

**SEVENTEENTH
ANNUAL REPORT**

2005-06



PROJECTS LTD.

**6-3-1090, TSR TOWRS, RAJBHAVAN ROAD
SOMAJIGUDA, HYDERABAD**

Board of Directors

Smt. T Indira Reddy	Chairperson
Sri T.V.Sandeep Kumar Reddy	Managing Director
Sri J Brij Mohan Reddy	Director
Sri G Siva Kumar Reddy	Director
Sri Ravindra K Katariya	Director
Sri V Linga Moorthy	Director
Sri CH Hari Vittal Rao	Director
Sri SMAA Jinnah	Director
Smt. Archana Niranjana Hingorani	Director

Company Secretary

Kum. K Anupama

Statutory Auditors

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

Bankers

Bank of Baroda
Canara Bank
Syndicate Bank
Indian Overseas Bank
Andhra Bank
Corporation Bank
IDBI

Registered Office

G2, Mangal Adesh Society
4th Road, TPS III
Santa Cruz (East)
Mumbai – 400055
Tel: 022 – 26131827
Website: www.gayatri.co.in

Corporate office

B1, TSR Towers, 6-3-1090
Raj Bhavan Road, Somajiguda
Hyderabad – 500082
Tel: 040 – 23314284
Fax: 040 – 23398435
Email: gplhyd@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

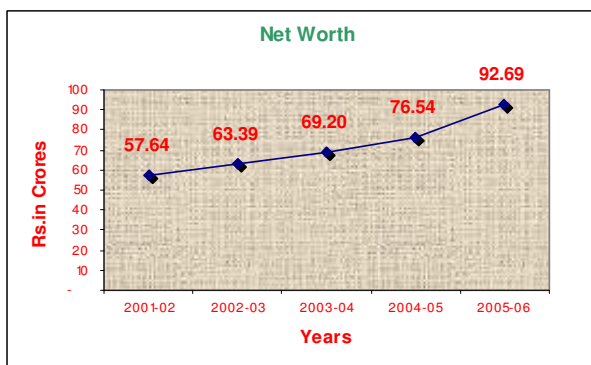
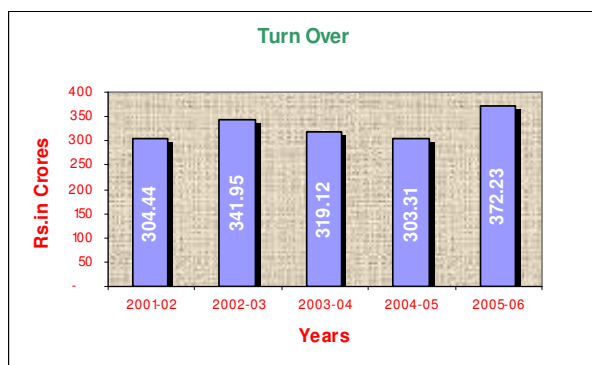
DESCRIPTION	2005-06	2004-05	2003-04	2002-03	2001-02
SALES & EARNINGS					
Sales incl. Other income	37,223.23	30,331.16	31,911.95	34,195.10	30,444.33
Profit after Taxes	1,807.97	934.34	581.36	723.29	877.93
ASSETS					
Gross Fixed Assets	16,430.72	13,815.66	12,189.37	11,409.88	11,015.77
Net fixed Assets	9,830.42	8,167.01	7,525.97	7,603.74	8,036.65
Investments	323.96	293.10	293.10	318.91	318.91
Net Current Assets	26,363.53	24,467.78	20,621.56	16,601.85	14,382.87
Total Net Assets	36,517.91	32,927.89	28,440.63	24,524.50	22,738.43

REPRESENTED BY

Shareholders' Funds	9,269.21	7,654.30	6,920.38	6,339.02	5,764.37
Borrowings	19,133.01	16,581.44	16,638.24	13,823.75	8,020.71
Advances	6,285.76	7,278.07	3,456.24	3,017.38	7,740.67
Deferred Tax Liabilities	1,829.93	1,414.08	1,425.77	1,344.35	1,212.68
Total Resources	36,517.91	32,927.89	28,440.63	24,524.50	22,738.43

EARNINGS

Earnings per Share (Rs.)	19.65	17.53	11.63	14.47	17.35
Dividend per Share%	15 %	25 %	-	-	-
Book Value per Share	102.99	153.09	138.41	126.78	115.29



NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of Gayatri Projects Limited will be held on Saturday, the 2nd September, 2006 at 11.00 A.M at the Registered Office of the Company G-2, Mangal Adesh Society, 4th Road, T.P.S.III, Santa Cruz (East), MUMBAI – 400 055 to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2006 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, 2006.
3. To appoint a Director in place of Mr. Ravindra K Katariya, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr. V Linga 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. Appointment of Dr. Archana Niranjana Hingorani as a Director of the Company.

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

“RESOLVED that Dr. Archana Niranjana Hingorani who was appointed by the Board of Directors as an Additional Director of the Company with effect from February 2, 2006 and who holds office up to the date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing her candidature for the office of Director of the Company, be and is hereby appointed as Director of the Company.”

7. Alteration of the Articles of Association of the Company.

To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT the following Articles of the Articles of Association of the company be altered in the following manner:

Existing Article 3(3) be deleted and substituted as follows:

Nothing in sub-clause (c) of (1) hereof shall be deemed

- (a) to extend the time within which the offer should be accepted; or
- (b) to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Existing Article 14 be deleted and substituted as follows:

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the directors may from time to time determine) several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares as the case may be.

Existing Article 17 be deleted and substituted as follows:

If any certificate be worn out, decrepit or defaced, or if there are no further pages on the back thereof for the endorsements of transfer, then upon production thereof to the Directors, they may order the same to be cancelled and may issue a new certificate in lieu thereof free of charge and if any certificate is proved to have been lost or destroyed, then upon proof thereof to the satisfaction of the Directors and such indemnity as the Directors deem adequate being given to the party entitled to such lost or destroyed certificate. Similarly if any share or shares be surrendered to the company for subdivision and split or consolidation, the Board may order the same to be done free of Charge.

Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any Stock exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the company.

Existing Article 25 be deleted and substituted as follows:

The Directors may, subject to Section 92 of the Companies Act 1956 receive from any member willing to advance all or any part of money unpaid upon the shares held by him beyond the sums actually called for and exceeds the amount of calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon not less than 15 percent per annum. Money so paid in excess of the amount of calls shall not rank for dividend or anticipate in profits until it is appropriated towards satisfaction of any call. The Directors may at any time repay the amount so advanced.

The provisions of this Article shall mutatis mutandis apply to debentures of the company.

