

**21st ANNUAL REPORT  
2009-10**



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## **CORPORATE INFORMATION**

### **Board of Directors**

Smt. T. Indira	Chairperson
Sri T.V. Sandeep Kumar Reddy	Managing Director
Sri J. Brij Mohan Reddy	Executive Vice Chairman
Sri G. Siva Kumar Reddy	Director
Sri V. L. Moorthy	Director
Sri Ch. Hari Vittal Rao	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](mailto:gplhyd@gayatri.co.in)  
Website: [www.gayatri.co.in](http://www.gayatri.co.in)

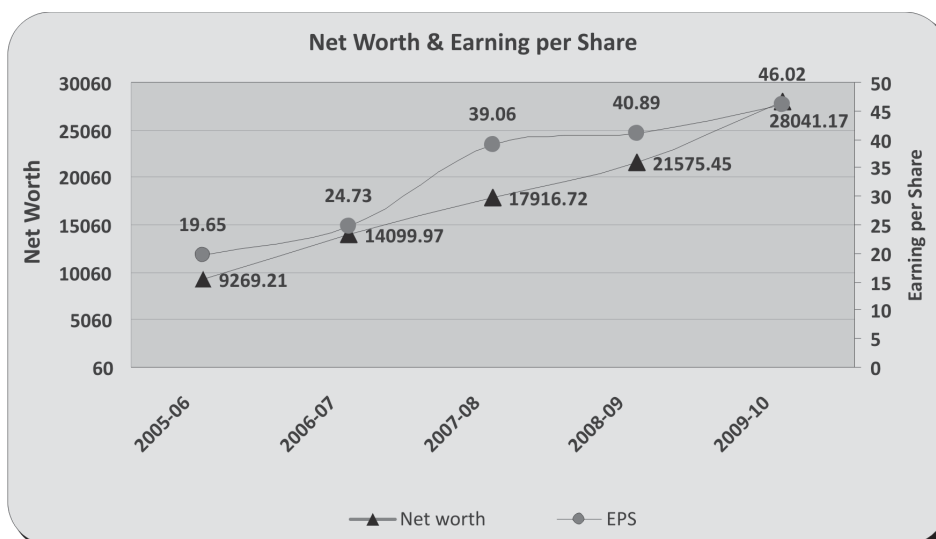
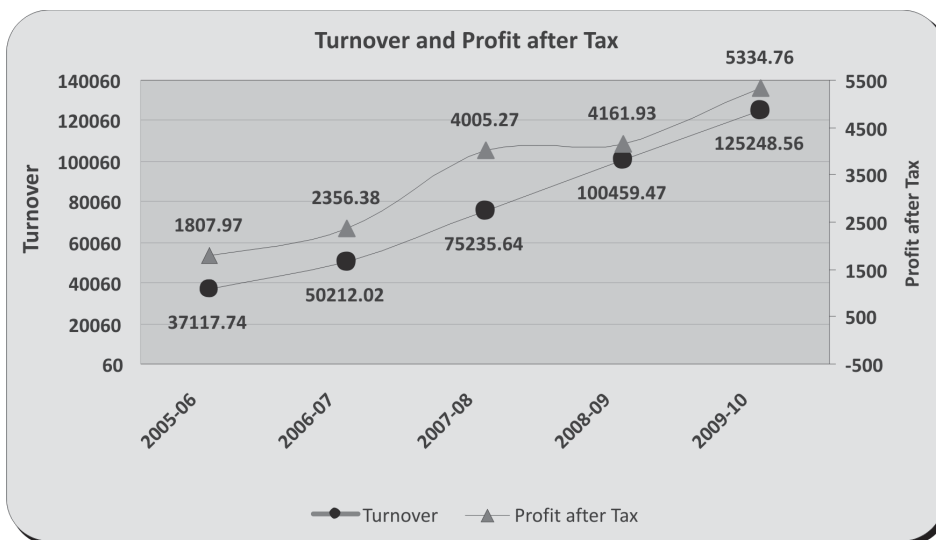
### **Registrars & Transfer Agents**

Karvy Computershare Private Limited  
Plot No.17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad – 500 081  
Tel: 040 – 44655000  
Fax: 040 – 23420814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

## FINANCIAL HIGHLIGHTS

(Rs.in Lacs)

DESCRIPTION	2009-10	2008-09	2007-08	2006-07	2005-06
Turnover	125,248.56	100,459.47	75,235.64	50,212.02	37,117.74
Profit Before Tax	8,100.20	6,343.62	6,118.18	3,582.36	2,759.48
Profit After Tax	5,334.76	4,161.93	4,005.27	2,356.38	1,807.97
Equity Capital	1,110.48	1,010.48	1,010.48	1,000.00	900.00
Reserves & Surplus	26,930.69	20,564.97	16,906.24	13,099.97	8,369.21
Net Worth	28,041.17	21,575.45	17,916.72	14,099.97	9,269.21
Gross Block	30,029.60	27,478.52	25,729.36	20,698.48	16,430.72
Net Block	16,614.62	16,066.86	16,287.83	12,858.49	9,830.42
Book Value (Rs.) Per Share	252.51	213.52	177.31	141.00	102.99
EPS (Rs.) Basic	46.02	40.89	39.06	24.73	19.65
Dividend	50%	40%	25%	20%	15%



## **NOTICE**

**NOTICE** is hereby given that the Twenty First ANNUAL GENERAL MEETING of Gayatri Projects Limited will be held 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 Monday, September 27, 2010 at 3.30 p.m. to transact the following businesses.

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To confirm and ratify the Interim Dividend already declared and paid for the Year ended 31<sup>st</sup> March, 2010 and to declare a Final Dividend on Equity Shares for the Year ended 31<sup>st</sup> March, 2010.
3. To appoint a Director in place of Mr. T.V.Sandeep Kumar Reddy, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.Brij Mohan Reddy, who retires by rotation, and being eligible, offers himself for re-appointment.

### **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**

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

**“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.5000 Crores (Rupees Five Thousand Crores only).”

**“RESOLVED FURTHER THAT** pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof), the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall include any committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution), to create mortgage and/or charge, in addition to the mortgages/charges created by the Company, in such form and manner and with such ranking and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or substantially the whole of the undertaking(s) of the Company together with the power to take over the management of business and concern of the Company in certain event of defaults, in favour of the lender(s), agent(s) and trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) and securities issued/to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the agent(s) and/or trustee(s), premium on

redemption (if any), all other costs, charges and expenses and all other monies payable by the Company in terms of the Loan Agreement(s), Debenture Trust Deed(s) or any other agreement/ document entered/to be entered into between the Company and the lender(s), agent(s) and/or trustee(s), in respect of the said loans/borrowings/debentures and continuing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the lender(s), agent(s) and/or trustee(s)".

**"RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds and matters in its absolute discretion, as may be required or desirable or deem fit, for the purpose of giving effect to this resolution".

**7. AUTHORISATION TO INVEST IN INFRASTRUCTURE PROJECTS, BOTs, BOOTs, TOLL PROJECTS, POWER PROJECTS ETC.**

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

**"RESOLVED THAT** consent of the members be and is hereby accorded to the Board (through its investment committee) to invest any sum(s) of money from time to time in Infrastructure Projects, BOTs, BOOTs, Toll Projects, Power Projects and such other projects, which have been mentioned in the Objects of the Company, either by way of incorporation of Special Purpose Vehicles or through Joint Ventures or through Group / Subsidiary Companies as it may consider fit, on such terms and conditions as the Board (through its committee) may deem fit, either by way of Equity or such other manner, subject to total amount invested shall not exceed a sum of Rs.500 Crores (Rupees Five Hundred Crores only) in a Financial Year".

**"RESOLVED FURTHER THAT** the total amount of investments made in each project/BOT/BOOT/ BOLT/ Power Projects etc. during the Financial Year shall be intimated to various required regulatory authorities from time to time apart from placing before the members in General Meeting"

By order of the Board  
For **GAYATRI PROJECTS LIMITED**

Place: Hyderabad  
Date : August 9, 2010

**CS I.V. LAKSHMI**  
Company Secretary & Compliance Officer

**NOTES:**

1. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item No. 6 and 7 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 20<sup>th</sup> September, 2010 to 27<sup>th</sup> September, 2010 (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 31<sup>st</sup> March, 2010 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 18<sup>th</sup> September 2010.
7. **Appointment / Re-appointment of Directors**

At the ensuing Annual General Meeting, **Mr. T. V. Sandeep Kumar Reddy** and **Mr. J Brij Mohan Reddy**, 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. T. V Sandeep Kumar Reddy**, aged about 43 years Son of Dr. T. Subbarami Reddy (Member of Parliament). He has been associated with the company since its incorporation in 1989. Mr. T. V. Sandeep Kumar Reddy has done his Masters in Construction Engineering and Management from the University of Michigan at Ann Arbor, USA and also holds a Bachelor Degree in Civil Engineering from Purdue University. He looks after the day-to-day affairs of the Company.

**Mr. J Brij Mohan Reddy** aged about 69 Years Son of Mr. J Chenna Krishna Reddy. He is an Engineering Graduate from Berkley University in the USA. He is specialized in Harbor Engineering (i.e., construction of break waters, piers, wharf walls, jetties etc.), RCC structures, Steel structures and Highway projects. He joined the company as Vice Chairman in 1989. He was responsible for the construction of the entire fisheries harbor at Chennai and major portion of mechanized ORE-handling project for Chennai Port Trust.

## **ANNEXURE TO NOTICE**

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

### **ITEM NO. 6:**

#### **BORROWINGS IN EXCESS OF PAID-UP CAPITAL AND FREE RESERVES**

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 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.

None of the Directors of the Company is interested in the above resolution.

The Board recommends the above resolution for adoption by the Members.

### **ITEM NO. 7:**

#### **AUTHORISATION TO INVEST IN INFRASTRUCTURE PROJECTS, BOTs, BOOTs, TOLL PROJECTS, POWER PROJECTS ETC.**

The Company being an infrastructure Company, sometimes in urgent necessity, it has to promote a Company/Joint venture by investing in the Equity. This exigency comes when the Holding Company upon securing the Order has to sign the Concession Agreement/Joint Venture Agreement/Consortium/such other Agreement.

Since the Company is growing leaps and bounds and also diversifying its activities into various infrastructure Projects viz. BOTs, BOOTs, Toll Projects, Thermal Power Projects, Solar Power Projects/Non-conventional Energy Resources and such other projects which have been mentioned in the Objects of the Company. It becomes difficult for the Company to seek consent of the members through General Meeting every time the subscription/acquisition is made to promote the Companies viz. SPV's/BOT/BOOTs etc. for the small investments, your directors are requesting the members to empower the Board to make such investments. Further being an Infrastructure Flagship Company (Holding company) which is having no. of subsidiaries and Group Companies requires frequent investment into the Infrastructure, Power and other activities of subsidiary Companies to achieve its objects.

Though an Infrastructure Company is exempted under Section 372A(8)(a)(i) for inter corporate investments, loans, advances, securities, its investments into various Subsidiaries/Group Companies, as a prudent measure and to adopt Good Governance Practices, the approval of the members is sought. It gives ample scope to the Holding Company to act proactively as and when it is required to invest in order to achieve its objects mentioned in the Memorandum.

All the investments made into the respective companies shall be reported to the members/regulatory authorities from time to time.

None of the Directors are interested in the above resolution.

The Board recommends the above resolution for adoption by the Members.

By order of the Board  
For **GAYATRI PROJECTS LIMITED**

Place: Hyderabad  
Date : August 9, 2010

**CS I.V. LAKSHMI**  
Company Secretary & Compliance Officer



## DIRECTORS' REPORT

To

The Members, We have great pleasure in presenting the 21<sup>st</sup> Annual Report together with the Audited Statements of Accounts for the Financial Year ended March 31, 2010. For your Company this has been a truly remarkable year and your company has achieved many milestones and initiated new ventures.

### FINANCIAL RESULTS

The financial performance of your Company on both a stand-alone and a consolidated basis for the year ended March 31, 2010 is summarised below:

(Rs.in Lacs)

PARTICULARS	Standalone		Consolidated	
	2009-10	2008-2009	2009-10	2008-2009
Gross Income	125,669.04	101,100.37	128,097.26	103,508.48
Profit before interest, depreciation and tax	15,650.12	11,999.32	15,633.49	11,614.86
<b>Less : Interest and financial charges</b>	<b>5,544.21</b>	<b>3,685.57</b>	<b>5,553.99</b>	<b>3,942.44</b>
Profit before depreciation	10,105.91	8,313.75	10,079.50	7,672.42
<b>Less : Depreciation</b>	<b>2,005.71</b>	<b>1,970.13</b>	<b>2,005.76</b>	<b>2,092.02</b>
<b>Profit before tax</b>	<b>8,100.20</b>	<b>6,343.62</b>	<b>8,073.74</b>	<b>5,580.40</b>
Provision for tax	2,765.44	2,181.69	2,540.74	2,297.68
<b>Profit after tax</b>	<b>5,334.76</b>	<b>4,161.93</b>	<b>5,532.99</b>	<b>3,282.72</b>
<b>Less : Minority Interest</b>	<b>—</b>	<b>—</b>	<b>(13.30)</b>	<b>44.69</b>
Prior Period Adjustments	425.74	30.32	428.40	30.32
<b>Profit after Prior Period Adjustments</b>	<b>4,909.02</b>	<b>4,131.61</b>	<b>5,117.89</b>	<b>3,207.71</b>
Profit brought forward	10,310.46	7,251.73	8,951.05	6,594.67
Profit available for appropriation	15,219.48	11,383.34	14068.94	9,802.38
<b>Appropriations:</b>				
Interim Dividend	277.62	—	277.62	—
Final Dividend	277.62	404.19	277.62	404.19
Dividend tax	94.36	68.69	94.36	68.69
Transfer to General Reserve	700.00	600.00	700.00	600.00
Balance carried forward	13,869.88	10,310.46	12,719.34	8,729.50
Paid-up capital	1,110.48	1,010.48	1,110.48	1,010.48
Reserves and Surplus	26,930.69	20,564.97	36,392.27	25,472.70

### REVIEW OF OPERATIONS:

In a challenging financial year that it has been, your Company has delivered an excellent performance through commendable teamwork and a confluence of professionalism, commitment, zeal and passion:-

- ▶ Business levels increased to Rs.125,669.04 Lacs from Rs.101,100.37 Lacs an increase of Rs.24,568.67 Lacs (24.30%).
- ▶ Net Profit rose to Rs.5,334.76 Lacs from Rs.4,161.93 Lacs an increase of Rs.1,172.83 Lacs (29.12%).

Your Company core competence lies in its capabilities to complete the projects on time. Your Directors are pleased to inform that all projects under taken by the Company are progressing as per schedule except few works where there has

## Twenty First Annual Report

been a delay in handing over of the site by the client. In all such cases, your company has got extension of time from the employer.

### ORDER BOOK POSITION:

The Order Book position as on date is Rs.700536.86 Lacs and the sector wise breakup is as under:

Sl. No.	Particulars	Orders on Hand (Rs. in Lacs)	%
1	Irrigation Division	367,273.12	52.42
2	Roads Division	77,054.24	11.00
3	Road BOT Projects	156,188.70	14.28
4	Others	100,020.80	22.30
	<b>TOTAL</b>	<b>700,536.86</b>	<b>100.00</b>

### FUTURE OUTLOOK

India, as one of the fastest growing economies, has recognized the need for all round development in the important infrastructure sectors. The potential is enormous as many sectors are opening up for participation and private investment. In the last few years a number of Road Projects have been taken up under ambitious National Highway Development Programme in which large number of Indian and foreign construction companies are participating.

Your Company is one of the fastest growing construction companies in India executing major civil works including construction of concrete or masonry dams, earthen dams, national highways, bridges, canals, aqueducts, airports, ports etc. The company will benefit immensely from changing economic scenario and positive initiatives from the government for development of Indian infrastructure.

### DIVIDEND

Directors are pleased to recommend a final dividend of Rs.2.50 per equity share of the face value of Rs.10/- for the period ended 31<sup>st</sup> March 2010. The interim dividend of Rs.2.50 per equity share was paid on 11<sup>th</sup> February, 2010.

The final dividend, subject to approval at the AGM Scheduled on 27<sup>th</sup> September, 2010, will be paid to the shareholders whose names appear on the Register of Members with reference to the book closure from 20<sup>th</sup> September, 2010 to 27<sup>th</sup> September, 2010 (inclusive of both dates).

The total dividend for the period including the proposed final dividend of Rs.2.50 per share and Interim Dividend of Rs.2.50 per share, amounts to Rs.5.00 per share for the Year.

### RESERVES

It is proposed to transfer Rs.700 Lacs to the General Reserves of the Company from the current year's profits.

### SUBSIDIARIES

Your Company has five subsidiary companies (including step down subsidiaries) as on 31<sup>st</sup> March 2010.

Pursuant to Section 212(8) of the Companies Act, the Central Government vide its letter no 47/362/2010-CL-III dated 07/05/2010 granted exemption from attaching to the Balance Sheet of the Company, the Accounts and other documents of each of its subsidiaries. However, the Consolidated Financial Statements of the Company, which includes the results of the said subsidiaries, forms part of this Annual Report. 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 which are also available in the company's website.

### 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.

#### **DIRECTORS**

Shri SMAA Jinnah, Director of your Company has expired during the year. The Board places on record its immense appreciation of the services rendered by him during his tenure as the Member of the Board of Directors of the Company.

Sri T.V. Sandeep Kumar Reddy and Sri J Brij Mohan Reddy 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.

#### **MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**

The Management discussions and analysis report is given separately and forms part of this Annual 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 31<sup>st</sup> March, 2010 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 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.

#### **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 particular of expenditure and earnings in Foreign Currency is furnished in Notes to Accounts.

#### **AUDITORS' REPORT**

##### **Management Observation on Auditors Observations:**

Responses of the Directors to the comments of the Auditors in their report on financial Statements are as follows:

- (a) Regarding IJM-Gayatri Joint Venture losses not considered, as already clarified in Note No.9(a) of Schedule 18 (Notes to Accounts) the management is of the firm opinion that the excess expenditure is expected to flow back through future cash flows on settlement of the claims by the employer. There is substantial progress in the proceedings in the arbitration and the management is reasonably confident of recovery of these claims. During the year under review in the matter of dispute out of the work of the "Warangal-Khammam- Tallada Road work", the committee of Arbitrators has awarded a claim of Rs. 12.42 Crores in favour of joint venture. In the unlikely situation of not awarding the entire amount of claims, GPL has to provide an amount of Rs.53.78 crores towards its share of 40% in the IJM-Gayatri Joint Venture.
- (b) Regarding the Gayatri-ECI Joint Venture losses not provided, the management is of the view that the said losses can be set off from the future profits of the project on full scale commencement. However due to changed strategy of the company and over all improvement of the law and order situation, the progress of the work has improved substantially and the joint venture has posted a profit of Rs. 481.73 Lacs during the year 2009-10 and to that extent the accumulated losses have been recovered. Since now the substantial portion of the project work is started now, the losses incurred in the earlier years can be recovered from these profits. Thus, the initial expenditure / losses are expected to flow back through future profits. Hence, no provision has been considered necessary for the Joint Venture losses.

#### **PARTICULARS OF EMPLOYEES**

The details required under section 217(2A) of the Companies Act, 1956 read the Companies (Particulars of Employees) Rules, 1975 are not furnished as there are no employees who are covered under the above section.

