



**GMR INDUSTRIES LIMITED**  
24th Annual Report 2009-2010

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## GENERAL INFORMATION

### BOARD OF DIRECTORS

K. Balasubramanian	Chairman
R. Ramakrishnan	Managing Director
T. C. S. Reddy	Director - Technical
A. Sankara Rao	Executive Director
V. P. Singh	Director
Uday M. Chitale	Director
S. Sandilya	Director
N. V. Varadarajulu	Director
D. Kumaraswamy	Director

#### Company Secretary

B. M. Rath

#### Audit Committee

Uday M. Chitale	Chairman
K. Balasubramanian	Member
V.P. Singh	Member
N.V. Varadarajulu	Member

#### Shareholders/Investors Grievance Committee

K. Balasubramanian	Chairman
R. Ramakrishnan	Member

#### Statutory Auditors

M/s. Price Waterhouse  
Chartered Accountants

#### Bankers

Andhra Bank  
State Bank of Mysore  
Central Bank of India  
Axis Bank  
State Bank of India  
Yes Bank

#### Registered & Corporate office

25/1, SKIP House  
Museum Road,  
Bengaluru – 560 025  
Karnataka.  
Tel.: (+91 80) 40534000  
Fax: (+91 80) 40534057  
Website: [www.gmrindustries.in](http://www.gmrindustries.in)

#### Plant Locations

Sankili Village, Regidi Amadalavalasa Mandal,  
Srikakulam District - 532 440,  
Andhra Pradesh.  
Tel.: (+91 08941) 237546, 237535, 237514, 2375481  
Fax: (+91 08941) 237516

Hullatti Village, Haliyal Mandal 581 329,  
Uttar Kannada District, Karnataka.  
Tel.: (+91 08284) 221566 to 69  
Fax: (+91 08284) 221571

Khanapet Village  
P.O. Toragall  
Taluk: Ramdurg - 591 114  
Dist.: Belgaum, Karnataka  
(Leased Unit)  
Tel.: (+91 08335) 253493 to 495  
Fax: (+91 08335) 253486

#### Registrars & Share Transfer Agents

Karvy Computershare Private Limited  
Plot No.17 to 24, Vittal Rao Nagar,  
Madhapur, HYDERABAD - 500 081  
Tel.: (+91 40) 23420819 to 824  
Fax: (+91 40) 23420814

**Autonomy**  
We value individual freedom and make decisions and actions

**Empowerment**  
We create opportunities - for all employees

**Partnership and relationships**  
Going beyond the individual and managing boundary less networks

**Ownership of the process**  
We value a strong sense of responsibility and self discipline. Commitment and respect for community needs

**Integrity**  
Maintains active honesty - in customer, share and process

**Social responsibility**  
Accepting and meeting diverse and changing needs of society

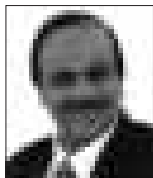
**Respect for individual**  
We will treat others with dignity, emotions and families

## BOARD OF DIRECTORS

**Mr. K. Balasubramanian**

Mr. K. Balasubramanian joined the Board of the Company on 27th October, 2009. Mr. Balasubramanian has about 45 years of experience in international banking, finance and general management. He is a graduate in commerce from the University of Madras and has done the Advanced Management Programme from the Harvard Business School. After working in India with two of the largest banks viz., UCO Bank and Bank of India, for about 10 years, he joined American Express Bank in 1973. He

held senior positions in marketing, credit and general management in several countries in Asia and Europe during his 25 years service with American Express Bank. His assignments with American Express Bank were Country Head for Korea (1988-1991), Country Head-India & Nepal (1992-1994) and Chief Credit Officer for Asia Pacific and Indian Sub Continent (1994-1997). After leaving American Express Bank, he was an Advisor to National Bank of Kuwait and subsequently the CEO of ING Vysya Bank (2001-2002). Mr. Balasubramanian was earlier the Chairman of the Company from 24th October, 2005 to 29th October, 2007. Later he resigned from the Board to shoulder other responsibilities within the GMR Group.

