

**19th ANNUAL REPORT
2007-08**



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CORPORATE INFORMATION

Board of Directors

Smt. T Indira Reddy	Chairperson
Sri T.V.Sandeep Kumar Reddy	Managing Director
Sri J Brij Mohan Reddy	Executive Vice Chairman
Sri G Siva Kumar Reddy	Director
Dr. V. L. Moorthy	Director
Sri CH Hari Vittal Rao	Director
Sri SMAA Jinnah	Director
Dr. Archana Niranjana Hingorani	Director

Company Secretary & Compliance Officer

CS I.V.Lakshmi

Chief Finance Officer

CA P Sreedhar Babu

Statutory Auditors

C.B. Mouli & Associates
Chartered Accountants
125, M.G. Road
Secunderabad – 500 003

Bankers

Bank of Baroda
Canara Bank
Syndicate Bank
Indian Overseas Bank
Andhra Bank
Corporation Bank
IDBI
Oriental Bank of Commerce
Federal Bank

Registered & Corporate Office

B-1, T.S.R. Towers, 6-3-1090
Raj Bhavan Road, Somajiguda
Hyderabad – 500 082
Tel: 040 – 23314284
Fax: 040 – 23398435
Email: gplhyd@gayatri.co.in
Website: www.gayatri.co.in

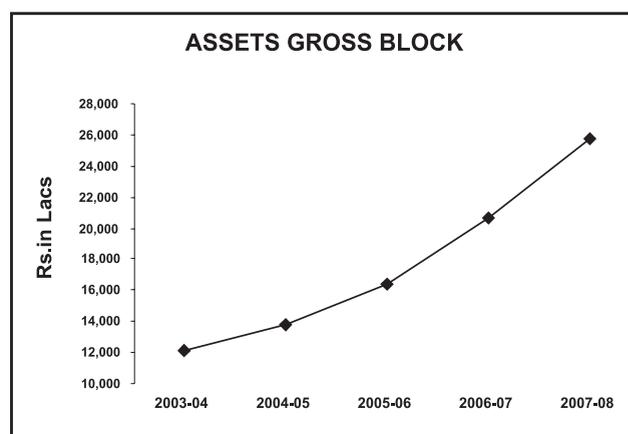
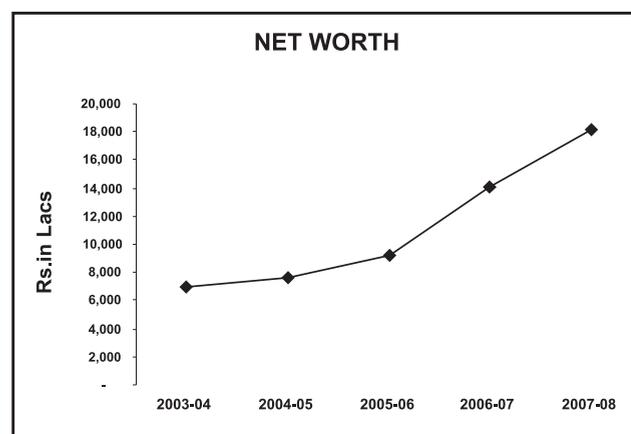
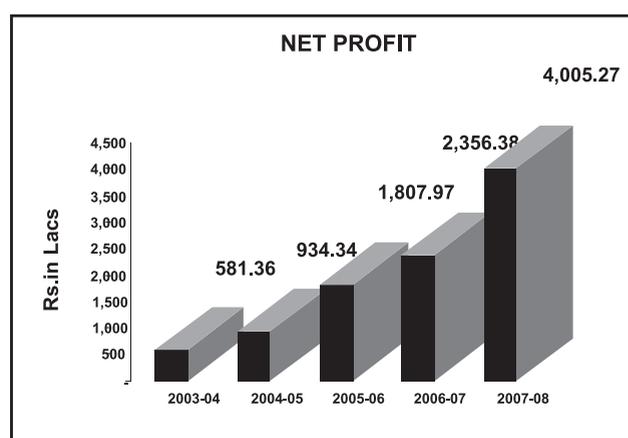
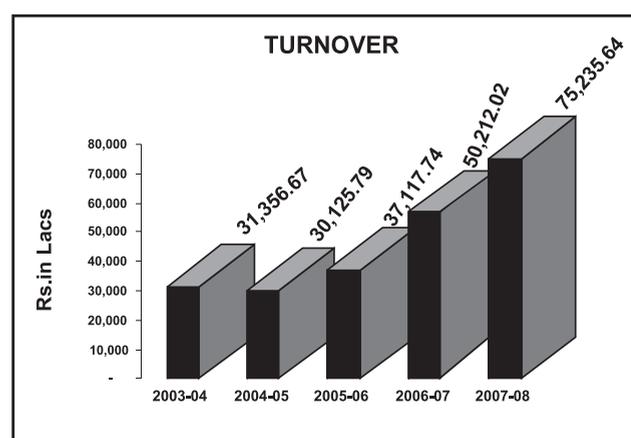
Registrars & Transfer Agents

Karvy Computershare Private Limited
“Karvy House”, 46
Avenue 4, Street No.1
Banjara Hills, Hyderabad – 500034
Tel: 040 – 23312454
Fax: 040 – 23311968
Email: mailmanager@karvy.com
Website: www.karvycomputershare.com

FINANCIAL HIGHLIGHTS

(Rs.in Lacs)

DESCRIPTION	2007-08	2006-07	2005-06	2004-05	2003-04
Turnover	75,235.64	50,212.02	37,117.74	30,125.79	31,356.67
Profit Before Tax	6,118.18	3,582.36	2,759.48	1,325.13	914.34
Profit After Tax	4,005.27	2,356.38	1,807.97	934.34	581.36
Equity Capital	1,010.48	1,000.00	900.00	500.00	500.00
Reserves & Surplus	16,906.24	13,099.97	8,369.21	7,154.30	6,420.38
Net Worth	17,916.72	14,099.97	9,269.21	7,654.30	6,920.38
Gross Block	25,729.36	20,698.48	16,430.72	13,815.66	12,189.37
Net Block	16,287.83	12,858.49	9,830.42	8,167.01	7,525.97
Book Value (Rs.) Per Share	177.31	141.00	102.99	153.09	138.41
EPS (Rs.) Basic	39.06	24.73	19.65	17.53	11.63
Dividend	25%	20%	15%	25%	-



NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of Gayatri Projects Limited will be held on 29th day of September, 2008 at 4.00 p.m at Surana Udyog Hall, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004, to consider the following items of business.

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date together with the Report of the Board of Directors and Reports of Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2008.
3. To appoint a Director in place of Mr. G. Siva Kumar Reddy, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. V. L. Moorthy, who retires by rotation, and being eligible, offers himself for reappointment.
5. **To appoint Auditors and fix their remuneration.**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution

“RESOLVED THAT M/s C.B.Mouli & Associates, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

Special Business:

6. **Borrowing in Excess of Paid-up Capital and free Reserves**

“RESOLVED THAT the consent of the Company under the provisions of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the Board of Directors of the Company for borrowing any sum(s) of money from time to time as it may consider fit, on such terms and conditions as the board may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained/ to be obtained from the Company’s Bankers in the ordinary course of business) will exceed the aggregate of the paid up Capital of the Company and its free reserves, so that the total amount of monies so borrowed at any time shall not exceed a sum of Rs.2500 Crores (Rupees Two Thousand Five Hundred Crores only).”

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorised to do all such acts/deeds/ matters in its absolute discretion as it may deem necessary and to settle any doubt/question or difficulty that may arise in creation of such mortgage/ charges or Hypothecation or disposals infavour of any lender as aforesaid and to finalise, execute any such deeds, agreements or documents as may be required or desirable or deem fit”

By order of the Board

For **GAYATRI PROJECTS LIMITED**

Place : Hyderabad
Date : 31st July, 2008

CS I.V.LAKSHMI
Company Secretary

Notes:

1. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item No. 7 to 9 above, is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority as applicable, issued on behalf of the nominating organization.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 24th September, 2008 to 29th September, 2008 (both days inclusive).
4. Shareholders are requested to bring their copies of Annual Report to the Annual General Meeting.
5. A member desirous of seeking any information on the accounts or operations of the Company is requested to forward his / her query to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
6. The final dividend for the year ended 31st March, 2008 as recommended by the Board, if approved at the Meeting, will be payable to those members whose names appear on the Company's Register of Members on 23rd September 2008.

7. Appointment / Re appointment of Directors

At the ensuing Annual General Meeting, Sri G. Siva Kumar Reddy and Dr. V. L. Moorthy, Directors retire by rotation and being eligible offers themselves for re-appointment. The relevant information as required under clause 49 of Listing Agreement concerning Corporate Governance Code in respect of appointment / re-appointment of Directors is given below for information of the Members;

Mr. G. Siva Kumar Reddy, is a Post Graduate in Commerce. Over the years he has gained experience in the field of civil construction, both in the execution and management areas. Under his guidance we have completed Upper Krishna Project involving huge quantities of excavation and mass concreting. He is into the hospitality Industry and is running Grand Kakatiya Hotel & Towers, a Five Star Hotel in the City of Hyderabad, Andhra Pradesh.

Dr. V. L. Moorthy, is a Master in Science and a Doctorate in Philosophy in the field of Pure Chemistry from University of Calcutta. He has an experience of 40 years in the field of paper and Pulp industry and visited many countries for project work and operations. He worked with pulp & paper Companies like ITC Bhadrachalam Paper Board in India and abroad.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6:

Section 293(1)(d) of the Companies Act, 1956, requires the consent of the Members in the General Meeting for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital and free reserves.

The Company is having substantial value of works on hand and is expecting new works in future; the Company requires substantial funds (fund based and non fund based) for execution of works. In view of this, the Board seeks the consent of the members of the proposed resolution in order to comply with the requirements of the Companies Act, 1956. No Director of the Company is interested in this business.

By order of the Board

For **GAYATRI PROJECTS LIMITED**

Place : Hyderabad
Date : 31st July, 2008

CS I.V.LAKSHMI
Company Secretary

DIRECTORS' REPORT

To
The Members,

Your Directors are pleased to present the 19th Annual Report of your company along with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

The financial year 2007-08 is yet another year of significant growth. The turnover of the company has increased to Rs 75235.64 Lacs for the year ended 31st March 2008 as against Rs 50212.02 Lacs for the previous financial year, registering a growth rate of 49.83% over the previous year.

The financial highlights of your Company for the year ended March 31, 2008 are summarised below:

Particulars	2007-2008	2006-2007
Gross Income	75,780.15	50,545.20
Profit before interest, depreciation and tax	11,126.83	7,882.21
Less : Interest and financial charges	3,369.67	3,043.27
Profit before depreciation	7,757.16	4,838.94
Less : Depreciation	1,638.98	1,256.58
Profit before tax	6,118.18	3,582.36
Provision for tax	2,112.91	1,225.98
Profit after tax	4,005.27	2,356.38
Less : Prior Period Adjustments	75.19	—
Profit after Prior Period Adjustments	3,930.08	2,356.38
Profit brought forward	4,217.20	2,594.81
Profit available for appropriation	8,147.28	4,951.19
Appropriations:		
Dividend @ 25% (previous year @ 20%)	252.62	200.00
Dividend tax	42.93	33.99
Transfer to General Reserve	600.00	500.00
Balance carried forward	7251.73	4,217.20
Paid-up capital	1,010.48	1,000.00
Reserves and Surplus	16906.24	13,099.97

REVIEW OF OPERATIONS:

All projects under taken by the Company during the year have progressed as per schedule.

During the year under review, your Company has entered an MOU for strategic alliance with DLF Group for joint bidding. The alliance with DLF improves the prospects for bidding for larger contracts being announced by NHAI.

ORDER BOOK POSITION:

The Order Book position as on 31st March 2008 stood at Rs 352631.54 Lacs and sector wise breakup is as under:

(Rs.in Lacs)

Sl. No.	Particulars	Orders on Hand	%
1	Roads Division	126114.20	35.76
2	Irrigation Division	128069.81	36.32
3	Building Division	4692.98	1.33
4	Industrial Work Division (EPC)	16156.99	4.58
5	Orders from BOT Projects	77597.56	22.01
	TOTAL	352631.54	100.00

The order book position is expected to increase substantially during the current year on account of the works for which the company is pre-qualified and likely to be awarded. The strong order book position coupled with the Government of India's focus on the infrastructure sector, augurs a brighter future to your company.

MAJOR PROJECTS:

Your Directors have the pleasure in informing that during the year under review, your company along with other consortium/ joint ventures members has secured the following major projects:

- Design, Construction, Development, Finance, Operation and Maintenance of ORR from Bonglur to Tukuguda - AP-4 in the State of Andhra Pradesh, at an estimated Project cost of Rs.36200 Lacs.
- Improvement of Naranpur-Pandapada - Harichandanpur - Brahmanipal - Duburi Road in the State of Orissa awarded to Gayatri-RNS Joint Venture, at an estimated Project cost of Rs.31189 Lacs.
- Investigation, Design and Earthwork Excavation of GNSS Main Canal from Km 119.00 to Km 141.350 including construction of CM & CD Works in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost of Rs.11196 Lacs.
- Rajiv Sagar Lift Irrigation Project, Dummugudem - Package No.33/2006 in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost of Rs.28161 Lacs.
- Indira Sagar Project Main Canal and distribution net work on turn key basis by Government of Madya Pradesh awarded in the name of Gayatri-BCBPPL Joint Venture, at an estimated Project cost of Rs.24255 Lacs.

During the year under review, your Company has in all bagged new orders valued around Rs.175010 Lacs. The order book is very healthy and as on 31st March, 2008 stood at Rs.352631.54 Lacs.

FUTURE OUTLOOK

Infrastructure growth is visible throughout the country in the form of new highways, roads, ports, railways and airports; power plants; urban and rural infrastructure, including water supply, sewerage, and drainage; irrigation and agriculture systems.

The construction industry in India has grown at a CAGR of 14% over the past five years. Strong industry outlook is expecting a CAGR of 20% over the next 5 years.

Your Company being a larger company, there are many new opportunities for expansion in business around the Globe. Your company proposes to continue to focus its efforts in procuring and executing large infrastructure projects.

