IDF.
		d) After the successful completion of IPO, the provision of the Articles 51A (a) and (b) above shall cease to be operative. Provided however, that the Promoters shall continue to hold such percentage of Shares and for such period of time as are required to be held by the Promoters in their capacity as "promoter" under the SEBI (Disclosures & Investor Protection) Guidelines, 2000, as amended from time to time.
		e) Promoters' Right to First Refusal 1. IDF shall be free to Transfer its Shares held in the Company in any manner whatsoever, subject to the Promoters' "rights of first refusal" under Article 51A(e)(2) below. Provided that notwithstanding anything to the contrary contained in these Articles, IDF shall not on its own account knowingly under any circumstances Transfer its equity Shares held in the Company to a competitor of the Company or its subsidiaries. It is clarified for the sake of abundant caution that the transferee shall not be entitled to any of the special rights granted to IDF under the Articles in any circumstances. 2. If IDF proposes to sell any of the Shares held by IDF in the Company to any person, then, it shall first give a written notice (the "IDF Offer Notice") to all the Promoters (the "Promoter Offerees"). The IDF Offer Notice shall state the number of Shares of the Company proposed to be sold (the "IDF Sale Shares") and the number and class of Shares of the Company IDF then owns; the proposed price, amount and form of consideration, the manner and time of payment (the "Proposed Payment Date"); the proposed date of consummation of the proposed sale and the proposed transferee; a representation that the proposed transferee stated in the IDF Offer Notice has been informed of the "right of first refusal"; and a representation that no consideration, tangible or intangible, is being offered which is not reflected in the proposed price (including a refund or a discount). Upon

Article No.	Heading	Details
		receipt of the IDF Offer Notice, the Promoter Offerees shall have the right collectively i.e. jointly and/or severally, to purchase all or some of the IDF Sale Shares offered to them, at the price stated in the IDF Offer Notice, by providing separate written notice to all the Promoter's Offerees (the "Promoters Acceptance Notice") within 30 business days after the date of receipt of the Offer Notice (the "Offer Period"), to IDF and the Company. In such an event, the Promoter Offerees shall pay for the IDF Sale Shares within 30 business days from the expiry of the Offer Period commencing from the date of acceptance of Offer or the Proposed Payment Date, whichever is later; and IDF shall simultaneously sell and deliver the IDF Sale Shares to such of the Promoter Offerees and in such proportion as is specified in the Promoters Acceptance Notice simultaneous with such payment. In the event the Promoter Offerees fail to pay for the IDF Sale Shares within 30 business days from the expiry of the Offer Period, or the Proposed Payment Date, whichever is later; then the matter shall be referred to arbitration in accordance with the terms of Article 214D. If the Promoters Acceptance Notice is not delivered to IDF prior to the expiry of the Offer Period, then subject to restriction contained in Article 51A(e)(1) above IDF shall be entitled to sell and transfer the IDF Sale Shares to the proposed transferee mentioned in the IDF Offer Notice on the same terms and conditions and for the same consideration as is specified in the IDF Offer Notice upon the expiry of the Offer Period. If completion of the sale and transfer to the proposed transferee does not take place within a period of 30 business days following the expiry of the Offer Period, IDF's right to sell the IDF Sale Shares to such transferee shall lapse and the provisions of this Article 51A(e)(2) shall once again apply to the IDF Sale Shares. Notwithstanding anything to the contrary contained above, it is hereby clarified that the Promoter Offerees may, in their sole discretion, designate any other person to acquire the IDF Sale Shares under the provisions of this Article 51A(e)(2). 3. Notwithstanding anything contained herein above but subject to the proviso contained in Article 51A(e) above, post IPO IDF shall be free and entitled to transfer to any person up to 50% of the Shares held by IDF in the Company per quarter without providing "rights of first refusal" under Article 51A(e)(2), to the Promoters.
		MODIFICATION OF RIGHTS OF SHARE HOLDERS
81	Power to modify rights to shareholders	If at any time the capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may be revised subject to the provisions of Sections 106 and 107 of the Act and all the provisions hereinafter contained as to General Meetings, shall apply mutatis mutandis, as regards meeting, if any, to be held for the purpose.
		GENERAL MEETINGS
91	Quorum	Five members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite be present at the commencement of the General Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act or its applicable internal procedures. Subject to the provisions hereunder, in case of Affirmative Vote Items IDF's presence would be required to constitute quorum.In the event, IDF is unable to attend the General meeting on a proposed date, the Investor Director shall at the Board Meeting called for approving the date of the General meeting, request to postpone the General meeting, in which case such General Meeting shall be postponed for a period of at least three (3) days. In the event, no such request of postponement is made by the Investor Director in the Board Meeting, the General Meeting shall be held in accordance with its agenda / notice including on the