**Mr. R. Ramakrishnan**

Mr. R. Ramakrishnan is a Mechanical Engineer and a graduate in Commerce and post-graduate in Business Management with Specialization in Production Management. He has an industry experience of 40 years in the area of Manufacturing, Sales & Marketing, Product development, International Business development. He started his career with MICO (License Bosch) and moved to different professional organizations like Alfred Herbert, Carborundum Universal (Murugappa Group) Addison

(Amalgamation group) and Sanmar. He has a track record of strategizing and driving successful projects and also demonstrated ability to plan the turnaround of the loss making unit and empowering it with effective Marketing strategy, Manufacturing/operational excellence, improved processes and quality systems and building capability in the organization & people skills. He is a committee member of Indian Sugar Mills Association (ISMA), and also the Vice President of SISMA.

**Mr. T.C.S. Reddy**

Mr. Reddy is a Bachelor of Engineering in Mechanical. He also holds ANSI (Sugar Engg.) from National Sugar Institute, Kanpur. He has a total experience of 37 years in various capacities. He is associated with the Company for the last 12 years. He holds fellow membership of Sugar Technologists Association of India and Life membership of South Indian Sugar Cane and Sugar Technologists Association (SISSTA). He was elected as the president of SISSTA during the year 2008

**Mr. V.P. Singh**

Mr. V.P. Singh, has been on the Company's Board since 2005. He is a Management and Financial Consultant. He has over 42 years of work experience in banking and finance services. He held various positions which include Director and Vertical Leader for Financial Services practice in Deloitte Touche Tohmatsu India Private Ltd. (2004-09), Chairman & Managing Director of IFCI Ltd. (2001-04) and Executive Director of Industrial Development Bank

of India (1998-2001). He was also non-executive Chairman of IDBI Capital Market Services Ltd., Tourism Finance Corporation of India Ltd., Assets Care Enterprise Ltd., Management Development Institute and Institute of Labour Development and Principal Trustee of IDBI Mutual Funds. He was a director of IDBI Bank, National Stock Exchange, National Securities Depository, LIC Housing Finance Ltd., Euroafrican Bank, ONGC, MRPL and several other companies in India and Tanzania. Mr. Singh was selected by Commonwealth Secretariat, London and posted with Tanzania Development Finance Company Ltd. (TDFL) during April, 1995 to January, 1998 initially as Deputy Director for setting up Corporate Advisory Services Division and later elevated to the post of Executive Director in-charge of entire operations. He was also a member in several Committees constituted by the Government/ Reserve Bank of India (RBI), the last being the Committee for Corporate Debt Restructuring (CDR).

**Mr. A. Sankara Rao**

Mr. Rao is a Bachelor of Commerce. He has rich experience in the trading business of commodities such as pulses, sugar, jute etc. He has about 27 years of experience in general administration and management.

**Mr. Uday M. Chitale**

Mr. Uday M. Chitale has been on the Company's Board since 2006. Mr. Chitale is Chartered Accountant in professional practice for over 36 years and is the Senior Partner of the well known firm, M.P. Chitale & Co, Mumbai, affiliated with DFK International. He is/has been director of various companies including ICICI Bank Limited, ICICI Securities Limited and JSW Steel Limited. He is currently a director on the global board of DFK International and Vice President

in charge of Asia Pacific region. Mr. Chitale served on several expert committees set up by the Government of India, Insurance Regulatory and Development Authority, Reserve Bank of India, SEBI and professional bodies such as Institute of Chartered Accountants of India and Bombay Chartered Accountants Society. Mr. Chitale's core professional practice areas include corporate auditing and management advisory services especially to the financial sector. His special interests include international business negotiations and commercial dispute resolution. He has contributed to the development of Alternative Dispute Resolution in India and is the founder Director of Indian Council for Dispute Resolution. In the year 2000, he received accreditation as 'Certified Mediator' from the Centre for Effective Dispute Resolution (CEDR), UK.