In order to meet the challenging demands and achieve our vision and mission, the company is actively considering restructuring of the organization by adopting sectoral approach to address each market segment. As a part of restructuring plan, your company has set-up separate division for Irrigation, Roads, Buildings and EPC projects.

DIVIDEND

Your Directors take pleasure in recommending dividend at 25% (Rs.2.50 per share) on the enhanced Equity Share capital of Rs.1010.48 Lacs for the year 2007-08 for approval of the members. The said dividend, if approved, at the 19th Annual General Meeting by the members, will be paid to all those equity share holders, whose names appeared in the register of members as of 23rd September 2008 and also to those whose names appears as beneficial owners as furnished by the National Securities Depository Ltd and the Central Depository Services (India) Ltd.

RESERVES

It is proposed to transfer Rs.600 Lacs to the General Reserves of the Company from the current year's profits.

SUBSIDIARIES

We are expecting to receive approval in the month of August 2008 from Central Government under section 212(8) of the Companies Act, 1956 for not attaching the annual reports of subsidiary companies. The company will send copy of annual reports of subsidiary companies to shareholders upon request. The annual accounts of subsidiary companies are kept open for inspection at the registered office of the company.

CONSOLIDATION OF ACCOUNTS

In accordance with the Accounting Standard -21 on Consolidated Financial Statements read with Accounting Standard – 23 & 27 on Accounting for Investments in Associates in Consolidated Financial Statements and Financial Reporting of Interests in Joint Ventures, Consolidated Financial Statements are prepared considering the combined profits net of losses of all the subsidiaries, joint ventures and after eliminating intra group transactions, unrealized profits and balances.

Your Directors have pleasure in attaching the Consolidated Financial Statements presented by your Company which form part of the Annual Report and Accounts.

ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS

During the year, the company raised JPY 3,080 million through issue of Foreign Currency Convertible Bonds viz., Zero Coupon, Direct, Unsubordinated, and Unsecured Convertible Bonds due in 2012 and listed the bonds on Singapore Stock Exchange. The bonds are convertible into company's equity shares at agreed exercise price of Rs 378.3453 with a fixed rate of exchange on conversion of Rs 0.3303 to JPY 1.00. The funds raised are utilized mainly for investment in SPV Companies.

The Bonds of the value of JPY 120 million were converted into 1,04,761 shares leaving a balance of 25,84,116 shares. As a result of these conversions, the share capital has increased by Rs 10.48 Lacs and reserves by Rs 385.88 Lacs.

DIRECTORS

Sri. G Siva Kumar Reddy and Dr. V. L. Moorthy retire at the ensuing AGM and being eligible offer themselves for reappointment.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report and Auditors Certificate on Corporate Governance are annexed to this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures ;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the financial year ended on that date.

- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

AUDITORS

The Auditors M/s. C.B. Mouli & Associates, Chartered Accountants, Secunderabad statutory auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

STATUTORY INFORMATION

Particulars of Employees

Details in respect of remuneration to employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended are not furnished since no employee of the Company, except Executive Directors falls within the remuneration limits provided under the said section and rules.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information relating to Conservation of energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 is not applicable for the company. The particulars of expenditure and earnings in Foreign Currency is furnished in Notes to Accounts.

INDUSTRIAL RELATIONS

The Company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the Company, and expects continued support, higher level of productivity for achieving the targets set for the future.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their appreciation of the assistance and guidance extended by the Government at Centre and in the States, Banks and Financial Institutions. Your Directors also place on record their sincere appreciation of the total commitment and hard work put in by all the sub contractors, consultants, clients and employees of the company.

For and on behalf of the Board

Place: Hyderabad
Date: July, 31st 2008.

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

ANNEXURE – A

Statement pursuant to the Under Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

Name of the Subsidiary	Gayatri Jhansi Roadways Ltd	Gayatri Lalitpur Roadways Ltd	Gayatri Infra Ventures Ltd
Financial Year of the Subsidiary will be ending on	31 st March, 2008	31 st March, 2008	31 st March, 2008
Date of becoming Subsidiary	7 th July, 2006 (Since Incorporation)	7 th July, 2006 (Since Incorporation)	22 nd January, 2008 (Since Incorporation)
Number of Shares in Subsidiary held by Gayatri Projects Ltd as on 31 st March, 2008	1,62,68,000	1,22,00,000	50,000
Extent of interest of the Gayatri Projects Ltd., as on 31 st March, 2008	75.22%	75.22%	100%
The net aggregate profit or (loss) of the subsidiary company of the current financial year so far as it concerns the members of the holding company a) dealt with or provided in the accounts of the holding company b) Not dealt with or provided in the accounts of the holding company	Nil	Nil	Nil
The net aggregate profit or (loss) of the subsidiary company for the previous financial year so far as it concerns the members of the holding company a) dealt with or provided in the accounts of the holding company b) Not dealt with or provided in the accounts of the holding company	Nil	Nil	Nil

For and on behalf of the Board

Place: Hyderabad
Date: July, 31st 2008.

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operation of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities' laws and regulations. Forward-looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise forward – looking statements on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include cost of fuel, levies by regulatory authority, changes in Government regulations, tax laws, economic developments within the country and such other factors.

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management of Gayatri Projects Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. These estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profits for the year.

Industry Overview

According to the Construction Federation of India (CFI), construction is the second largest employer after the agriculture sector. Currently, the construction industry directly or indirectly employs approximately 33 million workers, representing 14% of the workforce. It also accounts for nearly half of the fixed capital formation. The construction industry in India currently has a gross value of output of around INR3,800 billion, and accounts for nearly 10% of India GDP. It has grown at a CAGR of 14% over the past five years. The total gross output value has increased from INR2,550 billion in FY04 to INR3,800 billion in FY07. Strong industry outlook is expecting a CAGR of 20% over the next 5 years.

The Indian infrastructure, industrial and real estate sectors are experiencing strong growth in terms of capacity additions. Infrastructure growth is visible throughout the country in the form of new highways, roads, ports, railways and airports; power plants; urban and rural infrastructure, including water supply, sewerage, and drainage; irrigation and agriculture systems. Investments in real estate will be driven primarily by housing. On the industrial front, there is a strong pick up in industrial CAPEX, particularly in the metals and oil and gas space. The Planning Commission estimates investment in the infrastructure sector to increase 2.3x for the next five years compared with investment in FY02-FY07.

Hence, it is estimated that the total construction opportunity for companies in India will be around INR34,385 billion over the next five years. According to India Infrastructure, the annual gross output of the industry is around INR3,800 billion currently. Hence, the projected construction opportunity indicates growth of 20% over the next five years for the industry.

The Construction players are gearing to tap the opportunities created by economic growth in country. Significant industry inflection after FY03 A 3.4x increase in order book in the past four years. Almost all construction players have been aggressive in growing their order books over the past four years. The average order book for the industry has grown by a CAGR of 36% over FY04-FY08* (*fiscal year 3Q08).

The Government of India's focus and sustained increased budgetary allocation and increased funding by international and multilateral development finance institutions for infrastructure development in India has resulted in or is expected to result in several large infrastructure projects in this region. The Government has developed various alternate sources of raising funding for infrastructure projects, including the levy of cess on petrol and diesel, which is being used to fund the road projects such as the Golden Quadrilateral and the North –South – East – West corridors.

Road Sector

The Indian road system has been the first area within infrastructure to gain serious attention from the government. The sector has gained political consensus across the board as against the stiff opposition seen in other areas, such as airports and power. The Planning Commission of India has estimated an investment of INR 3,118 billion under the Eleventh Plan versus the INR 1,448 billion spent under the Tenth Plan. The estimate is 15% lower than projections of the Working Group, which has put the figure at INR 3,668 billion.

These investments will be largely directed into three main programs the National Highway Development Program (NHDP), the State Roads and the Rural Roads programs, with investment under the NHDP being the key driver for the sector. The National Highways (NH), with a total length of 65,569 km, serves as the arterial network across the country. The ongoing program of four-laning the 5,900 km long Golden Quadrilateral (GQ) connecting Delhi, Mumbai, Chennai and Kolkata is nearing completion. The ongoing four-laning of the 7,300 km North-South East-West (NSEW) corridor is to be completed by December 2009. In its third meeting held on 13 January, 2005, the Committee on Infrastructure adopted an Action Plan for development of the National Highways network. An ambitious National Highway Development Programme (NHDP), involving a total investment of Rs.2,20,000 crore up to 2012, has been established. With the aim of giving new thrust the National Highway Development Programme (NHDP), the government has decided to pump in Rs.20,000 Crores for six laning of 3,000 km highways under phase-V of the programme.

Irrigation Sector

Overview of the Indian irrigation sector Investments in the irrigation sector are likely to increase by 2x to INR 2,231 billion in the Eleventh Plan compared with the Tenth Plan. Historically, the sector has witnessed substantial slippages. For e.g., in the Tenth Plan, the irrigation potential created was 8.8 million hectares compared with 16.7 million hectares planned initially. The plan for the Eleventh plan is also aggressive at 16 million hectares. There is a large bank of projects that are scheduled to be implemented over the next five years. States with large project banks include: Andhra Pradesh (INR774 billion), Gujarat (INR784 billion), Karnataka (INR119 billion), Madhya Pradesh (INR120 billion), Maharashtra (INR322 billion) and Orissa (INR116 billion).

Airports

Acceleration in traffic growth Air traffic in India has witnessed substantial growth in the recent past. The growth rate in passenger traffic is on the rise. For e.g., in FY07 Indian airports handled 71 million domestic passengers, which grew by 40% compared with 10-25% over the earlier three years. International passenger traffic also is growing at a steady pace of 15%. The Center of Asia Pacific Aviation expects domestic traffic to grow at 25-30% and international traffic at 15% until FY10. Currently, 45% of the traffic is based out of Delhi and Mumbai and around 70% out of the top five airports. This has led to inadequate parking, runway and terminal capacity problems. Hence, there is a pressing need to develop regional hubs and modernize existing airports. The Indian government has stated that the total funds requirement for the modernization program of airports is INR408 billion by 2011, out of which around INR300 billion will be invested by private players. However, according to the recent Planning Commission consultation paper, the total investment in the Eleventh Plan is expected to be around INR348 billion (a 15% cut from the initial estimate of INR408 billion) against INR68 billion spent in the Eleventh Plan.

Port Sector

Indian ports are operating close to 100% capacity India has around 12 major ports and 187 minor ports, with the major ports handling around 73% of the traffic. In FY07, ports in India handled 650 million tons of traffic, which witnessed a Over the past five years, traffic growth in minor ports has outpaced growth in the major ports. While the traffic at major ports recorded a CAGR of 10% over FY02-FY07, the minor ports recorded a CAGR of 12% in the period. Overall capacity utilization of Indian ports had increased from 86% in FY03 to 92% in FY07. By FY12, the traffic in Indian port is projected to cross 1,000 metric tones. The Ministry of Shipping intends to add capacity ahead of the requirement. It intends to increase capacity to 1,300 metric tones by FY12, 30% higher than the required capacity.

Freight Corridor Project

The dedicated rail freight corridor project is slated to be the Indian Railways (IR) biggest venture to date. It was approved in 2005 by the committee on infrastructure headed by the prime minister. The Rail India Technical and Economic Services (RITES) prepared the feasibility report and submitted it at the end of 2006.

Construction on the Rs.600 billion project is expected to commence shortly. Once completed, the rail freight corridor project would add 10,000 km to the existing rail network. This is extremely significant considering that only 9,625 km has been added since 1950-51.

Opportunities and Strengths

It is estimate the total construction opportunity for companies in India will be around INR34,385 billion over the next five years. We believe complexity in the construction sector is rising and project sizes are increasing. For e.g., earlier road projects awarded by the National Highway Authority of India (NHAI) had an average length of 15-20 kilometers (in the Golden Quadrilateral phase). Currently projects awarded have length in excess of 100 kilometers. Similarly, large and

technologically complex projects are being awarded in the power, port and airport sectors. Furthermore, many infrastructure projects are awarded on the basis of a PPP model. This entails undertaking equity risk on infrastructure projects, in our view. As the construction period is included in the concession period, timely completion of the projects has a substantial affect on the internal rate of returns (IRR). Hence, an increasing number of projects have now an aggressive timeline attached to them. Further, requirements for the pre-qualification bidding are getting increasingly tougher.

Hence, we believe larger construction players, such as GPL having vast technical expertise and proven track record in execution will hold an edge. During the last 17 years we executed several construction projects all over the country. The client list includes National Thermal Power Corporation, National Aluminium Company, South Eastern Railways, etc. Today, it is associated with clients such as Jindal Vijaynagar Steel, Airports Authority of India, Kakinada Port Project, Upper Krishna Project in Karnataka, Sardar Sarovar Project in Gujarat and various irrigation projects in Maharashtra Govt. and Orissa Irrigation Department.

The Company is currently executing projects amounting to Rs.35263.15 millions of NHAI / Irrigation Departments of various State Governments. The Company owns a large fleet of state of art construction equipments at an original cost of Rs. 2572.94 millions as on 31st March 2008.

The Company has executed various projects in different sectors of infrastructure like highway, irrigation projects, mass excavation, ports, airports and industrial civil works. Such diversification in different sectors enables us to reduce dependence on any one sector or nature of the project.

During the year under review, the Company has in all bagged new orders valued around Rs.17501 millions.

Major Projects Awarded during the year are:

- a) Design, Construction, Development, Finance, Operation and Maintenance of ORR from Bongalur to Tukuguda - AP-4 in the State of Andhra Pradesh, at an estimated Project cost is Rs.36200 Lacs.
- b) Improvement of Naranpur-Pandapada - Harichandanpur - Brahmanipal - Duburi Road in the State of Orissa awarded to Gayatri-RNS Joint Venture, at an estimated Project cost is Rs. 31189 Lacs.
- c) Investigation, Design and Earthwork Excavation of GNSS Main Canal from Km 119.00 to Km 141.350 including construction of CM & CD Works in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost is Rs.11196 Lacs.
- d) Rajiv Sagar Lift Irrigation Project, Dummugudem - Package No.33/2006 in the State of Andhra Pradesh awarded in the name of Jaiprakash- Gayatri Joint Venture, at an estimated Project cost is Rs.28161 Lacs.
- e) Indira Sagar Project Main Canal and distribution net work on turn key basis by Government of Madya Pradesh awarded in the name of Gayatri-BCBPPL Joint Venture, at an estimated Project cost is Rs.24255 Lacs.