#### **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 for 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 : 9<sup>th</sup> August, 2010

**T. INDIRA**  
Chairperson

**T. V. SANDEEP KUMAR REDDY**  
Managing Director

## Annexure – A to DIRECTORS’ REPORT

### I. GAYATRI PROJECTS LIMITED – Subsidiaries

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

Name of the Subsidiary	Direct Subsidiaries	
	Gayatri Infra Ventures Ltd (GIVL)	Gayatri Energy Ventures Pvt. Ltd.(GEVL)
Financial Year of the Subsidiary will be ending on	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010
Date of which they became subsidiary Company	22 <sup>nd</sup> January, 2008	10 <sup>th</sup> February, 2009
No. of Shares held at the end of the Financial Year of the Subsidiary Companies	12,50,000 equity shares of Rs.10/- each	50,000 equity shares of Rs.10/- each
Extent of Interest of Holding Company at the end of the Financial Year of the subsidiary Company	70.59%	100%
The net Aggregate amount of Subsidiary Companies Profit/Loss so far as it concerns the members of Holding Company		
- Dealt with the holding company’s accounts	-Nil-	-NA-
- Not dealt with the holding company’s accounts	(31.87)	(4.14)

### II. Step-down Subsidiaries

Name of the Subsidiary	Subsidiaries of GIVL		Subsidiaries of GEVL
	Gayatri Jhansi Roadways Ltd	Gayatri Lalitpur Roadways Ltd	Thermal Powertech Corporation India Ltd
Financial Year of the Subsidiary will be ending on	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2010
Date of which they became subsidiary Company	6 <sup>th</sup> September 2008	6 <sup>th</sup> September 2008	26 <sup>th</sup> April 2008
No. of Shares held at the end of the Financial Year of the Subsidiary Companies	2,16,19,894	1,60,24,906	50,00,000
Extent of Interest of Holding Company at the end of the Financial Year of the subsidiary Company	51%	51%	100%
The net Aggregate amount of Subsidiary Companies Profit/Loss so far as it concerns the members of Holding Company			
- Dealt with the holding company’s accounts	-NA-	-NA-	-NA-
- Not dealt with the holding company’s accounts	-NA-	-NA-	-NA-

**For and on behalf of the Board**

Place : Hyderabad  
Date : 9<sup>th</sup> August, 2010

**T. INDIRA**  
Chairperson

**T. V. SANDEEP KUMAR REDDY**  
Managing Director

**Annexure – B to DIRECTORS' REPORT**

Statement pursuant to the Under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies

**Rs.in Lacs**

PARTICULARS	Gayatri Infra Ventures Ltd	Gayatri Lalitpur Roadways Ltd	Gayatri Jhansi Roadways Ltd	Gayatri Energy Ventures Pvt Ltd	Thermal Powertech Corporation India Ltd
	2009-10	2009-10	2009-10	2009-10	2009-10
Capital	177.08	3152.00	4240.00	5.00	500.00
Share Application Money		8.50		6196.53	5532.72
Reserves	22107.25	—	—	0.66	
Total Assets	22284.33	28,434.53	36338.41	6202.23	16032.72
Total Liabilities	0.00	25,274.03	32098.41	0.04	10000.00
Details of Investments (Except Investment in subsidiaries)		—	—	—	—
Turnover	532.07	—	—	4.80	—
Profit before taxation	(129.77)	—	—	3.44	—
Provision for Taxation	(88.60)	—	—	1.07	—
Profit after taxation	(41.17)	—	—	2.37	—
Proposed Divided	—	—	—	—	—

**For and on behalf of the Board**Place : Hyderabad  
Date : 9<sup>th</sup> August, 2010**T. INDIRA**  
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

Historically, it has been observed that the construction growth rate is directly linked to the GDP growth rate. The fact that the Indian economy was growing at a rate of 8-9 percent prior to the global slowdown created the need for the creation of physical infrastructure. Moreover, the unprecedented housing boom also proved to be a trigger for growth in the construction industry.

There are three important segments of the construction industry - infrastructure, industrial and real estate. Of these, infrastructure constitutes about 54 per cent, while industrial construction 36 per cent and commercial and residential construction constitute about 5 per cent each. The majority of the investment in the construction sector (about 70 per cent) comes from public sources, while the private sector contributes only about 30 per cent.

In the Union Budget for 2010-11, the Union Minister for Finance has stated that "Accelerated development of high quality physical infrastructure, such as roads, ports, airports and railways is essential to sustain economic growth. In the Budget for 2010-11, I have provided Rs. 1,73,552 crore, which accounts for over 46 per cent of the total plan allocations, for infrastructure development in the country."

Government of India (GOI) has put strong momentum on infrastructure development in the current budget 2010-11 by allocating significant portion of the planned allocation towards infrastructure development. Infrastructure development is vital to the long term sustainable growth of India's GDP. Recognizing the need to spur growth of the infrastructure, budget proposes to provide INR 1,735,520 crore for infrastructure development in urban, semi-urban, and rural areas. This figure accounts for almost 46% of the total allocation for the FY 2010-11. Slum rehabilitation programs will provide a positive boost for the sector and an additional tax rebate of INR 20,000 crore for investments in infrastructure bonds under section 80 CCF of the IT Act will ensure more funding to the sector. The budget also proposes to allow pending projects to be completed within a period of 5 years instead of 4 years for claiming a deduction of their profits, as a one time interim relief to the housing and real estate sector under Section 80IB(10) of the IT Act.

The following key announcements pertaining to Infrastructure Sector have made in the Budget 2010-11

1. The Infrastructure being the backbone of the economy, GOI has provided about 46% (Rs. 1.73 lac crores) of the planned allocation towards rural and urban infrastructure development.
2. GOI expects to raise about Rs. 25,000 crores through the disinvestment route in 2010-11 and the proceeds are expected to be utilized towards social sector schemes for creation of new assets.
3. GOI has proposed to raise the allocation of road transport by over 13% from Rs. 17,520 crores to Rs. 19,894 crores.
4. IIFCL to initially provide finance for about Rs. 25,000 crore in the next three years to various infrastructure projects.
5. Full exemption from import duty on the specified machinery for road construction projects.
6. The Delhi-Mumbai Industrial Corridor Project has been taken up for integrated regional development.
7. In order to meet the large investment requirement of the Railways to modernize and expand the network, it is proposed that Rs.16,752 crore is provided in the Budget for 2010-11.
8. The allocation to various infrastructure development schemes is increased as highlighted below:

S.No	Name of Scheme	Increase in allocation in Budget 2010-11
1	Road Transport	By 13% to Rs. 19,894 crore
2	Railways	By 6% to Rs. 16,752 crore
3	Bharat Nirman	By 17.35% to Rs. 48,000 crore
4	Indira Awas Yojana	By 13.63% to Rs. 10,000 crore
5	Rajiv Awas Yojana	By 11.81% to Rs. 1,270 crore
6	Urban Development	By 76% to Rs. 5,400 crore

To make a visible impact in the road sector, Government has targeted construction of national highways (NHs) at the pace of 20 km per day. To push the pace of implementation, changes have been made in the policy framework, especially in respect of projects being executed through public private partnerships (PPPs). For the year 2010-11, it is proposed to raise the allocation of road transport by over 13 per cent from Rs.17,520 crore to Rs.19,894 crore.

The construction industry has grown at an average annual rate of 14 percent over the past five years. In that period, the sector has made a great leap forward in terms of adoption of best practices and technologies. Strong industry outlook is expecting a CAGR of 20% over the next 5 years.

Due to its characteristics of being both capital and labour intensive, the construction sector has been a major employer as well as a generator of demand for core commodities such as steel, cement, aluminum and petroleum. It is, in fact, the biggest source of employment after agriculture, with around 32million people depending upon construction for their livelihoods. The 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

During the Eleventh Five Year Plan, Rs. 23,000 billion worth of investment is likely to be committed across various infrastructure sectors. To meet its investment targets, the construction industry has to focus on enhancing its capacity to deliver the desired results, cope with envisaged work plans and try to address issues pertaining to manpower availability, obtaining clearances, dispute resolution, quality control and technology upgrades. 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.

This phenomenal growth was a result of multiple factors. One most important driver has been the government's increasing focus on infrastructure development and recognition of infrastructure development as the key driver of economic growth. 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.

Public-private partnership (PPP) models, more tuned to the Indian environment, have witnessed encouraging response not only from private sector domestic developers but also from international developers, financial institutions and private equity institutions. In addition to private participation, government spending has also been increasing, both in the form of direct investment as well as viability gap funding.

Overall the construction sector has a positive outlook on account of growing infra-structure demand and the emphasis of the government on catering to this demand.

## **KEY SECTOR TRENDS**

### **Road/Transportation Sector**

Road connectivity, while linking the regions of demand and supply, forms the very basis of economic and social development, a fact recognized by the government and reflected in its spending.

Currently, at 3.3 million km, India's road network is the second largest in the world.

The network is divided into three categories – national highways, state roads including state highways and district roads and rural roads. National highways span a length of 70,548 km, state highways 131,899 km, major district roads 467,763 km and rural roads 2,650,000 km. Despite the importance of roads to the Indian economy, the road network in India is grossly inadequate in capacity. Only 14 per cent of national highways and one per cent of state highways are four-lane. Further, about 59 per cent of the national and 22 per cent of state highways are double-lane.

The biggest initiative in the national highways sector is the NHDP which began in December 1999. The massive programme aims at development of about 50,000 km of national highways in seven phases by December 2015 at an investment of over Rs. 3,100 billion. The golden Quadrilateral, which is a part of the first phase and involves provision of four-lane connectivity to the four metros, is



about 98 per cent complete and the North-South-East-West corridor, which is a part of Phase II, is around 58 per cent complete. Further, projects under the third, fifth, sixth and seventh phases are under implementation.

Another central government initiative, the Special Accelerated Road Development Programme – North East, envisages improvement of 9,940 km of national highways, state roads and other roads in the region in two phases. The entire project has targeted deadline 2015-16.

For the secondary road network, several projects have been launched by the state governments through multilateral aid and private sector participation. A rural roads programme, the Pradhan Mantri Gram Sadak Yojana (PMGSY), was launched by the union government in December 2000. The Centrally-sponsored project aims at developing 369,386 km in rural areas at an estimated cost of Rs. 1,320 billion.

#### **Road Sector outlook**

- ▶ The committee on Infrastructure has projected a 12-15 per cent growth in passenger traffic annually and 15-18 per cent annual growth in cargo traffic. It has been estimated that an investment of \$50-150 billion is required until 2011-12 to improve road infrastructure.
- ▶ Major targets for road development have been set for the next four-five years. The Eleventh Five-Year Plan accords high priority to expeditious completion of the balance works under phases I,II, and IIIA of the NHDP. The union government also plans to initiate work for two-laning of 6,800 km of identified stretches under Phase IV through the BOT (toll) format. The Road Transport and Highway Ministry (MoRD) plans to construct 129,707 km of new rural roads and upgrade 100,740 km of existing rural roads in the Eleventh Plan period. The MoRD has set a target to award projects to develop 15,000 km of highway during 2010-11.
- ▶ For the next three years, investment projections of \$70 billion have been put forward for national highway development, of which private sector will contribute about \$40 billion.

#### **Ports**

India has an extensive coastline of 7,517 km and there are 12 major and 200 non-major ports. Only 66 non-major ports are operational. Indian ports handle around 95 percent of India's total trade of volume and 70percent in terms of value. Major ports handle 72 percent of the total cargo traffic while non-major ports accounts for 28 per cent. The port sector has witnessed strong demand growth in recent years, which can be evidenced by traffic growth at a CAGR of 10 percent since 2004, compared to the post-liberalization period 1992-2004, when the growth rate was 6.77 percent. The port sector has been experiencing increasing private participation over more than a decade and currently they are developing 23 green field ports with a collective investment of more than Rs. 470 billion. The Government has proposed a total outlay of Rs185.33 billion for the major ports during the eleventh five year plan period (2007-12).

All-round cargo growth is anticipated in the near term, which necessitates port infrastructure creation for bulk as well as container cargo. In addition, new port infrastructure creation shall also necessitate capacity creation for hinterland connectivity.

#### **Power**

The power generation industry in India is poised for a major structural change due to increased private ownership and greater diversification in the fuel mix. Investor interest in generation is quite significant with investments flowing for manufacturing, advanced technology and merchant power. Further, the decision of the Nuclear Suppliers Group (NSG) to allow its members to engage in civilian nuclear technology trade with India might lead to an exponential increase in the share of nuclear fuel in the fuel mix.

India's installed capacity (excluding captive plants) as of March 2009 was 147,965 MW. Thermal continues to have a dominant share, at 63.34 per cent or 93,725 MW, followed by hydro (24.92 per cent), renewable (8.94 per cent) and nuclear (2.78 per cent). Sector-wise, the state sector has a majority 51.44 per cent share or 76,115.67 MW in capacity, followed by the central (33.09 per cent) and private (15.46 per cent) sectors.

The private sector contribution to the total installed capacity has been rising consistently since the passage of the Electricity Act, 2003 from 8.66 per cent in March 2003 to 15.46 per cent in March 2009. This share is expected to rise further, given that independent power producers (IPPs)/private projects aggregating over 100,000 MW are under various stages of development. Of the 26,000 MW of Twelfth Plan thermal capacity, which is under execution, 15,000 MW is in the private sector. The ultra mega power projects (UMPPs) are expected to bring in huge private investment. The first two out of the four awarded UMPPs have achieved financial closure and involve a total investment of Rs. 364 billion. However, the current financial downturn may adversely impact several IPPs, which are awaiting financial closure of their projects. Based on the progress of which have already initiated construction work, the private sector target for the Eleventh Plan was revised upwards to 15,000 MW at the end of 2007-08 from 10,500 MW initially. The CEA expects an addition of over 21,000 MW by the private sector by 2012. This is a tenfold increase compared to around 2,000 MW contributed by the private sector during the Tenth Plan period. The trend in the private sector is to reserve a part of the installed capacity for merchant transactions in the market.

The signing of the Indo-US nuclear deal in October 2008 following a waiver from the NSG opened up a plethora of opportunities for India to engage in international civilian nuclear trade. India has entered into similar agreements with France, Russia, Kazakhstan and Canada.

### Urban Infrastructure

Cities are increasingly becoming important in national economic as well as infrastructure development. As per 2001 Census, the urban population of the country was 286.11 million, this constituted 27.8% of the total population. It has been estimated that there would be an increase of additional 78 million to the total urban population by 2011. This magnitude is bound to lead to massive problems in managing already over strained mega / million plus cities. Rapid Industrialization has put increasing pressure on urban areas. There is dramatic increase in urban population which has resulted in serious infrastructure constraints. Private sector participation is envisaged for operations and management of water and wastewater networks. Demand in housing sector has been fuelled by availability of cheaper housing finance, Tax incentives and Lower prices.

Requirement of Urban Transport has increased substantially by growing urban population. Estimated population of India is likely to be 1451 million in 2021 out of which urban population shall constitute 37%, as against 27% during 2001. Number of cities having population more than 1 million are expected to increase to 53 by the year 2021 from present number of 35. Urban Transport demand has been growing even faster. There is inadequate Urban Mass Transport System and proliferation of personalised motor vehicles. Numbers of personalized vehicles are likely to increase by eight fold in next 20 years. This will result in excess energy consumption, congestion in cities and environmental problem, thus necessitating LRT /MRTS options.

The opportunities for private and foreign investment in urban infrastructure projects across the country in coming years are immense. A large number of urban infrastructure projects are coming up and the government is planning for huge investments to meet the country's growing urban infrastructure needs.

For the year 2010-11, it is proposed to increase the allocation for urban development by more than 75 per cent from Rs.3,060 crore to Rs.5,400 crore. In addition, the allocation for Housing and Urban Poverty Alleviation is also being raised from Rs.850 crore to Rs.1,000 crore in 2010-11. The *Rajiv Awas Yojana* (RAY) for slum dwellers and urban poor is propose to allocate Rs.1,270 crore for 2010-11.

### Irrigation Sector

Irrigation is the most important input for agriculture and vital for food security. Therefore, large investments were made in successive Plans for expansion of irrigation facilities. Many major, medium and minor irrigation projects have been constructed in the country during last five decades, thereby increasing the Irrigation potential from 22.6 million ha in 1951 to 100 million ha in 2005. This has resulted in increase in the food grains production from 50 million tons in 1951 to 208 million tons in 2005. Expansion of irrigation facilities, along with consolidation of the existing systems has been the main part of the core strategy for increasing production of food with sustains and systematic development of irrigation grains. The irrigation potential through major, medium and minor irrigation projects has increased from 22.6 million hectares (mha) in 1951 when the process of planning began in India to about 102.77 mha at the end of tenth plan. The Accelerated Irrigation Benefits Programme (AIBP) was launched during 1997 to give loan assistance to the States to help them complete some of the incomplete major/medium irrigation projects, which were in advanced stages of completion. With these considerations in view, it is suggested that the allocation to Accelerated Irrigation Benefit Programme (AIBP) during Eleventh Plan should be increased but with much more effective monitoring using remote sensing data to incentivize the Central funds flow to the States. There is a large bank of projects that are scheduled to be implemented over the next five years by various States such as Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Orissa.

### Airports

Over the years, traffic at Indian airports has been growing in all three segments- passenger, freight and aircraft movement. There are a total of 136 airports in India, which are divided into five categories: international-17, customs-8, domestic-79, civil enclaves-23 and others-9. The airport segment has managed to attract the private investment in the recent past. There are now four privately managed international airports in India i.e., Delhi, Mumbai, Hyderabad and Bangalore. The AAI is modernizing over 55 non metro airports across the country and will seek private participation. The Planning Commission estimates that total investment in airports will be Rs. 409 billion over the Eleventh Plan Period. Several Greenfield airport projects are in the pipeline and at various stages of obtaining approvals, land etc.

### Railways and Freight Corridor Project

The Indian Railways (IR) is the fourth largest in the world after US, China and Russia and is the largest passenger carrier. To meet growing traffic volumes, massive capacity augmentation and modernation are high on IR's agenda. The ongoing Eleventh Five Year Plan (2007-12) for the railways identified substantial capacity creation as one of its key priorities and IR will invest Rs. 2300 billion under Eleventh Five Year Plan. Construction of dedicated freight corridor is one of the ambitious project for capacity expansion. Presently, it would cover the western and eastern trunk routes, and eventually may get extended to other trunk routes depending on the financial viability. The prefeasibility and technical studies of four such corridors have already been completed. Once completed, the rail freight corridor project would add 10,000 km to the existing rail network.

### Opportunities and Strengths

India has fast emerged as a land of opportunities in Infrastructure sector. The potential is enormous as many sectors are opening up for participation and private investment. In the last few years a number of Road Projects have been taken up under ambitious National Highway Development Programme in which large number of Indian and foreign construction companies are participating. The telecom sector has moved forward at a brisk pace and power reforms have gained momentum while the disinvestments process

has got underway in the Telecom and Oil and Gas sector. Investment opportunities in the Road sector exist for both National highway, State Highway and other roads. Policies provide for joint ventures between the existing Indian ports and private companies to improve efficiency of operations. There is a shift towards privatisation of major and minor ports and operation of relatively new major ports. Concession mechanisms have been developed by some State Governments (Gujarat, AP, Orissa) and agreements have been signed for the development of ports. The Golden quadrilateral is proposed to be strengthened to enable running of more long distance passenger trains and freight trains at a higher speed. Programme also envisages strengthening of rail connectivity to ports and development of multi model corridors to hinterland. Greener field airports are being planned with private sector participation. Few selected non-metro airports are likely to be privatized.