Article No.	Heading	Details
		Affirmative Vote Items (if any) on the date fixed for the meeting. All resolutions at such General Meeting, at which IDF is not present shall be passed by majority and would not require any affirmative vote from the IDF provided that in the event IDF has already refused in writing to provide its affirmative vote on the Affirmative Vote Item to be discussed in the General Meeting, at any time prior to the General Meeting, such a resolution shall not be deemed to be passed in accordance with this Article.The right provided herein, to have IDF's presence for Affirmative Vote Items, in this Article shall cease to exist after the successful completion of IPO.
		VOTES OF MEMBERS
102	Votes of Members	On a show of hands every Member present in General Meeting in person shall have one vote and upon a poll every Member present in person or by proxy shall have one vote for every share held by him Provided that the holders of preference shares shall not be entitled to vote unless a resolution is proposed affecting rights or privileges of the holders of preference shares. A Member is not prohibited from exercising his voting rights on the ground that he had not held his shares or interest in the Company for any specified period preceding the date on which the vote is taken.
103	Votes in respect of shares of deceased or insolvent Members	Any person entitled under the Article 58 (Transmission of Shares) to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that 48 hours at least before the time of holding the General Meeting or adjourned General Meeting as the case may be at which he proposes to vote, he shall satisfy the Board of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such General Meeting in respect thereof.
104	Vote in case of lunacy	A Member who is of unsound mind, or in respect of an whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll through his committee or other legal guardian, and any such committee or guardian may on a poll vote by proxy.
105	Joint holders of any share	Where there are joint registered holders of any share the person first named in the register as the holder, may vote at any General Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint-holders thereof.
106	Proxy permitted	Votes may be given either personally or by power of proxy/representative to vote or by a duly authorized representative under Section 187 of the Act in case of a body corporate.
107	Instruments appointing Proxy	The instrument appointing proxy shall be in writing, and be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it. Any person may be appointed as a proxy and need not be a Member of the Company or qualified to vote save that body corporate being a Member of the Company may appoint its proxy any officer of such body corporate whether Member of the Company or not.
108	Instrument appointing a proxy to be deposited at the Office	The instrument appointing a proxy and the power of attorney (if any) under which it is signed or notarially certified copy of that power of authority shall be deposited at the Office not less than 48 hours before the time for holding the General Meeting or adjourned General Meeting as the case may be at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.
109	When vote shall be valid though authority revoked	A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given provided no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Office of the Company before the General

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		Meeting. Provided never the less that the Chairman of any General Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
110	Form of instrument appointing proxy	Every instrument appointing a proxy shall as nearly as circumstances admit be in either of the forms prescribed in Schedule IX to the Act.
111	Restriction on voting	No Member shall be entitled to be present or to vote on any question either personally or by proxy or as proxy for another Member at any General Meeting or upon a poll or to be reckoned in a quorum whilst any call or other sum payable to the Company in respect of any of the shares of such Member shall remain unpaid, and no Member shall be entitled to be present or to vote at any General Meeting in respect of any share that he has acquired by transfer unless his name is entered as the registered holder of the share in respect of which he claims to vote, but this shall not affect shares acquired under a testamentary disposition or by succession to an intestate estate or under an insolvency or liquidation.
112	Representation of a body corporate	A body corporate (whether a company within the meaning of the Act or not) may, if it is Member or creditor of the Company (including a holder of debentures), authorize such person as it thinks fit, by a resolution of its board of directors or other governing Body, of its applicable internal procedures to act as its representatives at any General Meeting of the Company or any class of Members of the Company or at any General Meeting of the creditors of the Company or debenture holders of the Company. A person authorized by resolution or its applicable internal resolution as aforesaid shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate, which he represents as that body corporate, could exercise if it were an individual Member, creditor or holder of debentures of the Company. The production of a copy of the resolution or other certification of its applicable internal procedures referred above, certified by a Director or the Secretary or other officer of such body corporate before the commencement of the General Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives appointment and his right to vote thereat.
113	Rights of Members to use votes differently.	On a poll taken at the General Meeting of the Company a Member entitled to more than one vote or his proxy, or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.
114	No proxy to vote on a show of hands.	No proxy shall be entitled to vote on a show of hands.
115	Time for objection to vote	No objection shall be made to the qualification of any voter or to the validity of a vote except at the General Meeting or adjourned General Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the General Meeting.
116	Chairman of any General Meeting to be the judge of validity of any vote/poll	The Chairman of any General Meeting shall be the sole judge of the validity of every vote tendered at such General Meeting. The Chairman present at the taking of the poll shall be the sole judge of validity of every vote tendered at such poll. The decision of the Chairman shall be final, and conclusive.
		DIRECTORS
117	Board's maximum strength	Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than Fifteen.
118	First Directors	The First Directors of the Company are: 1. Sri Grandhi Mallikarjuna Rao 2. Sri Sure Suryanarayana Murthy 3. Sri B. V. N. Rao 4. Sri Koti Venkata Varaha Rao 5. Sri Srinivas Bommidala