Risks and Concerns

The volatility in the prices of critical raw material like, Steel, Cement, Diesel and Bitumen is a major risk for the Company. However, in the most of the contracts this has been protected by escalation clause. The change of Government Policies can significantly affect the operations. Considering the priority given to the infrastructure sector by the present Government, this risk is reduced. Due to rapid growth in the industry, the shortage of manpower is considered as risk. To mitigate the manpower shortage and to attract the talent, the Company has taken staff incentive policy programmes.

Internal Control Systems

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilization of resources and effective monitoring thereof and compliance with all applicable resources. The Company ensures adherence to all internal control policies and procedures. A qualified and independent audit committee of the Board, comprising all independent directors of the Company, reviews the adequacy of internal controls.

Financial Performance

Turnover: During the year under review the Company has achieved turnover of Rs.7523.56 Millions as compared to Rs. 5021.20 Millions in the previous year, registering a growth of 49.83%.

Share Capital: The FCCB bonds of the value of JPY 120 million were converted into 1,04,761 shares, as a result of these conversions, the share capital has increased by Rs 10.48 Lacs and reserves by Rs 385.88 Lacs.

Reserves & Surplus: The Reserves & Surplus of the Company has increased to Rs.16906.24 Lacs from Rs.13099.97 Lacs in the previous year and the increase was mainly due to Rs.3034.53 Lacs Profit made in the year 2007-08 and Share Premium and commission of FCCBs Rs.171.74 Lacs.

Net worth: The Company's net worth increased to Rs.17916.72 Lacs from Rs.14099.97 Lacs, primarily due to Profits made during the year 2007-08 and Share Premium.

Secured Loans: There is a marginal increase of Rs.308.37 Lacs in the Secured Loans due to increase in Working Capital Loans in the year 2007-08.

Unsecured Loans : The unsecured loans consisting of Mobilisation and Machinery advances is increased from Rs.7868.30 Lacs to Rs.14193.20 Lacs, mainly due to advances of Rs.6324.90 Lacs received on the new works awarded during the year 2007-08.

Fixed Assets: The Company's Fixed Assets (Gross Block) is increased by Rs.5030.88 Lacs in the year 2007-08, mainly because of additional machinery purchased for execution of the new works awarded to the Company.

Net Current Assets : The net current assets has increased from Rs.27802.97 Lacs to Rs.35927.03 Lacs during the year 2007-08, mainly due to increase in advances given to Supplier, Sub Contractors etc.,

Operational Performance

Income: There has been an increase in the Gross Income of the Company from Rs.50545.20 Lacs to Rs.75780.15 Lacs, registering a impressive growth of 49.93% over the previous year.

Construction Cost: The construction cost consisting of work expenditure, staff cost, administrative cost and increase / decrease in WIP is marginally increased to 85.93% as against 84.96% in the previous year due to increase in the cost of materials.

Financial Charges: During the year there is increase of Rs.326.40 Lacs in the interest cost as compared to previous year due to increase in the Fund Based Limits.

Depreciation: Due to additions in the Fixed Assets Block, the depreciation has increased to Rs.1638.98 Lacs from Rs.1256.58 Lacs in the previous year.

Provision for Tax: The Company has provided for a sum of Rs.2112.91 Lacs as a current tax, deferred tax and Fringe Benefit Tax.

EBITDA and Net Profit: During the year the EBITDA margins registered at 14.06% as against 15.03% in previous year, due to increase in the cost of material and establishment cost. However, the EBITDA margins are more than the industry average. The Net Profit margins before tax is increased from 7.08% in the previous year to 8.07% in the current year.

Dividend: The Company has recommended a dividend of 25% and the total pay out on dividend payments works out to Rs.252.62 Lacs.

Human Resources

Human Capital in the Organisation has always remained the constant appreciating assets, which have propelled the Organisation to its present status. The Management is paying special attention to various aspects like training, welfare and safety of the employees and thereby further strengthening the Human Resources. Identification of Key and critical position and identifying individuals with leadership skills and nurturing them as a future leaders, has been a continuous process. The relationship with employees remained cordial through out the year under review.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-08

(As required under Clause 49 of the Listing agreement entered with Bombay Stock Exchange)

MANDATORY REQUIREMENTS**I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company believes that a good corporate governance practice enables the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stakeholders. The Company has a strong legacy of fair, transparent and ethical governance practices. With the listing of its equity shares, the Company has also abided by the requirements of corporate governance covered under clause 49 of the Listing Agreement with the Stock Exchange.

The Company has adopted a code of conduct for members of the Board and senior management, who have all affirmed in writing their adherence to the code.

II. BOARD OF DIRECTORS

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Memberships held by them in other companies is given below. Other Directorships do not include alternate Directorships, Directorships of Private Ltd companies and of companies incorporated outside India. Chairmanship/membership of Board Committees includes membership of Audit, Remuneration and Shareholders/Investors Grievance Committees.

Name of the Director & Category	No. of Board meetings during the year 2007- 08		Whether attended last AGM held on 28 th September 2007	No. of directorships in other public Companies	No. of Committee positions held in other public companies	
	Held	Attended			Chairman	Member
Mrs. T Indira Reddy (Chairperson) Non Executive & Non Independent	6	5	Yes	7	—	1
Mr. T.V. Sandeep Kumar Reddy (Managing Director) Executive & Non Independent	6	5	Yes	12	1	1
Mr. J Brij Mohan Reddy Executive & Non Independent	6	2	No	5	—	—
Mr. G Siva Kumar Reddy Non Executive & Independent	6	3	No	1	—	—
Dr. V. L. Moorthy Non Executive & Independent	6	4	No	2	1	—
Mr. CH Hari Vittal Rao Non Executive & Independent	6	6	Yes	2	—	—
Mr. S.M.A.A. Jinnah Non Executive & Independent	6	4	No	—	—	—
Dr. Archana Niranjani Hingorani Non Executive & Non-Independent	6	4*	No	12	—	6

* includes one board meeting attended through tele-conference call.

Six Board Meetings were held during the period April 1, 2007 to March 31, 2008 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

28th April 2007, 26th July 2007, 28th August 2007, 29th October 2007, 30th January 2008 and 26th February 2008.

III. AUDIT COMMITTEE

- a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Functions of Audit Committee include:

- ❖ Overseeing of the Company’s financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ❖ Reviewing the adequacy of internal audit functions.
- ❖ Reviewing the quarterly and annual financial statements before submission to the Board.
- ❖ Reviewing the adequacy of internal control and their compliance thereof.
- ❖ Reviewing the Company’s financial and risk management policies.

- b) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below :

Name of the Director	No. of Audit Committee meetings	
	Held	Attended
Mr. CH Hari Vittal Rao – Chairman	4	4
Dr. V .L. Moorthy – Member	4	3
Mr. SMAA Jinnah – Member	4	3

- c) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 28th April 2007, 26th July 2007, 29th October 2007 and 30th January 2008.

The necessary quorum was present at all the meetings.

IV. REMUNERATION COMMITTEE

- a) The composition of the Remuneration Committee is given below :

1. Mrs. T Indira Reddy – Chairperson
2. Mr. G Siva Kumar Reddy – Member
3. Dr. V .L. Moorthy – Member

- b) The broad terms of reference of the Remuneration Committee are as under :

- To approve the remuneration and commission / incentive remuneration payable to the Managing Director / Executive Directors for each financial year.
- To approve the remuneration and Annual Performance Bonus payable to the Chief Finance Officer and the Vice Presidents of the Company for each financial year.
- Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

- c) The Remuneration policy of the Company is summarized as follows:

For Managing Director:

The total remuneration, subject to shareholders approval consists of

- a fixed component consisting of salary, allowances and perquisites and benefits which are in line with the Company’s rules for senior managerial personnel

For Non Executive Directors

Sitting fees is paid as per the Companies Act, 1956 and the Articles of Association of the Company, for attending meetings of the Board or any committees of the Board. Directors are also reimbursed actual travel costs and incidental expenses incurred for attending such meetings or in connection with the Company’s business.

d) Remuneration and sitting fees paid to the Directors during the financial year 2007-2008

Name of the Director	Category	Remuneration payable /paid	
		Salary & Perks (Rs)	Sitting fees (Rs)
Mrs. T Indira Reddy	Non Executive & Non Independent	—	12,500
Mr. T V Sandeep Kumar Reddy	(Managing Director) Executive & Non Independent	60,00,000	—
Mr. J Brij Mohan Reddy	Executive & Non Independent	56,00,000	—
Mr. G.Siva Kumar Reddy	Non Executive & Independent	—	7,500
Dr. V L. Moorthy	Non Executive & Independent	—	10,000
Mr. CH Hari Vittal Rao	Non Executive & Independent	—	15,000
Mr. SMAA Jinnah	Non Executive & Independent	—	10,000
Dr. Archana Niranjana Hingorani	Non Executive & Non-Independent	—	7,500

V. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

a) A Shareholders / Investors Grievance Committee of Directors reviews the following:

- Transfer/transmission of shares / debentures
- Issue of duplicate share certificates
- Review of shares dematerialized and all other relevant matters
- Monitors expeditious redressal of investor's grievances
- Non receipt of Annual reports and declared dividend
- All other matters related to shares/debentures

b) The constitution of Shareholders/Investors Grievance Committee is as follows:

1. Mr. Brij Mohan Reddy - Chairman
2. Mr. SMAA Jinnah - Member
3. Mr. CH Hari Vittal Rao - Member

Name of the Director	No. of Shareholders Grievance Committee Meetings	
	Held	Attended
Mr. J.Brij Mohan Reddy – Chairman	1	1
Mr. SMAA Jinnah – Member	1	1
Mr. CH Hari Vittal Rao – Member	1	1

One share holders grievance committee meeting was held on 31st March, 2008

c) Name, designation and address of Compliance Officer:

CS I.V. LAKSHMI,

Company Secretary & Compliance Officer

6-3-1090, TSR Towers, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082

Tel: +91 40 23310330 Fax: +91 40 23398435

E-Mail: gplhyd@gayatri.co.in

d) Details of complaints received and redressed :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	6	6	Nil

VI. GENERAL BODY MEETINGS

Annual General Meeting

The Sixteenth Annual General Meeting of the Company was held on 30th September 2005 at 11.00 AM at the Registered Office of the Company.

The Seventeenth Annual General Meeting of the Company was held on 1st September 2006 at 11.00 AM at the Registered Office of the Company.

The Eighteenth Annual General Meeting of the Company was held on 28th September 2007 at 11.00 AM at the Registered Office of the Company.

Extra ordinary General Meeting

Extra ordinary General Meeting of the shareholders of the Company was held on 24th March, 2008 for approving the

- Issue of Warrants Convertible into Equity Shares to the Promoters on Preferential Basis

Postal Ballot

Postal ballot process was undertaken by the Company in February 2008 for the purpose of obtaining the approval of the shareholders for alteration of the other objects in "Object Clause" of the Memorandum of Association of the Company and for Commencement of New Business under Other Objects Clause.

VII. DISCLOSURES

1. Transactions entered with related parties during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. These transactions have no potential conflict with the interests of the Company at large.
2. The Board of Directors has adopted the Code of Conduct and Ethics for Directors and Senior Management. The said code has been communicated to the Directors and the members of the Senior Management and the code has also been posted on the Company's website.
3. Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the period from 01st April, 2007 to 31st March, 2008: Nil.
4. Secretarial Audit

A Qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

VIII. MEANS OF COMMUNICATION

The quarterly, half-yearly results of the Company are published in leading newspapers in India which include Economic Times and Nav Bharat Times. The results are also displayed on the Company's web site www.gayatri.co.in. Press releases made by the Company from time to time are also displayed on the website. A Management Discussion and Analysis statement is a part of the Company's Annual Report.

IX. GENERAL SHAREHOLDER INFORMATION

a) Annual General Meeting :

Financial Year : 2007 – 2008
 Date : 29th September, 2008
 Time : at 04:00pm
 Venue : Surana Udyog Hall, The Federation of Andhra Pradesh,
 Chamber of Commerce and Industry, Federation House,
 11-6-841, Red Hills, Hyderabad – 500 004.

b) Date of Book Closure : From 24th September, 2008 to 29th September, 2008 (both days inclusive).

c) Dividend Payment Date : Within 30 days from the date of declaration

d) Listing on Stock Exchanges: The shares of the Company are listed on The Bombay Stock Exchange. Listing Fee has been paid for the stock exchange for the financial year 2008-2009.

e) Stock Market data :

Stock Code: BSE 532767

(In Rs.)

Month	BSE	
	High	Low
April 2007	279.00	208.50
May 2007	308.00	243.00
June 2007	336.00	252.00
July 2007	388.00	269.00
August 2007	310.00	251.05
September 2007	360.00	273.95
October 2007	328.70	240.05
November 2007	356.00	288.00
December 2007	624.00	337.00
January 2008	696.00	475.00
February 2008	571.90	429.00
March 2008	521.50	323.90

f) Registrar and Transfer Agents :

Karvy Computershare Private Ltd.
 "Karvy House", 46, Avenue 4,
 Street No. I, Banjara Hills, Hyderabad – 500034
 Tel: 040 – 23312454, Fax: 040 – 23311968,
 Email: mailmanager@karvy.com,
 Website: www.karvycomputershare.com

g) Share Transfer System :

Transfers of shares held on dematerialized form are done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with the

Registrars at the above mentioned addresses. Transfers of shares in physical form are normally processed within 10-12 days from the date of receipt, if the documents are complete in all respects. The Directors, the Chief Finance Officer and the Company Secretary are severally empowered to approve transfers.

h) Dematerialization of Shares and Liquidity:

As on 31st March 2008, 99.99% of the paid up equity capital of the Company has been dematerialized and the trading of Equity shares in the Stock Exchanges is under compulsory dematerialization.