India, as one of the fastest growing economies, has recognized the need for all round development in the important infrastructure sectors. With political consensus in reforms having been established and with a stable democratic environment, clear policies and regulatory frameworks are being put in place.

Your Company is one of the fastest growing construction companies in India executing major civil works including construction of concrete or masonry dams, earthen dams, national highways, bridges, canals, aqueducts, airports, ports etc. The company will benefit immensely from changing economic scenario and positive initiatives from the government for development of Indian infrastructure.

**Strong Order Book:** Your Company has an outstanding order book of Rs.6500 crores as on 31st March 2010, which is 5 x FY10 revenue thereby providing revenue visibilities over next two-three years. The order book has increased CAGR 30 percent over FY06-FY09 on account of healthy inflow of orders.

**Huge fleet of Construction Equipment:** GPL owns huge fleet of construction equipment comprising concreting plants such as batching plants, concrete mixers, transit mixers, concrete pavers, etc which reduces dependence on sub-contracting. This enables faster and timely execution of projects.

**Exploring New Business Opportunities:** Your Company is diversified its foray into power segment and improved its existing potential in road, irrigation and industrial construction segment through tapping emerging business opportunities in their respective segments. The Company strategy of entering into joint ventures enables it to bid for large infrastructure projects has resulted growth in the order book.

**Margins to improve going forward:** Your Company has been able to sustain an average of 13 percent EBIDTA margin in the past due to the strategy of owning huge fleet of equipment, lower subcontracting expenses, lower exposure to fixed price contracts, a favorable mix of road BOT projects, irrigation and high margin industrial projects. The Company is anticipating improving the margin in the coming years by adopting the cost reduction measures and on time completion of the works.

During the year under review, the Company and its joint ventures have together bagged new orders valued around Rs.28,950 millions.

Works awarded during the year 2009-10

- 1) Widening and Strengthening of Chittoor- Puttur Road from Km 3/200 to Km 64/00 is awarded to Gayatri-JMC Joint Venture. The work order value is Rs.113.08 Crores. The GPL will execute 75% the work on back to back basis.
- 2) Six Laning of Indore – Dewas Section of NH-3 from Km 577.550 to Km 610.000 and Km 0.000 to Km 12.600 (Approx. Length 45.05 Km) in the State of Madhya Pradesh Under NHDP Phase-V to be executed as BOT (Toll) Project is awarded to DLF-Gayatri Consortium. The Project Cost is Rs.601.00 Crores. The GPL will be executing EPC work value of Rs. 475.00 Crores.
- 3) Design, Construction, Finance, Operation and Maintenance of Four-Laning of Hyderabad – Karimnagar – Ramagundam Road (SH-1) from Km.28.200 to 235.058 in the State of Andhra Pradesh under Public Private Partnership (PPP) on Build, Operate, and Transfer (BOT) Basis is awarded to DLF-Gayatri Consortium. The Project Cost is Rs.2,191.00 Crores. The GPL will be executing EPC work value of Rs. 850.00 Crores.

#### **Risks and Concerns**

The construction sectors witnessed a severe shortage of funds and very selective projects achieving financial closure in the year 2009-10. Many construction and engineering companies postponed big projects, either due to lack of funds or due to these becoming commercially unviable in the face of lower economic activity. The government had thus to step in, in a bid to help the economy recover from the global crisis. Two stimulus packages were announced by the government and the Reserve Bank of India cut the cash reserve ratio (CRR) as well as the repo and reverse repo rates to increase liquidity in the financial system. With the stimulus packages in place and the government emphasising increased public investments in infrastructure, the economy has made a quicker than expected recovery.

The construction industry does not work under any well-defined framework. There are no identified agencies that regulate or monitor the functioning of the construction industry. Since the industry's activities are linked with every sector of the economy, at the union government level, issues related to construction are taken up by the Planning Commission.

## Twenty First Annual Report

The problems that delay construction projects are issues on the fronts of land acquisition, lack of a proper dispute resolution mechanism and deficient manpower and human resources. According to data from the Ministry of Statistics and Programme Implementation, between April 1992 and March 2009, about 1,035 projects across 17 infra-structure sectors have been completed, most of these being public funded, with only a few undertaken through the public-private partnership mode. Of these, about 82 per cent of projects have faced time overruns and about 40 per cent have faced cost overruns.

The dispute resolution system continues to be predominantly adhoc, even after the Arbitration and Conciliation Act, 1996 provided for the institutional arbitration mode. In fact, a survey conducted by CIDC revealed that the amount of capital blocked in the construction sector due to disputes was more than over Rs. 1000 billion.

The problems on the human resource development (HRD) front include lack of harmonised skill upgrades, absence of a national plan for HRD and a lack of incentives and the absence of a regulatory framework to impose a certain percentage of trained and certified manpower by contractors. The CIDC has taken some initiatives to address this issue. The council has formed two organisations for imparting training, one at the worker level (vocational training) and the other one at a senior level (professional level training).

### 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.1,252.48 crores as compared to Rs.1,004.59 crores in the previous year, registering a growth of 24.60%.

**Share Capital:** During the year the Company has allotted 10,00,000 equity shares of Rs.10/- each fully paid equity shares at a premium of Rs.175/- through preferential allotment. As a result of this, the share capital has increased by Rs. 100.00 Lacs and securities premium account by Rs. 1,750.00 Lacs.

**Reserves & Surplus:** The Reserves & Surplus of the Company has increased to Rs.26,574.39 Lacs from Rs.20,564.97 Lacs in the previous year. The increase is mainly due to Rs.14,569.88 Lacs profit made during the year and Securities Premium account of Rs.1,750.00 Lacs on account of preferential allotment made.

**Net worth:** The Company's net worth increased to Rs.28,041.17 Lacs from Rs.21,575.45 Lacs, primarily due to Profits made during the year 2009-10 and on account of preferential allotment made.

**Secured Loans:** There is an increase of Rs.11,204.48 Lacs in the secured loans which is due to Rs.10,000.00 Lacs enhancement in the working capital limit and Rs.6,549.93 Lacs short term loans taken from the Banks. The enhanced loan funds are primarily used for the working capital purpose.

**Unsecured Loans:** There is an increase of Rs.13,576.18 Lacs in the unsecured loans during the year. The increase is mainly due to raising of short term loans to meet project related and mobilization expenditure of the proposed 1,320 MW Mega Power Project by the subsidiary company.

**Fixed Assets:** The Company's Fixed Assets (Gross Block) is increased by Rs.2,551.08 Lacs in the year 2009-10, 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.30,609.02 Lacs to Rs.61,227.43 Lacs during the year 2009-10, mainly due to increase in the receivables and advances given to Suppliers, Sub Contractors etc.,

### OPERATIONAL PERFORMANCE

**Income:** There has been an increase in the Gross Income of the Company from Rs.101,100.37 Lacs to Rs.125,669.04 Lacs, registering a growth of 24.30% over the previous year. The growth is in line with the other companies in the industry.

**Construction Cost:** The construction cost consisting of work expenditure, staff cost, administrative cost and increase / decrease in WIP is marginally decreased to 87.84% as against 88.69% in the previous year.

**Financial Charges:** During the year there is increase of Rs.1,858.64 Lacs in the financial 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.2,005.71 Lacs from Rs.1,970.13 Lacs in the previous year.

**Provision for Tax:** The Company has provided for a sum of Rs.2,765.44 Lacs as a current tax and deferred tax.

**EBITDA and Net Profit:** During the year the EBITDA margins registered at 12.45% as against 11.87% in previous year and the EBITDA margins are in line with the industry average. The Net Profit margins before tax is increased from 6.27% in the previous year to 6.44% in the current year.

**Dividend:** The Board of Directors has recommended a Final Dividend of Rs.2.50 per Equity share for the year 2009-10. Together with the interim dividend of Rs. 2.50 per share (25%) paid on 11.02.2010, the total dividend for the Financial Year ended 31.03.2010 works out to Rs. 5/- per share. Final Dividend will be paid subject to approval of Shareholders at the ensuing Annual General Meeting.

**Human Resources**

Engaging the best minds in the business, nurturing them with care in a professional environment and bring out the best in them is our continuous endeavor. The Management is paying special attention to various aspects like training, welfare and safety of the employees and thereby further strengthening the Human Resources. The relationship with employees remained smooth and cordial through out the year under review.

## **Certificate on Compliance of Corporate Governance as per the Listing Agreement**

### **To the Members of Gayatri Projects Limited**

We have examined the compliance of conditions of Corporate Governance by Gayatri Projects Ltd for the year ended 31<sup>st</sup> March 2010, 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 has been limited to a review of the 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 and based on the representations made by the Directors and the management, we certify that the Company has complied with conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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  
(Registration No: 002140S)

**MANI OOMMEN**

Partner  
Membership No: 24046

Place : Hyderabad  
Date : 28<sup>th</sup> May, 2010

## CORPORATE GOVERNANCE REPORT

*Corporate value is in the transparency*

### A. MANDATORY REQUIREMENTS

#### I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

M/s. Gayatri Projects Limited is committed to good Corporate Governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. The Board of Directors of the Company believes in a good Corporate Governance practice, which enables the management to direct and control the affairs of the Company in an efficient manner, so as 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.

The company's core philosophy on the code of corporate governance is to ensure:

- ▶ Fair and transparent business practices.
- ▶ Accountability for performance.
- ▶ Compliance of applicable statute
- ▶ Transparent and timely disclosure of financial and management information.
- ▶ Effective management control and monitoring of executive performance by the Board.
- ▶ Adequate representation of professionally qualified non executive and independent Directors on Board.

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. We have pleasure in reporting that requirement of Stock Exchange Regulations and the provisions of the Listing Agreement, the compliance report on the corporate governance have been complied with in all features.

#### 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.

##### COMPOSITION

The Board represents an optimum mix of professionalism, knowledge and experience. As on March 31, 2010, we had a total strength of 6 Directors in the Board, comprising of: 2 Executive Directors and 4 Non-Executive Directors (3 of them are Independent Directors). The Company immensely benefits from the professional expertise of the Independent Directors. The Board has an adequate combination of Executive, Non-Executive and Independent Directors.

**Table : I** Key information pertaining to Directors as on 31<sup>st</sup> March, 2010

	<b>Mrs. T. Indira</b>	<b>Mr. T. V. Sandeep Kumar Reddy</b>	<b>Mr. J. Brij Mohan Reddy</b>	<b>Mr. G. Siva Kumar Reddy</b>	<b>Dr. V. L. Moorthy</b>	<b>Mr. CH. Hari Vittal Rao</b>	<b>Mr. S.M.A.A Jinnah*</b>
Category	Chairperson Promoter Director	Managing Director	Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Date of appointment	08/03/1996	15/09/1989	30/03/1994	30/03/1994	04/11/2005	04/11/2005	*04/11/2005
Directorship in other Public Companies	5	9	4	3	4	3	1
Chairmanship in Committees of Board of other Companies		1		–	2	–	–
Membership in Committees of Board of other Companies	1	3		–	–	–	–
No. of Board Meetings held / attended	12/9	12/10	12/6	12/7	12/12	12/12	12/5
Attendance at the last AGM held on Sept. 24, 2009	No	Yes	No	No	Yes	Yes	No
No. of Shares Held as on 31/03/2010	4,500,055	1,595,162	225	225	–	–	–

\*Mr.SMAA Jinnah ceased to be Director of the Company w.e.f. January 27, 2010

#### **BOARD MEETINGS**

Our Secretarial Department in consultation with the Key Managerial Personnels, Executive Directors and with Board Governance decided the dates on Board Meetings, the schedule of Board Meeting and Board Committee Meetings are communicated in advance to all the Directors to enable them to schedule their meetings.

Our Board met Twelve times in the Financial Year 2009–10, on 5<sup>th</sup> May 2009, 4<sup>th</sup> June 2009, 24<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 13<sup>th</sup> August 2009, 26<sup>th</sup> August 2009, 8<sup>th</sup> September 2009, 14<sup>th</sup> September 2009, 30<sup>th</sup> October 2009, 27<sup>th</sup> November 2009, 20<sup>th</sup> January 2010 and 15<sup>th</sup> March, 2010.

#### **Details of the Directors seeking re-appointment**

Mr. T. V. Sandeep Kumar Reddy and Mr. J Brij Mohan Reddy Directors retire by rotation at this Annual General Meeting and are seeking re-appointment.



The Company Secretary prepares the Agenda and Explanatory notes, in consultation with the Chairman and Managing Director for each meeting and circulates the same in advance to the Directors. A tentative annual calendar for the meetings of the Board and Audit Committee to be held in each quarter has been circulated to facilitate and assist the Directors to plan their schedules for the meetings for meaningful, informed and focused decisions. Every Director is free to suggest the inclusion of items on the agenda. The Board meets at least once in every quarter to review the quarterly results and other items on the agenda. The Board is given presentation covering industry environment, project implementation, project financing and operations of the Company. Additional meetings are held, when necessary. The draft minutes of the proceedings of the Board of Directors are circulated in advance and the comments, if any, received from the Directors are incorporated in the minutes in consultation with the Chairman. Senior executives are invited to provide additional inputs at the Board Meeting for the items being discussed by the Board of Directors, as and when necessary.

The Company has an effective post meetings follow up, review and reporting process mechanism for the decisions taken by the Board/Committees. Action taken report on decisions of the previous meeting(s) is placed at the immediately succeeding meeting of the Board/Committee for noting by the members.

The Company Secretary while preparing the agenda notes, minutes etc., of the meeting is responsible for and is required to ensure adherence to all applicable laws, rules, regulations including the Companies Act, 1956 read with rules made there under.

**III. AUDIT COMMITTEE**

- a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered 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:**

During the year the Audit Committee has been reconstituted due to sudden Demise of beloved Member Mr. SMAA Jinnah and in his place Mr. G Siva Kumar Reddy has been appointed as Member of the Committee on 15/03/2010.

- Mr. Ch Hari Vittal Rao – Chairman
- Dr. V. L. Moorthy – Member
- Mr. G Siva Kumar Reddy – Member

**c) Meetings and Attendance:**

Four Audit Committee Meetings were held during the year. The dates on which the said meetings were held are as follows: 24<sup>th</sup> June, 2009, 31<sup>st</sup> July, 2009, 30<sup>th</sup> October, 2009 and 20<sup>th</sup> January, 2010. The maximum gap between any two meetings is not more than 4 months.

**Table : 2**

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	4
Mr. S.M.A.A Jinnah – Member	4	1

The necessary quorum was present at all the meetings.

**IV. REMUNERATION COMMITTEE**

**a) 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.

**b) The composition of the Remuneration Committee is given below :**

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

**c) Table: 3 Attendance during the year**

<b>Name of the Director</b>	<b>Held</b>	<b>Attended</b>
Mrs. T. Indira - Chairperson		
Mr. G. Siva Kumar Reddy- Member		
Dr. V. L. Moorthy - Member		

One Remuneration Committee Meeting was held on 24/06/2009

**d) 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, perquisites and Fixed % of Commission on the net profits of the Company calculated in accordance with Section 349 of the Companies Act, 1956 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.

e) Table : 4 Remuneration and sitting fees paid to the Directors during 2009-2010

(Rs. In Lacs)

	<b>Mrs. T. Indira</b>	<b>Mr. T. V. Sandeep Kumar Reddy</b>	<b>Mr. J. Brij Mohan Reddy</b>	<b>Mr. G. Siva Kumar Reddy</b>	<b>Dr. V. L. Moorthy</b>	<b>Mr. CH. Hari Vittal Rao</b>	<b>Mr. S.M.A.A Jinnah*</b>
Category	Chairperson Promoter Director	Managing Director	Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Relationship with Directors	Yes	Yes	Yes	None	None	None	None
Salary	-	150.00	114.00	-	-	-	-
Allowances	-	7.50		-	-	-	-
Commission/ Incentives	-	48.00	-	-	-	-	-
Other Annual Compensation	-	-	-	-	-	-	-
Deferred Benefits	-	-	-	-	-	-	-
Sitting fees	0.90	-	-	0.70	1.40	1.40	0.55

**V. SHAREHOLDERS' / INVESTORS GRIEVANCE AND SHARE TRANSFER 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:**

During the year the Shareholders/Investors Grievance Committee has been reconstituted due to sudden Demise of beloved Member Mr. SMAA Jinnah and in his place Mr. G Siva Kumar Reddy has been appointed as Member of the Committee w.e.f. 15/03/2010.

Mr. Ch. Hari Vittal Rao - Chairman

Mr. J. Brij Mohan Reddy - Member

Mr. G. Siva Kumar Reddy - Member

**Table : 5 Meetings and Attendance:**

Name of the Director	No. of Shareholders /Grievance Committee Meetings	
	Held	Attended
Mr. Ch. Hari Vittal Rao – Chairman	3	3
Mr. J. Brij Mohan Reddy – Member	3	3
Mr. SMAA Jinnah – Member	3	2
Mr. G. Siva Kumar Reddy – Member	3	1

The Committee had three meetings during the year under review on August 3, 2009, August 12, 2009 and March 15, 2010

**c) Name 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 2331 0330 Fax: +91 40 2339 8435  
E Mail: [cs@gayatri.co.in](mailto:cs@gayatri.co.in).

**d) Table: 6 Details of complaints/requests received and redressed :**

Opening Balance	Received during the year	Resolved during the year	Closing Balance
NIL	7	7	NIL

**VI. GENERAL BODY MEETINGS**

**A) Annual General Meeting**

**Table: 7** Location, date and time of last three Annual General Meetings (AGMs) and Special Resolutions passed there at:

Year	Location	Date and Time	Special Resolution passed
2006-07	Hotel Ritz, Lotus Room, 5 <sup>th</sup> Floor, 5, Jamshedji Tata Road, Behind Eros Cinema, Mumbai – 400 020	28/09/2007 11:00 AM	1. Raising of Investments Limits of FII/NRIs. 2. Appointment of Sri. J. Brij Mohan Reddy as Executive Vice Chairman.
2007-08	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	29/09/2008 4:00 PM	None
2008-09	KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad – 500 004	24/09/2009 11:30AM	1. Re-appointment and Revision in Remuneration of Mr. T.V. Sandeep Kumar Reddy, Managing Director 2. Re-appointment and Revision in Remuneration of Mr. J. Brij Mohan Reddy, Executive Vice Chairman

**B) Table: 8 Extra-ordinary General Meetings:**

Year	Location	Date and Time	Special Resolution passed
2009-10	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	02/07/2009 11:30AM	Issue of warrants convertible into equity shares to the promoters on preferential basis
	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	26/08/2009 11:30AM	Issue of Equity Shares on Preferential Basis to the Strategic Investors

**C) Postal Ballot:**

During the year 2009 – 2010, Pursuant to section 192A of the Companies Act, 1956 the shareholders of the Company approved the following resolutions by means of Postal Ballot. The Postal Ballot was conducted by Mr. Y. Koteswara Rao, Practicing Company Secretary who was appointed by the Board of Directors of the Company (“Board”) at their meeting held on August 26, 2009 as the Scrutinizer.