**Mr. S. Sandilya**

Mr. Sandilya has been on the Company's Board since 2006. He is the Chairman of Eicher Group. He has about 41 years of experience. He has been associated with Eicher Group in various positions including Chief Executive and Managing Director of Eicher Motors Limited and subsequently as Group Chairman and Chief Executive of Eicher Group from 2000 to 2006. He is a National Council member of the Confederation of Indian Industries (CII); President,

SOS, Children's Villages of India; Chairman of Lean Management Institute of India, Member of the Board of Lean Global Network, USA; An Executive Committee Member and Vice President of the Society of Indian Automobiles Manufacturers, member of the Board of Directors of Indore Management Association and was the Treasurer of All Indian Management Association for the period 1998-2000. He is a Bachelor of Commerce and MBA from Indian Institute of Management, Ahmedabad.

**Mr. N. V. Varadarajulu**

Mr. Varadarajulu has been on the Company's Board since 2000. He is a Bachelor of Engineering in Mechanical. He also holds post graduate diploma in Sugar Engineering. He has about 44 years of experience in maintenance, overhauling and running of Sugar Plants, erection and commissioning of sugar plants, rehabilitation, modernisation and expansion of sugar plants, project management and advisory services. He has worked with Nizam Sugars, Sri. Chamudeswari Sugars, A. P. State Federation of Co-operative Sugar Factories in various senior positions.

**Mr. D. Kumaraswamy**

Mr. D. Kumaraswamy joined the Board of the Company on 18th May, 2010. Mr. Kumaraswamy holds a Bachelors Degree in Commerce. He is an Associate Member of the Institute of Chartered Accountants of India and a qualified Company Secretary. He joined E.I.D-Parry (India) Limited (EID Parry) in March, 1986. During his stint in the Finance function, Mr.D.Kumaraswamy served in various capacities ranging from head of factory accounts to Head of

finance of the Farm Inputs division of the Company before moving to the corporate office handling accounts, MIS and Treasury and later on as the CFO of the Company. He was the Head of the Finance function of EID Parry for over a decade during which time he spearheaded several M&A transactions. He was a key member of the team in the growth phase of the sugar business, through acquisition, expansion and Greenfield projects. He later on moved on to take over as head of Bio products and Nutraceuticals business of EID Parry, which mostly cater to overseas markets and have high growth potential. In Nutraceuticals, he played a significant role in acquiring a majority stake in a domestic company as well as a US based company.

# **GMR**

## **NOTICE**

Notice is hereby given that the 24th Annual General Meeting of GMR Industries Limited will be held on Wednesday, the 4th August, 2010 at 11.00 a.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001 to transact the following business:

### **Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended as on that date and the reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Uday M. Chitale, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. N.V. Varadarajulu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Price Waterhouse, Chartered Accountants (Registration No. 301112E) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

In this connection, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** M/s. Price Waterhouse, Chartered Accountants (Registration No. 301112E) be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, on such remuneration as may be determined by the Board of Directors of the Company."

### **Special Business**

5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
**RESOLVED THAT** Mr. K. Balasubramanian, who was appointed as an Additional Director of the Company by the Board of Directors on October 27, 2009 and who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.
6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
**RESOLVED THAT** Mr. D. Kumaraswamy, who was appointed as an Additional Director of the Company by the Board of Directors on May 18, 2010 and who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.

By order of the Board of Directors

Place : Bangalore  
Date : June 18, 2010

Sd/-  
**B. M. Rath**  
Company Secretary

### **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. HOWEVER, THE DULY FILLED IN AND SIGNED PROXY FORM(S) IN ORDER TO BE VALID, SHALL BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 27.07.2010 to 04.08.2010 both days inclusive.
5. Members holding shares in physical form may write to the Company's Share Transfer Agents (M/s. Karvy Computershare Private Limited) for any change in their address and bank mandates and Members having shares in electronic form may inform the same to their Depository Participants.