ISIN : INE336H01015

i) Shareholding as on 31st March, 2008

1) Distribution of shareholding as on 31st March, 2008:

Category (Amount)	No. of cases	% of cases	Total shares	Amount	% of Amount
01 – 5000	6717	96.273470 %	422395	42,23,950.00	4.180158 %
5001 – 10000	122	1.748603 %	102274	10,22,740.00	1.012137 %
10001 - 20000	56	0.802637 %	84621	8,46,210.00	0.837437 %
20001 - 30000	17	0.243658 %	45462	4,54,620.00	0.449907 %
30001 - 40000	5	0.071664 %	18081	1,80,810.00	0.178935 %
40001 - 50000	13	0.186327 %	62072	6,20,720.00	0.614285 %
50001 - 100000	11	0.157661 %	87859	8,78,590.00	0.869481 %
100001 & Above	36	0.515981 %	9281997	9,28,19,970.00	91.857660 %
Total	6977	100 %	10104761	10,10,47,610.00	100 %

2) Categories of shareholders as on 31st March, 2008:

S.No	Category	No. of Cases	Total shares	% to Equity
1	Promoters & Directors	4	5579695	55.218476 %
2	Resident Individuals	6380	728258	7.207078 %
3	Indian Venture Capital	1	653351	6.465774 %
4	Bodies Corporate	221	344651	3.410778 %
5	Foreign Institutional Investors	14	1898669	18.789846 %
6	Banks	1	50	0.000495 %
7	HUF	244	34467	0.341097 %
8	Non Resident Indians	73	33143	0.327994 %
9	Clearing Members	31	54012	0.534520 %
10	Promoter Director Relatives	2	305	0.003018 %
11	Mutual Funds	6	778160	7.700924 %
	Total	6977	10104761	100 %

3) Address for correspondence:

CS I.V. LAKSHMI

Company Secretary & Compliance Officer

6-3-1090, T.S.R. Towers, Raj Bhavan Road,

Somajiguda, Hyderabad – 500 082

Tel: +91 40 23310330 Fax: +91 40 23398435,

E mail: gplhyd@gayatri.co.in

DECLARATION

The Board of Directors of the Company at their meeting held on 7th January, 2006, has approved the code of conduct for the Directors and senior management personnel. As stipulated under the provisions of the sub-clause I (D) (ii) of Clause 49 of the Listing Agreement with stock exchanges, all the Directors and the designated personnel in the senior management of the Company have affirmed compliance with the code for the financial year ended 31st March, 2008.

For **GAYATRI PROJECTS LIMITED**

Place : Hyderabad
Date : July, 31st 2008

T.V. SANDEEP KUMAR REDDY
Managing Director

C.B. MOULI & ASSOCIATES
CHARTERED ACCOUNTANTS

125, M.G. ROAD, SECUNDERABAD – 500 003. Tel. 27840777, Fax. 27848545

Certificate on Compliance of Corporate Governance as per Clause 49 of the Listing Agreement:

To the Members of Gayatri Projects Ltd

We have examined the compliance conditions of corporate governance by Gayatri Projects Ltd for the year ended 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management of the Company. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that, as per the records maintained by the Grievance Committee there are no investor grievances pending for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For C.B.MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN
Partner
Membership No. 24046

Place : Hyderabad
Date : July, 31st 2008.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE

In relation to the Audited Financial Accounts of the Company as at 31st March, 2008, we hereby certify that

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the applicable accounting standards, applicable laws and regulations.
- b) There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

(T.V. SANDEEP KUMAR REDDY)

Managing Director

(P. SREEDHAR BABU)

Chief Finance Officer

Place : Hyderabad

Date : July, 31st 2008.

C.B. MOULI & ASSOCIATES
CHARTERED ACCOUNTANTS

125, M.G. ROAD, SECUNDERABAD – 500 003. Tel. 27840777, Fax. 27848545

AUDITORS' REPORT

To the Members of **GAYATRI PROJECTS LIMITED,**

We have audited the attached Balance Sheet of **GAYATRI PROJECTS LIMITED,** as at 31st March 2008, the Profit and Loss Account and the Cash flow statement for the year ended as on that date annexed thereto. 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.

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.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended from time to time, issued by the Government of India in terms of sub-section 4A of section 227 of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to paragraph 1 above, 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 our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956.
 - e) On the basis of written representations received from the Directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts **Subject to Note No.2.7 and 2.8 of Notes to Accounts regarding non provisions for the losses incurred by Joint ventures** give the information required by the Companies Act 1956, in the manner so required and give a true and fair view and in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2008.
 - ii. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

For C.B.MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN

Partner

Place : Hyderabad
Date : July, 31st 2008.

Membership No. 24046

ANNEXURE TO THE AUDITOR'S REPORT:

Referred to in paragraph I of our report of even date:

01. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) According to the information and explanations given to us, physical verification of the fixed assets was carried out by the management in a phased periodical manner during the year under report, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No major material discrepancies were noticed on such verification.
c) The Company has not disposed off substantial part of fixed assets during the year under report and the going concern status of the Company is not affected.
02. a) According to the information and explanations given to us, inventories have been physically verified during the year under report by the management. In our opinion the frequency of verification is reasonable.
b) In our opinion and according to the information and explanations given by the management, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory and the discrepancies noticed on physical verification between the physical stocks as compared to book records were not material in relation to the operations of the Company and nature of its business.
03. The Company has taken and granted unsecured loans to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 or Companies under the same management with in the meaning of Section 371 (1B), transactions are as per the provisions of Section 372A of the Act.

In our opinion and according to the information and explanations given by the management, the terms and conditions of such transactions are *prima-facie* not prejudicial to the interest of the Company.

04. In our opinion and according to the information and explanations given by the management, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of Inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
05. a) In our opinion and according to the information and explanations given by the management, the transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, have been so entered.
b) In our opinion and according to the information and explanations given by the management, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lacs in respect of any party during the year under report, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, where such market is available.
06. In our opinion and according to the information and explanations given by the management, the Company has not accepted any deposits from the public with in the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
07. In our opinion, the internal audit of the Company has been carried out by a firm of Chartered Accountants appointed by management, the scope and coverage of internal audit is commensurate with the size of the Company and the nature of its business.
08. In our opinion and according to the information and explanations given by the management, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act 1956.
09. a) In our opinion and according to the information and explanations given by the management, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employee State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess with the appropriate authorities.

- b) According to the information and explanations given to us no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31 March, 2008 pending for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Wealth Tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any dispute, except the following:

Sl. No	Nature of Due	Related Year	Forum where dispute is pending	Amount In Lacs
1	Department of Mines and Geology	1998-99	Appeal pending Before Supreme Court	1043.51
2	Sales Tax -Kerala	1995-96	Appeals Before the Deputy Commissioner, Commercial Taxes, Ernakulam, Kerala	3.10
3	Sales Tax –Kerala	1996-97	Appeals Before the Deputy Commissioner, Commercial Taxes, Ernakulam, Kerala	25.77
4	Sales Tax –Kerala	1997-98	Appeals Before the Deputy Commissioner, Commercial Taxes, Ernakulam, Kerala	4.79
5	Sales Tax – Kerala	1998-99	Appeals Before the Deputy Commissioner (Appeals) Ernakulam, Kerala State	53.83
6	Sales Tax – Kerala	1999-00	Appeals with Appellate Tribunal Additional Bench, Palakkad, Kerala State	42.57
7	Sales Tax –Kerala	2000-01	Appeals Before the Deputy Commissioner, Commercial Taxes, Ernakulam, Kerala	4.70
8	Sales Tax -Kerala	2001-02	Appeals Before the Deputy Commissioner, Commercial Taxes, Ernakulam, Kerala	0.05
9	Sales Tax - Karnataka	2000-01	Appeals with Appellate Tribunal, Bangalore, Karnataka State	24.80
10	Service Tax	2005-06	Service Tax Appellate Tribunal (CESTAT), K.G.Road, Bangalore – 560 009	56.09

10. In our opinion, the Company is not having any accumulated losses and has not incurred any cash losses during the financial year covered by our audit, and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or banks or debenture holders.
12. In our opinion and according to the information and explanations given by the management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly Clause (xii) of the Order is not applicable to the Company.
13. In our opinion, Clause (xiii) of the order is not applicable to the Company since the Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society.
14. In our opinion, Clause (xiv) of the order is not applicable to the Company since the Company is not dealing in or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given by the management, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given by the management, on an overall basis, the term loans have been applied for the purpose for which they were raised.

17. According to the information and explanations given by the management and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given by the management, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act.
19. According to the information and explanations given by the management, the Company has issued Foreign Currency Convertible Bonds for JPY 3080 millions. During the year 104761 equity shares were issued on conversion of bonds of value JPY 120 Millions.

The proceeds of FCCB issue are utilized mainly for investment in SPV Companies.

20. In our opinion and according to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the year.

For C.B.MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN

Partner

Membership No. 24046

Place : Hyderabad
Date : July, 31st 2008.

BALANCE SHEET AS AT 31st MARCH, 2008

PARTICULARS	SCH NO	AS AT 31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SOURCE OF FUNDS			
Share Holders Funds			
Share Capital	1	1,010.48	1,000.00
Reserves & Surplus	2	16,906.24	13,099.97
		<u>17,916.72</u>	<u>14,099.97</u>
Foreign Currency Convertible Bonds (FCCBs)		9,776.88	—
Loan Funds			
Secured Loans	3	21,240.89	20,932.52
Unsecured Loans	4	14,193.20	7,868.30
		<u>35,434.09</u>	<u>28,800.82</u>
Deferred Tax Liability		1,867.66	1,776.64
TOTAL		<u>64,995.35</u>	<u>44,677.43</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	25,729.36	20,698.48
Less: Depreciation		9,441.53	7,839.99
Net Block		<u>16,287.83</u>	12,858.49
Investments	6	12,780.79	4,015.97
Current Assets, Loans & Advances			
Inventories	7	3,855.96	2,175.99
Sundry Debtors	8	16,798.68	13,023.47
Cash & Bank Balances	9	7,570.14	2,803.37
Loans & Advances	10	17,541.63	15,598.83
		<u>45,766.41</u>	<u>33,601.66</u>
Less: Current Liabilities & Provisions	11	9,839.68	5,798.69
Net Current Assets		<u>35,926.73</u>	27,802.97
TOTAL		<u>64,995.35</u>	<u>44,677.43</u>
Significant Accounting Policies and Notes on Accounts	18		

As per our report of even date
For C.B. MOULI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

Place : Hyderabad.
Date : 31st July 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008

PARTICULARS	SCH NO	YEAR ENDED	YEAR ENDED
		31st MARCH 2008	31st MARCH 2007
		Rs.in Lacs	Rs.in Lacs
INCOME			
Gross Contract Receipts		75,235.64	50,212.02
Other Income	12	544.51	333.18
TOTAL		75,780.15	50,545.20
EXPENDITURE			
Work Expenditure	13	60,840.68	40,595.54
(Increase) / Decrease in WIP	14	423.40	160.12
Staff Cost	15	1,545.48	904.21
Administrative Expenses	16	1,843.76	1,003.12
Financial Charges	17	3,369.67	3,043.27
Depreciation	5	1,638.98	1,256.58
TOTAL		69,661.97	46,962.84
Profit before Tax		6,118.18	3,582.36
Less : Provision for Income Tax, Deferred Tax & FBT		2,112.91	1,225.98
Net Profit after Tax		4,005.27	2,356.38
Less : Prior Period Adjustments		75.19	—
Profit after prior period adjustments		3,930.08	2,356.38
Add : Profit b/f from Prev.year		4,217.20	2,594.81
Profit available for appropriation		8,147.28	4,951.19
Basic and Diluted EPS (Rs.)		39.06	24.73
APPROPRIATIONS :			
Proposed Dividend @25% (Prev.Year 20%)		252.62	200.00
Dividend tax on Dividend		42.93	33.99
Transfer to General Reserve		600.00	500.00
Balance carried to Balance sheet		7,251.73	4,217.20
		8,147.28	4,951.19
Significant Accounting Policies and Notes on Accounts	18		

As per our report of even date
For C.B. MOULI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
 Partner
 Membership No.24046

T. INDIRA REDDY
 Chairperson

T.V. SANDEEP KUMAR REDDY
 Managing Director

P. SREEDHAR BABU
 Chief Finance Officer

I.V. LAKSHMI
 Company Secretary

Place : Hyderabad.
 Date : 31st July 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

PARTICULARS	YEAR ENDED 31st MARCH 2008 Rs.in Lacs	YEAR ENDED 31st MARCH 2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and Extra Ordinary items	6,118.18	3,582.36
Adjustments for:		
Depreciation	1,638.98	1,256.58
Profit on sale of fixed assets	8.74	(2.71)
Interest	3,369.67	3,043.27
Operating Profit before Working Capital changes	11,135.57	7,879.50
Adjustments for:		
Trade and other receivables	(5,718.31)	(3,862.01)
Decrease in Inventories	(1,679.97)	8.50
Trade payables	4,040.99	665.24
Cash generated from operations	7,778.28	4,691.23
Direct taxes paid	(2,021.89)	(1,279.27)
Cash flow before prior period adjustments	5,756.39	3,411.96
Prior period adjustments	(75.19)	—
Net cash from operating activities	5,681.20	3,411.96
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(5,091.06)	(4,292.19)
Sale of Fixed Assets	14.00	10.25
Investments	(8,764.52)	(3,722.01)
Net Cash used in Investing Activities	(13,841.58)	(8,003.95)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest paid	(3,369.67)	(3,043.27)
Foreign Currency Convertible Bonds (FCCBs)	9,776.88	—
Proceeds from conversion of FCCB	396.36	2,950.00
FCCB Expenses	(214.14)	(241.63)
Proceeds from long term borrowing	308.37	1,598.85
Proceeds from short term borrowing	6,324.90	1,487.54
Net Cash used in Financing activities	13,222.70	2,751.49
Net increase in Cash and Cash Equivalents (A+B+C)	5,062.32	(1,840.50)
Cash & Cash Equivalents as at 1st April, 2007	2,773.37	4,613.87
Cash & Cash Equivalents as at 31st March, 2008	7,835.69	2,773.37

- Note:**
- 1 Cash and Cash Equivalents consist of Cash on hand and balances with Banks that includes Margin Money Deposits for Bank Guarantees of Rs.5691.29 Lacs (Previous Year Rs.2196.54 Lacs)
 - 2 The Cash flow statement is prepared in accordance with the indirect method stated in Accounting Standard 3 issued by ICAI on Cash flow statements and presents Cash flows by Operating, Investing and Financing activities.
 - 3 Figures in brackets represent cash outflows.
 - 4 Notes on Accounts stated in Schedule 18 form an integral part of the Cash flow statement.