**Item No. 1:** Authorization to the Board of Directors to issue/provide Corporate Guarantee to M/s. Gayatri Hotels & Theatres Private Limited, U/s. 372A of the Companies Act, 1956

**Item No. 2:** Authorization to the Board of Directors of the Company to extend the Bank Guarantee facilities to M/s. Thermal Powertech Corporation India Limited (A step down subsidiary of M/s. Gayatri Projects Limited).

**Item No. 3:** Authorization to the Board of Directors of the Company to extend the Corporate Guarantee facilities to M/s. Thermal Powertech Corporation India Limited (A step down subsidiary of M/s. Gayatri Projects Limited).

**Table: 9 Results of the aforesaid Postal Ballot**

Item No.	No. of Valid Postal Ballot forms Received	No. of Invalid Postal Ballot forms Received	Votes cast in favour	Votes cast against
1	80	1	6103417 (99.98%)	1235 (00.02%)
2	79	2	6103777 (99.98%)	1135 (00.02%)
3	79	2	6103702 (99.98%)	1210 (00.02%)

The Resolutions were approved by the overwhelming majority of the shareholders. The results were also published in Business Standard and Andhra Prabha and intimated to the Stock Exchange.

**D) Conducted the postal ballot exercise:**

The Notice of the Postal Ballot dated August 26, 2009, Postal Ballot form and self addressed pre-paid postage envelope were sent to the shareholders. The last date for receipt of the Postal Ballot form from the shareholders was October 15, 2009.

The Postal Ballot was conducted by Mr. Y. Koteswara Rao, Practicing Company Secretary, Hyderabad as Scrutinizer to scrutinize the Postal Ballots in a fair and transparent manner. The Scrutinizer submitted his report dated October 16, 2009 with the Company and based on the said report, results of Postal Ballot were declared by Managing Director on October 19, 2009.

**E) Any special resolution(s) are proposed to be conducted through Postal Ballot**

Special Resolution(s) under Section 372A of the Companies Act, 1956 is proposed to be passed by way of Postal Ballot.

**F) Procedure for Postal Ballot**

After receiving the approval of the Board of Directors, Notice of the Postal Ballot, text of the Resolution and Explanatory Statement, relevant documents, Postal Ballot Form and self-addressed postage pre-paid envelopes will be sent to the shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of despatch. The calendar of events containing the activity chart will be filed with the Registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors. After the last date for receipt of ballots, the Scrutinizer, after due verification, submits the results to the Chairman. Thereafter, the Chairman declares the result of the Postal Ballot. The same will be published in the Newspapers and displayed on Website and Notice board.

**VII. DISCLOSURES**

**(i) Disclosure of material, financial and commercial transactions where management has personal interest that may have a potential conflict with the interest of the company at large**

During the year 2009-10, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended March 31, 2010, and have given undertakings to that effect.

Details of transactions of a material nature with any of the related parties (including transactions where Directors may have a pecuniary interest) as specified in Accounting Standard 18 of the Companies (Accounting Standards) Rules, 2006, have been reported in the Notes to the Accounts and they are not in conflict with the interest of the Company at large.

Register under Section 301 of the Companies Act, 1956 is maintained and particulars of transactions are entered in the Register, wherever applicable.

Such transactions are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

**(ii) Details of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

- NIL -

**(iii) Disclosure relating to Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee.**

The Company has implemented a Whistle Blower Policy in the Company and no personnel have been denied access to the audit committee of the company.

**(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.**

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and are being reviewed from time to time.

**VIII. MEANS OF COMMUNICATION**

**Quarterly Results, Press Releases, Presentations and Publications:**

Our quarterly results are generally published in widely circulated national newspapers the Business Standard, Economic Times and Nav Bharat Times and in one vernacular Language newspaper Andhra Prabha (Telugu Daily). And also the half yearly and Annual Audited Financial Results are published in the same manner.

The results are also displayed on the Company's web site [www.gayatri.co.in](http://www.gayatri.co.in). Official news releases, presentations made to media are displayed on the Company's website.

Management Discussion and Analysis detailed report is forming part of this Annual Report.

**IX. GENERAL SHAREHOLDER INFORMATION**

**a) Annual General Meeting :**

Financial Year : 2009 – 2010  
 Date : 27.09.2010 Time: 3:30 p.m.  
 Venue : Surana Udyog Hall , FAPCCI, Federation House, 11-6-841,  
 Red Hills, P.B.14, Hyderabad – 500 004

**b) Financial Calendar (tentative):** Financial Year April 01, 2010 to March 31, 2011

**Table: 10 Calendar for Reporting**

<b>Quarter Ending</b>	<b>Release of Results</b>
June 30, 2010	August 15, 2010
September 30, 2010	November 15, 2010
December 31, 2010	February 15, 2010
March 31, 2011	May 15, 2011*

*\*instead of publishing quarterly results, the Company may also opt to publish Audited Annual Accounts within 60 days from the end of the financial year as per Stock Exchange Guidelines.*

**c) Dates of Book Closure :**

The Books shall be closed from **September 20, 2010 to September 27, 2010** (both days inclusive).

**d) Dividend Disclosure :**

**Interim Dividend**

Your Board of Directors declared an Interim Dividend of Rs. 2.50 per share on equity shares of Rs. 10/- each on January 20, 2010.

**Record Date of Interim Dividend**

The record date for the purpose of payment of Interim Dividend was fixed as January 29, 2010 and the Interim Dividend was paid to our shareholders who were on the Registrar of Members as at closing hours of January 29, 2010

**Announcement of Final Dividend**

The Board of Directors has proposed a final dividend of 25%, i.e. Rs.2.50 per share subject to approval of the shareholders at the Annual General Meeting. This final dividend, if approved together with one interim dividend paid, make total dividend of 50%, i.e. Rs.5.00 per share.

**Mode of Final Dividend payment and date**

Final dividend shall be remitted through Electronic Clearing Service (ECS) at approved locations, wherever ECS details are available with the Company; and in all other cases, through warrants payable at par. These warrants shall be valid for a period of 180 days. Post expiry of validity period, these may be sent to the Company's Office at 6-3-1090, TSR Towers, Rajbhavan Road, Somajiguda, Hyderabad – 500 082 for revalidation.

Date of payment: On or after 27.09.2010, but within the statutory time limit of 30 days.

**e) Listing on Stock Exchanges:**

The shares of the Company are listed on Bombay Stock Exchange Ltd., and Foreign Currency Convertible Bonds (FCCB's) are listed on Singapore Stock Exchange Limited.

The Company confirms that it has paid annual listing fees due to the stock exchange for the financial year 2010-2011.

**f) Stock Code:**

**(i) Trading Symbol**

Exchange	Scrip Code	Scrip ID
Bombay Stock Exchange Limited	532767	GAYAPROJ

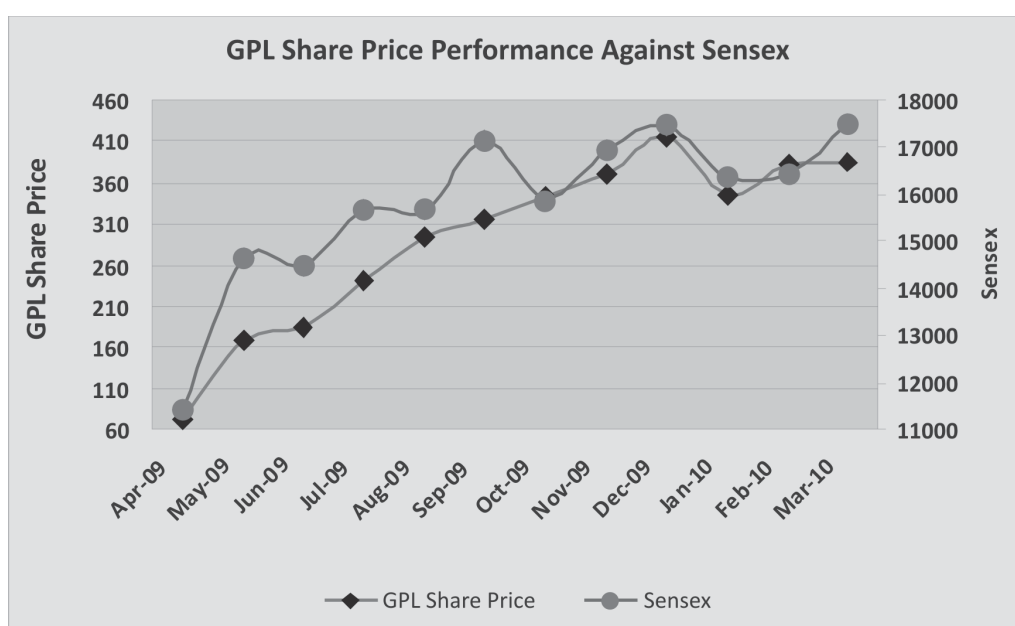
**(ii) Depository for Equity Shares : NSDL and CDSL**

**(iii) Demat ISIN Number : INE336H01015**

**g) Table: 11 Stock Market Price Data:**

Month	Bombay Stock Exchange (BSE) Share Prices (In Rs.)		BSE SENSEX	
	High	Low	High	Low
April 2009	91.25	62.00	11,492.10	9,546.29
May 2009	166.95	73.85	14,930.54	11,621.30
June 2009	197.60	153.35	15,600.30	14,016.95
July 2009	240.10	156.10	15,732.81	13,219.99
August 2009	294.15	232.40	16,002.46	14,684.45
September 2009	318.25	262.00	17,142.52	15,356.72
October 2009	394.00	295.00	17,493.17	15,805.20
November 2009	427.10	308.75	17,290.48	15,330.56
December 2009	469.40	365.00	17,530.94	16,577.78
January 2010	465.95	316.25	17,790.33	15,982.08
February 2010	472.10	320.00	16,669.25	15,651.99
March 2010	445.00	351.00	17,793.01	16,438.45

**h) Stock Price Performance in comparison with BSE SENSEX**





**i) Registrar and Transfer Agents : (RTA)  
Karvy Computershare Private Limited**

Unit: Gayatri Projects Limited  
# Plot No. 17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad – 500 081  
Tel: 040 – 2342 0818, 040-44655000, Fax: 040 – 2342 0814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

**j) 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 address. Transfers of shares in physical form are normally processed within 15 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.

**(i) Distribution of shareholding as on 31<sup>st</sup> March, 2010:**

**Table 12:**

Category (Amount)	No. of cases	% of Cases	Total shares	Amount	% of Amount
01 – 5000	6863	94.21%	484,756	4,847,560.00	4.37%
5001 – 10000	180	2.47%	144,718	1,447,180.00	1.30%
10001 - 20000	94	1.29%	145,584	1,455,840.00	1.31%
20001 - 30000	32	0.44%	80,668	806,680.00	0.73%
30001 - 40000	22	0.30%	79,790	797,900.00	0.72%
40001 - 50000	21	0.29%	99,221	992,210.00	0.89%
50001 - 100000	28	0.38%	210,117	2,101,170.00	1.89%
100001 & Above	44	0.62%	9,859,907	98,599,070.00	88.79%
<b>TOTAL</b>	<b>7284</b>	<b>100.00 %</b>	<b>11,104,761</b>	<b>111,047,610.00</b>	<b>100.00%</b>

**(ii) Table : 13 Categories of shareholders as on 31<sup>st</sup> March, 2010:**

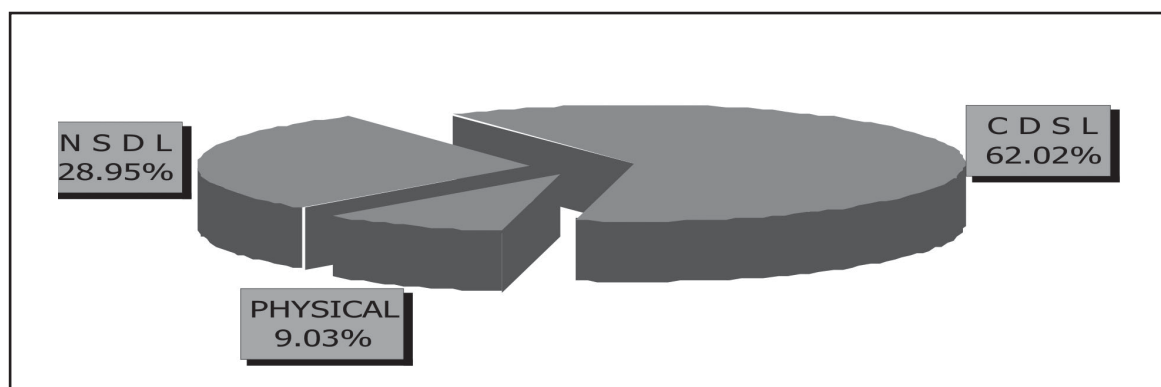
S. No	Category	No. of Cases	Total shares	% to Equity
1	Promoters & Directors	4	6,095,667	54.89%
2	Mutual Funds	4	1,313,160	11.83%
3	Resident Individuals	6597	1,280,848	11.53%
4	Bodies Corporate(s)	260	1,084,039	9.76%
5	Indian Venture Capital	1	588,351	5.30%
6	Foreign Institutional Investors	7	546,386	4.92%
7	H U F	246	102,781	0.93%
8	Non Resident Indians	126	72,884	0.66%
9	Clearing Members	36	20,315	0.18%
10	Promoter Director Relative	2	305	0.00%
11	Trusts	1	25	0.00%
	<b>TOTAL</b>	<b>7284</b>	<b>11,104,761</b>	<b>100.00 %</b>

**k) Dematerialization of Shares and Liquidity:**

As on 31<sup>st</sup> March 2010, 90.97% 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.

**Table 14:** As on 31<sup>st</sup> March, 2010 the Equity shares of the Company are dematerialized as follows:

Sl. No	Category	Total No. of Shares	% To Equity
1	PHYSICAL	1,002,914	9.03%
2	DEMATERIALIZED	10,101,847	90.97%
	<b>Total</b>	<b>11,104,761</b>	<b>100.00%</b>



**l) Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity**

The Company had allotted 10,00,000 Warrants convertible into equity shares to the Promoters on preferential basis on 14/09/2009. Each warrant is exercisable at any time between six months to eighteen months from the date of allotment at the option of the holder of the warrant for one fully paid equity share of the company of Rs.10/- each at a price of Rs.142.52. Rs. 35.63 has been paid in respect of each warrant (being 25% of the exercise price) at the time of allotment and the balance is payable at the time of exercise of Warrant(s). These warrants are outstanding as on 31/03/2010.

The Company had raised JPY 3,080,000,000 in the year 2007 through Zero Coupon Convertible Bonds. The Bonds are convertible at any time on or after September 12, 2007 upto July 27, 2012 by the holders into fully paid equity shares of Rs. 10/- each of the Company. As of 31<sup>st</sup> March, 2010, there were 296 Zero Coupon Foreign Currency Convertible bonds outstanding.

**m) 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 2331 0330 Fax: +91 40 2339 8435  
 Email: [cs@gayatri.co.in](mailto:cs@gayatri.co.in);

**n) Unpaid / Unclaimed Dividend**

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by Company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 205C of the Companies Act, 1956.

Shareholders of the Company who have either not received or have not encashed their dividend warrants, for the financial year 2006-07, 2007-08 and 2008-09 are requested to claim the unpaid/unclaimed dividend from the Company before transfer to the above mentioned fund.

Table 15: Unpaid/Unclaimed Dividend

Financial Year	Rate of Dividend	Date of Declaration	Unclaimed Amount(Rs.)
2004-05	25%	September 30, 2005	NIL
2005-06	15%	September 1, 2006	NIL
2006-07	20%	September 28, 2007	53,310.00
2007-08	25%	September 29, 2008	32,303.00
2008-09	40%	September 24, 2009	66,852.00

Separate letters have been sent to the Shareholders who are yet to encash the Dividend indicating that Dividend yet to be encashed by the concerned shareholder and that the amount remaining unpaid will be transferred as per the above dates. Members are requested to utilize this opportunity and get in touch with Company's Registrar and Share Transfer Agent, M/s Karvy Computershare Pvt. Limited, Hyderabad for encashing the unclaimed Dividend standing to the credit of their account.

After completion of seven years as per the above table, no claims shall lie against the said Fund or against the Company for the amounts of Dividend so transferred nor shall any payment be made in respect of such claims.

## B. COMPLIANCE REPORT ON NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49

### 1. The Board – Chairperson's Office

The Chairperson of Gayatri is a Non-Executive Promoter Director and is not maintaining any office and has not incurred any expenses during the year. Some of our independent directors have not completed a tenure exceeding a period of nine years on the Board of Directors of the Company.

### 2. Remuneration Committee

The Board of Directors constituted a Remuneration Committee, which is entirely composed of Non-Executive Directors. The Committee also discharges the duties and responsibilities as described under non-mandatory requirements of Clause 49. The details of the Remuneration Committee and its powers have been discussed in this section of the Annual Report.

### 3. Shareholders rights

We display our quarterly and half yearly results on our web site, [www.gayatri.co.in](http://www.gayatri.co.in) and also publish our results in widely circulated newspapers. We did not send half yearly results to each household of the shareholders in the financial year 2009-10.

### 4. Audit Qualifications

The Auditors have made certain observation on non provision of joint ventures losses and the management has explained the reasons for the same in the Directors' Report.

### 5. Whistle Blower Policy

A mechanism for the employees to have direct one on one access to the Chief Finance Officer (CFO) of the Company has been put in place. This mechanism focuses on reporting by the employees, any concerns on unethical behaviour, actual/suspected fraud, violation of the code of conduct or any such similar cases.

## **CEO / CFO CERTIFICATION**

To

The Board of Directors

**GAYATRI PROJECTS LIMITED**

We, the undersigned, in our respective capacities as Managing Director and Chief Finance Officer of GAYATRI PROJECTS LIMITED ("the Company"), to the best of our knowledge and belief 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.
- e) We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**P. SREEDHAR BABU**  
Chief Finance Officer

Place : Hyderabad

Date : 28<sup>th</sup> May, 2010

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

**To  
The Members of Gayatri Projects Limited**

As required under Clause 49(l)(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the financial year ended 31<sup>st</sup> March, 2010.

**For GAYATRI PROJECTS LIMITED**

Place : Hyderabad  
Date : 28<sup>th</sup> May, 2010

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

## AUDITORS' REPORT

To  
The Members of **GAYATRI PROJECTS LIMITED**

1. We have audited the attached Balance Sheet of **GAYATRI PROJECTS LIMITED**, as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended 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.
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. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government 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.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes of our audit ;
  - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance 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 31<sup>st</sup> March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2010 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 significant accounting policies and notes to accounts in Schedule 18 Subject to Note No.8(a) and 8(b) of II of Schedule 18 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 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<sup>st</sup> March 2010;
    - 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

**For C.B.MOULI & ASSOCIATES**  
Chartered Accountants  
(Registration No: 002140S)

**MANI OOMMEN**  
Partner  
Membership No: 24046

Place : Hyderabad  
Date : 28<sup>th</sup> May 2010.