8. CHANGE IN THE TERMS AND CONDITIONS OF THE APPOINTMENT OF MR. TV SANDEEP KUMAR REDDY, MANAGING DIRECTOR

To consider and if thought fit to pass the following resolution as Special resolution

“RESOLVED THAT pursuant to the provisions of Sections 198, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded for changing the terms and conditions of appointment of Mr. TV Sandeep Kumar Reddy, Managing Director of the Company with effect from 01.01.2007 and fixation of remuneration payable, in accordance with the limits specified in Schedule XIII of the Companies Act, 1956 including any amendment thereto and as agreed between the Board of Directors and Mr. TV Sandeep Kumar Reddy, as set out below :

Emoluments:

Salary : Rs. 5,00,000/- per month

Perquisites : Reimbursement of water, electricity, security, telephone, traveling & entertainment expenditure incurred by cash/credit card in connection with the company

Minimum Remuneration:

In the event of loss or inadequacy of profits in any Financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as per the limits specified in Schedule XIII.

“RESOLVED FURTHER THAT the Mrs. T Indira Reddy, Director be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, appropriate and desirable to give effect to this resolution and delegate to any director(s) or any other officer(s) of the company for obtaining necessary permissions and approvals, if any in this connection from Central government and/or any authorities.”

“FURTHER RESOLVED THAT the Board of Directors of the company be and are hereby authorised to alter and vary the terms and conditions of the said appointment in accordance within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto as may be agreed to between the Board of Directors and Mr. Mr. TV Sandeep Kumar Reddy.”

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 28/08/2006.

T. INDIRA REDDY
Chairperson

Notes :

1. The relative Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6 & 7 above, are annexed hereto. The relevant details of persons seeking appointment as Directors under Item Nos. 3 & 4 above, as required by clause 49 of the Listing Agreements entered into with the Stock Exchanges are also annexed.
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 Transfer Books of the Company will be closed on 2nd September, 2006.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173 of the Companies Act, 1956, the following explanatory statements set out all material facts relating to the business mentioned under Item Nos. 6 & 7 of the accompanying Notice dated 28/08/2006.

1. Item No. 6:

Dr. Archana Niranjana Hingorani was appointed as Additional Director of the Company on 2 February 2006. As per the provisions of Section 260 of the Companies Act, 1956, the above Director holds office only up to the date of the forthcoming Annual General Meeting of the Company, and is eligible for appointment. The Company has received notices under Section 257 of the Companies Act, 1956, in respect of the candidate, proposing her appointment as a Director of the Company, along with the requisite deposit. Details regarding the proposed appointee and her brief resume have been given in the Annexure attached to the Notice. Keeping in view her experience and expertise, her appointment as Director of the Company is recommended.

Except Dr. Archana Niranjana Hingorani, none of the directors are interested or concerned in the resolution.

2. Item No. 7

One of the primary conditions for listing of shares of the Company with the Stock Exchanges is that the Articles of Association of the Company should be in accordance with the model regulations prescribed by the Stock Exchanges. In this regard, the Company has given an undertaking to The Stock Exchange, Mumbai to amend the Articles of Association of the Company, at the first general meeting of the Company held after the listing of its shares, by adding the clauses as proposed in the resolution.

As per the provisions of Section 31 of the Companies Act, 1956, approval of the shareholders by way of a special resolution is required to amend the Articles of Association of a company. Accordingly, the amendment to the Articles of Association of the Company is proposed for approval of the Members.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at its Corporate Office between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

Your Directors commend the Resolution for the approval of the Members. None of the Directors are interested in the Resolution.

3. Item No.8

Mr. TV Sandeep Kumar Reddy was appointed as Managing Director of the company w.e.f. 1st September 2005 for a period of 5 years without remuneration.

Now based on the recommendations made by the remuneration committee, the Board of Directors considered the proposal to change the terms and conditions of appointment of Mr. TV Sandeep Kumar Reddy, Managing Director of the Company.

Mr. TV Sandeep Kumar Reddy has to his credit an impressive academic career that was pursued in highly reputed universities in USA. He acquired his bachelor degree in civil engineering from Purdue University and Masters in Construction Engineering and Management from University of Michigan at Ann Arbor. He is on the Board of the company since incorporation.

Your directors commend the resolution for your approval. None of the directors, except Mr. TV Sandeep Kumar Reddy, Mrs. T Indira Reddy and J Brij Mohan Reddy are interested in the resolution.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 28/08/2006.

T. INDIRA REDDY
Chairperson

Details of Directors Seeking Appointment/Re appointment at the Annual General Meeting

Particulars	Mr. Ravindra K Katariya	Mr. VLN Moorthy	Dr. Archana Niranjan Hingorani
Date of Birth	January 12, 1961	October 30, 1936	September 9, 1965
Date of Appointment	January 18, 1997	November 4, 2005	February 2, 2006
Qualifications & Expertise	Practicing Chartered Accountant. He has knowledge in the field of taxation and audit matters. He is Financial Advisor of Videocon Group. He has knowledge of Aluminum Industries, wind power project, digital photo colour labs.	Master in Science and a Doctorate in Philosophy in the field of Pure Chemistry from University of Calcutta. He has experience of 37 years in the fields of paper and Pulp industry and visited many countries for project work and operations. He worked with reputed pulp & paper Companies in India and abroad.	MBA and Ph.D in Finance from the University of Pittsburgh, USA. She is the Chief Operating Officer at IL&FS Investment Managers Limited and responsible for various private equity transactions. She has been with IL&FS Group for the last 13 years and has now over 20 years of experience in the financial services sector.
Directorship held in other Public Companies	Nil	Nil	<ul style="list-style-type: none"> • IPFonline Limited • Pipavav Railway Corporation Limited • Rewas Port Development Company Limited • Petronet India Limited • IL&FS Ecosmart Limited • Bharat Fritz Werner Limited
Memberships/ Chairmanships of committees of other public companies (including only Audit and Shareholders Grievance Committee)	Nil	Nil	<p>Audit Committee</p> <ul style="list-style-type: none"> • Petronet India Limited • Pipavav Railway Corporation Limited • Rewas Port Development Company Limited • IPF Online Limited
Number of shares held in the Company	Nil	Nil	Nil

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Seventeenth Annual Report of your company along with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

(Rs in lacs)

Description	2005-06	2004-05
Gross revenue	37,223.23	30,331.16
Profit/(Loss) before depreciation and tax	3,799.27	2,310.38
Depreciation	1,039.79	985.25
Profit/(Loss) before tax	2,759.48	1,325.13
Current tax and deferred tax	951.51	390.79
Profit/(Loss) after tax	1,807.97	934.34
Less: prior period expenditure	39.13	57.89
Profit for the year after adjustments	1,768.84	876.45
Add: Profit b/f from previous year	1,479.90	1,145.98
Profit available for appropriation	3,248.74	2,022.43
<i><u>Appropriations:</u></i>		
Dividend	135.00	125.00
Dividend tax	18.93	17.53
Transfer to general reserve	500.00	400.00
Balance c/f to balance sheet	2,594.81	1,479.90
Profit after appropriations	3,248.74	2,022.43
Earning per share (Diluted)	19.65	17.53

YEAR IN RETROSPECT

The Gross Sales and other income for the year under review were Rs.37,223.23 Lacs as against Rs.30,331.16 Lacs for the previous financial year registering an increase of 23%. The Profit before Tax was Rs.2,759.48 Lacs for the financial year under review as against Rs.1,325.13 Lacs for the previous financial year.