As per our report of even date

For and on behalf of the Board

For C.B. MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

Place : Hyderabad.
Date : 31st July 2008

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 1		
SHARE CAPITAL		
Authorised Share Capital :		
150,00,000 Equity Shares of Rs10/- each	1,500.00	1,500.00
	<u>1,500.00</u>	<u>1,500.00</u>
Issued, Subscribed and paid-up capital :		
Equity Shares of Rs.10/- each, fully paid-up [Number of shares]	1,010.48	1,000.00
Year ended March 31, 2007 - 100,00,000		
Year ended March 31, 2008 - 101,04,761 of the above		
a) 40,00,000 shares of Rs.10/- each fully paid bonus shares in the ratio of 5:4 were allotted by capitalization of General Reserve		
b) 10,00,000 shares of Rs.10/- each fully paid shares were allotted to public at a premium of Rs.285/- through Initial Public Offer.		
c) 1,04,761 shares of Rs.10/- each fully paid shares were allotted by way of conversion of FCCB at a premium of Rs.368.3453 (refer note 2.1 of Schedule 18).		
	<u>1,010.48</u>	<u>1,000.00</u>
SCHEDULE NO : 2		
RESERVES & SURPLUS		
Securities Premium Account		
At the Commencement of the Year	3,982.77	1,374.40
Add: Additions during the year on account of FCCB conversion (Prev.Year IPO)	385.88	2,850.00
Less : FCCB Issue (Prev.IPO) Expenses	214.14	241.63
	4,154.51	3,982.77
General Reserve		
At the Commencement of the Year	4,775.00	3,600.00
Add: Transfer from Debenture Redemption Reserve	125.00	675.00
Add : Transfer from Profit & Loss A/c.	600.00	500.00
	5,500.00	4,775.00
Debenture Redemption Reserve	125.00	800.00
Less : Transfer to General Reserve (Excess)	(125.00)	(675.00)
	—	125.00
Profit & Loss Account	7,251.73	4,217.20
	<u>16,906.24</u>	<u>13,099.97</u>
SCHEDULE NO : 3		
SECURED LOANS		
A] On Working Capital Loan Account	14,158.76	13,138.59
[Secured by way of first charge on pari-passu basis on Stocks, construction materials, book debts and receivables and machinery and vehicles, not specifically charged/encumbered to any banks and further Secured by personal guarantee of Directors/promoters]		
B] Term Loan Account		
I] From Banks	1,557.05	3,614.44
[Project Specific Term Loan secured by exclusive charge on the equipment financed by the Bank]		
II] From Others	—	500.00
12% Unsecured Redeemable Non-Convertible Debentures (E.D.R. 03/07/2007)		
[Secured by way of exclusive specific first charge (hypothecation) on the Construction Equipment and Personal Guarantees of the Promoter Directors and their relatives]		
C] Equipment And Vehicle Loans		
I] From Banks	4,302.43	2,423.88
II] From Others	1,220.51	1,220.51
[Secured by exclusive charge by way of hypothecation on certain specific equipments of the Company]		
D] Deferred Payment Guarantees (From Banks)	2.14	35.10
[Secured by exclusive charge on the equipment of the Company financed through the loan]		
	<u>21,240.89</u>	<u>20,932.52</u>
SCHEDULE NO : 4		
UNSECURED LOANS		
Advances from Contractees & Others	14,193.20	7,868.30
[Includes advances received against Bank Guarantees from Contractees towards Mobilization / Equipment / Material and Work advances etc and others]		
	<u>14,193.20</u>	<u>7,868.30</u>

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE NO : 5 FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2007	Additions	Deletions	As at 31/03/2008	Up to 31/03/2007	For the year	Deprn. On Deletion	Up to 31/03/2008	As on 31/03/2008	As on 31/03/2007
Land	11.73	—	—	11.73	—	—	—	—	11.73	11.73
Plant & Machinery	12,561.52	3,015.01	—	15,576.53	3,071.47	657.09	—	3,728.56	11,847.97	9,490.05
Vehicles	752.71	339.07	60.18	1,031.60	395.15	80.43	37.44	438.14	593.46	357.56
Earth Moving Machinery	7,140.19	1,660.79	—	8,800.98	4,268.64	882.31	—	5,150.95	3,650.03	2,871.55
Office Sheds	17.29	58.72	—	76.01	17.29	5.13	—	22.42	53.59	—
Furniture & Fixtures	215.04	15.79	—	230.83	87.44	14.02	—	101.46	129.37	127.60
Capital Work in Progress	—	1.68	—	1.68	—	—	—	—	1.68	—
TOTAL :	20,698.48	5,091.06	60.18	25,729.36	7,839.99	1,638.98	37.44	9,441.53	16,287.83	12,858.49
Previous Year	16,430.72	4,292.19	24.43	20,698.48	6,600.30	1,256.58	16.89	7,839.99	12,858.49	9,830.42

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 6		
INVESTMENTS		
Shares in Companies :		
<u>Quoted Shares</u>		
2931000 Equity Shares of Rs 10/- each fully paid in Gayatri Sugars Ltd (Market Value as at 31/03/08 - Rs.213.08 Lacs)	293.10	293.10
1728 Equity Shares of Rs 10/- each fully paid in Syndicate Bank Ltd (Market Value as at 31/03/08 - Rs 1.30 Lacs)	0.86	0.86
<u>Long Term - Unquoted Shares - Subsidiary Companies</u>		
16268000 Equity shares of Rs. 10/- each, fully paid allotted in Gayatri Jhansi Roadways Limited (Prev.Year 50000)	1,626.80	5.00
12200000 Equity shares of Rs. 10/- each, fully paid allotted in Gayatri Lalitpur Roadways Limited (Prev.Year 50000)	1,220.00	5.00
50000 Equity shares of Rs. 10/- each, fully paid allotted in Gayatri Infraventures Ltd	5.00	—
<u>Long Term - Unquoted Shares - Associate Companies</u>		
3278000 Equity shares of Rs. 10/- each, fully paid allotted at Rs.90/- premium in Western UP Tollway Ltd	3,278.00	3,278.00
990000 Equity shares of Rs. 10/- each, fully paid allotted in Hyderabad Expressways Limited	99.00	—
990000 Equity shares of Rs. 10/- each, fully paid allotted in Cyberabad Expressways Limited	99.00	—
24500 Equity shares of Rs. 10/- each, fully paid allotted in Gayatri Thermal Power Corporation Ltd.	2.45	—
Share Application Money		
a) <i>Subsidiary Companies</i>		
Gayatri Jhansi Roadways Limited	1,438.20	—
Gayatri Lalitpur Roadways Limited	1,080.00	—
b) <i>Associates Companies</i>		
Western UP Tollway Limited	434.01	434.01
Hyderabad Expressways Limited	1,616.00	—
Cyberabad Expressways Limited	1,588.37	—
	12,780.79	4,015.97
1) 3,00,000 Equity Shares of Western UP tollways Ltd aggregating in value of Rs.300 Lacs have been pledged to the consortium bankers for the term loan availed by Western UP Tollway Limited		
2) 16268000 Eq. Shares of Gayatri Jhansi Roadways Ltd have been pledged in favour of Infrastructure Development Finance Company Limited for the term loan availed by Gayatri Jhansi Roadways Ltd.		
3) 12200000 Eq. Shares of Gayatri Lalitpur Roadways Ltd have been pledged in favour of Infrastructure Development Finance Company Limited for the term loan availed by Gayatri Lalitpur Roadways Ltd.		
SCHEDULE NO : 7		
INVENTORIES		
- Construction Materials, stocks & spares at cost	2,808.54	705.17
- Closing Work-in-progress	1,047.42	1,470.82
(As certified by Management)	3,855.96	2,175.99
SCHEDULE NO : 8		
SUNDRY DEBTORS (Un-secured) considered good		
outstanding for a period		
a) exceeding six months	1,502.55	1,925.68
b) other debts	15,296.13	11,097.79
	16,798.68	13,023.47
SCHEDULE NO : 9		
CASH & BANK BALANCES		
Cash on Hand	349.05	168.81
Cash at Bank	1,529.80	438.02
Fixed Deposits/Margin Money	5,691.29	2,196.54
(Margin Money Deposits pledged with banks as security for Bank Guarantees, LCs etc.)	7,570.14	2,803.37

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 10		
LOANS & ADVANCES		
Unsecured considered good		
Advances receivable in cash or kind or value to be received	16,613.23	14,447.50
Prepaid Expenses	731.58	738.89
Deposits with Govt. Agencies & Others	196.82	412.44
	17,541.63	15,598.83
SCHEDULE NO : 11		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	8,525.93	4,933.48
Other liabilities	344.77	390.63
PROVISIONS		
For dividend	252.62	200.00
For Taxation	716.36	274.58
	9,839.68	5,798.69

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	Year Ended 31st MARCH 2008 Rs.in Lacs	Year Ended 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 12		
OTHER INCOME		
Interest Income	250.95	257.58
Commission Income	106.75	6.19
Miscellaneous Income	186.81	69.41
	544.51	333.18
SCHEDULE NO : 13		
WORK EXPENDITURE		
Steel	3,642.41	1,354.89
Cement	1,561.42	1,147.03
Bitumen	2,662.02	3,354.11
Metal	2,720.58	1,606.94
HSD Oils & Lubricants	2,676.36	2,990.25
Stores and Consumables	56.57	31.32
Other Materials	1,137.10	1,133.08
Departmental Recoveries	802.18	1,061.56
Work executed by sub contractors	28,722.74	10,129.93
Earth Work	7,003.02	6,383.98
Concrete Work	3,572.19	4,130.21
Transport Charges	576.68	397.19
Hire Charges	225.46	546.42
Road work	2,919.20	2,610.50
Repairs & Maintenance	565.66	1,335.45
Works Contract Tax / VAT	942.30	797.99
Royalties, Seigniorage and Cess	368.67	231.49
Insurance	79.07	51.80
Other Work Expenditure	607.05	1,301.40
	60,840.68	40,595.54

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	Year Ended 31st MARCH 2008 Rs.in Lacs	Year Ended 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 14		
INCREASE/DECREASE IN W.I.P.		
Opening Work in Progress	1,470.82	1,630.94
Less : Closing Work in Progress	1,047.42	1,470.82
	423.40	160.12
SCHEDULE NO : 15		
STAFF COST		
Salaries	1,304.30	764.38
Employee Benefits	124.56	124.00
Directors' Remuneration	116.62	15.83
	1,545.48	904.21
SCHEDULE NO : 16		
ADMINISTRATIVE EXPENSES		
Printing and Stationery	44.92	39.56
Telephones	58.87	52.73
Traveling and Conveyance	185.78	161.52
Advertisement Expenses	47.32	16.75
General Expenses	52.60	66.15
Consultancy Fee	688.05	277.23
Donations	177.41	48.55
Rent	122.07	100.97
Power and fuel	32.13	23.74
Rates and Taxes	164.05	66.53
Insurance	15.78	7.61
Auditors Remuneration :		
Statutory Audit	10.00	6.50
Tax Audit	2.00	1.50
Other Services	3.00	2.00
Other Administration Expenses	15.00	10.00
	239.78	131.78
	1,843.76	1,003.12
SCHEDULE NO : 17		
FINANCE CHARGES		
Interest	2,796.25	2,481.41
Bank Charges & Commission	573.42	561.86
	3,369.67	3,043.27

SCHEDULE NO: 18**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1. SIGNIFICANT ACCOUNTING POLICIES****1.1. Basis for preparation of financial statements**

The financial statements have been prepared to comply in all respects with Accounting Standards notified under Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956. The accounts are prepared under historical cost convention and on the going concern basis, with revenue recognized, expenses accounted on their accrual and in accordance with applicable notified Accounting Standards and the accounting policies have been consistently applied by the Company.

1.2. Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

1.3. Revenue recognition

Income is recognized on fixed price construction contracts in accordance with the percentage completion basis, which necessarily involve technical estimates of the percentage of completion, and costs to completion, of each contract / activity, on the basis of which profits and losses are accounted. Such estimates, made by the Company and certified to the Auditors, have been relied upon by them, as these are of technical nature.

Price escalation and other claims and/or variation in the contract work are included in contract revenue only when:

- a) Negotiations have reached at an advanced stage such that it is probable that customer will accept the claim; and
- b) The amount that is probable will be accepted by the customer can be measured reliably.

1.4. Inventories and work in progress

Raw Materials, construction materials and stores & spares are valued at weighted average cost. Expenditure incurred during the work in progress of contracts up to the stage of completion is carried forward as work-in-progress. Cost includes direct material, work expenditure, labor cost and appropriate overheads.

1.5. Fixed assets and depreciation

Fixed Assets are stated at cost of acquisition, less accumulated depreciation thereon. Expenditure which are capital in nature are capitalized at cost, which comprises of purchase price (net of rebates and discounts), import duties, levies, financing costs and all other expenditure directly attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Leasehold improvements are amortized over the period of lease.

1.6. Foreign Currency Transactions

Foreign exchange transactions are accounted at the rates prevailing on the date of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign exchange transactions are recognized in the Profit and Loss Account.

1.7. Investments

Investments are classified as long term and current investments. Long Term Investments are carried at cost less provision for permanent diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value. Dividend income is accounted when the right to receive dividend is established.

1.8. Retirement Benefits

Retirement benefits in the form of Provident Fund are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no further obligations beyond these contributions. Provision for Gratuity to employees is provided for on accrual basis. Leave encashment is accounted on cash basis.

1.9. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such asset. A qualifying asset is one that requires substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

1.10. Leases

Assets taken on finance lease are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Operating leases in respect of office & other equipment, house for employees, Office buildings are cancelable / renewable by mutual consent on agreed terms. Lease payments under an operating lease are recognized as an expense in the Profit and Loss Account.

1.11. Earning per Share

Basic and Diluted Earnings Per Share (EPS) is reported in accordance with Accounting Standard on Earning Per Share. EPS is computed by dividing the net profit or loss for the year by weighted average number of Equity shares outstanding during the year.

1.12. Taxation

Provision for Current tax is made based on the liability computed in accordance with the relevant tax rates and provisions of Income Tax Act, 1961. Provision for deferred tax is made for timing differences arising between the taxable income and accounting income computed using the tax rates and the laws that have been enacted or substantively enacted as of the Balance Sheet date.