6. Members desiring any information as regards to the Accounts and operations of the Company are requested to send their queries at least 7 days before the date of the meeting to the Company, so that the desired information may be made available at the Meeting.
7. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the dividend unclaimed up to the financial year 1998-99 had already been transferred to Investor Education and Protection Fund (IEPF). The following are the due dates for transfer of unclaimed dividends to IEPF since 2003-04 to 2007-08.

Financial Year	Date of declaration	Unclaimed Dividend As on March 31, 2010	Due date of transfer to IEPF
2003-04	August 7, 2004	Rs. 10,16,095	2011-12
2004-05	August 20, 2005	Rs. 10,45,423	2012-13
2005-06	September 28, 2006	Rs. 24,70,978	2013-14
2006-07	September 25, 2007	Rs. 6,53,499	2014-15
2007-08	September 25, 2008	Rs. 5,06,488	2015-16

The shareholders are requested to claim their unclaimed dividends for the financial years 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08. The Company is statutorily required to transfer to IEPF all unclaimed/unpaid dividend remaining unpaid/unclaimed for a period of seven years from the date they became due for payment and once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Company or the IEPF.

8. As per the provisions of Section 109A of the Companies Act, 1956, nomination facility is available to the members, in respect of the equity shares held by them. Nomination forms can be obtained from the RTA.
9. Detailed information regarding the Stock Exchanges where the equity shares of the Company are listed, along with their address and the stock code given to the Company by the respective Stock Exchanges are indicated in the Corporate Governance Report.
10. The SEBI vide Circular No. MRD/DoP/Cir-05/2009 dated May 20, 2009 has made it mandatory to furnish copy of PAN card to the Company/ RTAs for registration of transfer of shares, for securities market transactions and off-market/private transactions involving transfer of shares in physical form. In this connection, the transferees of the Company's shares are requested to submit a copy of their PAN Card alongwith the Transfer Deed.
11. M/s. Price Waterhouse, Chartered Accountants (Registration No. 007568S), statutory auditors of the Company, who retire at the conclusion of the ensuing Annual General Meeting of the Company have expressed their desire to discontinue as Auditors of the Company for the financial year 2010-11.  
  
M/s. Price Waterhouse, Chartered Accountants (Registration No. 301112E) have expressed their willingness to be appointed as statutory auditors of the Company for this financial year 2010-11. Special notice has been received from a member proposing their appointment as statutory auditors of the Company for the financial year 2010-11.
12. The profile of the Directors seeking re-appointment/new appointment is indicated in the Corporate Governance Report.
13. Copies of all documents referred to in the notice are available for inspection at the Registered office of the Company between 10 a.m. and 1 p.m. on all working days till the date of the meeting.

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

##### **Item No.5**

Mr. K. Balasubramanian was appointed as an Additional Director of the Company with effect from October 27, 2009 and holds office till this Annual General Meeting. Mr. Balasubramanian has over 45 years of experience in international banking, finance and general management. He is a graduate in commerce from the University of Madras and has done the Advanced Management Programme from Harvard Business School. After working in India with two of the largest banks viz., UCO Bank and Bank of India, for about 10 years, he joined American Express Bank in 1973. He held senior positions in marketing, credit and general management in several countries in Asia and Europe during his 25 years service with American Express Bank. His assignments with American Express Bank were Country Head for Korea (1988-1991), Country Head-India & Nepal (1992-1994) and Chief Credit Officer for Asia Pacific and Indian Sub Continent (1994-1997). After leaving American Express Bank, he was an Advisor to National Bank of Kuwait and subsequently the CEO of ING Vysya Bank (2001-2002).

The Company has received a Notice in writing from a member of the Company along with required deposit proposing the candidature of Mr. K. Balasubramanian for the office of Director under the provisions of Section 257 of the Companies Act, 1956. The profile of Mr. Balasubramanian is given in the Corporate Governance Report which is annexed to this Annual Report.