MAJOR PROJECTS AWARDED DURING THE YEAR

During the year under review your Company has secured various orders. Some of the projects have been secured by the company on stand alone basis and some of the projects have been secured as Joint Venture with other leading construction companies. The following are some of the major projects secured during the year under review.

(Rs.in Lacs)

No.	Name of the Contract	Contract Value
1	4 Lining from Km.93.00 to Km.60.00 of Bijni to WB Border Section of NH-31C in Assam (AS-10)	18,651.90
2	4 Laning from Km.60.00 to Km.30.00 of Bijni to WB Border Section of NH-31C in Assam (AS-11)	14,955.61
3	Four Laning of National Highway from Km.40.00 to Km.60.50 of Mailbong – Lumding Section of NH-54 in Assam – Contract Pacakge – EW – II (AS-27)	13,907.65
4	Rehabilitation and Upgrading of km.104.000 to Km.170.000 of NH-25 to 4 lane Configuaration at Jhansi in the State of Uttar Pradesh	25,000.00
5	Up-gradation of Roads from Ramanathapuram to Tuticorin [TNRSP 04]	5,963.00
6	Execution of the Madhya Pradesh State Road Sector Development Program Phase-II, Package – 10 [i] Project Road No.19, SH26, Khargone – Barwani 85.20 KM [ii] Project Road No.20, SH31, Khargone – Bistan 21.00 KM	5,825.28
7	Upgradation of Roads from Nagapattinam to Kattumavadi & New Bypasses of Nagapattinam, Tiruthuraipumal and Muttupet	8,944.79

CAPITAL & FINANCE

During the year under review, the company allotted Bonus Shares 40,00,000 Equity Shares of Rs.10/- each in the ratio of 4 : 5 from the General Reserves.

The company has filed Draft Red Herring Prospectus with SEBI for Public Issue of 29,00,000 Equity Shares of Rs.10/- each consisting of offer for sale of 19,00,000 Equity Shares by Videocon Appliances Limited and Videocon Industries Limited and fresh issue of 10,00,000 Equity Shares by the company at a offer price to be decided before actual issue.

The company has made initial listing application to Bombay Stock Exchange Limited for permission to list Equity shares of the Company and has received in Principal approval for the same.

DIVIDEND

Your Directors take pleasure in recommending dividend at 15% (Rs.1.50/-per share) on the enhanced Equity Share capital of Rs.900 Lacs for the year 2005-06 for approval of the members. The said dividend, if approved, at the 17th 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 2nd September, 2006.

FUTURE OUTLOOK

The future outlook of the construction industry continuing to be bright and challenging. The tenth plan envisages balanced development of the total road network in the country. An outlay of Rs. 59, 490 crore (Gross Budgetary Support – Rs. 34,790 crore) has been provided for the development of roads in the Tenth Plan. The bulk of this outlay is meant for the development of National Highways and related programs. An expenditure of Rs. 20,505 crore is likely to be incurred in the first three years of the Plan Period. The four-lining of 10,000 km of National Highways by March 2010 under NHDP III would be done entirely through the BOT route. In Irrigation Sector, several State Governments have announced various irrigation projects like dams, canals, reservoirs, etc. The State Government of Andhra Pradesh has announced a total of Rs.50,000 crores irrigation projects, which will be executed in the span of 7 years in three phases. Your company proposes to continue to concentrate its efforts in executing large infrastructure projects in Roads, Irrigation and others.

DIRECTORS

Mr. S.V. Vaidya and Mr. G Sai Baba have tendered their resignations from the position of director w.e.f 4th November 2005.

Mr. VL Moorthy, Mr. C Hari vital Rao and Mr. SMAA Jinnah were appointed as Directors of the company in the Extraordinary General meeting held on 4th November 2005.

Dr. Archana Niranjana Hingorani was appointed as Additional Director of the Company on 2nd February 2006 and the company has received notice under Section 257 of the Companies Act, 1956 proposing her appointment as Director of the company

Mr. Ravindra K Katariya and Mr. VL 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.

PARTICULARS OF EMPLOYEES

The Board of Directors wishes to express its appreciation for the outstanding contribution made by the employees to the operations of the company during the year. There are no employees in the company who are drawing prescribed salary under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

AUDITORS

The Auditors M/s. C.B. Mouli & Associates, Chartered Accountants, Secunderabad will retire at the conclusion of the ensuing Annual General Meeting. 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.

CONSERVATION OF ENERGY, ETC

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.

CORPORATE GOVERNANCE REPORT

The Company's shares are proposed to be listed on The Stock Exchange, Mumbai. Accordingly, the Corporate Governance Report for the year 2005-2006, has been prepared pursuant to the provisions of Clause 49 of the Listing Agreement along with Auditors report thereon forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 your directors' state:

1. That in preparation of the Annual Accounts the applicable Accounting Standards have been followed by the company;

2. That your directors have selected such accounting policies and applied them consistently and made judgments 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 31/03/2006 and of the profit of the company for the year ended on that date;
3. That your directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That your Directors have prepared annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Industrial Relations continued to be peaceful during the year.

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

T. INDIRA REDDY
Chairperson

Place : Hyderabad
Date :28/08/2006

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 the standard Listing Agreement:

To the Members of Gayatri Projects Limited

We have examined the compliance conditions of corporate governance by Gayatri Projects Limited for the year ended 31st March 2006 as stipulated in Clause 49 of the standard listing agreement of the Bombay Stock Exchange with which the company proposes to enter into the said agreement to list the securities of the Company.

The compliance of conditions of corporate governance is the responsibility of the management. 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

Hyderabad
28/08/2006

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2005-06
(As required under Clause 49 of the Listing Agreement to be entered with Stock Exchange)

I. LISTING OF THE COMPANY'S SHARES IN STOCK EXCHANGE

The Company's shares are proposed to be listed on The Stock Exchange, Mumbai. Accordingly, the Corporate Governance Report for the year 2005-2006, has been prepared pursuant to the provisions of Clause 49 of the Listing Agreement.

II. 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 proposal of 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.

III. BOARD OF DIRECTORS

- i) The Company has a Non-Executive Chairman and the number of Independent Directors is one-third of the total number of Directors. The number of Non-Executive Directors (NEDs) is more than 50% of the total number of Directors.
- ii) None of the Directors on the Board is a member on more than 10 Committees or Chairman of more than 5 Committees. Necessary disclosures regarding Committee positions have been made by the Directors.
- iii) 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 limited 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 2005-06		Whether attended last AGM held on Sept. 30, 2005	No. of directorships in other public Companies	No. of Committee positions held in other public companies	
	Held	Attended			Chairman	Member
Mrs. T Indira Reddy (Chairman) Non Executive & Non Independent	16	16	Yes	7	--	1
Mr. T.V. Sandeep Kumar Reddy (Managing Director) Executive & Non Independent	16	16	Yes	8	1	1
Mr. J Brij Mohan Reddy Non Executive & Non Independent	16	15	Yes	---	---	---

Name of the Director & Category	No. of Board meetings during the year 2005-06		Whether attended last AGM held on Sept. 30, 2005	No. of directorships in other public Companies	No. of Committee positions held in other public companies	
	Held	Attended			Chairman	Member
Mr. Ravindra K Katariya Non Executive & Non Independent	16	8	No	---	---	---
Mr. V Linga Moorthy* Non Executive & Independent	16	7	N.A. Appointed after AGM	1	1	---
Mr. C Hari Vittal Rao* Non Executive & Independent	16	7	N.A. Appointed after AGM	---	---	---
Mr. SMAA Jinnah* Non Executive & Independent	16	7	N.A. Appointed after AGM	---	---	---
Dr. Archana Niranjani Hingorani** Non Executive & Non Independent	16	1	N.A. Appointed after AGM	6	1	3

* Appointed as Directors of the Company on 4th November 2005 and liable to retire by rotation.