Fringe Benefit Tax (FBT) payable under the provisions of Income tax Act, 1961 is in accordance with the Guidance Note on 'Accounting for Fringe Benefit Tax' issued by ICAI regarded as an additional income tax and considered in determination of the profits for the year.

Tax on distributed profits payable under the provisions of Income tax Act, 1961 is in accordance with the Guidance Note on 'Accounting for Corporate Dividend Tax on distribution of profits' issued by ICAI and considered in determination of profits for the year.

1.13. Impairment of Fixed Assets

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying value of the Company's fixed assets. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable value and such impairment loss is charged to profit and loss account.

1.14. Provisions for Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are present obligations arising from a past event, when it is not probable / probability is remote that an outflow of resources will be required to settle the obligation and they are not recognized but are disclosed in the notes.

Contingent Assets are neither recognized nor disclosed in the financial statements. Provisions for Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

2. NOTES TO ACCOUNTS

2.1. Share Capital

During the year, the company raised JPY 3,080 million through issue of Foreign Currency Convertible Bonds viz., Zero Coupon, Direct, Unsubordinated, and Unsecured Convertible Bonds due in 2012 and listed the bonds on Singapore Stock Exchange. The bonds are convertible into company's equity shares at agreed exercise price of Rs 378.3453 with a fixed rate of exchange on conversion of Rs 0.3303 to JPY 1.00 and proceeds of FCCB issue are mainly used for investment in SPV companies.

Out of the above, bonds value of JPY 120 million were converted into 1,04,761 shares leaving a balance of 25,84,116 shares. As a result of these conversions, the share capital has increased by Rs 10.47 Lacs and reserves by Rs 385.88 Lacs.

2.2. Loan Funds:

2.2.1. Secured Loans:

a) **Term Loan:**

Term Loans availed from banks and others are secured by hypothecation of specific assets, comprising plant and machinery, and construction equipment, acquired out of the said loans and personal guarantees of a Director.

b) **Working Capital Facilities:**

Fund based and non-fund based working capital facilities from the consortium of Banks are secured by:

- i) Hypothecation against first charge on stocks, books debts and other current assets of the Company both present and future ranking *pari passu* with consortium banks.
- ii) Hypothecation against first charge on all unencumbered fixed assets of the Company both present and future ranking *pari passu* with consortium banks.
- iii) Equitable mortgage of fourteen properties belonging to Promoters, Directors, group companies and others and personal guarantee of certain Directors.

2.2.2. Unsecured Loans:

Unsecured Loans includes advances received from Contractees towards Mobilization / Equipment / Material Advances etc., which are backed by Bank guarantees.

2.3. Investments in Gayatri Sugars Ltd

Market value of the investment in Gayatri Sugars Limited as at 31st March 2008 is Rs. 213.08 Lacs which is lesser than the carrying amount in the Balance Sheet by Rs. 80.02 Lacs. In the opinion of the Management, the diminution in the value of investment is purely temporary in nature hence provision for the same is not provided for in the books.

2.4 Proposed Dividend

Provision for dividend 25% and dividend distribution tax has been made in the books of account as proposed by the Board of Directors, pending for approval at the ensuing Annual General Meeting.

2.5 Accounting for taxes on Income

As per Accounting Standard 22 on Accounting for Taxes on Income, the provision for Deferred Tax Liability has been calculated and accounted. Details of the liability created for the year is given as under

(Rs.in Lacs)

Particulars	2007-08	2006-07
Deferred Tax Liability as at beginning of the year	1776.64	1829.95
Deferred Tax Liability at the end of the year	1867.66	1776.64
Deferred Tax Liability for the year	91.02	(53.29)

2.6 Impairment of Assets

In the opinion of the management, there are no impaired assets requiring provision for impairment loss as per the accounting standard 28 on Impairment of assets. The recoverable amount of building, plant and machinery and computers has been determined on the basis of 'Value in use' method.

2.7 Transactions with IJM-Gayatri Joint Venture

In IJM – Gayatri Joint Venture, IJM Corporation Berhad, Malaysia holds 60% and Gayatri Projects Limited holds 40% share. The Joint venture has executed road works in Package I, II & III and AP 13 of NHAI, APSH 7 and APSH 8 in the State of Andhra Pradesh.

During the year under report the Company raised a Debit Note for Rs.33.93 Lacs in addition to the previous years debit note amount of Rs.13104.50 Lacs on the joint venture for the excess of expenditure over income since the beginning of the execution of projects in respect of execution of Package I, II & III and AP 13 of NHAI, APSH 7 and APSH 8 of State Government.

The JV has raised claims in excess of Rs. 20,000 Lacs on the employers i.e. National Highways Authority of India and Andhra Pradesh State Government, which are pending for consideration before the appropriate authorities. In view of the excess expenditure (Loss) and the expected claim (Profit), no provision has been made in the Company's books of account for the Company's 40% share of Loss / Profit in the IJM-Gayatri Joint Venture.

2.8 Transactions with Gayatri-ECI Joint Venture

Gayatri-ECI JV, a joint venture between ECI Engineering & Construction Company Limited and Gayatri Projects Limited with a sharing ratio of 50:50 each. The joint venture is executing road projects in Assam, namely AS-10, AS-11 and AS-27 awarded by NHAI.

During the year the Gayatri-ECI JV has incurred loss of Rs.845.61 Lacs, in addition to the accumulated loss of Rs 371.38 Lacs of previous loss years. The Company's share of loss in the JV is Rs 608.50 Lacs, which is not been provided in the books of the company.

The Management is of the opinion that substantial portion of the work is yet to be commenced and the major portion of the project site is yet to be handed over to the JV, the initial expenditure/losses incurred can be setoff from the profits of the project on full scale commencement. Hence, the losses in the joint venture are not considered by the company.

2.9 Profit / (Loss) of all joint ventures, other than the above, are recognized in the books.

3. STATUTORY DISCLOSURES AND OTHER DISCLOSURES

3.1. Disclosure pursuant to Accounting Standard 7

(Rs.in Lacs)

Sl No	Particulars	2007-08	2006-07
1.	Contract revenue recognized for the year ended	75,235.64	50,212.02
2.	Contract cost incurred and recognized profits, less losses	74,932.84	50,068.37
3.	Amount of advances received till date, net of recoveries	14,193.20	7,868.30
4.	Gross amount due from customers for contract works	16,798.68	13,023.47

3.2. Related party transactions as per Accounting Standard 18

Details of related parties

Associated Companies		Key Management Personnel	Gayatri Ranjit Joint Venture
Deep Corporation Pvt. Ltd	Gayatri Housing Ventures Pvt. Ltd	Mr. T.V.Sandeep Kumar Reddy	Simplex Gayatri Consortium
Indira Constructions Pvt. Ltd	Gayatri Hi-Tech Hotels Ltd	Mr. J.Brij Mohan Reddy	Jaiprakash Gayatri JV
Gayatri Tissue & Papers Ltd	Gayatri Hotels & Theaters Pvt. Ltd	Subsidiary Companies	Gayatri ECI Joint Venture
Gayatri Sugars Ltd	Gayatri Thermal Power Corporation Ltd	Gayatri Jhansi Roadways Ltd	Gayatri RNS Joint Venture
Gayatri Bio-organics Ltd	Thermal Powertech Corporation (India) Ltd	Gayatri Lalitpur Roadways Ltd	RNS Gayatri Joint Venture
Hyderabad Expressways Ltd	Amaravati Thermal Power Pvt. Ltd	Gayatri Infraventures Ltd	GPL-Brahmaputra Conso. Ltd JV
Cyberabad Expressways Ltd	Associated Concerns	Joint Ventures	Gayatri-GDC Joint Venture
Western UP Tollway Ltd	TSR Foundation	IJM Gayatri Joint Ventures	Gayatri – BCBPPL Joint Venture
GSR Sugars Pvt.Ltd	Dr.T.Subbarami Reddy (HUF)		

(Rs.in Lacs)

		2007-2008				2006-2007			
No.	Description	Subsidiary Companies	Associate Entities	Joint ventures	KMP	Subsidiary Companies	Associate Companies	Joint ventures	KMP
1	Equity contribution	2851.50	3478.55	—	—	10.00	3712.01	—	—
2	Contract Receipts	22301.35	16065.04	14020.18	—	10261.51	3565.12	13510.05	
3	Contract payments	—	2936.40	—	—	—	77.24	—	—
4	Office Rent & Maintenance	—	8.93	—	—	—	9.00	—	—
5	Other Payments	—	12.00	106.75	—	—	12.00	—	15.10
6	Donations	—	149.88	—	—	—	48.55	—	—
7	Remuneration Paid	—	—	—	116.00	—	—	—	—
8	Contract Advances/ Other Adv.	—	921.63	4087.64	—	—	3590.81	—	—
9	Corporate Guarantees	4400.00	12005.00	—	—	—	11895.00	23056.10	—
10	Closing balances – Debit	2568.64	4927.14	5689.09	47.67	4767.51	555.93	3337.16	—
11	Closing balances – Credit	—	1015.40	8420.39	—	—	3494.98	2300.71	—

3.3. Segment reporting

The Company's operations predominantly consist of construction / project activities. Hence there are no reportable segments under Accounting Standard – 17. During the year under report, substantial part of the Company's business has been carried out in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

3.4 Leases

The Company has taken vehicles on financial lease from banks / Financial Institutions. The details of contractual payments under the agreement are as follows:

(Rs.in Lacs)

Due	Minimum Lease Payments	Interest	Principal
Less than one year	27.46	5.54	21.92
Between one and five years	34.23	9.86	24.37
More than five years	—	—	—

3.5 Earning Per Share (EPS)

Basic Earning per share calculated as per Accounting Standard 20 on Earning per share. For the purpose of computing

Particulars	2007-08	2006-07
a) Net profit available for equity share holders (Rs. In Lacs)	3930.08	2356.38
b) Weighted average No. of equity shares as denominator for calculating EPS. (No. in Lacs)	100.61	95.00
c) Basic EPS (Rs.)	39.06	24.73

3.6. Consolidated financial statements

As per the listing agreement entered with the Stock Exchanges, accounting standards notified by Government and provisions of Sec 212 of the Companies Act, 1956, Audited financial statements of the Subsidiaries, Associate Companies and Joint ventures for the year 2007-08 were consolidated and annexed.

Nineteenth Annual Report

The company has received approval from Central Government under section 212(8) of the Companies Act, 1956 for not attaching the annual reports of subsidiary companies.

The Company's interest in Subsidiaries, Associates and Jointly Controlled Entities as on March 31, 2008 and its proportionate share in the Assets, Liabilities, Income and Expenditure of the entities consolidated as on that date are given below:

Sl. No.	Name of the Entity	Nature of the entity	% of Holding	Country of Incorporation
1	Gayatri Jhansi Roadways Ltd	Subsidiary	75	India
2	Gayatri Lalitpur Roadways Ltd	Subsidiary	75	India
3	Gayatri Infra Ventures Limited	Subsidiary	100	India
4	Hyderabad Expressways Limited	Associate	50	India
5	Cyberabad Expressways Limited	Associate	50	India
6	Western UP Tollway Ltd	Associate	40	India
7	Gayatri Thermal Power Corporation Ltd	Associate	49	India
8	IJM Gayatri Joint Ventures	Joint venture	40	India
9	Jaiprakash Gayatri Joint Venture	Joint venture	49	India
10	Gayatri ECI Joint Venture	Joint venture	50	India
11	Simplex Gayatri Consortium	Joint venture	30	India
12	Gayatri – RCC Joint Venture	Joint venture	60	India
13	Gayatri – GDC Joint Venture	Joint Venture	70	India
14	Gayatri – BCBPPL Joint Venture	Joint Venture	60	India
15	Gayatri – RNS Joint Venture	Joint Venture	60	India

3.7. Contingent Liabilities not provided for Rs.in Lacs

S.No	Particulars	2007-08	2006-07
1	Guarantees given by Banks towards performance & contractual commitments		
	a) Issued on behalf of Company	14163.22	11,666.60
	b) Guarantees given to Related Parties	39780.60	23,056.10
	c) Letter of Credit	847.77	819.60
2	Corporate guarantees given to/taken from Group companies	16405.00	11,895.00
3	Disputed Liability of Sales Tax and Seigniorage Charges	1174.25	1264.37

3.8. Remuneration and Perquisites to Managing Director (Rs.in Lacs)

S.No.	Particulars	2007-08	2006-07
1.	Remuneration	60.00	15.00
2.	Sitting Fee	Nil	Nil
3.	Perquisites	Nil	Nil
3.	Total	60.00	15.83

Computation of net profit under Section 349 of Companies Act, 1956

(Rs.in Lacs)

Particulars	2007-08	2006-07
Profit Before Tax	6118.18	3582.36
Add Managerial Remuneration (including Sitting Fee)	116.62	15.83
(Profit)/Loss on Sale of Fixed Assets	8.74	(2.71)
Profit for the purpose of calculating Managerial Remuneration	6243.54	3595.48
Maximum allowable Managerial Remuneration being 10% of the above to Directors	624.35	395.50
Actual Remuneration taken (Incl. Perks)	116.62	15.83

3.9. On the basis of information available with the Company, there are no dues outstanding for more than 30 days to Small Scale Industrial Undertaking (SSI).

The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

3.10. Information as per para 4B of part II of Sch. VI of the Companies Act – Remuneration to Auditors.

(Rs. in Lacs)

S.No.	Particulars	2007-08	2006-07
1.	Statutory Audit	10.00	6.50
2.	Tax Audit	2.00	1.50
3.	Other Services	3.00	2.00
	Total	15.00	10.00

Note : Fee mentioned above does include service tax and education cess thereon

3.11. Information as per para 4C of part II of Sch. VI of the Companies Act – regarding licensed, installed, actual production is not applicable to the Company.