**ANNEXURE TO THE AUDITORS' REPORT OF M/S GAYATRI PROJECTS LIMITED FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010.**

**(Referred to in paragraph 3 of our report of even date)**

- i. In respect of its Fixed Assets:
  - 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. In our opinion, the Company has not disposed off substantial part of its fixed assets during the year under report and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
  - a. The inventories have been physically verified during the year 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 inventories 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 has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventories as compared to the book records.
- iii. In respect of the Loans secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
  - a. The Company has given unsecured interest - free loan aggregating to Rs.5773.10 Lacs to its Joint Venture. At the year end the loan granted to JV aggregates to Rs.5773.10 Lacs. The maximum balance outstanding during the year is Rs.5773.10 Lacs
  - b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of loan given by the Company, are not *prima facie* prejudicial to the interests of the Company.
  - c. The Principal amounts are repayable on demand and there is no repayment Schedule.
  - d. In respect of the said loan the same is repayable on demand and therefore the question of overdue amount does not arise.
  - e. The Company has not taken any loans secured or unsecured, from companies, firms, other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of sub-clauses (f) and (g) of clause 4(iii) of CARO are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.
- v. In respect of the Contracts or arrangements referred to in sec 301 of the Companies Act, 1956;
  - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under section 301 of the companies Act, 1956 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 in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of Rs. 5 Lacs in respect of each party during the year have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

## Twenty First Annual Report

- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under. Hence clause (vi) of paragraph 4 of the Order is not applicable to the Company.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed maintenance of cost records under section 209(I)(d) of the Companies Act, 1956 for the company, hence clause (viii) of paragraph 4 of the Order is not applicable.
- ix. In respect of Statutory dues:
  - a. According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees 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<sup>st</sup> March, 2010 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 and Cess which have not been deposited on account of any dispute, except the following:

Sl. No.	Name of the Statute	Name of the Due	Forum where Dispute is pending	Amount Rs. In Lacs
1	Mines and Minerals (Development and Regulation) Act, 1957	Department of Mines and Geology	Appeal Pending from Supreme Court	1043.51
2	Central Sales Tax Act, 1956 and Sales Tax Acts of Various States	Sales Tax/Vat	Appeal pending from various states	258.99
3	Central Excise Act, 1944	Service Tax	Appeal pending from various states	227.92

- x. The Company does not have accumulated losses at end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institutions and banks as at the Balance sheet date.
- xii. In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence clause (xii) of paragraph 4 of the Order is not applicable.
- xiii. In our opinion, the Company is not a chit fund or a nidhi, mutual benefit fund/society. Therefore clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
- xiv. As the Company is not dealing or trading in shares, securities, debentures and other investments, the clause (xiv) of paragraph 4 of the Order is not applicable to the Company.
- xv. In our opinion and 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 interests of the Company.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, Term loans availed by the company were, prima facie, applied during the year for the purpose for which the loans were obtained other than temporary deployment pending application.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that there are no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanation given to us, 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, 1956.



- xix. The Company has not issued any debentures during the year and hence clause (xix) of paragraph 4 of the Order is not applicable.
- xx. The Company has not raised any money by way of public issue during the year and hence clause (xx) of paragraph 4 of the Order is not applicable.
- xxi. In our opinion and according to the information and explanations given to us and, on our examination of books and records, no fraud on or by the Company has been noticed or reported during the year.

**For C.B.MOULI & ASSOCIATES**

Chartered Accountants  
(Registration No: 002140S)

**MANI OOMMEN**

Partner  
Membership No: 24046

Place : Hyderabad  
Date : 28<sup>th</sup> May 2010.

## BALANCE SHEET AS AT 31st MARCH, 2010

PARTICULARS	SCH NO	AS AT	
		31st MARCH 2010 Rs.in Lacs	AS AT 31st MARCH 2009 Rs.in Lacs
<b>SOURCE OF FUNDS</b>			
<b>Share Holders Funds</b>			
Share Capital	1	1,110.48	1,010.48
Equity Warrants		356.30	0.00
Reserves and Surplus	2	26,574.39	20,564.97
		<b>28,041.17</b>	<b>21,575.45</b>
<b>Loan Funds</b>			
Secured Loans	3	36,003.55	24,799.07
Unsecured Loans	4	24,853.06	11,276.88
		<b>60,856.61</b>	<b>36,075.95</b>
<b>Deferred Tax Liability</b>		<b>1,777.86</b>	<b>1,858.27</b>
<b>TOTAL</b>		<b>90,675.64</b>	<b>59,509.67</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	30,029.60	27,478.52
Less: Depreciation		13,415.18	11,411.66
Net Block		<b>16,614.42</b>	<b>16,066.86</b>
<b>Investments</b>	6	<b>12,833.79</b>	<b>12,833.79</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	7	6,933.21	6,043.48
Sundry Debtors	8	31,490.65	22,391.18
Cash and Bank Balances	9	20,521.95	5,876.47
Loans and Advances	10	40,433.64	27,648.73
		<b>99,379.45</b>	<b>61,959.86</b>
Less: Current Liabilities and Provisions	11		
Liabilities		37,384.58	30,146.35
Provisions		767.44	1,204.49
		<b>38,152.02</b>	<b>31,350.84</b>
Net Current Assets		<b>61,227.43</b>	<b>30,609.02</b>
<b>TOTAL</b>		<b>90,675.64</b>	<b>59,509.67</b>
Accounting Policies and Notes on Accounts	18		

Schedules referred to above form an integral part of the accounts

As per our report of even date attached

For and on behalf of the Board

**For C.B. MOULI & ASSOCIATES**

**Chartered Accountants**

Firm Regn No. 2140S

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**  
Partner

**P. SREEDHAR BABU**  
Chief Finance Officer

**I.V. LAKSHMI**  
Company Secretary

Place : Hyderabad.  
Date : 28th May 2010

## PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st MARCH 2010

PARTICULARS	SCH NO	YEAR ENDED 31st MARCH 2010 Rs.in Lacs	YEAR ENDED 31st MARCH 2009 Rs.in Lacs
<b>INCOME</b>			
Gross Contract Receipts		125,248.56	100,459.47
Other Income	12	420.48	640.90
<b>TOTAL</b>		<b>125,669.04</b>	<b>101,100.37</b>
<b>EXPENDITURE</b>			
Work Expenditure	13	105,322.33	86,491.07
(Increase) / Decrease in WIP	14	(188.90)	(1,165.73)
Employee's Remuneration & Benefits	15	2,804.39	2,069.98
Administrative Expenses	16	2,081.10	1,705.73
Interest and Financial Charges	17	5,544.21	3,685.57
Depreciation	5	2,005.71	1,970.13
<b>TOTAL</b>		<b>117,568.84</b>	<b>94,756.75</b>
Profit before Tax		8,100.20	6,343.62
Provision for Taxation - Current Tax		2,845.85	2,167.74
- Fringe Benefit Tax		-	23.34
- Deferred Tax		(80.41)	(9.39)
Profit after Tax and before prior period adjustments		5,334.76	4,161.93
Less : Prior Period Adjustments		425.74	30.32
Profit after prior period adjustments		4,909.02	4,131.61
Balance in Profit and Loss account brought forward		10,310.46	7,251.73
Balance available for appropriation		15,219.48	11,383.34
<b>APPROPRIATIONS :</b>			
Interim Dividend		277.62	-
Final Dividend		277.62	404.19
Dividend tax		94.36	68.69
Transfer to General Reserve		700.00	600.00
Balance carried to Balance sheet		13,869.88	10,310.46
Earning per share of Face value of Rs.10/- each			
Basic (Rs.)		46.02	40.89
Diluted (Rs.)		36.67	32.56

Accounting Policies and Notes on Accounts 18

Schedules referred to above form an integral part of the accounts

As per our report of even date attached

For and on behalf of the Board

**For C.B. MOULI & ASSOCIATES**

**Chartered Accountants**

Firm Regn No. 2140S

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**  
Partner

**P. SREEDHAR BABU**  
Chief Finance Officer

**I.V. LAKSHMI**  
Company Secretary

Place : Hyderabad.  
Date : 28th May 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	YEAR ENDED	YEAR ENDED
	31st MARCH 2010	31st MARCH 2009
	Rs.in Lacs	Rs.in Lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before tax and Extra Ordinary items	8,100.20	6,343.62
Adjustments for:		
Depreciation	2,005.71	1,970.13
Loss on sale of fixed assets	0.77	—
Interest	5,544.21	3,685.57
<b>Operating Profit before Working Capital changes</b>	<b>15,650.89</b>	<b>11,999.32</b>
Adjustments for:		
Trade and other receivables	(22,241.06)	(9,533.02)
Change in Inventories	(889.73)	(2,187.52)
Trade payables	6,151.58	6,845.08
<b>Cash generated from operations</b>	<b>(1,328.32)</b>	<b>7,123.86</b>
Direct taxes paid	(2,489.17)	(2,191.08)
<b>Cash flow before prior period adjustments</b>	<b>(3,817.49)</b>	<b>4,932.78</b>
Prior period adjustments	(425.74)	(30.32)
<b>Net cash flow from operating activities after prior period adj.</b>	<b>(4,243.23)</b>	<b>4,902.46</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchases of Fixed Assets	(2,555.04)	(1,749.16)
Sale of Fixed Assets	1.00	—
Investments	—	(6,209.58)
<b>Net Cash used in Investing Activities</b>	<b>(2,554.04)</b>	<b>(7,958.74)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Interest paid	(5,544.21)	(3,685.57)
Proceeds from preferential allotment	1,850.00	—
Proceeds from Share Warrants	356.30	—
Proceeds from long term borrowing	11,204.48	3,558.18
Proceeds from Short term borrowing	13,576.18	1,500.00
<b>Net Cash from Financing activities</b>	<b>21,442.75</b>	<b>1,372.61</b>
<b>Net increase in Cash and Cash Equivalents (A+B+C)</b>	<b>14,645.48</b>	<b>(1,683.67)</b>
Cash & Cash Equivalents as at 1st April (Opening Balance)	5,876.47	7,560.14
<b>Cash &amp; Cash Equivalents as at 31st March (Closing Balance)</b>	<b>20,521.95</b>	<b>5,876.47</b>

**Note:** -

- Cash and Cash Equivalents consist of Cash on hand and balances with Banks that includes Margin Money Deposits for Bank Guarantees of Rs.6563.00 Lacs (Previous Year Rs.3825.57 Lacs)
- 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.
- Figures in brackets represent cash outflows.
- Notes on Accounts stated in Schedule 18 form an integral part of the Cash flow statement.

As per our report of even date attached

For and on behalf of the Board

**For C.B. MOULI & ASSOCIATES**

**Chartered Accountants**

Firm Regn No. 2140S

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**

Partner

**P. SREEDHAR BABU**

Chief Finance Officer

**I.V. LAKSHMI**

Company Secretary

Place : Hyderabad.

Date : 28th May 2010

## SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2010 Rs.in Lacs	AS AT 31st MARCH 2009 Rs.in Lacs
<b>SCHEDULE NO : 1 :</b>		
<b>SHARE CAPITAL</b>		
Authorised Share Capital :		
150,00,000 Equity Shares of Rs.10/- each (Year ended March 31, 2008 - 150,00,000)	1,500.00	1,500.00
	1,500.00	1,500.00
Issued, Subscribed and paid-up capital :		
111,04,761 Equity Shares of Rs.10/- each, fully paid-up (Year ended March 31, 2009 - 101,04,761)	1,110.48	1,010.48
a) 50,00,000 shares of Rs.10/- each fully paid		
b) 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		
c) 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		
d) 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		
e) 10,00,000 shares of Rs.10/- each fully paid shares were allotted at premium of Rs.175/- through Preferential allotment		
	1,110.48	1,010.48
	1,110.48	1,010.48
<b>SCHEDULE NO : 2</b>		
<b>RESERVES AND SURPLUS</b>		
Securities Premium Account		
At the Commencement of the Year	4,154.51	4,154.51
Add : Additions for the year on account of Preferential allotment	1,750.00	—
	5,904.51	4,154.51
General Reserve		
At the Commencement of the Year	6,100.00	5,500.00
Add : Transfer from Profit and Loss A/c.	700.00	600.00
	6,800.00	6,100.00
Profit and Loss Account Balance	13,869.88	10,310.46
	26,574.39	20,564.97
	26,574.39	20,564.97
<b>SCHEDULE NO : 3</b>		
<b>SECURED LOANS</b>		
I] From Banks		
A Term Loans		
i) Equipment Loans (Refer Note 3(a) of II of Sch.18)	2,765.47	3,471.89
ii) Vehicle Loans (Refer Note 3(c) of II of Sch.18)	37.70	58.47
iii) Term Loans (Refer Note 3(a) of II of Sch.18)	6,549.93	—
B] Working Capital Loan Account (Refer Note 3(b) of II of Sch.18)	25,944.31	20,063.38
II] From Others- Equipment And Vehicle Loans (Refer Note 3 of II of Sch.18)	706.14	1,205.33
	36,003.55	24,799.07
	36,003.55	24,799.07
<b>SCHEDULE NO : 4</b>		
<b>UNSECURED LOANS</b>		
Short Term Loans from Banks [Against Personal Guarantees of the Promoter Directors]	15,076.18	1,500.00
Foreign Currency Convertible Bonds (FCCB) (Refer Note 2 of II of Sch.18)	9,776.88	9,776.88
	24,853.06	11,276.88
	24,853.06	11,276.88

## SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE NO : 5

FIXED ASSETS

PARTICULARS	(Rs.in Lacs)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 01/04/2009	Additions during the year	Deletions during the year	As at 31/03/2010	Up to 31/03/2009	For the year	On deletion for the year	Up to 31/03/2010	As on 31/03/2010	As on 31/03/2009		
Land	11.73	—	—	11.73	—	—	—	—	11.73	11.73		
Plant & Machinery	17,093.89	1,168.91	—	18,262.80	4,520.02	843.23	—	5,363.25	12,899.55	12,573.87		
Vehicles	1,107.83	217.58	3.96	1,321.45	539.40	114.51	2.19	651.72	669.73	568.43		
Earth Moving Machinery	8,924.42	1,139.05	—	10,063.47	6,159.73	1,030.62	—	7,190.35	2,873.12	2,764.69		
Office Sheds	76.01	—	—	76.01	76.01	-	—	76.01	—	—		
Furniture & Fixtures	264.64	29.50	—	294.14	116.50	17.35	—	133.85	160.29	148.14		
Capital Work in Progress	—	—	—	—	—	—	—	—	—	—		
<b>TOTAL :</b>	<b>27,478.52</b>	<b>2,555.04</b>	<b>3.96</b>	<b>30,029.60</b>	<b>11,411.66</b>	<b>2,005.71</b>	<b>2.19</b>	<b>13,415.18</b>	<b>16,614.42</b>	<b>16,066.86</b>		
<b>Previous Year</b>	<b>25,729.36</b>	<b>1,750.84</b>	<b>1.68</b>	<b>27,478.52</b>	<b>9,441.53</b>	<b>1,970.13</b>	<b>—</b>	<b>11,411.66</b>	<b>16,066.86</b>	<b>16,287.83</b>		

## SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	AS AT 31st MARCH 2010 Rs.in Lacs		AS AT 31st MARCH 2009 Rs.in Lacs	
	Nos.	Rs.in Lacs	Nos.	Rs.in Lacs
<b>SCHEDULE NO : 6</b>				
<b>INVESTMENTS</b>				
(Refer Note 4 of II of Sch. I 8)				
<b>Shares in Companies :</b>				
<b>A) Trade Investments</b>				
<i>Long Term - Unquoted Shares - Subsidiary Companies</i>				
Equity shares of Rs. 10/- each, fully paid, in Gayatri Infra Ventures Ltd (GIVL)	1250000	12,532.38	1250000	12,532.38
Equity shares of Rs. 10/- each, fully paid, in Gayatri Energy Ventures Pvt.Ltd.	50000	5.00	50000	5.00
<i>Long Term-Unquoted Shares-Associate Companies</i>				
Equity shares of Rs. 10/- each, fully paid in Gayatri Thermal Power Corporation Ltd.	24500	2.45	24500	2.45
<b>B) Other Investments</b>				
<i>Long Term - Quoted Shares</i>				
Equity Shares of Rs 10/- each fully paid in Gayatri Sugars Ltd	2931000	293.10	2931000	293.10
Equity Shares of Rs 10/- each fully paid in Syndicate Bank Ltd	1728	0.86	1728	0.86
		<b>12,833.79</b>		<b>12,833.79</b>
Aggregate amount of Quoted Investments		293.96		293.96
Aggregate amount of Unquoted Investments		12,539.83		12,539.83
Aggregate Market value of Quoted Investments		125.47		108.69
<b>SCHEDULE NO : 7</b>				
<b>INVENTORIES</b>				
- Construction Materials, stocks and spares at cost		4,531.16		3,830.33
- Closing Work-in-progress (As certified by Management)		2,402.05		2,213.15
		<b>6,933.21</b>		<b>6,043.48</b>
<b>SCHEDULE NO : 8</b>				
<b>SUNDRY DEBTORS (Un-secured)</b>				
Over Six Months Considered Good		1,869.71		2,002.70
Others, Considered Good		29,620.94		20,388.48
		<b>31,490.65</b>		<b>22,391.18</b>
<b>SCHEDULE NO : 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on Hand		139.63		93.41
Bank Balances:				
<i>In Current Accounts</i>				
With Scheduled Banks		13,819.33		1,957.49
<i>In Deposit Accounts</i>				
With Scheduled Banks:				
Margin Money (Bank Guarantees/LCs)		4,533.66		3,227.32
Fixed Deposits		1,836.11		486.30
Interest Accrued on Deposits		193.22		111.95
		<b>20,521.95</b>		<b>5,876.47</b>

**SCHEDULES FORMING PART OF BALANCE SHEET**

PARTICULARS	AS AT 31st MARCH 2010 Rs.in Lacs	AS AT 31st MARCH 2009 Rs.in Lacs
<b>SCHEDULE NO : 10</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured considered good)</b>		
Advances to Associates	5,773.10	7,179.34
Advances to Suppliers, Sub-contractors and Others	27,186.48	16,544.21
Advances receivable in cash or kind or value to be received	130.91	43.61
Advance towards Share Application Money	6,160.84	3,126.67
Prepaid Expenses	1,166.61	605.48
Deposits with Govt. Agencies and Others	15.70	149.42
	<u>40,433.64</u>	<u>27,648.73</u>
<b>SCHEDULE NO : 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>a) Current Liabilities</b>		
Sundry Creditors	15,053.43	11,232.21
Advances received from Contractee – Clients	21,469.98	18,359.99
Other liabilities	861.17	554.15
	<u>37,384.58</u>	<u>30,146.35</u>
<b>b) Provisions</b>		
Taxation	269.16	625.84
Dividend	277.62	404.19
Dividend Tax	47.18	68.69
Employee Benefits	173.48	105.77
	<u>767.44</u>	<u>1,204.49</u>
	<u>38,152.02</u>	<u>31,350.84</u>



## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	YEAR ENDED 31st MARCH 2010 Rs.in Lacs	YEAR ENDED 31st MARCH 2009 Rs.in Lacs
<b>SCHEDULE NO : 12</b>		
<b>OTHER INCOME</b>		
Interest Income (TDS Rs.47.06 lacs, Prev. yr Rs.60.33 lacs)	376.24	310.18
Miscellaneous Income	44.24	330.72
	<b>420.48</b>	<b>640.90</b>
<b>SCHEDULE NO : 13</b>		
<b>WORK EXPENDITURE</b>		
Steel	5,907.67	7,508.60
Cement	3,133.80	2,436.17
Bitumen	11,815.15	6,653.12
Metal	4,754.63	2,241.97
Sand & Gravel	1,629.02	1,235.84
HSD Oils and Lubricants	6,975.50	3,837.67
Stores and Consumables	338.71	204.64
Other Materials	989.14	1,265.37
Departmental Recoveries	1,238.27	1,213.47
Work executed by sub contractors	28,083.49	34,292.82
Earth Work	12,987.38	10,451.29
Concrete Work	8,561.80	3,921.81
Transport Charges	1,843.31	1,341.66
Hire Charges	1,519.44	377.19
Road work	6,072.14	5,569.92
Repairs and Maintenance	2,013.82	1,037.53
Works Contract Tax / VAT	2,201.32	1,211.75
Royalties, Seigniorage and Cess	1,956.60	751.43
Insurance	234.71	100.64
Other Work Expenditure	3,066.43	838.18
	<b>105,322.33</b>	<b>86,491.07</b>
<b>SCHEDULE NO : 14</b>		
<b>INCREASE/DECREASE IN W.I.P.</b>		
Opening Work in Progress	2,213.15	1,047.42
Less : Closing Work in Progress	2,402.05	2,213.15
	<b>(188.90)</b>	<b>(1,165.73)</b>
<b>SCHEDULE NO : 15</b>		
<b>EMPLOYEE'S REMUNERATION &amp; BENEFITS</b>		
Salaries	2,095.47	1,634.46
Contribution to Provident Fund	31.51	18.85
Other Employee Benefits	357.91	260.67
Directors' Remuneration & Perquisites	319.50	156.00
	<b>2,804.39</b>	<b>2,069.98</b>

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	YEAR ENDED	
	31st MARCH 2010 Rs.in Lacs	31st MARCH 2009 Rs.in Lacs
<b>SCHEDULE NO : 16</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Printing and Stationery	78.31	54.10
Telephones	95.80	78.97
Traveling and Conveyance	276.29	268.30
Advertisement Expenses	59.51	50.59
General Expenses	99.67	85.25
Consultancy Fee	489.32	209.27
Donations	248.06	202.13
Rent	238.26	166.56
Power and fuel	90.25	61.28
Rates and Taxes	198.73	290.68
Tender Expenses	30.45	31.03
Insurance	16.82	23.56
Auditors Remuneration	25.00	15.00
Other Administration Expenses	134.63	169.01
	<u>2,081.10</u>	<u>1,705.73</u>
<b>SCHEDULE NO : 17</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
a) Interest on:		
Working Capital Loans	2,403.23	2,168.98
Term Loans	924.77	685.73
Mobilisation Advance	280.08	88.87
Equipment Loans	244.53	251.62
Vehicle Loans	45.03	36.01
Others	251.82	33.91
	<u>4,149.46</u>	<u>3,264.52</u>
b) Financial Charges:		
Commission on - Bank Guarantees	959.10	246.03
Letters of Credit	51.29	7.42
	<u>1,010.39</u>	<u>253.45</u>
c) Bank Charges	384.36	167.60
	<u>5,544.21</u>	<u>3,685.57</u>

**SCHEDULE NO: 18:**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

(Forming part of accounts as at and for the year ended 31<sup>st</sup> March, 2010)

**I. SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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. Although these estimates are based upon management best knowledge of current events and actions, actual results could differ from the estimates. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

**3. Revenue recognition**

- i) 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.
- ii) The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.
- iii) 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.
- iv) Incentive payments, as per customer-specified performance standards, are included in contract revenue only when:
  - a) The contract is sufficiently advanced that it is probable that the specified performance standards will be met; and
  - b) The amount of the incentive payment can be measured reliably.
- v) Insurance claims are accounted for on cash basis.

**4. Revenue receipts on Joint Venture Contracts**

- a) In work sharing Joint Venture arrangements, revenues, expenses, assets and liabilities are accounted for in the Company's books to the extent work is executed by the Company.
- b) In jointly controlled entities, the share of profits or losses is accounted as and when dividend/ share of profit or loss are declared by the entities.

**5. 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, labour cost and appropriate overheads.

**6. Fixed assets and Depreciation**

- i) 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. Capital Work in Progress comprises advances paid to acquire fixed assets and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

- ii) 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.

#### **7. Foreign Currency Transactions**

Foreign exchange transactions are accounted at the rates prevailing on the date of transactions. Monetary assets and current 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.

#### **8. 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.

#### **9. Employee Benefits**

Liability for employee benefits, both short and long term, for present and past service which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" issued by the Companies (Accounting Standard) Rules, 2006.

##### **i) Gratuity**

In accordance with the Payment of Gratuity Act, 1972 the Company provides for Gratuity covering eligible employees. The liability on account of Gratuity is provided on the basis of valuation of the liability by an independent actuary as at the year end.

##### **ii) Provident Fund**

In accordance with applicable local laws, eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan to which both the employee and employer contributes monthly at a determined rate (currently up to 12% of an employee's salary). These contributions are either made to the respective Regional Provident Fund Commissioner, or the Central Provident Fund under the State Pension Scheme, and are expenses as incurred.

##### **iii) Compensated Absences**

Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

#### **10. Deferred Revenue Expenditure**

Projects and Other amenities expenditure incurred up to March 31, 2010, the benefit of which is spread over more than one year is grouped under Prepaid Expenditure and is amortized over the period in which benefits would be derived.

#### **11. 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.

#### **12. 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.

**13. Earnings per Share (EPS)**

In arriving at the EPS, the Company's net profit after tax, computed in terms of the Indian GAAP, is divided by the weighted average number of equity shares outstanding on the last day of the reporting period. The EPS thus arrived at is known as 'Basic EPS'. To arrive at the diluted EPS the net profit after tax, referred above, is divided by the weighted average number of equity shares, as computed above and the weighted average number of equity share that could have been issued on conversion of shares having potential dilutive effect subject to the terms of issue of those potential shares. The date/s of issue of such potential shares determine the amount of the weighted average number potential equity shares.

**14. Taxation**

**i) Current Tax**

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.

**ii) Deferred Taxes**

Deferred Tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

**15. Impairment of Fixed Assets**

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount is the greater of the asset's net selling price and value in use which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**16. 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.

**II. NOTES TO ACCOUNTS**

**I. Contingent Liabilities not provided for**

Rs.in Lacs

S.No	Particulars	2009-10	2008-09
1	Guarantees given by Banks towards performance & contractual commitments :		
	a) Issued on behalf of Company	<b>44509.66</b>	41248.84
	b) Guarantees given to Subsidiaries/Group Companies	<b>8232.51</b>	31.38
2	Corporate guarantees given to Group companies	<b>33566.00</b>	16696.00
3	Disputed Liability of Sales Tax, Service Tax and Seigniorage Charges	<b>1530.42</b>	1643.99
4	Estimated amounts of contracts remains to be executed on capital account and not provided for.	—	—

**2. a) Share Capital:**

During the year, the Company has allotted 10,00,000 equity shares of Rs 10/- each at a premium of Rs 175/- on preferential basis to M/s Reliance Capital Trustee Co. Ltd - Reliance Infrastructure Fund.

**b) Share Warrants:**

During the year the Company has allotted 10,00,000 Share warrants on a preferential basis to the promoters of the Company at a price of Rs. 142.52 per warrant with a right to apply and be allotted Equity Shares of the Company of Rs. 10/- each at a premium of Rs. 132.52 per share within a period not exceeding 18 months from the date of allotment. The Company is in receipt of Rs. 356.30 Lacs as 25% advance against the said share warrants allotted. The promoter has a right to exercise to subscribe for the warrants on or before 13<sup>th</sup> March 2011.

**3. Loan Funds:**

**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 Directors.

**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 pasu* 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 properties belonging to Promoters, Directors, group companies.
- iv) Personal guarantee of promoter Directors, group companies/firms and relatives.

**c) Vehicle Loans:**

Vehicle loans availed are secured by hypothecation of vehicles acquired out of the said loans.

**Unsecured Loans:**

**FCCB BONDS:**

The Company has issued 308 FCCB Bonds of JPY 10000000 each aggregating to JPY 308,00,00,000 due in the year 2012 equivalent to Rs. 10173.24 Lacs. The bonds are listed in the Singapore Stock Exchange. Out of the above, 12 Bonds of value of JPY 120 million were converted in the year 2007-08 leaving a balance of 296 Bonds of JPY 10000000 each equivalent to Rs. 9776.88 Lacs. During the year under review the company has not received any request for conversion of the Bonds.

**4. Investments:**

**i) Gayatri Sugars Ltd**

Market value of the investment in Gayatri Sugars Limited as at 31<sup>st</sup> March 2010 is Rs. 123.98 Lacs which is lesser than the carrying amount in the Balance Sheet by Rs. 169.12 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.

**ii) Gayatri Energy Ventures Private Limited (GEVL)**

GEVL is a wholly owned subsidiary of the company and it is establishing mega coal based power project at Krishnapatnam, Andhra Pradesh State in collaboration with the Sembcorp Industries Ltd, Singapore. During the current year the Company has invested Rs. 3034.17 Lacs in GEVL. The investment to the extent of shares allotted is shown in the Investment schedule and the balance in the Loan and Advances schedule.

Investment in Equity Shares of GEVL have been pledged in favour of PTC India Limited for a loan of Rs. 100.00 crores sanctioned to Thermal Powertech Corporation of India Ltd (a wholly owned subsidiary of GEVL)

**5. Deferred Tax**

Deferred Tax Liability as at March 31, 2010 comprises of the following:

(Rs. in Lacs)

Particulars	31.03.2010	31.03.2009
<b>A) Deferred Tax Asset on timing differences due to :</b> Provision for Gratuity and Leave Encashment	<b>23.02</b>	2.44
<b>B) Deferred Tax Liability on timing differences due to:</b> Depreciation	<b>1800.88</b>	1860.71
<b>Net Deferred Tax Liability (B-A)</b>	<b>1777.86</b>	1858.27

**6. Particulars of Loans and Advances in the nature of loans as required by clause 32 of the Listing Agreement.**

(Rs.in Lacs)

Name of the Company	Relationship	Balances as on		Maximum outstanding	
		31.03.2010	31.03.2009	2009-10	2008-09
Gayatri Infra Ventures Limited	Subsidiary	—	1.95	<b>3.33</b>	99.84
Gayatri Jhansi Roadways Limited	Step down Subsidiary	<b>21.64</b>	50.18	<b>99.92</b>	58.28
IJM Gayatri Joint Venture	Joint Venture	<b>5773.10</b>	5773.10	<b>5773.10</b>	5773.10
Gayatri ECI Joint Venture	Joint Venture	<b>307.97</b>	1962.34	<b>1962.34</b>	2228.61

**7. 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.

**8. Joint Venture Losses not considered**

**a) IJM-Gayatri Joint Venture**

*The IJM – Gayatri Joint Venture is a joint venture in which 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. The joint venture incurred excess of expenditure over income amounting to Rs. 134.45 crores due to several contractual failures on part of the employer.*

*The JV has raised claims in excess of Rs.300 Crores on the National Highways Authority of India and Andhra Pradesh State Government, which are pending for consideration before the appropriate authorities. There is substantial progress in the proceedings in the arbitration and the management is reasonably confident of recovery of these claims. During the year under review in the matter of dispute out of the work of the "Warangal-Khammam- Tallada Road work", the committee of Arbitrators has awarded a claim of Rs. 12.42 Crores in favour of joint venture.*

*The management has also obtained independent legal opinion from eminent counsel in this regard who have opined on the recoverability of the claims. In view of this, the share of the losses of GPL (40%) in the joint venture is not provided in the books of the Company. In the unlikely situation of not awarding the entire amount of claims, GPL has to provide an amount of Rs. 53.78 crores towards its share of 40% in the IJM-Gayatri Joint Venture.*

**b) Gayatri – ECI JV**

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

The joint venture due to extraneous and law and order problems in the State could not progress the work as planned and hence incurred losses of Rs. 2963 Lacs till year 2008-09. However due to changed strategy of the company and over all improvement of the law and order situation, the progress of the work has improved substantially and the joint venture has posted a profit of Rs. 481.73 Lacs during the year 2009-10 and to that extent the accumulated losses have been recovered. Since now the substantial portion of the project work has started, the losses incurred in the earlier years can be recovered from these profits. Hence, the losses in the joint venture are not considered by the parent company.

**c) Other Joint ventures**

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

**9. Employee's Benefits:**

i) The summarized position of Post-employment benefits and long term employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard – 15 (Revised) issued by the Institute of Chartered Accountants of India are as under:-

**ii) (a) Changes in the Benefit Obligations:** (Rs.in Lacs)

Particulars	Gratuity		Leave Encashment	
	2009-10	2008-09	2009-10	2008-09
Present Value of Obligation as at the beginning of the year	<b>95.85</b>	93.14	<b>9.90</b>	5.42
Interest Cost	<b>7.67</b>	7.45	<b>0.79</b>	0.43
Current Service Cost	<b>7.23</b>	0.81	<b>5.11</b>	1.34
Benefits Paid	<b>(1.52)</b>	(4.62)	<b>(1.13)</b>	(0.22)
Actuarial loss / (gain) on Obligations	<b>37.17</b>	(0.93)	<b>12.38</b>	2.93
Present Value of Obligation at year end	<b>146.42</b>	95.85	<b>27.07</b>	9.90

**(b) Amount recognized in Balance Sheet:** (Rs.in Lacs)

Particulars	Gratuity		Leave Encashment	
	2009-10	2008-09	2009-10	2008-09
Estimated Present Value of obligations as at the end of the year	<b>146.42</b>	95.86	<b>27.07</b>	9.91
Fair value of Plan Assets as at the end of the year	—	—	—	—
Net Liability recognized in Balance Sheet	<b>146.42</b>	95.86	<b>27.07</b>	9.91

**(c) Expenses Recognized in Profit & Loss:** (Rs.in Lacs)

Particulars	Gratuity		Leave Encashment	
	2009-10	2008-09	2009-10	2008-09
Current Service Cost	<b>7.23</b>	0.81	<b>5.11</b>	1.34
Interest Cost	<b>7.67</b>	7.45	<b>0.79</b>	0.43
Expected return on Plan Asset	—	—	—	—
Net Actuarial (Gain)/Loss recognized in the year	<b>37.17</b>	22.26	<b>12.38</b>	8.14
Total expenses recognized in Profit & Loss Account	<b>52.07</b>	30.52	<b>18.29</b>	9.91



**(d) Principal Actuarial Assumption:**

(Rs.in Lacs)

Particulars	Gratuity		Leave Encashment	
	2009-10	2008-09	2009-10	2008-09
Discount Rate	<b>8%</b>	8%	<b>8%</b>	8%
Salary Escalation Rate	<b>4%</b>	4%	<b>4%</b>	4%
Retirement Age	<b>60</b>	60	<b>60</b>	60
Mortality	<b>LIC (1994-96)</b>	LIC (1994-96)	<b>LIC (1994-96)</b>	LIC (1994-96)
Attrition Rate	<b>1%</b>	1%	<b>1%</b>	1%

(e) The entire present value of funded obligation at the year end is unfunded and hence, fair value of assets is not furnished.

**10. Related party transactions as per Accounting Standard 18:**

Details of related parties:

<b>Associated Companies</b>	<b>Key Management Personnel</b>
Hyderabad Expressway Ltd Cyberabad Expressway Ltd Western UP Toll way Ltd	Mr. T.V.Sandeep Kumar Reddy Mr. J.Brij Mohan Reddy Mrs.T.Indira Reddy
<b>Subsidiary Companies</b>	<b>Joint Ventures</b>
Gayatri Energy Ventures Pvt.Ltd Gayatri Infra Ventures Ltd	Gayatri RNS Joint Venture IJM Gayatri Joint Ventures Gayatri Ranjit Joint Venture RNS Gayatri Joint Venture Gayatri - GDC Joint Venture Gayatri – BCBPPL Joint Venture Jaiprakash Gayatri JV Gayatri ECI Joint Venture Gayatri – Ratna Joint Venture MEIL-GAYATRI-ZVS-ITT Consortium Simplex Gayatri Consortium Gayatri-JMC Joint Venture
<b>Step-down Subsidiary Companies</b>	
Gayatri Lalitpur Roadways Ltd Gayatri Jhansi Roadways Ltd Thermal Powertech Corporation India Ltd	
<b>Entities in which KMP are interested</b>	
Deep Corporation Pvt. Ltd Indira Constructions Pvt. Ltd Gayatri Tissue & Papers Ltd Gayatri Sugars Ltd Gayatri Hi-Tech Hotels Ltd Gayatri Housing Ventures Pvt. Ltd Gayatri Hotels & Theaters Pvt. Ltd GSR Sugars Pvt.Ltd Gayatri Thermal Power Corporation Ltd Amaravati Thermal Power Pvt.Ltd. Gayatri Bio-Organics Limited TSR Foundation Dr.T.Subbarami Reddy (HUF)	

Sl	Description	2009-10 (2008-09)				
		Subsidiary & Step-down Subsidiaries	Associate Companies	Entities in which KMP are interested	Joint ventures	KMP
1	Equity contribution	— (12527.38)	— —	— (5.00)	— —	— —
2	Contract Receipts	16887.45 (12212.47)	29265.22 (14947.23)	7132.89 (8047.51)	28841.72 (23484.33)	— —
3	Contract payments	312.01 (420.52)	— —	409.10 (33.60)	— —	— —
4	Office Rent & Maintenance	— —	— —	26.53 (17.79)	— —	— —
5	Other Payments	102.00 (42.50)	163.98 (191.42)	12.00 (12.00)	35.04 (129.27)	— —
6	Donations	— —	— —	62.05 (133.63)	— —	— —
7	Remuneration Paid	— —	— —	— —	— —	319.50 (156.00)
8	Contract Advances/ Other Adv.	3110.67 (3191.38)	2548.62 (3151.01)	1255.58 (4190.23)	5498.65 (7774.69)	— —
9	Corporate Guarantees	16000.00 (4400.00)	— —	— (12296.00)	— —	— —
10	Closing balances – Debit	8695.61 (1099.92)	5855.45 (2572.23)	2155.44 (3611.80)	18167.71 (18346.34)	— —
11	Closing balances – Credit	2639.07 (3127.72)	967.36 (4661.22)	1939.42 (1515.85)	14724.98 (12967.43)	45.91 (24.31)

\* Figures in bracket are pertaining to previous year

### 11. Derivative Instruments:

The year end foreign exposures that have not been hedged by a derivate instrument or otherwise are given below:

Particulars	2009-10		2008-09	
	JPY Equivalent (Lacs)	INR Equivalent (Lacs)	JPY Equivalent (Lacs)	INR Equivalent (Lacs)
Amount payable in foreign currency: Foreign Currency Convertible Bonds	29600.00	9776.88	29600.00	9776.88

JPY denotes Japanese Yen

### 12. 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 of the Company's business has been carried out only in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

### 13. Leases:

Disclosure under Accounting Standard – 19 "Leases", issued by the Institute of chartered Accountants of India. The Company has taken various residential/godowns/offices premises (including Furniture and Fittings if any) under lease and license agreements for periods which generally range between 11 months to 3 years. These arrangements are renewable by mutual consent on mutually agreed terms. Under some of these arrangements the Company has given refundable security deposits. The lease payments are recognized in Profit and Loss Account under Rent, Rates and Taxes.