** Appointed as Additional Director of the Company on February 2, 2006.

- iv) Sixteen Board Meetings were held during the period April 1, 2005 to March 31, 2006 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows :

15th April 2005, 29th April 2005, 25th May 2005, 25th June 2005, 18th July 2005, 4th August 2005, 1st September 2005, 26th September 2005, 30th September 2005, 7th November 2005, 26th November 2005, 7th January 2006, 30th January 2006, 2nd February 2006, 6th March 2006 and 29th March 2006.

IV. AUDIT COMMITTEE

- i) Audit committee constituted under section 292A of the Companies Act, 1956 was reconstituted on 7th November 2005.
- ii) 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. SV Vaidya*	1	1
Mr. TV Sandeep Kumar Reddy*	1	1
Mr. G Siva Kumar Reddy*	1	1
Mr. Ravindra K Katariya - Chairman	2	2
Mr. C Hari Vittal Rao – Member	2	2
Mr. V Linga Moorthy – Member	2	2

*The existing members of the committee resigned and the committee was reconstituted on 7th November 2005.

Meetings were held on the following dates: 1st September 2005, 15th December 2005 and 7th January 2006.

V. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

- i) A Shareholders / Investors Grievance Committee of Directors was constituted on 7th November, 2005 to specifically look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend/ notices/annual reports, etc.
- ii) The constitution of Shareholders/Investors Grievance Committee is as follows:

1. Mr. Brij Mohan Reddy	Chairman
2. Mr. SMAA Jinnah	Member
3. Mr. C Hari Vittal Rao	Member
- iii) There were no investor grievances and no meetings were held for the period under report.

VI. GENERAL BODY MEETINGS

Annual General Meeting

The Fourteenth Annual General Meeting of the Company was held on 29th September 2005 at 3.00 PM at the Registered office of the Company

The Fifteenth Annual General Meeting of the Company was held on 30th September 2005 at 3.00 PM at the Registered office of the Company

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.

Extra ordinary General Meeting

Three Extra ordinary general meeting of the shareholders of the Company were held on

- 23rd May 2005 in respect of Inter corporate loans, Investments and Guarantees under section 372A
- 27th October 2005 for Increase of Authorized capital and Issue of Bonus shares and
- 4th November, 2005 for further issue of shares and Alteration of Articles of Association pursuant to the proposed IPO.

No Postal Ballot was conducted during the year

VII. DISCLOSURES

There are no materially significant related party transactions of the Company with key managerial personnel which have potential conflict with the interest of the Company at large. The necessary disclosures regarding the transactions with Related Parties are given in the Notes to the Accounts.

VIII. MEANS OF COMMUNICATION

As on March 31, 2006, the shares of the Company were not listed and hence there were no publications of financial results. The Management's Discussion and Analysis is a part of the Company's Annual Report.

IX. GENERAL SHAREHOLDER INFORMATION

i) Annual General Meeting :

Date : 02/09/2006

Time : 11.00 AM

Venue : G-2, Mangal Adesh Society, 4th Road, T.P.S.III,
Santa Cruz (East), MUMBAI – 400 055.

ii) Date of Book Closure: 2nd September 2006

iii) Listing on Stock Exchanges : The shares of the Company are proposed to be listed on The Stock Exchange, Mumbai

iv) Stock Codes/Symbol / Market Price data : N.A

v) Registrar and 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

vi) 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 Financial Officer and the Company Secretary are severally empowered to approve transfers.

vii) Shareholding as on March 31, 2006

a. Distribution of shareholding as on March 31, 2006:

No. of shares	Holding	% to capital
1-1000	755	0.01
1001 – 10000	Nil	Nil
10001 – 20000	Nil	Nil
20001 – 30000	Nil	Nil
30001 – 40000	Nil	Nil
40001 – 50000	Nil	Nil
50001 – 60000	Nil	Nil
60001 – 70000	Nil	Nil
70001 – 80000	Nil	Nil
80001 – 90000	Nil	Nil
90001 – 100000	Nil	Nil
100001 - above	89,99,245	99.99
TOTAL :	90,00,000	100.00

b. Categories of shareholders as on March 31, 2006

Category	No. of shares	Percentage
Promoters Holding	55,79,245	61.99
Persons acting in concert	755	0.01
Banks & Financial Institutions / Mutual Funds	Nil	Nil
Private Corporate Bodies	34,20,000	38.00
Indian Public	Nil	Nil
NRI's / OCB's	Nil	Nil
Total	90,00,000	100.00

c. Address for correspondence

CA. P Sreedhar Babu,

Vice President Finance & Compliance officer

6-3-1090, TSR Towers

Raj Bhavan Road, Somajiguda, Hyderabad – 500082

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

E Mail: gplhyd@gayatri.co.in

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 31 March 2006, the Profit and Loss Account and also 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 referred to in 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, 2006, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2006 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 read together with the Statement of Accounting Policies and Notes thereon **Subject to Note No. 13 of Notes to Accounts regarding non-provision of company's share of loss / profit in Joint Ventures and Note 14 regarding conformation of balances of sundry debtors, creditors, loans and advances etc.**, 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 31 March 2006.
 - 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
Membership No. 24046**

**Hyderabad
28/08/2006**

ANNEXURE TO THE AUDITOR'S REPORT:

Referred to in paragraph 1 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 to us, 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 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.
04. In our opinion and according to the information and explanations given to us, 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 to us, 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 to us, 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.
06. 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. The internal audit of the company has been carried out by a firm of Chartered Accountants. In our opinion, the scope and coverage of internal audit is commensurate with the size of the Company and the nature of its business.
08. 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 to us, 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 2006 pending for a period of more than six months from the date they became payable.
c) According to the information and explanation 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.	Name of Statute (Nature of dues)	Year to which Amt. relates	Forum where dispute is pending and Amt. (Rs. In Lacs)	
			Appellate Authority	Amount
A	Sales Tax – Kerala State	1995-1996	Appellate Asst. Commissioner, Kozhikode, Kerala	9.42
B	Sales Tax – Kerala State	1996-1997	-- Do --	55.50
C	Sales Tax – Kerala State	1997-1998	DC (Appeals), Ernakulam, Kerala	84.07
D	Sales Tax – Kerala State	1998-1999	Sales Tax Officer, Work Contract & Luxury Tax, Malapuram, Kerala	162.51
E	Sales Tax – Kerala State	1999-2000	Appellate Assistant. Commissioner, Kerala	42.57
F	Sales Tax – Kerala State	2000-2001	-- Do --	26.87
G	Sales Tax – Karnataka	2000-2001	Appellate Tribunal, Karnataka	24.80
H	Sales Tax – Kerala	2001-2002	DC(Appeals), Ernakulam, Kerala	1.88
I	Sales Tax – Orissa	2001-2002	Sales Tax Officer, Dhenkanal Circle, Orissa	6.23
J	Entry Tax – Karnataka State	2004-2005	Pending for consideration with The Principal Secretary to Govt., Govt. of Karnataka, Infrastructural Development Department, Bangalore	31.58