3.12. Information as per para 4D of part II of Sch. VI of the Companies Act

3.12.1. CIF value of Imports

(Rs. in Lacs)

S.No.	Particulars	2007-08	2006-07
1.	Purchase of Capital Goods	244.36	504.37

3.12.2. Expenditure in Foreign Currency

(Rs. in Lacs)

S.No.	Particulars	2007-08	2006-07
1.	Traveling Expenses	4.80	1.19
2.	FCCB Expenses	215.30	—

3.12.3. Details of major raw materials consumption

(Rs.in Lacs)

S.No.	Particulars	2007-08	2006-07
1.	Steel	3642.41	1354.89
2.	Cement	1561.42	1147.03
3.	Bitumen	2662.02	3354.11
4.	Metal	2720.58	1606.94
5.	HSD Oils & Lubricants	2676.36	2990.25

4. Previous year figures have been regrouped and recasted wherever necessary.
5. All amounts are rounded off to nearest thousand.
6. Schedule I to 18 form an integral part of accounts

As per our report of even date
For C.B. MOULI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

Place : Hyderabad.
Date : 31st July 2008

C.B. MOULI & ASSOCIATES
CHARTERED ACCOUNTANTS

125, M.G. ROAD, SECUNDERABAD – 500 003. Tel. 27840777, Fax. 27848545

AUDITORS' REPORT

To the Board of a Directors of **GAYATRI PROJECTS LIMITED**

1. We have audited the attached consolidated Balance Sheet of GAYATRI PROJECTS LIMITED ('the Company, its Subsidiaries, Joint Ventures and Associates constitute 'the Group'), as at 31 March 2008, and also the consolidated Profit and Loss Account and the consolidated Cash flow statement for the period ended on that date both annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 did not audit the financial statements of subsidiaries viz., Gayatri Jhansi Roadways Limited and Gayatri Lalitpur Roadways Limited and Associate Company viz., Western UP Tollway Limited and Joint venture entities Viz., Simplex-Gayatri Consortium, Gayatri-ECI JV, RNS-Gayatri JV, GPL-Brahmaputra Cons. Ltd JV, Gayatri-RCC JV, Gayatri-GDC Ltd JV, Gayatri-BCBPPL JV and Gayatri-RNS JV.

Incase of the accounts of the above said entities which are audited by other auditors whose reports are furnished to us, our opinion is based solely on the report of other auditors and in the case of management accounts we have relied on the management representations.

4. We report that
 - (a) The consolidated statements have been prepared by the Company's management in accordance with the requirement of Accounting Standard – 21 on Consolidated statements read with Accounting Standard – 23 on accounting for investments in associates in Consolidates Financial Statements and Accounting Standard – 27 on financial reporting of interest in Joint Ventures, notified under Companies (Accounting Standards) Rules 2006;
 - (b) Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;
 - (ii) In the case of the Consolidated Profit and Loss Account, of the profit of the Group for the period ended on that date; and
 - (iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the period ended on that date.

For C.B.MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN

Partner

Membership No. 24046

Place : Hyderabad
Date : July, 31st 2008.

GAYATRI PROJECTS LIMITED**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2008**

PARTICULARS	SCH NO	AS AT	
		31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SOURCE OF FUNDS			
Share Holders Funds			
Share Capital	1	1,010.48	1,000.00
Reserves & Surplus	2	15,336.57	12,821.43
Foreign Currency Convertible Bonds (FCCBs)		9,776.88	—
Loan Funds			
Secured Loans	3	42,594.47	21,340.30
Unsecured Loans	4	22,129.68	11,676.49
Minority Interest Liability		938.00	2.00
Deferred Tax Liability (Net)		1,884.84	1,686.00
TOTAL		93,670.92	48,526.22
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	28,048.63	22,640.55
Less: Depreciation		9,660.25	7,980.84
Net Block		18,388.38	14,659.71
Capital Work in Progress		23,209.14	10,416.76
Investments	6	7,410.79	4,005.97
Current Assets, Loans & Advances			
Inventories	7	4,687.19	3,028.93
Sundry Debtors	8	14,810.58	8,457.62
Cash & Bank Balances	9	14,478.69	2,989.25
Loans & Advances	10	21,508.07	11,077.50
		55,484.53	25,553.30
Less: Current Liabilities & Provisions	11	10,821.92	6,109.52
Net Current Assets		44,662.61	19,443.78
TOTAL		93,670.92	48,526.22
Significant Accounting Policies and Notes on Accounts	18		

As per our report of even date
For **C.B. MOULI & ASSOCIATES**
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

Place : Hyderabad.
Date : 31st July 2008

GAYATRI PROJECTS LIMITED**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008**

PARTICULARS	SCH NO	YEAR ENDED	YEAR ENDED
		31st MARCH 2008	31st MARCH 2007
		Rs.in Lacs	Rs.in Lacs
INCOME			
Gross Contract Receipts		76,537.04	40,495.11
Other Income	12	554.94	333.18
TOTAL		77,091.98	40,828.29
EXPENDITURE			
Work Expenditure	13	62,028.39	30,964.46
(Increase) / Decrease in WIP	14	395.52	50.19
Staff Cost	15	1,800.73	1,105.57
Administrative Expenses	16	1,973.41	1,059.23
Financial Charges	17	3,479.34	3,070.59
Depreciation	5	1,762.77	1,362.28
TOTAL		71,440.16	37,612.32
Profit before Tax		5,651.82	3,215.97
Add / (Less) : Un realized Profit / (Loss) from Intra group transaction		(853.13)	—
Less : Provision for Income Tax, Deferred Tax & FBT		2,176.85	1,137.63
Net Profit after Tax		2,621.84	2,078.34
Less : Prior Period Adjustments		(75.19)	—
Profit after prior period adjustments		2,546.65	2,078.34
Add : Profit b/f from Prev.year		4,030.96	2,594.31
Profit available for appropriation		6,577.61	4,672.65
APPROPRIATIONS :			
Proposed Dividend @25% (Prev.Year 20%)		252.62	200.00
Dividend tax on Dividend		42.93	33.99
Transfer to General Reserve		600.00	500.00
Balance carried to Balance sheet		5,682.06	3,938.66
		6,577.61	4,672.65
Significant Accounting Policies and Notes on Accounts	18		

As per our report of even date
For **C.B. MOULI & ASSOCIATES**
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

Place : Hyderabad.
Date : 31st July 2008

GAYATRI PROJECTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

PARTICULARS	YEAR ENDED 31st MARCH 2008 Rs.in Lacs	YEAR ENDED 31st MARCH 2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and Extra Ordinary items	4,798.69	3,215.98
Adjustments for:		
Depreciation	1,762.77	1,362.29
Profit on sale of fixed assets	8.74	(2.71)
Interest	3,479.34	3,070.59
Operating Profit before Working Capital changes	10,049.54	7,646.15
Adjustments for:		
Trade and other receivables	(16,783.85)	(4,115.96)
Changes in Inventories	(1,658.27)	(509.15)
Trade payables	4,712.41	58.38
Cash generated from operations	(3,680.17)	3,079.42
Direct taxes paid	(2,023.92)	(1,281.56)
Cash flow before prior period adjustments	(5,704.09)	1,797.86
Effect of consideration of new subsidiaries / associates / JV*	686.78	—
Prior period adjustments	(75.19)	—
Net cash from operating activities	(5,092.50)	1,797.86
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(5,422.08)	(5,069.09)
Capital WIP	(12,792.38)	—
Sale of Fixed Assets	14.00	10.25
Investments	(3,404.82)	(3,692.01)
Net Cash used in Investing Activities	(21,605.28)	(8,750.85)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest paid	(3,479.34)	(3,070.59)
Foreign Currency Convertible Bonds (FCCBs)	9,776.88	—
Proceeds from IPO	—	2,950.00
Proceeds from conversion of FCCB	396.36	—
FCCB Expenses	(214.14)	(241.63)
Proceeds from long term borrowing	21,254.18	2,006.63
Proceeds from short term borrowing	10,453.28	3,681.56
Net Cash used in Financing activities	38,187.22	5,325.97
Net increase in Cash and Cash Equivalents (A+B+C)	11,489.44	(1,627.02)
Cash & Cash Equivalents as at 1st April, 2007	2,989.25	4,616.27
Cash & Cash Equivalents as at 31st March, 2008	14,478.69	2,989.25

* The effect of consolidation of new subsidiaries, and associates and JVs which were exempted from consolidation in the comparable last year are considered in the current year for consolidation.

- Note:**
- 1 Cash and Cash Equivalents consist of Cash on hand and balances with Banks that includes Deposits for Bank Guarantees of Rs. 11131.27 Lacs
 - 2 The Cash flow statement is prepared in accordance with the indirect method stated in Accounting Standard 3 issued by ICAI on Cash flow statements and presents Cash flows by Operating, Investing and Financing activities.
 - 3 Figures in brackets represent cash outflows.
 - 4 Notes on Accounts stated in Schedule 18 form an integral part of the Cash flow statement.

As per our report of even date

For C.B. MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN
Partner
Membership No.24046
Place : Hyderabad.
Date : 31st July 2008

For and on behalf of the Board

T. INDIRA REDDY
Chairperson

P. SREEDHAR BABU
Chief Finance Officer

T.V. SANDEEP KUMAR REDDY
Managing Director

I.V. LAKSHMI
Company Secretary

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT	
	31st MARCH 2008 Rs.in Lacs	31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 1 :		
SHARE CAPITAL		
Authorised Share Capital :		
150,00,000 Equity Shares of Rs10/- each	1,500.00	1,500.00
	<u>1,500.00</u>	<u>1,500.00</u>
Issued, Subscribed and paid-up capital :		
Equity Shares of Rs.10/- each, fully paid-up [Number of shares]	1,010.48	1,000.00
Year ended March 31, 2007 - 100,00,000		
Year ended March 31, 2008 - 101,04,761 of the above		
a) 40,00,000 shares of Rs.10/- each fully paid bonus shares in the ratio of 5:4 were allotted by capitalization of General Reserve		
b) 10,00,000 shares of Rs.10/- each fully paid shares were allotted to public at a premium of Rs.285/- through Initial Public Offer.		
c) 1,04,761 shares of Rs.10/- each fully paid shares were allotted by way of conversion of FCCB at a premium of Rs.368.3453 (refer note 2.1 of Schedule 18).	<u>1,010.48</u>	<u>1,000.00</u>
SCHEDULE NO : 2		
RESERVES & SURPLUS		
Securities Premium Account		
At the Commencement of the Year	3,982.77	1,374.40
Add : Additions during the year on account of FCCB conversion (Prev.Year IPO)	385.88	2,850.00
Less : FCCB Issue (Prev.IPO) Expenses	<u>214.14</u>	<u>241.63</u>
	4,154.51	3,982.77
General Reserve		
At the Commencement of the Year	4,775.00	3,600.00
Add: Transfer from Debenture Redemption Reserve	125.00	675.00
Add : Transfer from Profit & Loss A/c.	<u>600.00</u>	<u>500.00</u>
	5,500.00	4,775.00
Debenture Redemption Reserve	125.00	800.00
Less : Transfer to General Reserve (Excess)	<u>(125.00)</u>	<u>(675.00)</u>
Grant from Governments	—	125.00
Profit & Loss Account	5,682.06	3,938.66
	<u>15,336.57</u>	<u>12,821.43</u>
SCHEDULE NO : 3		
SECURED LOANS		
A] On Working Capital Loan Account	14,158.76	13,138.59
[Secured by way of first charge on pari-passu basis on Stocks, construction materials, book debts and receivables and machinery and vehicles, not specifically charged/encumbered to any banks and further Secured by personal guarantee of Directors/promoters]		
B] Term Loan Account		
I] From Banks	13,184.66	3,614.44
[Project Specific Term Loan secured by exclusive charge on the equipment financed by the Bank]		
II] From Others	9,519.42	500.00
12% Unsecured Redeemable Non-Convertible Debentures (E.D.R. 03/07/2007)		
[Secured by way of exclusive specific first charge (hypothecation) on the Construction Equipment and Personal Guarantees of the Promoter Directors and their relatives]		
C] Equipment And Vehicle Loans		
I] From Banks	4,508.98	2,831.66
II] From Others	1,220.51	1,220.51
[Secured by exclusive charge by way of hypothecation on certain specific equipments of the Company]		
D] Deferred Payment Guarantees (From Banks)	2.14	35.10
[Secured by exclusive charge on the equipment of the Company financed through the loan]	<u>42,594.47</u>	<u>21,340.30</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2008 Rs.in Lacs	AS AT 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 4		
UNSECURED LOANS		
Advances from Contractees & Others	16,583.53	11,347.55
[Includes advances received against Bank Guarantees from Contractees towards Mobilization / Equipment / Material and Work advances etc and others]		
Others	5,546.15	328.94
	22,129.68	11,676.49

SCHEDULE NO : 5

FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01/04/2007	Additions	Deletions	As at 31/03/2008	Up to 31/03/2007	For the year	Depr. On Deletion	Up to 31/03/2008	As on 31/03/2008	As on 31/03/2007
Land	11.73	—	—	11.73	—	—	—	—	11.73	11.73
Plant & Machinery	13,696.53	3,406.57	—	17,103.10	3,115.93	714.63	—	3,830.56	13,272.54	10,580.60
Vehicles	799.23	351.60	60.18	1,090.65	398.48	84.51	37.44	445.55	645.10	400.75
Earth Moving Machinery	7,573.51	1,886.82	—	9,460.33	4,312.26	941.02	—	5,253.28	4,207.05	3,261.25
Office Sheds	79.65	58.72	—	138.37	20.22	8.02	—	28.24	110.13	59.43
Furniture & Fixtures	225.34	17.43	—	242.77	88.03	14.60	—	102.63	140.14	137.31
Capital Work in Progress	—	1.68	—	1.68	—	—	—	—	1.68	—
TOTAL :	22,385.99	5,722.82	60.18	28,048.63	7,934.92	1,762.78	37.44	9,660.26	18,388.37	14,451.07

SCHEDULE NO : 6

INVESTMENTS

Shares in Companies :

Quoted Shares

2931000 Equity Shares of Rs10/- each fully paid in Gayatri Sugars Ltd **293.10**
(Market Value as at 31/03/08 - Rs.213.08 Lacs) 293.10

1728 Equity Shares of Rs10/- each fully paid in Syndicate Bank Ltd **0.86**
(Market Value as at 31/03/08 - Rs 1.30 Lacs) 0.86

Long Term - Unquoted Shares - Associate Companies

3278000 Equity shares of Rs.10/- each, fully paid allotted at Rs.90/- premium in Western UP Tollway Ltd **3,278.00**
3,278.00