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119	Power of Board to appoint Additional Directors	The Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for re-election.
119A	Nominee Director of IDF:	a) Upon IDF being issued shares in the Company and up to the successful completion of the IPO of the Company, IDF shall be entitled to nominate one Director on the Board of Directors of the Company.
		b) IDF shall appoint the same person (who shall be a person occupying one of the top two positions of the senior management of IDF) as the IDF Director in the Company. Provided however, this restriction shall not apply in case of any restrictions or prohibitions (whether under the Companies Act or otherwise), which would prevent the same person from being appointed as the IDF Director in the Company in which event, the Promoters and IDF shall mutually agree upon the person to be appointed as an IDF Director. All expenses relating to an Investor Director's functions as a Director shall be borne by the Company.
		c) The Promoters shall exercise their powers, to facilitate the appointment/ nomination of the IDF Director as above. No person other than IDF shall be permitted to remove or replace at any time and for any reason (or no reason) the IDF Director who has been elected to the Board of the Company. Provided however, any removal of the IDF Director on account of gross negligence or willful misconduct shall be only in accordance with the procedure as set out in Section 284 of the Companies Act. Upon such removal of the IDF Director by IDF and/or for Cause, IDF shall be entitled to nominate another director to replace such director and such nominated director shall replace the IDF Director so removed. Upon notice by IDF to the Board of the Company of a new IDF Director, the Board of the Company shall appoint such new IDF Director to fill the vacancy at its next meeting and prior to taking any other action including, without limitation, actions taken by written consent. In the event IDF or the IDF Director wishes to appoint an alternate director for the IDF Director, the Board of the Company, shall promptly upon receipt of a written notice to that effect, appoint an alternate Director for such IDF Director. Such written notice shall specify the name and details of the alternate Director. All alternate directors and directors appointed pursuant to this Article shall be full time employees of IDF.
		d) The right to nominate one IDF Director on the Board shall cease after the successful completion of IPO.
120	Qualification Shares not required	A director shall not be required to hold any qualification shares.
121	Director's fees remuneration and expenses	Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or of a committee of the Board, such sum as may be fixed by the Board not exceeding the amount specified in this regard under the provisions of the Act, for each meeting of the Board or committee of the Board attended by him. All other remuneration, if any payable by the Company to each Director whether in respect of his services as a Managing Director or a Director in whole or part time employment of the Company or other wise, shall be determined in accordance with and subject to the provisions of the Act. The Directors shall be entitled to be paid their reasonable traveling and hotel and actual expenses incurred in consequence of their attending at Board and committee meeting and actually incurred in the execution of their duties as Directors.
122	Remuneration for extra service	If any Director, being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his home for any of the purposes of the Company or in giving special attention to the business

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		of the Company or as Member of a Committee of the Board then, subject to the provisions of the Act, the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.
123	Board may act notwithstanding vacancy	The continuing Directors may act notwithstanding any vacancy in their body. If the number falls below the minimum above fixed, the Board shall not, except for the purpose of filling vacancies act so long as the number is below the minimum.
124	Office of the Director	The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under Section 283 of the Act .
125	Directors not to hold office of profit under the Company or its subsidiary	Except in accordance with provisions of Section 314 of the Act, no Director, partner or relative of a Director, firm in which a Director or his relative is a partner, private company of which a Director is a director or member and no director, secretaries manager of such a private company shall, without the previous consent of the Company accorded by a special resolution hold any office or place of profit under the Company or under any subsidiary of the Company (unless the remuneration received from such subsidiary in respect of such office or place is paid over to the Company or its holding company insofar as such remuneration is over and above remuneration to which he is entitled as a Director of such subsidiary) except that of a managing director, secretaries, manager, legal or technical adviser, banker or trustee for the holders of debentures.
126	Director may contract with the Company	Subject to the provisions of the Act, Directors including the Managing Director, if any shall not be disqualified by reason of their office contracting with the Company either as vendor purchaser, lender, agent, broker, or otherwise and shall not apply to any contract or arrangement entered into by or on behalf of the Company with any Director the Managing Director or with any company or partnership of or in which any Director or Managing Director shall be a member or otherwise interested nor shall any Director or the Managing Director, so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest.
127	Disclosure of a Director's interest	Every Director who is in any way whether directly or indirectly, concerned or interested in any contract or arrangement, entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act.
128	Which Directors to retire	The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall in default of being subject to any agreement among themselves, be determined by lot.
129	Retiring Director to remain in office till successors appointed	Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the retiring Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting

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130	Increase or reduction in the number of Directors	Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in General Meeting may by ordinary resolution increase or reduce the number of its Directors within the limits fixed by these Articles.
131	General Meeting to fill up vacancies	The Company at the Annual General Meeting at which a Director retires by rotation in manner aforesaid may fill up the vacated office by appointing the retiring Director or some other person thereto. If the place of the retiring Director is not so filled up and the General Meeting has not expressly resolved not to fill the vacancy, the General Meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place. If at the adjourned General Meeting also, the place of the retiring Director is not filled up, the retiring Director shall be deemed to have been re-appointed at the adjourned General Meeting unless: a) At the General Meeting or at the previous General Meeting a resolution for the re-appointment of such Director has been put to the vote and lost; b) The retiring Director has by notice in writing addressed to the Company or the Board expressed his unwillingness to be appointed; c) He is not qualified or is disqualified for appointment; d) A resolution, whether special or ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or e) The provisions of sub-section (2) of Section 263 is applicable to the case.
132	Power to remove Director by ordinary resolution on special notice	The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution, of which special notice has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which Special Notice has been given appoint another person in his stead, if the Director so removed was appointed by the Company in General Meeting or by the Board. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provision of this Article is not so filled by the General Meeting at which he is removed, the Board may at any time thereafter, fill such vacancy..
133	Board may fill up casual vacancies	Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office up to the date up to which Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.
134	When Candidate for office of Director must give notice	No person not being a retiring Director shall be eligible for appointment to the office of the Director at any General Meeting unless he or some Member intending to propose him has, not less than 14 days before the General Meeting, left at the Registered Office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose him as a candidate for that office, as the case may be. The Company shall inform its Members of the candidature of a person for the office of Director or the intention of a Member to propose such person as a candidate for that office, by serving individual notices on the Members not less than seven days before the General Meeting provided that it shall not be necessary for the Company to serve individual notice upon the Members as aforesaid if the Company advertise such candidature or intention not less than seven days before the General Meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.
135	Director elected by minority shareholders	The Company may have a director elected by minority shareholders in such manner as may be prescribed in this behalf by the government or any other statutory authority from time to time.

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136	Alternate Directors	The Board may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director from the State in which the meetings of the Board are ordinarily held for a period of not less than three months. An alternate Director so appointed shall vacate office if and when the original Director returns to the State in which meetings of the Board are ordinarily held if the term of office of original Directors is determined before he so returns to the state aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.
137	Meeting of Directors	The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year. Provided that, a minimum seven (7) days prior written notice shall be given to each Director (including the Investor Director) of any meetings unless the Investor Director shall have given written approval for a meeting called on shorter notice. The right of the Investor Director and all other Directors to receive a minimum seven days prior written notice of any meetings of the Board shall cease after the successful completion of IPO.
138	Quorum	The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. Provided however that, where it involves a decision on a Affirmative Vote Item, the quorum shall include an Investor Director.
139	Resolution by circulation	Subject to the provisions of Section 289 of the Act, a resolution by circulation signed by the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.
140	How question to be decided	a) Save as otherwise expressly provided in the Act and these Articles, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a simple majority of the Board (the affirmative vote greater than 50% of the Directors present at a meeting duly called and for which requisite quorum is present as required under these Articles or under the Act, as the case may be). Any questions arising at a meeting shall be decided by a simple majority of votes and, in case of any equality of votes, the Chairman shall have a second or casting vote.
		b) Provided that up to IPO, notwithstanding anything contained in these Articles, no action or decision relating to winding up and/or liquidation or taking any action in relation thereto or undertaking any transaction, having similar effect with respect to the Company ("Affirmative Vote Items") shall be taken unless an affirmative vote of the Investor Director is obtained for the same. In the event, the Investor Director is unable to attend the Meeting of the Board, where action or decision on Affirmative Vote Item is to be taken, on the proposed date, the Investor Director shall at the Board Meeting called for approving the date of the Board Meeting, request to postpone the Meeting of the Board, in which case such Board Meeting shall be postponed for a period of at least three (3) days. In the event, no such request of postponement is made by the Investor Director in the Board Meeting, the Board Meeting shall be held in accordance with its agenda / notice including on the Affirmative Vote Items (if any) on the date fixed for the meeting. All resolutions at such Board Meeting, at which the Investor Director is not present shall be passed by majority and would not require any affirmative vote from the Investor Director subject to the proviso contained herein. Provided that in the event the Investor Director has already refused in writing to provide its affirmative vote on the Affirmative Vote Item to be discussed in the Board Meeting, at any time prior to the Board Meeting, such a resolution shall not be deemed to be passed