10. In our opinion, the company is not having any accumulated losses and not incurred any cash losses during the financial year covered by our audit, and the immediately preceding financial year.
11. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or banks or debenture holders.
12. Clause (xii) of the Order is not applicable to the company since the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
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. According to the information and explanations given to us, 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 to us, on an overall basis, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanation given to us 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. No long-term funds have been used to finance short-term assets.
18. 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 explanation given to us, the company has not issued any new debentures during the year under report.
20. During the year under report, the Company has not raised any money by way of public issue. Bonus shares in the ratio of 4:5 were issued by capitalizing the general reserves.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For C.B.MOULI & ASSOCIATES
Chartered Accountants

MANI OOMMEN
Partner
Membership No. 24046

Hyderabad
28/08/2006

BALANCE SHEET AS AT 31st MARCH, 2006

PARTICULARS	SCH NO	AS AT		AS AT	
		31st MARCH 2006		31st MARCH 2005	
		Rs.in Lacs		Rs.in Lacs	
SOURCE OF FUNDS					
Share Holders Funds					
Share Capital	1	900.00		500.00	
Reserves & Surplus	2	<u>8,369.21</u>	9,269.21	<u>7,154.30</u>	7,654.30
Loan Funds					
Secured Loans	3	19,133.01		16,581.44	
Unsecured Loans	4	<u>6,285.76</u>	25,418.77	<u>7,278.07</u>	23,859.51
Deferred Tax Liability			1,829.93		1,414.08
TOTAL			<u>36,517.91</u>		<u>32,927.89</u>

APPLICATION OF FUNDS

Fixed Assets					
Gross Block	5	16,430.72		13,815.66	
Less: Depreciation		<u>6,600.30</u>		<u>5,648.65</u>	
Net Block			9,830.42		8,167.01
Investments			323.96		293.10
Current Assets, Loans & Advances					
Inventories	7	2,184.49		2,028.33	
Sundry Debtors	8	10,463.02		9,692.09	
Cash & Bank Balances	9	4,613.87		3,565.84	
Loans & Advances	10	<u>14,297.27</u>		<u>13,487.07</u>	
		31,558.65		28,773.33	
Less: Current Liabilities & Provisions	11	<u>5,195.12</u>		<u>4,305.55</u>	
Net Current Assets			26,363.53		24,467.78
TOTAL			<u>36,517.91</u>		<u>32,927.89</u>

Significant Accounting Policies and Notes on Accounts 17

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
Vice president - Finance

K.ANUPAMA
Company Secretary

Hyderabad
28/08/2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

PARTICULARS	SCH NO	YEAR ENDED 31st MARCH 2006 Rs.in Lacs	YEAR ENDED 31st MARCH 2005 Rs.in Lacs
INCOME			
Gross Contract Receipts		37,117.74	30,125.79
Other Income		105.49	205.37
TOTAL		<u>37,223.23</u>	<u>30,331.16</u>
EXPENDITURE			
Work Expenditure	13	29,637.44	24,244.17
(Increase) / Decrease in WIP	12	(417.54)	(25.36)
Staff Cost	14	615.65	530.14
Administrative Expenses	15	733.45	682.08
Financial Charges	16	2,854.96	2,589.75
Depreciation	5	1,039.79	985.25
TOTAL		<u>34,463.75</u>	<u>29,006.03</u>
Profit before Tax		2,759.48	1,325.13
Less : Provision for Income Tax, Deferred Tax & FBT		951.51	390.79
Net Profit after Tax		<u>1,807.97</u>	<u>934.34</u>
Less : Prior Period Adjustments		39.13	57.89
Profit after prior period adjustments		1,768.84	876.45
ADD : Profit b/f from Prev.year		1,479.90	1,145.98
Profit available for appropriation		<u>3,248.74</u>	<u>2,022.43</u>
APPROPRIATIONS :			
Proposed Dividend @15%		135.00	125.00
Dividend tax on Dividend		18.93	17.53
Transfer to General Reserve		500.00	400.00
Balance carried to Balance sheet		2,594.81	1,479.90
		<u>3,248.74</u>	<u>2,022.43</u>
Significant Accounting Policies and Notes on Accounts	17		

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
Vice president - Finance

K.ANUPAMA
Company Secretary

Hyderabad
28/08/2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	Year Ended 31st March 2006	Year Ended 31st March 2005
A. CASH FLOW FROM OPERATING ACTIVITIES:		
	Rs. In Lacs	
Net Profit before tax and Extra Ordinary items	2,759.48	1,325.13
Adjustments for:		
Depreciation	1,039.79	985.25
Profit on sale of fixed assets	(8.91)	0.00
Interest	2,854.96	2,589.75
Operating Profit before Working Capital changes	6,645.32	4,900.13
Adjustments for:		
Trade and other receivables	(1,581.13)	(3,287.81)
Decrease in Inventories	(156.16)	(465.16)
Trade payables	735.64	531.21
Cash generated from operations	5,643.67	1,678.37
Direct taxes paid	(535.66)	(402.48)
Cash flow before prior period adjustments	5,108.01	1,275.89
Prior period adjustments	39.13	57.89
Net cash from operating activities	5,068.88	1,218.00
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(2,710.56)	(1,626.29)
Sale of Fixed Assets	16.27	0.00
Investments	(30.86)	0.00
Net Cashused in Investing Activities	(2,725.15)	(1,626.29)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest paid	(2,854.96)	(2,589.75)
Proceeds from long term borrowing	2,551.57	(56.80)
Proceeds from short term borrowing	(992.31)	3,821.83
Net Cash used in Financing activities	(1,295.70)	1,175.28
Net increase in Cash and Cash Equivalents (A+B+C)	1,048.03	766.99
Cash & Cash Equivalents as at 1st April,2005	3,565.84	2,798.85
Cash & Cash Equivalents as at 31st March,2006	4,613.87	3,565.84

Note:

- 1 Cash and Cash Equivalents consist of Cash on hand and balances with Banks that includes Margin Money Deposits for Bank Gurantees of Rs.3884.32 Lacs (Previous Year Rs.3367.63 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 17 form an integral part of the Cash flow statement.