990000 Equity shares of Rs.10/- each, fully paid allotted in Hyderabad Expressways Limited **99.00**
—

990000 Equity shares of Rs.10/- each, fully paid allotted in Cyberabad Expressways Limited **99.00**
—

24500 Equity shares of Rs.10/- each, fully paid allotted in Gayatri Thermal Power Corporation Ltd. **2.45**
—

(Capital Reserve / (Good Will) on acquisition of shares in Associates Nil) —
—

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT	AS AT
	31st MARCH 2008	31st MARCH 2007
	Rs.in Lacs	Rs.in Lacs
Share Application Money		
a) <i>Associates Companies</i>		
Western UP Tollway Limited	434.01	434.01
Hyderabad Expressways Limited	1,616.00	—
Cyberabad Expressways Limited	1,588.37	—
	<u>7,410.79</u>	<u>4,005.97</u>
3,00,000 Equity Shares of Western UP Tollway Ltd aggregating in value of Rs.300 Lacs have been pledged to the consortium bankers for the term loan availed by Western UP Tollway Limited		
SCHEDULE NO : 7		
INVENTORIES		
- Construction Materials, stocks & spares at cost	3,076.86	1,174.11
- Closing Work-in-progress	1,610.33	1,854.82
(As certified by Management)	<u>4,687.19</u>	<u>3,028.93</u>
SCHEDULE NO : 8		
SUNDRY DEBTORS (Un-secured) considered good		
outstanding for a period		
a) exceeding six months	1,537.27	1,925.68
b) other debts	13,273.31	6,531.94
	<u>14,810.58</u>	<u>8,457.62</u>
SCHEDULE NO : 9		
CASH & BANK BALANCES		
Cash on Hand	353.49	164.22
Cash at Bank	2,993.93	450.37
Fixed Deposits/Margin Money	11,131.27	2,374.66
(Deposits/Margin Money Deposits pledged with banks as security for Bank Guarantees, LCs etc.)		
	<u>14,478.69</u>	<u>2,989.25</u>
SCHEDULE NO : 10		
LOANS & ADVANCES		
Unsecured considered good		
Advances receivable in cash or kind or value to be received	19,986.17	9,077.31
Prepaid Expenses	1,168.46	1,262.29
Deposits with Govt. Agencies & Others	341.09	560.64
Others	12.35	177.26
	<u>21,508.07</u>	<u>11,077.50</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT	AS AT
	31st MARCH 2008	31st MARCH 2007
	Rs.in Lacs	Rs.in Lacs
SCHEDULE NO : 11		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	9,083.17	5,151.45
Other liabilities	769.77	495.54
PROVISIONS		
For dividend	252.62	200.00
For Taxation	716.36	262.53
	<u>10,821.92</u>	<u>6,109.52</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT

PARTICULARS	Year Ended	Year Ended
	31st MARCH 2008	31st MARCH 2007
	Rs.in Lacs	Rs.in Lacs
SCHEDULE NO : 12		
OTHER INCOME		
Interest Income	259.49	257.58
Commission Income	106.75	6.19
Miscellaneous Income	188.70	69.41
	<u>554.94</u>	<u>333.18</u>

SCHEDULE NO : 13
WORK EXPENDITURE

Steel	3,724.94	895.67
Cement	1,709.30	827.83
Bitumen	2,697.46	2,129.66
Metal	2,799.46	830.29
HSD Oils & Lubricants	2,790.64	2,031.13
Other Materials	1,194.81	1,016.04
Departmental Recoveries	802.18	1,061.56
Work executed by sub contractors	28,898.50	10,223.67
Earth Work	7,074.81	3,565.22
Concrete Work	3,588.74	2,105.54
Transport Charges	600.51	423.42
Hire Charges	272.70	572.07
Road work	2,919.20	1,706.29
Repairs & Maintenance	634.00	1,348.30
Works Contract Tax / VAT	1,025.44	522.13
Royalties, Seigniorage and Cess	451.32	231.49
Insurance	103.92	64.89
Consumption of Store and Spare Parts	81.89	42.18
Other Work Expenditure	658.57	1,367.08
	<u>62,028.39</u>	<u>30,964.46</u>

SCHEDULE NO : 14

INCREASE/DECREASE IN W.I.P.

Opening Work in Progress	1,726.82	1,905.01
Less : Closing Work in Progress	1,331.30	1,854.82
	<u>395.52</u>	<u>50.19</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT

PARTICULARS	Year Ended 31st MARCH 2008 Rs.in Lacs	Year Ended 31st MARCH 2007 Rs.in Lacs
SCHEDULE NO : 15		
STAFF COST		
Salaries	1,545.81	952.23
Employee Benefits	138.30	137.51
Directors' Remuneration	116.62	15.83
	1,800.73	1,105.57
SCHEDULE NO : 16		
ADMINISTRATIVE EXPENSES		
Printing and Stationery	48.42	43.64
Telephones	64.03	59.04
Traveling and Conveyance	201.01	181.05
Advertisement Expenses	47.77	17.52
General Expenses	54.26	71.28
Consultancy Fee	700.76	279.47
Donations	177.41	48.55
Rent	142.84	115.63
Power and fuel	32.56	24.80
Rates and Taxes	164.05	63.47
Insurance	15.78	8.54
Auditors Remuneration	16.20	10.29
Other Administration Expenses	308.32	135.95
	1,973.41	1,059.23
SCHEDULE NO : 17		
FINANCE CHARGES		
Interest	2,836.92	2,504.67
Bank Charges & Commission	642.42	565.92
	3,479.34	3,070.59

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

Schedule : 18

Accounting Policies and Notes

I. SIGNIFICANT ACCOUNTING POLICIES

I.1 Principles of Consolidation

The consolidated financial statements comprise the Gayatri Projects Limited (“the Company”) and its subsidiaries, jointly controlled entities and associates as at March 31, 2008 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard 21 on “Consolidated Financial Statements” notified under Companies (Accounting Standards) Rules 2006.
- b) The financial statements of the jointly controlled entities have been consolidated on a line-by-line basis by consolidating the book values of like items of assets, liabilities, income and expenses and intra-group transactions, resulting in unrealized profits or losses, (using the ‘proportionate consolidation’ method considering the substance over form of ventures interests) as per Accounting Standard 27 on ‘Financial Reporting of Interests in Joint Ventures’.
- c) In case of associates where the Company directly or indirectly through subsidiaries holds more than 20% of equity, Investments in associates are accounted for using equity method in accordance with Accounting Standard 23 on “Accounting for investments in associates in consolidated financial statements”.
- d) The financial statements of the subsidiaries, the jointly controlled entities and the associates used in the consolidation are drawn up to the same reporting date as that of the Company, i.e. March 31, 2008.
- e) The excess of cost to the Company, of its investment in the subsidiaries and the jointly controlled entities over the Company’s portion of equity is recognized in the financial statements as Goodwill.
- f) The excess of the Company’s portion of equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.
- g) Minority Interest in the net assets of consolidated subsidiaries consists of:
 - i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - ii) The minorities’ share of movements in the equity since the date the parent-subsidiary relationship came into existence.
- h) Minority interest’s share of net profit/loss for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- i) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate financial statements.

I.2 Other significant accounting policies

These are set out in the notes to accounts in the financial statements of Company and subsidiaries

II. NOTES TO ACCOUNTS

- I. The Second Accounting period of the Subsidiaries is for the period beginning from 01/10/2007 to 31/03/2008. For the purpose of consolidation the financial statement of the subsidiaries are drawn up to the same reporting date as that of the Company, i.e. March 31, 2008.

2. Contingent liabilities not provided for

Rs in Lacs

S.No	Particulars	2007-08	2006-07
1	Guarantees given by Banks towards performance & contractual commitments a) Issued on behalf of Company b) Guarantees given to Related Parties c) Letter of Credit	14,163.22 39,780.60 847.77	11,666.60 23,056.10 819.60
2	Claims against the Company not acknowledged as debt	145.20	—
3	Corporate guarantees given to Group companies	16405.00	11,895.00
4	Disputed Liability of Sales Tax and Seigniorage Charges	1,253.02	1,460.33

3. Related Party Transactions as per Accounting Standard 18

3.1. Details of Transactions

Rs.in Lacs

No.	Description	2007-2008		2006-2007	
		Associate Entities	KMP	Associate Companies	KMP
1	Equity contribution	3478.55	—	3712.01	—
2	Contract Receipts	16065.04	—	3565.12	—
3	Contract payments	2936.40	—	77.24	—
4	Office Rent & Maintenance	8.93	—	9.00	—
5	Other Payments	12.00	—	12.00	15.10
6	Donations	149.88	—	48.55	—
7	Remuneration Paid	—	116.00	—	—
8	Contract Advances/ Other Adv.	921.63	—	3590.81	—
9	Corporate Guarantees	12005.00	—	11895.00	—
10	Closing balances – Debit	4927.14	47.67	555.93	—
11	Closing balances – Credit	1015.40	—	3494.98	—

3.2. List of Related Parties:

Associated Companies		Key Management Personnel
Deep Corporation Pvt. Ltd	Gayatri Housing Ventures Pvt. Ltd	Mr. T.V.Sandeep Kumar Reddy
Indira Constructions Pvt. Ltd	Gayatri Hi-Tech Hotels Ltd	Mr. J.Brij Mohan Reddy
Gayatri Tissue & Papers Ltd	Gayatri Hotels & Theaters Pvt. Ltd	
Gayatri Sugars Ltd	Gayatri Thermal Power Corporation Ltd	
Gayatri Bio-organics Ltd	Thermal Powertech Corporation India Ltd	
Hyderabad Expressways Ltd	Amaravati Thermal Power Pvt. Ltd	
Cyberabad Expressways Ltd	Associated Concerns	
Western UP Tollway Ltd	TSR Foundation	
GSR Sugars Pvt.Ltd	Dr.T.Subbarami Reddy (HUF)	

4. Earning per Share

Basic Earning per share (EPS) of the Group is Rs 25.31 calculated as per Accounting Standard 20. For the purpose of computing, the profit after tax attributable to equity shareholders of Rs.2621.77 Lacs for the year has been used as numerator. The Average Number of Equity Shares as on 31st March 2008 used as denominator i.e. 100.60 Lacs Shares.

5. Computation of Deferred tax asset and Liabilities

(Rs.in Lacs)

Particulars	2007-08	2006-07
Deferred Tax Liability as at beginning of the year	1686.00	1829.93
Deferred Tax Liability at the end of the year	1884.84	1686.00
Deferred Tax Liability for the year	198.84	(143.93)

6. Disclosure of particulars regarding Subsidiaries, Joint Ventures and Associates.

a) Subsidiaries included in the consolidated Financial Statements in terms of AS-21 are as follows:

Name of the Subsidiaries	Country of Incorporation	Basis of Subsidiary	% of holding held by holding Company
Gayatri Jhansi Roadways Ltd	India	Shareholding	75
Gayatri Lalitpur Roadways Ltd	India	Shareholding	75
Gayatri Infra Ventures Limited	India	Shareholding	100

b) Joint Ventures of the Company and the Share of interest in Joint Ventures are as follows:

Name of the Joint Venture	Share of Interest
IJM Gayatri Joint Ventures	40
Jaiprakash Gayatri Joint Venture	49
Gayatri ECI Joint Venture	50
Simplex Gayatri Consortium	30
Gayatri – RCC Joint Venture	60
Gayatri – GDC Joint Venture	70
Gayatri-BCBPPL Joint Venture	60
Gayatri-RNS Joint Venture	60

c) The Associates of the Company and the ownership interest in Associates are as follows:

Name of the Entity	% of Holding	Country of Incorporation
Hyderabad Expressways Limited	50	India
Cyberabad Expressways Limited	50	India
Western UP Tollway Ltd	40	India
Gayatri Thermal Power Corporation Ltd	49	India

Nineteenth Annual Report

7. Figures pertaining to the Subsidiary companies, Joint Ventures have been reclassified wherever necessary to bring them in line with the Company Financial Statements.
8. Figures have been rounded off to the nearest thousand.
9. Previous year figures are not comparable since, some of the joint ventures are excluded for consolidation in the previous year.
10. Signatures to Schedules 1 to 18 forming part of the Financial Statements as on 31st March 2008.

As per our report of even date
For C.B. MOULI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board

MANI OOMMEN
Partner
Membership No.24046

T. INDIRA REDDY
Chairperson

T.V. SANDEEP KUMAR REDDY
Managing Director

P. SREEDHAR BABU
Chief Finance Officer

I.V. LAKSHMI
Company Secretary

Place : Hyderabad.
Date : 31st July 2008

GAYATRI PROJECTS LIMITED

Regd. & Corp. Office : B-1, 1st Floor, T.S.R. Towers, 6-3-1090, Rajbhavan Road,
Somajiguda, Hyderabad – 500 082

ATTENDANCE SLIP

I hereby record my presence at the 19th ANNUAL GENERAL MEETING at Surana Udyog Hall, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004 on 29th day of September, 2008 at 4.00 p.m.

.....
Full Name of the Shareholder (in block letters) Signature

Folio Number/DP ID No. :

Client ID :

No.of Shares Held :

.....
Full Name of the Proxy (in block letters) Signature
(To be filled if the Proxy attends instead of member(s))

Note : Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting Hall. Please carry a copy of the Annual Report.



GAYATRI PROJECTS LIMITED

Regd. & Corp. Office : B-1, 1st Floor, T.S.R. Towers, 6-3-1090, Rajbhavan Road,
Somajiguda, Hyderabad – 500 082

PROXY FORM

Folio No..... DP ID..... Client ID

I/We of

in the district of being a member/members of the above named Company,

hereby appoint Mr/Ms/Kum in the district

of as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held on the 29th Day of September 2008 at 4.00 p.m. at Surana Udyog Hall, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004 and at any adjournment thereof.

Signed this day of 2008

Address :

.....

Signature

Affix
Re. 1/-
revenue
stamp

Note : The proxy form duly completed must be deposited with the Secretarial Department at the Registered Office of the Company at B-1, 1st Floor, T.S.R. Towers, 6-3-1090, Rajbhavan Road, Somajiguda, Hyderabad - 500 082, not less than 48 hours before the time for commencement of the meeting. A proxy need not be a Member.

**PRINTED MATTER
BOOK - POST**

If undelivered, please return to :

KARVY COMPUTERSHARE PRIVATE LIMITED

Unit : GAYATRI PROJECTS LIMITED

17-24, Vittal Rao Nagar, Madhapur,

Hyderabad - 500 081.

Tel : +91-40-2342 0818/19