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	2.42	1.38	3.80
Between one and five years	36.02	12.81	48.84
More than five years	—	—	—

**14. Earning Per Share (EPS):**

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

Particulars	2009-10	2008-09
Profit After Tax for calculation of Basic EPS (Rs.in Lacs)	<b>4909.02</b>	4131.61
Profit After Tax for calculation of Diluted EPS (Rs.in Lacs)	<b>4909.02</b>	4131.61
Weighted average No. of equity shares as denominator for calculating Basic EPS. (No. in Lacs)	<b>106.66</b>	101.05
Add : Adjustment for FCCB		
Weighted average No. of equity shares as denominator for calculating Diluted EPS. (No. in Lacs)	<b>132.51</b>	126.88
Basic EPS (Rs.)	<b>46.02</b>	40.89
Diluted EPS (Rs.)	<b>37.05</b>	32.56

**15. 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 2009-10 were consolidated and annexed.

The Company has applied for 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, 2010 and its proportionate share in the Assets, Liabilities, Income and Expenditure of the entities consolidated as on that date are given below:

S.No	Name of the Entity	Nature of the entity	% of Holding	Country of Incorporation
1	Gayatri Energy Ventures Limited	Wholly owned Subsidiary	100	India
2	Gayatri Infraventures Limited	Subsidiary	70.59	India
3	IJM Gayatri Joint Ventures	Joint venture	40	India
4	Jaiprakash Gayatri Joint Venture	Joint venture	49	India
5	Gayatri ECI Joint Venture	Joint venture	50	India
6	Gayatri – Ratna Joint Venture	Joint venture	80	India
7	Gayatri – RCC Joint Venture	Joint venture	60	India
8	Gayatri – GDC Joint Venture	Joint Venture	70	India
9	Gayatri – BCBPPL Joint Venture	Joint Venture	60	India
10	Gayatri – RNS Joint Venture	Joint Venture	60	India
11	Gayatri- JMC Joint Venture	Joint Venture	75	India

**16. Managerial Remuneration:**

Managerial Remuneration paid during the year:

(Rs.in Lacs)

Particulars	2009-10	2008-09
Salaries	264.00	156.00
Perquisites	7.50	Nil
Commission	48.00	Nil
<b>Sub-total</b>	<b>319.50</b>	156.00
Sitting Fee	—	1.73
Contribution to Provident Fund & Superannuation Fund	—	—
<b>Total</b>	<b>319.50</b>	157.73

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956

(Rs.in Lacs)

Particulars	2009-10	2008-09
Profit Before Taxation	8100.20	6343.62
Add : Managerial Remuneration Provisional for Doubtful Debts / Advances	319.50 —	156.00
Loss on Sale of Fixed Assets / Written off Assets	0.77	
<b>Sub-total</b>	<b>8420.47</b>	6499.62
Less : Profit on Sales of Shares		
Profit on Sale of Assets	—	
Profit on Sale of Land		
Adjustment / Bad debts written off against the provision created earlier		
<b>Profit for the year as per Section 349</b>	<b>8420.47</b>	6499.62
<b>Maximum Commission / Remuneration payable under Section 309 @ 10%</b>	<b>842.05</b>	649.96
<b>Actual Remuneration taken (Incl. Perks)</b>	<b>319.50</b>	156.00

**17. Dues to Micro and Small Enterprises:**

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.

**18.** The unpaid dividend includes Rs. 1.52 Lacs (Previous years – Rs. 0.86 Lacs) to be transferred to the Investor Education & Protection Fund.

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

(Rs. in Lacs)

S.No.	Particulars	2009-10	2008-09
1.	Statutory Audit	15.00	10.00
2.	Tax Audit	4.00	2.00
3.	Other Services	6.00	3.00
	Total	25.00	15.00

Note : Fee mentioned above does not include service tax and education cess thereon.

**20. Disclosure pertaining to Accounting Standard -29 is as below:** (Rs.in Lacs)

Account Head	Opening Balance	Provisions made During the year	Paid/Utilized during the year	Closing Balance
Gratuity	95.86	52.07	1.51	146.42
Leave Encashment	9.91	18.29	1.13	27.07
Taxation	625.84	2845.85	3202.53	269.16
Proposed Dividend & Dividend Tax	472.88	649.60	797.68	324.80

**21. Disclosure pursuant to Accounting Standard – 7 “Construction Contracts”:** (Rs.in Lacs)

Sl No	Particulars	2009-10	2008-09
1.	Contract revenue recognized for the year ended	125,248.56	100,459.47
2.	Contract cost incurred and recognized profits, less losses	119,097.33	96,299.38
3.	Amount of advances received till date, net of recoveries	21,469.98	18,956.98
4.	Gross amount due from customers for contract works	31,490.65	22,574.84

**22.** Since the principal business of the Company is construction activities, quantitative data as required by Part II Para ii, 4c, 4d of Schedule VI to the Companies Act, 1956 is not furnished.

**23. Information as per para 4D of part II of Sch. VI of the Companies Act:**

**i) CIF value of Imports** (Rs. in Lacs)

S.No.	Particulars	2009-10	2008-09
1.	Purchase of Capital Goods	141.56	601.91

**ii) Expenditure / (Income) in Foreign Currency:** (Rs. in Lacs)

S.No.	Particulars	2009-10	2008-09
1.	Traveling Expenses	2.27	14.82
2.	FCCB Expenses	2.07	2.20
3.	Fee for Singapore Stock Exchange	0.18	0.37

**iii) Details of major raw materials consumption** (Rs.in Lacs)

Particulars	2009-10		2008-09	
	Value	%	Value	%
Indigenous	32,586.75	100	22,677.53	100
Imported	—	—	—	—
<b>Total :</b>	<b>32,586.75</b>	<b>100</b>	<b>22,677.53</b>	<b>100</b>

***Twenty First Annual Report***

24. Figures of previous year have been regrouped/ rearranged/ reclassified wherever necessary to confirm to the current year presentation.
25. All amounts are rounded off to nearest thousand.
26. Schedule I to 18 form an integral part of accounts

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As per our report of even date attached  
**For C.B. MOULI & ASSOCIATES**  
**Chartered Accountants**  
Firm Regn No. 2140S

For and on behalf of the Board

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**  
Partner

**P. SREEDHAR BABU**  
Chief Finance Officer

**I.V. LAKSHMI**  
Company Secretary

Place : Hyderabad.  
Date : 28th May 2010



## **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 2010, and also the consolidated Profit and Loss Account and the consolidated Cash flow statement for the year 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 Ltd, Gayatri Lalitpur Roadways Ltd, Western UP Tollways Ltd and Joint venture entities viz., Gayatri ECI Joint venture, Gayatri- RCC Joint venture, Gayatri- GDC Joint venture, Gayatri -JMC Joint Venture, Gayatri- RNS Joint venture. In case 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, consolidated statements, accounting standard-23 on accounting for investments in associates in consolidated financial statements and accounting standard -27, financial reporting of interest in joint ventures, issued by the institute of chartered accountants of India;
  - (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, 2010;
    - (ii) In the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year 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 year ended on that date.

**For C.B.MOULI & ASSOCIATES**  
Chartered Accountants  
(Registration No: 002140S)

**MANI OOMMEN**  
Partner  
Membership No: 24046

Place : Hyderabad  
Date : 28<sup>th</sup> May 2010.



**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010**

Rs.in Lacs

PARTICULARS	SCH NO	AS AT	
		31st MARCH 2010	31st MARCH 2009
<b>SOURCE OF FUNDS</b>			
<b>Share Holders Funds</b>			
Share Capital	1	1,110.48	1,010.48
Equity Warrants / Share Application Money		391.99	
Reserves and Surplus	2	<u>36,392.27</u>	<u>37,894.74</u>
			28,163.29
			<u>29,173.77</u>
<b>Loan Funds</b>			
Secured Loans	3	104,950.39	93,596.72
Unsecured Loans	4	<u>66,889.26</u>	<u>171,839.65</u>
			20,081.59
			<u>113,678.31</u>
<b>Minority Interest Liability</b>		<b>13,449.27</b>	9,438.81
<b>Deferred Tax Liability</b>		<b>1,627.29</b>	1,933.42
<b>TOTAL</b>		<b><u>224,810.95</u></b>	<b><u>154,224.31</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	43,787.32	30,133.37
Less: Depreciation		<u>13,439.06</u>	<u>11,747.11</u>
Net Block		<b>30,348.26</b>	18,386.26
Capital Work in Progress		<b>107,616.05</b>	72,160.36
<b>Investments</b>		<b>4,323.07</b>	4,192.61
<b>Current Assets, Loans and Advances</b>			
Inventories	7	6,933.21	6,043.48
Sundry Debtors	8	29,710.15	20,544.26
Cash and Bank Balances	9	31,307.60	23,911.36
Loans and Advances	10	<u>63,511.98</u>	<u>45,485.94</u>
		<u>131,462.94</u>	<u>95,985.04</u>
Less: Current Liabilities and Provisions			
Liabilities	11	48,135.88	35,181.89
Provisions		<u>809.44</u>	<u>1,324.54</u>
		<u>48,945.32</u>	<u>36,506.43</u>
Net Current Assets		<b>82,517.62</b>	59,478.61
<b>Miscellaneous Expenditure</b>		<b>5.95</b>	6.47
(to the extent not written off or adjusted)			
<b>TOTAL</b>		<b><u>224,810.95</u></b>	<b><u>154,224.31</u></b>

Accounting Policies and Notes on Accounts 18

Schedules referred to above form an integral part of the accounts

As per our report of even date attached

For and on behalf of the Board

For C.B.MOULI &amp; ASSOCIATES

Chartered Accountants

Firm Regn No.2140S

T. INDIRA  
ChairpersonT.V. SANDEEP KUMAR REDDY  
Managing DirectorMANI OOMMEN  
PartnerP. SREEDHAR BABU  
Chief Finance OfficerI.V. LAKSHMI  
Company SecretaryPlace : Hyderabad  
Date : 28th May 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st MARCH 2010**

Rs.in Lacs

PARTICULARS	Schedule	YEAR ENDED 31st MARCH 2010	YEAR ENDED 31st MARCH 2009
<b>INCOME</b>			
Gross Contract Receipts		127,450.62	102,720.59
Other Income	12	646.64	787.90
<b>TOTAL</b>		<u>128,097.26</u>	<u>103,508.49</u>
<b>EXPENDITURE</b>			
Work Expenditure	13	107,385.54	88,586.23
(Increase) / Decrease in WIP	14	(188.90)	(881.84)
Employee's Remuneration & Benefits	15	2,989.44	2,282.14
Administrative Expenses	16	2,277.70	1,907.09
Interest and Financial Charges	17	5,553.99	3,942.45
Depreciation	5	2,005.76	2,092.02
<b>TOTAL</b>		<u>120,023.52</u>	<u>97,928.09</u>
Profit before Tax		8,073.74	5,580.40
Provision for Taxation - Current Tax		2,846.88	2,186.79
- Fringe Benefit Tax		—	24.93
- Deferred Tax		(306.14)	85.96
Profit after Tax and before prior period adjustments		<u>5,532.99</u>	3,282.72
Minority Interest		(13.30)	44.69
		<u>5,546.29</u>	<u>3,238.03</u>
Less : Prior Period Adjustments		428.40	30.32
Profit after prior period adjustments		5,117.89	3,207.71
Balance in Profit and Loss account brought forward		8,951.05	6,594.67
Balance available for appropriation		<u>14,068.94</u>	<u>9,802.38</u>
<b>APPROPRIATIONS :</b>			
Interim Dividend		277.62	
Final Dividend		277.62	404.19
Dividend tax on Dividend		94.36	68.69
Transfer to General Reserve		700.00	600.00
Balance carried to Balance sheet		<u>12,719.34</u>	<u>8,729.50</u>
Earning per share of Face value of Rs.10/- each			
Basic (Rs.)		47.98	31.74
Diluted (Rs.)		38.23	25.28
Accounting Policies and Notes on Accounts			18

Schedules referred to above form an integral part of the accounts

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

**Chartered Accountants**

Firm Regn No.21405

**For and on behalf of the Board**

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**  
Partner

**P. SREEDHAR BABU**  
Chief Finance Officer

**I.V. LAKSHMI**  
Company Secretary

Place : Hyderabad  
Date : 28th May 2010

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

(Rs. In Lacs)

	Year Ended 31st March 2010	Year Ended 31st March 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before tax and Extra Ordinary items	8,073.74	5,580.40
Adjustments for:		
Depreciation	2,005.76	2,092.02
Profit on sale of fixed assets	0.77	—
Interest	5,553.99	3,942.44
<b>Operating Profit before Working Capital changes</b>	<b>15,634.25</b>	<b>11,614.86</b>
Adjustments for:		
Trade and other receivables	(27,191.92)	(26,073.16)
Change in Inventories	(889.73)	(1,356.29)
Trade payables	12,114.09	8,628.10
Miscellaneous Expenditure	0.52	(6.47)
<b>Cash generated from operations</b>	<b>(332.79)</b>	<b>(7,192.96)</b>
Direct taxes paid	(2,846.88)	(2,211.72)
<b>Cash flow before prior period adjustments</b>	<b>(3,179.67)</b>	<b>(9,404.68)</b>
Effect of consideration of new subsidiaries/associates/JV*	1,707.58	7,314.06
Prior period adjustments	(428.40)	(30.32)
<b>Net cash flow from operating activities after prior period adj.</b>	<b>(1,900.49)</b>	<b>(2,120.94)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchases of Fixed Assets	(13,796.56)	(2,084.74)
Capital WIP	(35,455.69)	(48,951.22)
Sale of Fixed Assets	(180.35)	—
Investments	(130.46)	(420.20)
<b>Net Cash used in Investing Activities</b>	<b>(49,563.06)</b>	<b>(51,456.16)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Interest paid	(5,553.99)	(3,942.44)
Minority Interest	4,010.46	11,191.40
Proceeds from preferential allotment	1,850.00	—
Proceeds from Share Warrants	391.99	—
Proceeds from long term borrowing	44,585.16	54,260.81
Proceeds from Short term borrowing	13,576.18	1,500.00
<b>Net Cash from Financing activities</b>	<b>58,859.80</b>	<b>63,009.77</b>
<b>Net increase in Cash and Cash Equivalents (A+B+C)</b>	<b>7,396.25</b>	<b>9,432.67</b>
Cash & Cash Equivalents as at 1st April (Opening Balance)	23,911.36	14,478.69
<b>Cash &amp; Cash Equivalents as at 31st March (Closing Balance)</b>	<b>31,307.61</b>	<b>23,911.36</b>

\*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 Margin Money Deposits for Bank Guarantees of Rs.8594.77 Lacs (Previous Year Rs.14191.57 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 attached

For and on behalf of the Board

**For C.B.MOULI & ASSOCIATES**

**Chartered Accountants**

Firm Regn No.2140S

**T. INDIRA**  
Chairperson

**T.V. SANDEEP KUMAR REDDY**  
Managing Director

**MANI OOMMEN**

Partner

Place : Hyderabad

Date : 28th May 2010

**P. SREEDHAR BABU**

Chief Finance Officer

**I.V. LAKSHMI**

Company Secretary

**Schedules forming part of Consolidated Balance Sheet**

Rs.in Lacs

PARTICULARS	AS AT 31st MARCH 2010	AS AT 31st MARCH 2009
<b>SCHEDULE NO : 1 :</b>		
<b>SHARE CAPITAL</b>		
<u>Authorised Share Capital :</u>		
150,00,000 Equity Shares of Rs.10/- each (Year ended March 31, 2009 - 150,00,000)	1,500.00	1,500.00
	<u>1,500.00</u>	<u>1,500.00</u>
<u>Issued, Subscribed and paid-up capital :</u>		
101,04,761 Equity Shares of Rs.10/- each, fully paid-up (Year ended March 31, 2009 - 101,04,761)	1,110.48	1,010.48
a) 50,00,000 shares of Rs.10/- each fully paid		
b) 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		
c) 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.		
d) 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		
e) 10,00,000 shares of Rs.10/- each fully paid shares were allotted at premium of Rs.175/- through Preferential allotment		
	<u>1,110.48</u>	<u>1,010.48</u>
<b>SCHEDULE NO : 2</b>		
<b>RESERVES AND SURPLUS</b>		
<u>Securities Premium Account</u>		
At the Commencement of the Year	9,166.19	4,154.51
Add : Additions for the year on account of Preferential Allotment	2,398.43	5,370.79
Less : Shares Issue Expenses	—	359.10
	<u>11,564.62</u>	<u>9,166.20</u>
Capital Reserve (Capital Grant)	5,308.31	4,167.59
<u>General Reserve</u>		
At the Commencement of the Year	6,100.00	5,500.00
Add : Transfer from Profit and Loss A/c.	700.00	600.00
	<u>6,800.00</u>	<u>6,100.00</u>
Profit and Loss Account Balance	12,719.34	8,729.50
	<u>36,392.27</u>	<u>28,163.29</u>

**Schedules forming part of Consolidated Balance Sheet**

Rs.in Lacs

PARTICULARS	AS AT 31st MARCH 2010	AS AT 31st MARCH 2009
<b>SCHEDULE NO : 3</b>		
<b>SECURED LOANS</b>		
<b>I] From Banks</b>		
<b>A) Term Loans</b>		
i) Equipment Loans	2,765.47	3,651.04
ii) Vehicle Loans	37.70	58.47
iii) Term Loans	16,549.93	-
iv) Long Term - Project Finance	58,946.84	68,618.50
<b>B] Working Capital Loan Account</b>	<b>25,944.31</b>	<b>20,063.38</b>
<b>II] From Others</b>		
Equipment And Vehicle Loans	706.14	1,205.33
	<u>104,950.39</u>	<u>93,596.72</u>
<b>SCHEDULE NO : 4</b>		
<b>UNSECURED LOANS</b>		
Short Term Loans from Banks	15,076.18	1,500.00
[Personal Guarantees of the Promoter Directors]		
Foreign Currency Convertible Bonds (FCCB)	9,776.88	9,776.88
Other	42,036.20	8,804.71
	<u>66,889.26</u>	<u>20,081.59</u>

**SCHEDULE NO : 5**

**FIXED ASSETS**

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2009	Additions during the year	Deletions during the year	As at 31/03/2010	Up to 31/03/2009	For the year	On deletion for the year	Up to 31/03/2010	As on 31/03/2010	As on 31/03/2010
Land	11.73	13,302.61	—	13,314.34	—	—	—	—	13,314.34	11.73
Plant & Machinery	18,503.16	153.31	—	18,656.47	4,635.05	845.85	110.13	5,370.77	13,285.70	13,868.12
Vehicles	1,219.75	159.88	3.96	1,375.66	559.29	119.63	13.80	665.12	710.54	660.46
Earth Moving Machinery	9,903.60	159.88	—	10,063.47	6,342.38	1,030.62	182.65	7,190.35	2,873.12	3,561.22
Office Sheds	216.04	-	140.03	76.01	91.29	—	15.28	76.01	—	124.75
Furniture & Fixtures	280.47	20.90	—	301.36	119.58	18.95	1.72	136.81	164.55	160.89
Capital Work in Progress	—	—	—	—	—	—	—	—	—	—
<b>TOTAL :</b>	<b>30,134.73</b>	<b>13,796.56</b>	<b>143.99</b>	43,787.31	<b>11,747.58</b>	<b>2,015.05</b>	<b>323.57</b>	13,439.06	30,348.25	18,387.16