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.V.SANDEEP KUMAR REDDY
Managing Director

T. INDIRA REDDY
Chairperson

P.SREEDHAR BABU
Vice president - Finance

K.ANUPAMA
Company Secretary

Hyderabad
28/08/2006

SCHEDULES TO BALANCE SHEET :

PARTICULARS	AS AT 31st MARCH 2006 Rs.in Lacs	AS AT 31st MARCH 2005 Rs.in Lacs
SCHEDULE NO : 1 :		
SHARE CAPITAL		
Authorised Share Capital :		
120,00,000 (Prev.Yr. 50,00,000) Equity Shares of Rs10/- each	1,200.00	500.00
	<u>1,200.00</u>	<u>500.00</u>
Issued, Subscribed and paid-up capital :		
40 Lacs Equity Shares of Rs10/- each fully paid	400.00	400.00
50 Lacs (Prev.Year 10 Lacs) of Rs.10/- each issued as Bonus shares by capitalising Reserves	500.00	100.00
	<u>900.00</u>	<u>500.00</u>
SCHEDULE NO : 2		
RESERVES & SURPLUS		
<u>Securities Premium Account</u>	1,374.40	1,374.40
<u>General Reserve</u>		
Opening Balance	3,500.00	3,100.00
Less : Utilised for issue of Bonus shares	(400.00)	
Add : Transfer from Profit & Loss A/c.	500.00	400.00
	<u>3,600.00</u>	<u>3,500.00</u>
Debenture Redemption Reserve	800.00	800.00
Profit & Loss Account	2,594.81	1,479.90
	<u>8,369.21</u>	<u>7,154.30</u>
SCHEDULE NO : 3		
SECURED LOANS		
DPG Facility from Banks	85.38	155.82
Secured overdraft from banks	10,765.39	10,831.14
Term Loan from Banks	5,646.27	2,181.22
LC / BD with Banks	95.00	224.36
12% 10 Lacs NCD of Rs.100/- each issued	1,000.00	1,500.00
Equipment & Vehicle loans	1,540.97	1,688.90
	<u>19,133.01</u>	<u>16,581.44</u>
SCHEDULE NO : 4		
UNSECURED LOANS		
Advances from Contractees & Others	6,285.76	7,278.07
	<u>6,285.76</u>	<u>7,278.07</u>
SCHEDULE NO : 6		
INVESTMENTS		
Shares in Companies :		
<u>Quoted Shares</u>		
2931000 Equity Shares of Rs10/- each fully paid in Gayatri Sugars Ltd	293.10	293.10
(Market Value as at 31/03/06 - Rs.463.10 Lacs)		
1728 Equity Shares of Rs10/- each fully paid in Syndicate Bank Ltd		
(Market Value as at 31/03/06 - Rs 1.54 Lacs)	0.86	-
<u>Un-quoted Shares</u>		
300000 Equity Shares of Rs.10/- each fully paid paid in Western UP Tollway limited	30.00	-
	<u>323.96</u>	<u>293.10</u>

SCHEDULE NO : 5 :
FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2005	Additions	Deletions	As at 31/03/2006	Up to 31/03/2005	For the year	Depn. On Deletion	Up to 31/03/2006	As on 31/03/2006	As on 31/03/2005
Land	11.73	-	-	11.73	-	-	-	-	11.73	11.73
Plant & Machinery	8,182.27	1,956.75	-	10,139.02	2,127.63	424.59	-	2,552.22	7,586.80	6,054.64
Vehicles	513.59	45.37	-	558.96	287.59	52.17	-	339.76	219.20	226.00
Earth Moving Machinery	4,905.15	692.06	95.50	5,501.71	3,154.01	550.92	88.14	3,616.79	1,884.92	1,751.14
Office Sheds	17.29	-	-	17.29	17.29	-	-	17.29	-	-
Furniture & Fixtures	185.63	16.38	-	202.01	62.13	12.11	-	74.24	127.77	123.50
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-
TOTAL :	13,815.66	2,710.56	95.50	16,430.72	5,648.65	1,039.79	88.14	6,600.30	9,830.42	8,167.01
Previous Year	12,189.37	1,655.82	29.53	13,815.66	4,663.40	985.25	-	5,648.65	8,167.01	7,525.97

SCHEDULES TO BALANCE SHEET :

PARTICULARS	AS AT 31st MARCH 2006 Rs.in Lacs	AS AT 31st MARCH 2005 Rs.in Lacs
SCHEDULE NO : 7		
INVENTORIES		
- Construction Materials, stocks & spares at cost	553.55	814.93
- Closing Work-in-progress (As certified by Management)	1,630.94	1,213.40
	<u>2,184.49</u>	<u>2,028.33</u>
SCHEDULE NO : 8		
SUNDRY DEBTORS (Un-secured)		
<u>outstanding for a period</u>		
a) exceeding six months considered good	1,676.83	1,474.39
b) other debts considered good	8,786.19	8,217.70
	<u>10,463.02</u>	<u>9,692.09</u>
SCHEDULE NO : 9		
CASH & BANK BALANCES		
Cash & Bank Balances	729.55	198.21
Fixed Deposits/Margin Money (Deposits/Margin Money are pledged with banks as security for Bank Guarantees, LCs etc.)	3,884.32	3,367.63
	<u>4,613.87</u>	<u>3,565.84</u>
SCHEDULE NO : 10		
LOANS & ADVANCES		
<u>Unsecured considered good</u>		
Advances receivable in cash or kind or value to be received	12,317.87	11,560.51
Prepaid Expenses	902.10	224.05
Deposits with Govt. Agencies & Others	438.71	535.66
Others	638.59	1,166.85
	<u>14,297.27</u>	<u>13,487.07</u>
SCHEDULE NO : 11		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	3,561.38	3,519.64
Other liabilities	1,479.81	643.38
PROVISIONS		
For dividend	135.00	125.00
For dividend tax	18.93	17.53
	<u>5,195.12</u>	<u>4,305.55</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT :

PARTICULARS	YEAR ENDED	YEAR ENDED
	31st MARCH 2006	31st MARCH 2005
	Rs.in Lacs	Rs.in Lacs
SCHEDULE NO : 12		
INCREASE/DECREASE IN W.I.P.		
Closing Work in Progress	1,630.94	1,213.40
Less :Opening Work in Progress	1,213.40	1,188.04
	<u>417.54</u>	<u>25.36</u>
SCHEDULE NO : 13		
WORK EXPENDITURE		
Steel	345.23	445.88
Cement	220.87	291.37
Bitumen	2,105.65	2,354.65
Metal	734.70	1,891.67
HSD Oils & Lubricants	1,084.16	1,749.17
Other Materials	379.85	332.11
Departmental Recoveries	1,570.23	377.36
Work executed by sub contractors	12,640.06	6,902.64
SRSP Work expenditure	126.03	1,879.16
Earth Work	3,944.17	3,101.71
Concrete Work	1,721.15	1,403.49
Transport Charges	381.31	372.60
Hire Charges	475.67	693.15
Road work	1,777.78	658.25
Repairs & Maintenance	404.69	640.85
Works Contract Tax / VAT	223.85	259.86
Tender Expenses	49.36	43.18
Insurance	127.08	95.92
Other Work Expenditure	1,325.60	751.15
	<u>29,637.44</u>	<u>24,244.17</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT :

PARTICULARS	YEAR ENDED 31st MARCH 2006 Rs.in Lacs	YEAR ENDED 31st MARCH 2005 Rs.in Lacs
SCHEDULE NO : 14		
STAFF COST		
Salaries	519.76	414.25
Employee Benefits	91.16	104.65
Directors' Remuneration	4.73	11.24
	<u>615.65</u>	<u>530.14</u>
SCHEDULE NO : 15		
ADMINISTRATIVE EXPENSES		
Printing and Stationery	36.93	35.47
Telephones	55.14	56.29
Traveling and Conveyance	172.51	197.08
Advertisement Expenses	7.87	12.49
General Expenses	53.62	52.87
Consultancy Fee	140.03	80.76
Donations	48.35	18.02
Rent	85.06	93.39
Electricity Charges	28.44	20.33
<u>Auditors Remuneration :</u>		
Statutory Audit	3.50	2.50
Tax Audit	0.50	0.50
Other Services	1.00	1.00
Other Administration Expenses	<u>100.50</u>	<u>111.38</u>
	<u>733.45</u>	<u>682.08</u>
SCHEDULE NO : 16		
FINANCE CHARGES		
Interest	2,407.69	2,267.04
Bank Charges & Commission	447.27	322.71
	<u>2,854.96</u>	<u>2,589.75</u>

SCHEDULE NO: 17:**Significant Accounting Policies and Notes to Accounts:****1. Significant accounting policies:****1.1. Method of accounting**

The financial statements have been prepared to comply in all material respect with the mandatory Accounting standards issued by Institute of Chartered Accountants of India 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 the applicable Accounting Standards issued by Institute of Chartered Accountants of India. The accounting policies have been consistently applied by the Company.

1.2. Income recognition

Income is recognized on fixed price construction contracts in accordance with the percentage completion method, as specified in Accounting Standard 7 issued by ICAI.

1.3. Fixed assets and depreciation

Assets are stated at cost of acquisition less accumulated depreciation. On additions and disposals, depreciation is provided for the period of use during the year under report. Expenditure which are of capital in nature are capitalized at cost, which comprises of purchase price (net of rebates and discounts), import duties, levies and all other expenditure directly attributable to cost of bringing the asset to its working condition for its intended use. Depreciation on fixed assets is provided on the basis of Straight Line Method, at the rates and manner prescribed in the Schedule XIV to the Companies Act.

1.4. Inventory and work in progress

Raw materials and stores & spares are valued at cost and work in progress is valued at cost up to the stage of completion. Cost includes direct material, work expenditure, labor cost and appropriate overheads. In respect of claims, revenue is recognized on receipt basis.

1.5. Deferred revenue expenditure

Expenditure incurred up to the date of commencement commercial activity of the project work like initial mobilization of resources, establishment and administration expenditure and bank guarantee commissions, are amortized over the expected project completion period.

1.6. Investments

Investments are classified as long term or current in accordance with Accounting Standard 13 on Accounting for investments. All investments are being carried at cost and market value of quoted investments is mentioned in the balance sheet for information.

1.7. Foreign currency transactions

Foreign exchange transactions are accounted at the rates prevailing on the date of transactions.

1.8. 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 account.

2. Contingent Liabilities not provided for:

Particulars	(Rs. In Lacs)	
	Current Year	Previous Year
1. Guarantees given by Banks towards performance & contractual commitments:		
a) To the company in the normal course of Business.	15,633.06	19,100.54
b) Guarantees given to related parties	23,365.44	11,071.26
c) Letters of credit	1,345.68	Nil
2. Corporate guarantees given to Group companies	12,909.00	4934.00
3. Disputed Sales Tax Liability	416.82	383.39
4. Provision for balance in Capital Account Contracts	Nil	Nil

3. 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. Provision for Gratuity to employees is provided for on accrual basis, which is in conformity with AS – 15 issued by ICAI.

4. Segment Reporting

Accounting Standard 17 on “Segment reporting” issued by ICAI is not applicable to the company since it is engaged in only one segment i.e. construction activities

5. Related Party Transactions:

5.1. Details of transactions as per Accounting Standard 18 issued by ICAI are as under

No.	Description	(Rs. In Lacs)	
		Volume of transactions during the year	Amount of outstanding as at 31-03-2006
1	Gross Revenue (Contract Receipts)	2,140.43	7,007.47
2	Profit from Joint Venture	Nil	11.16
3	Sub-Contract works, commission	16.67	9.65
4	Office Rent & Maintenance	6.93	Nil
5	Services	12.00	9.47
6	Donations	13.65	Nil
7	Contract Advances / Other Adv.	2,590.35	2,724.86
8	Financial Guarantees	7,975.00	12,909.00

5.2. Details of related parties

Associated Companies	Associated Concerns	Joint Ventures
Deep Corporation Pvt. Ltd	G.Srinivasulu Reddy& Co	IJM Gayatri Joint Ventures
Indira Constructions Pvt. Ltd	TSR Foundation	Gayatri Ranjit Joint Venture
Gayatri Interactive Ltd		Simplex Gayatri Consortium
Gayatri Tissue & Papers Ltd		Jaiprakash Gayatri Joint Venture
Gayatri Sugars Ltd		Gayatri ECI Joint Venture
Gayatri Starchkem Ltd	Key Management Personnel	RNS Gayatri Joint Venture
Gayatri Digisoft & Tech. Ltd	Mr. S.V.Vaidya*	GPL Brahmaputra Conso.Ltd JV
Western UP Toll way Ltd		

* Mr. S.V.Vaidya resigned for the post of director of the company with effect from 4th November 2005

6. Earning Per Share (EPS):

Basic earning per share is Rs. 19.65 calculated as per Accounting Standard 20 on Earning per share issued by the ICAI. For the purpose of computing, the profit after tax attributable to shareholders of Rs. 1,768.84 Lacs for the year has been used as numerator. The average number of equity shares as at 31 March 2006 used as denominator i.e. 90,00,000 Shares.

7. Accounting for taxes on Income

As per Accounting Standard 22 on Accounting for Taxes on Income issued by the ICAI, the provision for Deferred Tax Liability / Asset has been calculated and accounted. Details of the liability created for the year is give under:

Particulars	<i>(Rs.in Lacs)</i>	
	Current year	Previous Year
Deferred Tax Liability as at beginning of the year	1,414.08	1,425.77
Deferred Tax Liability at the end of the year	1,829.94	1,414.08
Deferred Tax Liability for the year	415.86	(11.69)

8. Impairment of assets

In the opinion of the management and based on the valuation Report, there are no impaired assets requiring provision for impairment loss as per the accounting standard 28 on Impairment of assets issued by ICAI.

9. Debenture redemption reserve

The company created debenture redemption reserve as per the provisions of section 117C of the Companies Act 1956.

10. Proposed Divided

Provision for dividend has been made in the books of account as proposed by Board of directors, pending for approval at the ensuing annual general meeting.

11. Secured Loans:

11.1 The company issued a Non-Convertible Debentures of Rs. 1500 Lacs in the financial year 2001-02 which are secured by way of exclusive specific first charge (hypothecation) on the Construction

Equipment and Personal Guarantees of the Promoter Directors and their relatives. During the year under report the Company has redeemed debentures of Rs. 500 Lacs and subsequently in July 2006 a further sum of Rs. 500 Lacs was redeemed. The balance of Rs. 500 Lacs is due for redemption in July 2007.