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		in accordance with this Clause. It is hereby clarified that no Affirmative Vote Items shall be tabled or discussed in any Board Meeting of the Company unless the same is included in the agenda circulated to the Investor Director along with the notice of Board Meeting issued to the Investor Director in terms of these Articles.
		c) The right provided under the aforesaid Article shall cease to exist after the successful completion of the IPO.
141	Right of continuing Directors when there is no quorum	The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may Act for the purpose of increasing the number of Directors to three or of summoning a General Meeting of the Company but for no other purpose.
142	Debenture Directors	Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustees thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time remove any Directors so appointed. A Director appointed under this article is herein referred to as a "Debenture Directors" and the Debenture Director means a Director for the time being in office under this Article. A debenture Director shall not be bound to hold any qualification shares not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.
143	Nominee Directors	a) So Long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by Reserve bank of India or any such company from whom the Company has borrowed for the purpose of carrying on its objects by themselves (hereinafter referred as "Corporation") and each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies or financial institutions holds or continues to hold debentures /shares in the company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished by the Corporation or financial institution on behalf of the Company remains outstanding the corporation shall have a right to appoint form time to time any person or persons as a Director or Directors whole time or non whole time (which Director or Director/s is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).
		b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the company.
		c) The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall it so fact vacate such office immediately the moneys owing by the Company to the Corporation are paid off or in the Corporation ceasing to hold Debentures/ Shares in the Company or on the satisfaction of the liability of the company arising out of the guarantee furnished by the Corporation.

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		d) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
		e) The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s for attending the meetings of the company, the same shall be reimbursed to the Corporation or the nominee Director, by the Company.
		f) Provided that if any such Nominee Director/s an officer of the Corporation, the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation.
		g) Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as the usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director in the management of the affairs of the Company shall be entitled to receive such remuneration, commission, and monies as may be approved by the Corporation.
144	Election of Chairman of Board	a) The Board may elect a Chairman of its meeting and determine the period for which he is to hold office.
		b) If no such Chairman is elected or at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to be the Chairman of the Meeting.
145	Committee meetings and determination of questions thereat	A committee may meet and adjourn as it thinks proper, and the questions arising at any meeting of a committee shall be determined by majority of votes as the members present as the case may be and in case of an equality of vote the Chairman of the Committee shall have a second or casting vote, in addition to his as a member of the committee.
146	Power to appoint Committees and to delegate powers	The Board may, subject to the provisions of the Act, from time to time, delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to time, revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, confirm to any regulations that may from time to time be imposed upon it by the Board.
147	Proceedings of Committee	The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and to are not superseded by any regulations made by the Board under the last preceding Article.
148	Validity of Acts done by Board or a Committee:	All Acts done by any meeting of the Board or a committee thereof, or by any person Acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.
149	When acts of a Director valid not withstanding defective appointment etc.	Acts done by a person as a Director shall be valid not withstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained

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		in the act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
150	Retirement of Directors	Not less than two-thirds of the total number of Directors shall (a) be persons whose period of office is liable to terminate by retirement of Directors by rotation and (b) save as otherwise expressly provided in these Articles be appointed by the Company in General Meeting.
		Subject to the provision of Section 256 of the Act at every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third shall retire from office.
151	Eligibility for re-election	A retiring Director shall be eligible for re-election.
		POWERS OF THE BOARD
152	General power of Company vested in the Board	Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do. The Board shall be entitled to pay all expenses incidental to the formation of the Company and in particular, expenses incurred by the promoters for the purpose. Provided that the Board shall not exercise any power or to do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, or be exercised or done by the Company in General Meeting. Provided further that in exercising any such power or doing any such act thing the Board shall be subject to the provisions contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith, including regulations made by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
153	Powers to be exercised by Board only by Meeting	a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board: (i) Power to make calls on shareholders in respect of moneys unpaid on their shares; (ii) Power to issue debentures; (iii) Power to borrow money otherwise than on debentures: (iv) Power to invest the funds of the Company; (v) Power to make loans. (vi) Power to authorize the buyback of shares
		b) The Board of Directors may by a meeting delegate to any committee of the Directors or to the Managing Director, the manager or any other principal officer of the company, the powers specified in sub clauses (iii), (iv) and (v) above.
		c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to which monies may be borrowed by the said delegatee.
		d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, up to which the fund may invested and the nature of the investments which may be made by the delegatee.
		e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount up to which the loans may be made by the delegatee, the purpose for which the loans may be and the maximum amount of loans which may be made for each such purpose in individual cases.