Your Directors commend the proposed resolution for approval of the Members.

None of the Directors except Mr. K. Balasubramanian is concerned or interested in the resolution.

**Item No.6**

Mr. D. Kumaraswamy was appointed as an Additional Director of the Company with effect from May 18, 2010 and holds office till the date of this Annual General Meeting. Mr. Kumaraswamy holds a Bachelors Degree in Commerce and is an Associate Member of the Institute of Chartered Accountants of India and a qualified Company Secretary. He joined E.I.D. Parry (India) Limited (EID Parry) in March, 1986. During his long stint in the Finance function at EID Parry, Mr. D. Kumaraswamy served in various capacities ranging from head of factory accounts to Head of finance of the Farm Inputs division of the company before moving to the corporate office handling accounts, MIS and Treasury and later on as the CFO of the company. He was the head of the Finance function of EID Parry for over a decade during which time he spearheaded several M&A transactions. He was a key member of the team in the growth phase of the sugar business, through acquisition, expansion and Greenfield projects. In this process, he developed very good relationship with banks and financial institutions, credit rating agencies, analysts and investors. He later on moved on to take over as head of Bio products and Nutraceuticals business of EID Parry, which mostly cater to overseas markets and have high growth potential.

In Nutraceuticals, he played a significant role in acquiring a majority stake in a domestic company as well as a US based company.

The Company has received a Notice in writing from a member of the Company along with required deposit proposing the candidature of Mr. D. Kumaraswamy for the office of Director under the provisions of Section 257 of the Companies Act, 1956. The profile of Mr. Kumaraswamy is given in the Corporate Governance Report which is annexed to this Annual Report.

Your Directors commend the proposed resolution for approval of the Members.

None of the Directors except Mr. D. Kumaraswamy is concerned or interested in the resolution.

By order of the Board of Directors

Place : Bangalore  
Date : June 18, 2010

Sd/-  
**B. M. Rath**  
Company Secretary



## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 24th annual report together with the audited financial statements for the year ended 31st March, 2010.

The financials for the year ended 31st March, 2010 are summarized below.

(Rs. in Lakhs)

	2009-10	2008-09
Sales Income	19764.49	12684.33
Other Income	2991.76	806.66
Total Income	22756.25	13490.99
Profit before Interest and Depreciation	1745.02	3061.35
Interest	4209.89	2051.50
Depreciation	2687.48	1781.46
Profit before prior period expenses & tax	(5152.35)	(771.61)
Extraordinary items	831.29	–
Profit before taxation	(5983.64)	(771.61)
Provision for tax		
– Earlier years	55.56	–
– Deferred Tax	(196.11)	(859.21)
– Fringe Benefit Tax	–	26.30
Profit after Tax	(5843.09)	61.30
Balance brought forward from previous year	5572.66	5551.02
Less: Adjustment on account of Foreign Exchange Differences	–	(39.65)
Balance available for appropriations	(270.43)	5572.67
Set-off against General Reserve	(270.43)	–
Appropriations:		
Proposed Preference Dividend	–	–
Proposed Equity Dividend	–	–
Taxes on Dividends	–	–
Transfer to General Reserve	–	–
Balance carried forward to Balance Sheet	–	5572.67

### DIVIDEND

In view of the losses incurred, your Directors do not recommend any dividend for the financial year ended 31 March, 2010.

### COMPANY PERFORMANCE

During the year under review, your company's turnover was Rs. 19764.49 lakhs as against Rs.12684.33 lakhs for the previous year. The profit before interest and depreciation of Rs. 1745.02 Lakhs was lower by 43% as compared to the last year.