**Schedules forming part of Consolidated Balance Sheet**

Rs.in Lacs

PARTICULARS	AS AT 31st MARCH 2010	AS AT 31st MARCH 2009
<b>SCHEDULE NO : 6</b>		
<b>INVESTMENTS</b>		
<b>Shares in Companies :</b>		
<b>A) Trade Investments</b>		
<i>Long Term-Unquoted Shares-Associate Companies</i>		
Equity shares of Rs.10/- each, fully paid at Rs.90/- premium in Western UP Tollway Ltd	3,618.16	2,680.20
Equity shares of Rs.10/- each, fully paid in Gayatri Thermal Power Corporation Ltd.	2.45	2.45
<b>B) Other Investments</b>		
<i>Long Term - Quoted Shares</i>		
Equity Shares of Rs10/- each fully paid in Gayatri Sugars Ltd	293.10	293.10
Equity Shares of Rs10/- each fully paid in Syndicate Bank Ltd	0.86	0.86
Mutual Funds	408.50	1,216.00
	<b>4,323.07</b>	<b>4,192.61</b>
Aggregate amount of Quoted Investments		293.56
Aggregate amount of Unquoted Investments		2,682.65
Aggregate Market value of Quoted Investments		108.69
<b>SCHEDULE NO : 7</b>		
<b>INVENTORIES</b>		
- Construction Materials, stocks and spares at cost	4,531.16	3,830.33
- Closing Work-in-progress	2,402.05	2,213.15
(As certified by Management)	<b>6,933.21</b>	<b>6,043.48</b>
<b>SCHEDULE NO : 8</b>		
<b>SUNDRY DEBTORS (Un-secured)</b>		
Over Six Months Considered Good	1,869.71	2,002.70
Others, Considered Good	27,840.44	18,541.56
	<b>29,710.15</b>	<b>20,544.26</b>
<b>SCHEDULE NO : 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	146.73	96.95
Bank Balances:		
<i>In Current Accounts</i>		
With Scheduled Banks	22,346.17	9,482.87
<i>In Deposit Accounts</i>		
With Scheduled Banks		
Margin Money (Bank Guarantees/LCs)	4,533.66	3,227.32
Fixed Deposits	4,061.11	10,964.25
Interest Accrued on Deposits	219.93	139.97
	<b>31,307.60</b>	<b>23,911.36</b>

## Schedules forming part of Consolidated Balance Sheet

Rs.in Lacs

PARTICULARS	AS AT 31st MARCH 2010	AS AT 31st MARCH 2009
<b>SCHEDULE NO : 10</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured considered good)</b>		
Advances to Associates	6,013.57	16,752.19
Advances to Suppliers, Sub-contractors and Others	33,208.05	16,764.35
Advances receivable in cash or kind or value to be received	138.16	148.92
Advance towards Share Application Money	155.18	121.55
Pre-operative/Prepaid Expenses	23,251.48	11,043.48
Deposits with Govt. Agencies and Others	745.54	655.45
	<b>63,511.98</b>	<b>45,485.94</b>
<b>SCHEDULE NO : 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>a) Current Liabilities</b>		
Sundry Creditors	23,234.27	15,282.91
Advances received from Contractee – Clients	23,764.49	18,866.90
Other liabilities	1,137.12	1,032.08
	<b>48,135.88</b>	<b>35,181.89</b>
<b>b) Provisions</b>		
Taxation	311.16	745.89
Proposed Dividend	277.62	404.19
Dividend Tax	47.18	68.69
Employee Benefits	173.48	105.77
	<b>809.44</b>	<b>1,324.54</b>
	<b>48,945.32</b>	<b>36,506.43</b>

## Schedules forming part of Consolidated Profit & Loss Account

Rs.in Lacs

PARTICULARS	YEAR ENDED 31st MARCH 2010	YEAR ENDED 31st MARCH 2009
<b>SCHEDULE NO : 12</b>		
<b>OTHER INCOME</b>		
Interest Income	402.43	421.46
Commission Income	—	129.27
Miscellaneous Income	244.21	237.17
	<b>646.64</b>	<b>787.90</b>

## Schedules forming part of Consolidated Profit & Loss Account

Rs.in Lacs

PARTICULARS	YEAR ENDED 31st MARCH 2010	YEAR ENDED 31st MARCH 2009
<b>SCHEDULE NO : 13</b>		
<b>WORK EXPENDITURE</b>		
Steel	5,909.76	7,610.96
Cement	3,133.80	2,587.56
Bitumen	11,815.15	6,688.01
Metal	4,754.63	2,294.89
Sand & Gravel	1,629.02	1,239.24
HSD Oils and Lubricants	6,975.50	3,935.04
Stores and Consumables	338.71	220.30
Other Materials	989.14	1,269.08
Departmental Recoveries	1,238.27	1,213.47
Work executed by sub contractors	30,069.60	35,513.32
Earth Work	12,987.73	10,689.24
Concrete Work	8,561.80	3,929.03
Transport Charges	1,843.31	1,366.06
Hire Charges	1,519.44	400.61
Road work	6,072.14	5,569.92
Repairs and Maintenance	2,013.82	1,095.42
Works Contract Tax / VAT	2,202.00	1,211.75
Royalties, Seigniorage and Cess	1,956.60	788.53
Insurance	234.71	124.96
Other Work Expenditure	3,140.43	838.89
	<u>107,385.55</u>	<u>88,586.23</u>
<b>SCHEDULE NO : 14</b>		
<b>INCREASE/DECREASE IN W.I.P.</b>		
Opening Work in Progress	2,213.15	1,331.31
Less : Closing Work in Progress	2,402.05	2,213.15
	<u>(188.90)</u>	<u>(881.84)</u>
<b>SCHEDULE NO : 15</b>		
<b>EMPLOYEE'S REMUNERATION &amp; BENEFITS</b>		
Salaries	2,280.48	1,830.13
Contribution to Provident Fund	31.51	18.85
Other Employee Benefits	357.95	277.16
Directors' Remuneration & Perquisites	319.50	156.00
	<u>2,989.44</u>	<u>2,282.14</u>



## Schedules forming part of Consolidated Profit & Loss Account

Rs.in Lacs

PARTICULARS	YEAR ENDED 31st MARCH 2010	YEAR ENDED 31st MARCH 2009
<b>SCHEDULE NO : 16</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Printing and Stationery	79.44	55.95
Telephones	96.45	83.94
Traveling and Conveyance	296.13	284.69
Advertisement Expenses	59.51	50.59
General Expenses	100.66	86.34
Consultancy Fee	524.79	222.92
Donations	248.06	202.13
Rent	277.37	192.90
Power and fuel	90.25	62.82
Rates and Taxes	261.87	290.68
Tender Expenses	55.85	137.59
Insurance	16.82	23.56
Auditors Remuneration	28.63	17.42
Other Administration Expenses	141.88	195.57
	<b>2,277.70</b>	<b>1,907.09</b>

**SCHEDULE NO : 17**

**INTEREST AND FINANCE CHARGES**

a) Interest on:				
Working Capital Loans	2,403.23		2,168.98	
Term Loans	924.77		714.90	
Mobilisation Advance	280.08		248.70	
Equipment Loans	244.53		251.62	
Vehicle Loans	45.03		62.50	
Others	261.10	4,158.74	33.31	3,480.01
b) Financial Charges				
Commission on - Bank Guarantees	959.10		280.46	
- Letters of Credit	51.29	1,010.39	8.52	288.98
c) Bank Charges				
		384.86		173.46
		<b>5,553.99</b>		<b>3,942.45</b>

**SCHEDULE NO: 18:**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**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.

**2. Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Although these estimates are based upon management best knowledge of current events and actions, actual results could differ from the estimates. Difference between the actual results and estimates are recognized in the period in which the results are known /materialized.

**3. Revenue recognition**

- i) 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. The estimates made by the Company being technical in nature have been relied upon by the auditors.
- ii) The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.
- iii) An expected loss on construction contract is recognized as an expense immediately when it is certain that the total contract costs will exceed the total contract revenue.
- iv) 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.
- v) Incentive payments, as per customer-specified performance standards, are included in contract revenue only when:
  - a) The contract is sufficiently advanced that it is probable that the specified performance standards will be met; and
  - b) The amount of the incentive payment can be measured reliably.

**4. Joint Venture Projects**

- a) In respect of Joint Venture Contracts in the nature of jointly controlled operations, the shares of profit or loss are accounted as and when dividend / share of profit or loss are declared by the entities.
- b) In respect of Joint Venture Contracts wholly executed by the company pursuant to a Joint Venture Contract the assets, liabilities, income and expenditure are recognized under respective heads in the financial statements.
- c) Share of turnover attributable to the Company in respect of contracts executed by the other joint venture partners pursuant to Joint Venture Agreement, is accounted under Turnover in these financial statements.

**5. 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, labour cost and appropriate overheads.

**6. Fixed assets and Depreciation**

- i) 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. Capital Work in Progress comprises advances paid to acquire fixed assets and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.
- ii) 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.

**7. Foreign Currency Transactions**

Foreign exchange transactions are accounted at the rates prevailing on the date of transactions. Monetary assets and current 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.

**8. 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.

**9. Employee Benefits**

Liability for employee benefits, both short and long term, for present and past service which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" issued by the Companies (Accounting Standard) Rules, 2006.

**i) Gratuity**

In accordance with the Payment of Gratuity Act, 1972 the company provides for Gratuity covering eligible employees. The liability on account of Gratuity is provided on the basis of valuation of the liability by an independent actuary as at the year end.

**ii) Provident Fund**

In accordance with applicable local laws, eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan to which both the employee and employer contributes monthly at a determined rate (currently up to 12% of an employee's salary). These contributions are either made to the respective Regional Provident Fund Commissioner, or the Central Provident Fund under the State Pension Scheme, and are expenses as incurred.

**iii) Compensated Absences**

Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

- iv) Actuarial gains and losses are immediately recognized and taken to the profit and loss account and are not deferred.

**10. Deferred Revenue Expenditure**

Projects and Other amenities expenditure incurred upto March 31, 2010, the benefit of which is spread over more than one year is grouped under Prepaid Expenditure and is amortized over the period in which benefits would be derived.

**11. 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.

**12. 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.

### **13. Earnings per Share (EPS)**

In arriving at the EPS, the Company's net profit after tax, computed in terms of the Indian GAAP, is divided by the weighted average number of equity shares outstanding on the last day of the reporting period. The EPS thus arrived at is known as 'Basic EPS'. To arrive at the diluted EPS the net profit after tax, referred above, is divided by the weighted average number of equity shares, as computed above and the weighted average number of equity share that could have been issued on conversion of shares having potential dilutive effect subject to the terms of issue of those potential shares. The date/s of issue of such potential shares determine the amount of the weighted average number potential equity shares.

### **14. Taxation**

#### **i) Current Tax**

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.

#### **ii) Deferred Taxes**

Deferred Tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

### **15. Impairment of Fixed Assets**

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount is the greater of the asset's net selling price and value in use which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

### **16. 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.

## **B. NOTES TO ACCOUNTS**

1. All amounts in the financial statements are presented in Rupees in Lacs except per share data and as otherwise stated. Figures in brackets represent corresponding previous year figures in respect of Profit & Loss items and in respect of Balance Sheet items as on the Balance Sheet date of the previous year. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

### **2. Criteria for preparation of consolidated financial statements**

Gayatri Projects Limited the company has presented consolidated Financial statements by consolidating its own financial statements with those of its subsidiaries and joint ventures in accordance with Accounting Standard-21(Consolidated Financial statements), Accounting Standard-23 (Accounting for Investments in Associates in consolidated Financial statements) and Accounting Standard – 27 (Financial reporting of Interests in joint ventures) notified in section 211 (3C) of the Companies Act, 1956.

The Financial statements of each of those Subsidiaries and Joint Ventures are prepared in accordance with the generally accepted accounting principles & accounting policies of Parent Company. The effects of inter-company transactions between consolidated companies/entities are eliminated in consolidation.

**3. Disclosure of particulars regarding subsidiaries, Joint ventures and Associates.**

Subsidiaries, Joint Ventures and Associates Included in Consolidated Financial statements in terms of AS-21, AS-23 and AS-27 are as follows

S.No	Name of the Entity	Nature of the Entity	% of Holding	Country of Incorporation
1	Gayatri Energy Ventures Private Limited	Wholly owned Subsidiary	100	India
2	Gayatri Infra Ventures Limited	Subsidiary	70.59	India
3	IJM Gayatri Joint Venture	Joint venture	40	India
4	Jaiprakash Gayatri Joint Venture	Joint venture	49	India
5	Gayatri ECI Joint Venture	Joint venture	50	India
6	Simplex Gayatri Consortium	Joint venture	30	India
7	Gayatri – RCC Joint Venture	Joint venture	60	India
8	Gayatri – GDC Joint Venture	Joint Venture	70	India
9	Gayatri – BCBPPL Joint Venture	Joint Venture	60	India
10	Gayatri – RNS Joint Venture	Joint Venture	60	India
11	Gayatri - JMC Joint Venture	Joint Venture	75	India
12	Gayatri – Ratna Joint Venture	Joint Venture	80	India

**4. Principles of Consolidation**

The Consolidated Financial statements relate to Gayatri Projects Limited, and its subsidiary Companies. The Consolidated Financial Statements have been prepared on the following basis.

- 4.1 The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding 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 as per Accounting Standard - 21 “Consolidated Financial Statements” issued by Institute of Chartered Accountants of India (‘AS-21’).
- 4.2 The excess of the Company’s cost of investment over its share of net assets in the associate on the date of acquisition of investment is accounted for as goodwill. The excess of the Company’s share of net assets in the associate over the cost of its investment is accounted for as capital reserve.
- 4.3 Goodwill/Capital Reserve is included /adjusted in the carrying amount of the investment.
- 4.4 Significant accounting policies and notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Company. Recognizing this purpose, the Company has disclosed only such policies and notes from the individual financial statements, which fairly presents the needed disclosure. Further, in the opinion of the management, the accounting policies and notes could be better viewed when referred from the individual financial statements.

**5. Contingent Liabilities not provided for**

Rs.in Lacs

Sl.	Particulars	2009-10	2008-09
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	<b>44509.66</b> <b>8232.51</b> —	41248.84 31.38 —
2	Claims against the Company not acknowledged as debt	<b>155.65</b>	145.20
3	Corporate guarantees given to/taken from Group companies	<b>33566.00</b>	16696.00
4	Disputed Liability of Sales Tax, Service Tax and Seigniorage Charges	<b>2807.57</b>	3610.35

**6. 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 Deferred Tax Asset provided for the year is given as under

(Rs.in Lacs)

Particulars	2009-10	2008-09
Deferred Tax Liability as at beginning of the year	<b>1933.42</b>	1847.46
Deferred Tax Liability at the end of the year	<b>1627.29</b>	1933.42
Deferred Tax Asset for the year	<b>306.14</b>	85.96

**7. Earning Per Share (EPS)**

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

(Rs.in Lacs)

Particulars	2009-10	2008-09
Profit After Tax for calculation of Basic EPS (Rs.in Lacs)	<b>5117.89</b>	3207.71
Profit After Tax for calculation of Diluted EPS (Rs.in Lacs)	<b>5117.89</b>	3207.71
Weighted average No. of equity shares as denominator for calculating Basic EPS. (No. in Lacs)	<b>106.66</b>	101.04
Add : Adjustment for FCCB		
Weighted average No. of equity shares as denominator for calculating Diluted EPS. (No. in Lacs)	<b>133.87</b>	126.89
Basic EPS (Rs.)	<b>47.98</b>	31.74
Diluted EPS (Rs.)	<b>38.23</b>	25.28

**8. Related party transactions as per Accounting Standard 18**

Details of related parties:

Entities in which KMP are interested	Key Management Personnel
Deep Corporation Pvt. Ltd Indira Constructions Pvt. Ltd Gayatri Tissue & Papers Ltd Gayatri Sugars Ltd Gayatri Hi-Tech Hotels Ltd	Mr. T.V.Sandeep Kumar Reddy Mr. J.Brij Mohan Reddy Mrs.T.Indira Reddy
Gayatri Housing Ventures Pvt. Ltd Gayatri Hotels & Theaters Pvt. Ltd GSR Sugars Pvt.Ltd Gayatri Thermal Power Corporation Ltd Amaramavathi Thermal Power Pvt.Ltd. Gayatri Bio-Organics Limited TSR Foundation Dr.T.Subbarami Reddy (HUF)	<b>Joint Ventures</b> Simplex Gayatri Consortium MEIL-GAYATRI-SVS-IIT consortium

(Rs.in Lacs)

SI	Description	2009-10			2008-09		
		Joint Ventures	Entities in which KMP are interested	KMP	Joint Ventures	Entities in which KMP are interested	KMP
1	Equity contribution	—	—	—	—	5.00	—
2	Contract Receipts	257.12	7132.89	—	—	8047.51	—
3	Contract payments	—	409.10	—	—	33.60	—
4	Office Rent & Maintenance	—	26.53	—	—	17.79	—
5	Other Payments	—	12.00	—	—	12.00	—
6	Donations	—	62.05	—	—	133.63	—
7	Remuneration Paid	—	—	319.50	—	—	156.00
8	Contract Advances/ Other Adv.	620.00	1255.58	—	—	4190.23	—
9	Corporate Guarantees	—	—	—	—	12296.00	—
10	Closing balances – Debit	290.64	2155.44	—	203.84	3611.80	—
11	Closing balances – Credit	620.00	1939.42	45.91	—	1515.85	24.31

**9. 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 of the Company's business has been carried out only in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

**10. Managerial Remuneration**

Managerial Remuneration paid during the year:

(Rs.in Lacs)

Particulars	2009-10	2008-09
Salaries	264.00	156.00
Commission	48.00	Nil
Perquisites	7.50	Nil
Contribution to Provident Fund & Superannuation Fund	—	—
<b>Total</b>	<b>319.50</b>	<b>156.00</b>

**11. Disclosure pursuant to Accounting Standard – 7 “Construction Contracts”**

(Rs.in Lacs)

Sl No	Particulars	2009-10	2008-09
1.	Contract revenue recognized for the year ended	127450.62	102720.59
2.	Contract cost incurred and recognized profits, less losses	121326.98	92979.79
3.	Amount of advances received till date, net of recoveries	23764.49	18866.90
4.	Gross amount due from customers for contract works	29710.15	20544.26

12. Figures pertaining to the subsidiary companies and Joint ventures have been reclassified wherever necessary to bring them line with the company’s financial statements.

13. All amounts are rounded off to nearest thousand.

**As per our report of even date**  
**For C.B.MOULI & ASSOCIATES**  
 Chartered Accountants  
 Firm Regn No. 2140S

**For and on behalf of the Board**

**T. INDIRA**  
 Chairperson

**T.V. SANDEEP KUMAR REDDY**  
 Managing Director

**MANI OOMMEN**  
 Partner

**P. SREEDHAR BABU**  
 Chief Finance Officer

**I.V. LAKSHMI**  
 Company Secretary

Place : Hyderabad  
 Date : 28th May 2010



## GAYATRI PROJECTS LIMITED

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

### ATTENDANCE SLIP

I hereby record my presence at the 21<sup>st</sup> 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 27<sup>th</sup> day of September, 2010 at 3.30 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, 1<sup>st</sup> 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 21<sup>st</sup> Annual General Meeting of the Company to be held on the 27<sup>th</sup> Day of September 2010 at 3.30 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 ..... 2010

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, 1<sup>st</sup> 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.

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**Gayatri**

**PROJECTS LTD.**

B-1, T.S.R. Towers, 6-3-1090,  
Raj Bhavan Road, Somajiguda,  
Hyderabad – 500 082.