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		DIVIDEND
171	Dividend to be declared in General Meeting	The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Board, but the Company may declare a smaller dividend in a General Meeting.
172	Interim dividends	The Board may from time to time pay the Members such interim dividends as appear to them to be justified.
173	Dividends out of profit only	No dividend shall be paid otherwise than out of the profits of the Company arrived at in the manner provided for in Section 205 of the Act. The declaration of the Board as to the net profits of the Company shall be conclusive.
174	Division of profits	The Profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion of the amount of capital paid-up or credited as paid-up on the shares held by them respectively.All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms provided that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
175	Debts may be deducted	The Board may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
176	Capital paid up in advance at interest not to earn dividend	Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profit.
177	Dividends in proportion to amount paid up.	All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.
		No Member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof.
		No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.
178	Effect of transfer of shares	A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.
179	Dividend to joint holders	Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share.
		A person entitled to a share by transmission shall subject to the right of the Board, retain such dividends or money as is hereafter provided be entitled to receive dividend without being registered as a Member and may give a discharge for any dividends or other moneys payable in respect of the share.
180	Notice of Dividends	Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.
181	Dividend how remitted	The dividend payable in cash may be paid by transfer to bank account or by cheque or warrant sent through post direct to registered address of the share-holder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders which is first named on the Register of Members or to such person and to such address as they may direct in writing. The

Article No.	Heading	Details
		Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
182	Dividend to be paid within time prescribed by the Act.	The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within the time prescribed by the Act, from the date of the declaration unless: i where the dividend could not be paid by reason of the operation of any law; ii where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; iii where there is a dispute regarding the right to receive the dividend; iv where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or v where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
183	Unclaimed dividend	No unclaimed dividend shall be forfeited by the Board and the Board shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.
184	No interest on dividends	Subject to the provisions of Section 205 A of the Act no dividend shall bear interest as against the Company.
185	Dividends in cash	No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by Members of the Company.
		SERVICE OF DOCUMENTS AND NOTICE
214A	"Information covenants:	Up to the successful completion of IPO, the Company shall provide to IDF and the IDF Director, the following information/documents. 1. annual financial statement duly audited by the statutory auditors, unaudited annual financial statements, and unaudited quarterly financial statements; 2. prior to the commencement of each financial year, an annual operating plan and budget for such financial year, for approval by the Board; 3. details of any material litigation, proceedings or material dispute or adverse changes that impedes or likely to adversely affect the business of the Company; and 4. details of any material event of Force Majeure or any other event which would have a material adverse effect on the company's profit or business.After the successful completion of IPO, the right created in favour of IDF under this Article shall cease to exist.
214B	IPO	a) In the event the Company fails to make an IPO for any reason, (e.g. due to prevailing market conditions etc.) on or before IPO Cut-off Date, IDF shall have the following rights, granted to it by the Promoters, exercisable simultaneously: i) IDF shall be entitled to sell all its shares in the Company to the Promoters at a price equal to Rs. 20.31 per share (which would be same as its cost basis per share in the hands of IDF; ii) IDF shall be entitled to purchase from the Company 15.1% of the issued and allotted equity share capital of GMR Energy (on a fully diluted basis) for a consideration equal to the amount receivable by IDF from the Promoters under Article 214B(a)(i) above (the "GMR Energy Transaction"); and

Article No.	Heading	Details
		iii) IDF shall have the right to treat the amount receivable from the Promoters on exercise of its right to sell its shares in the Company under Article 214B(a)(i) above, as the amount deemed to have been paid by IDF to the Company towards exercise of its right to purchase GMR Energy shares under Article 214B(a) (ii) above.
		b) Upon completion of the GMR Energy Transaction, the Promoters and the Company shall ensure that (a) a fresh shareholders agreement on the same terms and conditions as the previous shareholders agreement executed with GMR Energy; and (b) a fresh promoters undertaking on the same terms and conditions as the Promoters' Undertaking is executed and the rights of IDF are once again captured in the Articles of Association of GMR Energy and its subsidiaries. Upon completion of such matters the Shareholders Agreement and other transaction document shall stand forthwith terminated.
214C	No Special Rights After IPO	It is clarified for the sake of abundant caution that after the successful completion of IPO, all special rights created in favour of IDF in relation to the Company or its subsidiaries pursuant to this Articles of Association or under any other document shall cease to exist.
214D	Governing law and dispute resolution:	a) The Articles, the SHA and the transactions contemplated hereunder and there under shall be governed by the laws of India.
		b) Any dispute arising under or out of or in connection with or in relation to the Articles or the SHA or any alleged breach hereof shall be determined and settled by arbitration pursuant to the Arbitration and Conciliation Act, 1996. Any such dispute shall be determined by a panel of an odd number arbitrators, of which each Party to the dispute shall select one arbitrator and if such arbitrators are an even number, the arbitrators selected shall appoint one further arbitrator. Any award rendered upon such arbitration shall be final and conclusive and binding on the Parties. The place of such arbitration shall be Bangalore. The Parties further agree that the arbitrators shall also have the power to decide on the costs and reasonable expenses (including reasonable fees of its counsel) incurred in the arbitration and award interest up to the date of the payment of the award
		c) This Article 214D shall survive termination of the Articles and/or the SHA.
221A	Insurance	The Company, shall obtain and maintain directors liability insurance covering all its Directors including the Investor Director, in a form and to the extent as per standard industry practice, and subject to applicable law.