11.2 Term Loan, Over Draft (including FCDL Loan), Bank Guarantee, Letter of Credit, Bill Discounting and Deferred Payment Guarantee facilities from Banks are secured by hypothecation of Plant and Machinery, Goods, Book Debts, Receivables of the Company and Equitable Mortgage of Immovable Properties of some of Promoter Directors / their relatives and Companies in which the Directors are interested and further secured by Personal Guarantees of all the Promoter Directors and their relatives in addition to the counter indemnity issued by the company to the equal amounts.

11.3. Equipment and Vehicle Loans are secured by hypothecation of Plant and Equipment and Other Vehicles purchased on such loans.

12. Unsecured Loans:

Unsecured Loans includes advances received against Bank Guarantees from Contractees towards Mobilization / Equipment / Material and Work advances etc and others.

13. Joint Ventures (JV):

13.1. The company has entered into the following Joint Ventures for execution of contracts:

No.	Name of the JV	Nature of Work	Year of Commencement	Share in JV
1.	IJM – Gayatri Joint Venture	Road works of AP SH-7 & 8 and NH 5 - Package I,II,III and AP 13	1999 – 2000	40 %
2.	Gayatri – Ranjit Joint Venture	Road works of NH UG – II	2001 – 2002	60 %
3.	Simplex – Gayatri Consortium	Road works of NH4 – Package II	2002 – 2003	30 %
4.	Jaiprakash –Gayatri Joint Venture	Main canals and Dams works of FFC, Polavaram and Veligonda	2004 – 2005	49 %
5.	Gayatri – ECI Joint Venture	Road works of National Highway in the state of Assam	2005 – 2006	75 %
6	RNS-Gayatri JV	Tamil Nadu road Sector Projects	2005-2006	50%
7	GPL – Brahmaputra Consortium Limited JV	Road works of Punjab Infrastructure Development Board	2005-2006	26%

13.2. Company's Share of Profit / Loss from the Joint Ventures have not been accounted in the books for the year under report, as the accounts of the Joint Ventures are yet to be finalized and audited.

13.3. In IJM – Gayatri Joint Venture, IJM Corporation Berhad, Malaysia holds 60% and Gayatri Projects Limited holds 40% share. During the year under report the Company raised a Debit Note for Rs.253.53 Lacs in addition to the debit note of Rs.12,984.93 Lacs raised up to the end of the financial year 2004-05 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. However, 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.

14. The balances of the Sundry Debtors, Creditors, loans and advances, advances received from Contractees etc., are subject to confirmation. The Closing Work-in-Progress and Closing Stocks are as certified by the Management. Amounts due to Small Scale Industries forming part of Creditors, is under compilation.

15. Supplementary and additional statutory information

15.1. Information as per para 4B of part II of Sch. VI of the Companies Act – remuneration to auditors

(Rs. In Lacs)

No.	Particulars	Current Year	Previous Year
1.	Statutory Audit	3.50	2.50
2.	Tax Audit	0.50	0.50
3.	Other Services	1.00	1.00
	Total	5.00	4.00

15.2. 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.

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

15.3.1. Expenditure in foreign currency

(Rs. In Lacs)

No.	Particulars	Current Year	Previous Year
1.	Purchase of Capital Assets	12.50	Nil
2.	On Directors Travel	5.07	0.90

15.3.2. Details of major raw materials consumption

(Rs. In Lacs)

No.	Particulars	Current Year	Previous Year
1.	Cement	220.87	297.37
2.	Steel	345.23	445.88
3.	HSD Oils & Lubricants	1,084.16	1,749.17
4.	Bitumen	2,105.65	2,354.65

15.3.3. Remuneration and Perquisites to Whole time Directors:

(Rs. In Lacs)

No.	Particulars	Current Year	Previous Year
1.	Remuneration	3.99	10.20
2.	Perquisites	0.74	1.04
3.	Total	4.73	11.24

16. Previous year figures have been regrouped and recasted wherever necessary.

17. All amounts are rounded off to nearest thousand.

18. Schedule 1 to 16 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
Vice President - Finance

K.ANUPAMA
Company Secretary

Place : Hyderabad
Date : 28/08/2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1	1	2	5	7	9
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 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

0	6
---	---

Date Month Year

II. Capital Raised During the year (Amount Rs. in Lacs)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placements
4 0 0	NIL

III. Position of Mobilization and Deployment of Funds (Amount Rs. in Lacs)

Total Liabilities	Total Assets
4 1 7 1 3	4 1 7 1 3

Sources of Funds

Paid-up Capital	Reserves & Surplus
9 0 0	8 3 6 9
Secured Loans	Unsecured Loans
1 9 1 3 3	6 2 8 6

Application of Funds

Net Fixed Assets	Investments
9 8 3 1	3 2 4
Net Current Assets	Misc. Expenditure
2 6 3 6 3	NIL
Accumulated Losses	
NIL	

IV. Performance of Company (Amounts Rs. in Lacs)

Turnover	Total Expenditure
3 7 2 2 3	3 4 4 6 4
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
2 7 5 9	1 7 6 9
Earning Per Share in Rs.Ps	Dividend rate %
1 9 .6 5	1 5

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms) – Not applicable being Shipping Company.

Item Code No. (ITC Code)

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 Product Description

Construction

GAYATRI PROJECTS LIMITED

Regd. Off : G-2, Mangal Adesh Society, 4th Road, TPS III, Santacruz (East), MUMBAI – 400 055.
Corp.Off B-1, 1st Floor, TSR Towers, : 6-3-1090, Rajbhavan Road, Somajiguda, Hyderabad-500 082

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only Members or their Proxies * ** are entitled to be present at the Meeting.

Member's Folio Number : _____ No.of Shares Held : _____
Name and address _____

I hereby record my presence at the SEVENTEENTH ANNUAL GENERAL MEETING at the Registered Office of the Company G-2, Mangal Adesh Society, 4th Road, T.P.S.III, SANTACRUZ (EAST), MUMBAI-400 055 on 2nd September 2006 at 11.00 AM.

Signature of the Shareholder/Proxy

* Strike out whichever is not applicable.
** To be signed at the time of handing over this slip.

GAYATRI PROJECTS LIMITED

Regd. Off : G-2, Mangal Adesh Society, 4th Road, TPS III, Santacruz (East), MUMBAI – 400 055.
Corp.Off B-1, 1st Floor, TSR Towers, : 6-3-1090, Rajbhavan Road, Somajiguda, Hyderabad-500 082

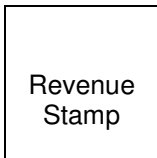
PROXY FORM

Regd. Folio No. _____ No. of Shares held: _____

I/We _____ of _____
_____ in the district of _____
_____ being a member/members of the above-named Company
hereby appoint _____ of _____ in the district of _____
_____ or failing him _____
_____ as my/our proxy to vote for me/us
on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on
the 2nd September 2006 at 11.00 AM and at any adjournment thereof.

Signed this _____ day of _____ 2006

Signature



Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.