SECTION X : OTHER INFORMATION

Material Contracts and Documents for Inspection

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Karnataka at Bangalore for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at Skip House, 25/1, Museum Road, Bangalore 560 025 from 11 am to 5 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Letter of appointment dated November 28, 2005 to JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and SSKI Corporate Finance Private Limited from our Company appointing them as the BRLMs.
2. Letter of appointment dated July 1, 2006 to Canara Bank, Union Bank of India and letter dated July 5, 2006 to Andhra Bank appointing them as Co- Managers.
3. Memorandum of Understanding dated April 30, 2006 amongst our Company and BRLMs.
4. Memorandum of Understanding/ Agreements executed by our Company with Bankers to the Issue, Registrar to the Issue, etc.
5. Letter of appointment dated July 4, 2006 to Industrial Development Bank of India appointing them as Monitoring Agency.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation dated May 10, 1996 and certificate of commencement of business dated May 23, 1996.
3. Our certificates in relation to change of names dated May 31, 1999 and July 24, 2000.
4. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of statutory auditors, formation and revision of Audit, Remuneration and other committees
5. Copies of the Annual Report of our Company and its Subsidiaries for the last five financial years, to the extent available.
6. Resolutions of the Board dated September 2, 2005 and February 2, 2006.
7. Resolutions of the extraordinary general meeting of shareholders dated February 28, 2006.
8. Present terms of employment and remuneration between GIL and our Directors fixed by way of Board meetings and approved by the Shareholders.
9. "Statement of Possible Tax Benefits available to the Company and its shareholders" provided by the statutory auditors (of the Company), Price Waterhouse, Hyderabad dated July 3, 2006 and included in the Red Herring Prospectus
10. Report of the statutory auditors (of the Company), Price Waterhouse, Hyderabad dated July 3, 2006 for Consolidated Financial Statements for the year ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared as per Indian GAAP and included in the Red Herring Prospectus
11. Report of the statutory auditors (of the Company), Price Waterhouse, Hyderabad dated July 3, 2006for Summary Unconsolidated Restated Financial Statements for the years ended on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with the requirements of the SEBI DIP Guidelines and included in the Red Herring Prospectus
12. Report of the statutory auditors (of the Company), Price Waterhouse, Hyderabad dated July 3, 2006 for Summary Consolidated Restated Financial Statements for the years ended on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with the requirements of the SEBI DIP Guidelines and included in the Red Herring Prospectus.
13. Report of the statutory auditors (of GMR Tuni-Anikapalli and GMR Tambaram-Tindivanam), I.S. Prasad & Shetty Associates, Bangalore dated May 6, 2006 for Summary Unconsolidated Restated Financial Statements for GMR Tuni-Anikapalli and GMR Tambaram-Tindivanam for the years ended on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with the requirements of the SEBI DIP Guidelines and included in the Red Herring Prospectus

14. Report of the statutory auditors (of GMR Mining), Girish Murthy & Kumar, Bangalore dated July 3, 2006 for Summary Unconsolidated Restated Financial Statements for GMR Mining for the years ended on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with the requirements of the SEBI DIP Guidelines and included in the Red Herring Prospectus.

15. Report of the statutory auditors (of GVL Investments), B. Purshottam & Co., Chennai dated July 4, 2006 for Summary Unconsolidated Restated Financial Statements for GVL Investments for the years ended on March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 prepared in accordance with the requirements of the SEBI DIP Guidelines and included in the Red Herring Prospectus.

16. Consent of the Statutory Auditors (of the Company) being Price Waterhouse, Hyderabad for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus

17. Consent of the statutory auditors (of GMR Tuni-Anikapalli and GMR Tambaram-Tindivanam), I.S. Prasad & Shetty, Bangalore for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus.

18. Consent of the statutory auditors (of GMR Mining), Girish Murthy & Kumar, Bangalore for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus

19. Consent of the statutory auditors (of GVL Investments), B. Purshottam & Co., Chennai for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus

20. Consents of Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic and International Legal Counsel and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to in their respective capacities

21. Letters dated December 19, 2005 and June 2, 2006 from the FIPB stating that the proposal of FII/NRI investment under the Portfolio Investment Scheme for FIIs registered with SEBI and NRIs does not require FIPB approval and that similarly, FVCIs registered with SEBI also are governed under SEBI's Regulation in consonance with FDI Policy.

22. Initial listing applications both dated May 2, 2006 filed with BSE and NSE

23. In-principle listing approval both dated May 26, 2006from BSE and NSE

24. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated June 7, 2006

25. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated April 24, 2006

26. Due diligence certificate dated May 2, 2006 and July 13, 2006 to SEBI from BRLMs

27. SEBI observation letter No. CFD/DIL/Issues/V/68533/2006 dated June 5, 2006

28. Shareholders Agreement dated April 19, 2006 between GMR Holdings, IDF, Mr. G.M. Rao, Mr. Srinivas Bommidala, Mr. G. B. S. Raju, Mr. G. Kiran Kumar, GEL and GIL.

29. Share Subscription Cum Shareholders Agreement dated April 25, 2006 entered into between Emerging Trusteeship Services Limited (ICICI Emerging Sectors Fund), GMR Holdings, Mr. G.M.Rao, Mr. Srinivas Bommidala, Mr. G.B.S. Raju, Mr. G. Kiran Kumar and GIL

30. Shareholders Agreement dated December 22, 2003 between Odeon Limited, GMR Energy and GMR Power in relation to the shares held by in GMR Power read with letter dated April 1, 2004 from GMR Energy.

31. Shareholders agreement in relation to GTTEPL and GTAEPL with GMR Power, GIL, GMR Industries Limited, United Engineers (Malaysia) Berhad and UE Developers India Private Limited dated January 10, 2002 and further amended by first supplemental agreements dated July, 2002 and second supplemental agreement dated February 17, 2004 respectively.

32. Shareholders Agreement dated September 30, 2003 between the Governor of Andhra Pradesh, AAI, GIL, MAHB and GHIAL

33. Shareholders Agreement dated April 4, 2006 between the AAI, DIAL and certain Private Participants (GIL, GMR Energy, GVL Investments, Fraport AG Frankfurt Services Worldwide, Malaysia Airports (Mauritius) Private Limited and IDF.

34. Share Subscription Agreement dated May 11, 2006 between the Company and Quantum (M) Limited.

35. Share Subscription Agreement dated May 19, 2006 between the Company, GMR Holdings and Citigroup Venture Capital International Mauritius Limited.

Material Commercial Agreements

I. GMR Energy

Power Purchase Agreement dated December 15, 1997 between Tanir Bavi Company Private Limited and Karnataka Electricity Board, amended via Supplementary Agreement dated May 29, 1999, September 30, 1999 and January 25, 2001.

II. GMR Hyderabad International Airport

Concession Agreement between Ministry of Civil Aviation and GHIAL dated December 20, 2004

III. GMR Power

Power Purchase Agreement dated September 12, 1996 with addendums on February 26, 1999 and March 1, 2000 with Tamil Nadu Electricity Board (TNEB)

IV. Vemagiri Power

1. Power Purchase Agreement dated March 31, 1997 between Vemagiri Power and APSEB
2. Amendment Agreement to Power Purchase Agreement dated June 18, 2003 between APTRANSCO and Vemagiri Power

V. GMR Tambaram-Tindivanam

Concession Agreement between NHAI and GMR Tambaram-Tindivanam dated October 9, 2001.

VI. GMR Tuni-Anakapalli

Concession Agreement between NHAI and GMR Tuni-Anakapalli dated October 9, 2001.

VII. GMR Ambala-Chandigarh

Concession Agreement between NHAI and GMR Ambala-Chandigarh dated November 16, 2005.

VIII. GMR Jadcherla

Concession Agreement between NHAI and GMR Jadcherla dated February 20, 2006.

IX. GMR Pochanpalli

Concession Agreement between NHAI and GMR Pochanpalli dated March 31, 2006.

X. GMR Ulundurpet

Concession Agreement between NHAI and GMR Ulundurpet dated April 19, 2006.

XI. Delhi International Airport

Operations, Management and Development Agreement between AAI and DIAL dated April 4, 2006.

Any of the contracts or documents mentioned above or elsewhere in this Red Herring Prospectus may be amended or modified at any time, if so required in the interest of the Company or its Subsidiaries, or if required by the other parties, without reference to the Shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

Declaration

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. G. M. Rao

Mr. Srinivas Bommidala

Mr. G. B. S. Raju

Mr. G. Kiran Kumar

Mr. B. V. N. Rao

Mr. K. Balasubramanian

Mr. P. B. Vanchi

Mr. Arun K. Thiagarajan

Mr. K. R. Ramamoorthy

Mr. Luis Miranda

Dr. Prakash G. Apte

Mr. R. S. S. L. N. Bhaskarudu

Mr. T. R. Prasad

Mr. Udaya Holla

Mr. Uday M. Chitale

SIGNED BY THE CHAIRMAN & MANAGING DIRECTOR

Mr. G. M. Rao

SIGNED BY THE GROUP CHIEF FINANCIAL OFFICER

Mr. G. B. S. Raju

Date: July 14, 2006

Place: Bangalore

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