The performance of the Company was adversely affected mainly due to low availability of sugarcane, leading to lower production of sugar and lower bagasse and molasses availability impacting the entire value chain. In Karnataka both the units at Haliyal and Ramdurg had initial technical problems resulting in lower production. At Haliyal, after the crushing started the plant could not work at full capacity for nearly 50 days due to design issues of the Evaporator. There was also considerable delay in getting the license for Distillery operations from the Government of Karnataka; this combined with plant stabilization challenges led to low production at Distillery. At Ramdurg, there was a breakdown of the turbo-generator and collapse of spray pond during the beginning of the season due to which commencement of crushing was delayed by about 4 weeks. Both plants have, however, stabilized towards the end of the season.

The Company also faced the challenge of mobilizing harvesting and transport gangs in Karnataka. On the pricing front while the selling price of sugar started going up in the first two quarters, the Company could not take advantage owing to low carry forward inventories. During the season, high cane prices more than negated the improvement in selling prices. Moreover in line with the Industry, the Company had to pay over Rs. 831.29 Lakhs during the year in Karnataka as additional cane price for the cane supplied during the previous year. The Government has also enhanced the levy quota of sugar from 10% to 20% without corresponding increase in the levy price, thus putting additional burden on the Company.



During the year, the Company has written back Rs.1408.12 Lakhs being the provision made towards "L" factor pursuant to an amendment made to the sugarcane control order.

## **NEW PROJECTS**

During the year, the Company acquired the balance share capital of Alagawadi Bireshwar Sugars Pvt. Ltd. (ABSPL), which has become a wholly-owned subsidiary of the Company w.e.f. 27th March, 2010. ABSPL proposes to set up an integrated sugar plant at Raibagh, Karnataka and the land acquisition process is almost completed. The acquisition of land at Srikakulam is also in progress.

## **MEASURES TAKEN FOR CANE DEVELOPMENT**

Implementation of the 5-year Cane Development Plan that your Company had drawn last year is under progress and this is expected to improve cane acreage and yield in the coming years. Major cane development programs will continue to be initiated by the Company aimed at improving area under cultivation, cane yield and improving the quality of cane.

## **CLEAN DEVELOPMENT MECHANISM (CDM)**

As the shareholders are aware, the Company has registered its Methane Capture Project with UNFCCC-Clean Development Mechanism (CDM). Your Company shall further pursue its effort in identifying fresh CDM Projects in new locations at Haliyal for energy efficiency devices.

## **SHARE PURCHASE AGREEMENT**

The promoters of the Company, M/s. GMR Holdings Pvt. Ltd. have signed a Share Purchase Agreement with EID Parry(India) Ltd (EID Parry) on 25th April 2010 to sell up to 1,29,75,110 but not less than 1,01,80,471 Shares, i.e., constituting up to 65% but not less than 51% of the issued and paid up equity share capital and the entire preference share capital of the company i.e., 1,28,31,880 Preference shares of Rs.11/- each held by them in the Company. The acquisition of equity shares in our Company by EID Parry is subject to the compliance by EID Parry of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (Takeover Code). Pursuant to such requirement under the Takeover Code, EID Parry has made a Public Announcement on 26th April 2010.

EID Parry, established in the year 1788, is part of Murugappa group, one of the respected and largest business groups in the country. EID Parry is a dominant player in Sugar with interests in promising areas of Bio Pesticides and Nutraceuticals. Incorporated in 1975, the company has five sugar factories having a capacity to crush 19000 Tonnes of Cane per day, generate 85 MW of power and two distilleries having a capacity of 135 KLPD. EID Parry, being an established player in the Sugar Industry with proven track record, we believe that this proposed acquisition will enhance the shareholders' value in the long run and will further reinforce the Company's commitment to the sugar business and strengthen our relationship with the Farmers.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **SUGAR INDUSTRY OVERVIEW**

In response to the surge in retail sugar prices towards the latter half of the year, the Government intervened with a series of measures. The levy quota was increased from 10% to 20% without a corresponding increase in price. Restrictions were imposed on stock holding by major institutional buyers. To address the demand-supply gap and the consequent effect on prices the release mechanism was tightened and import duty on raw and white sugar was lifted.

With supplies easing towards the end of the year and the estimated sugar production revised upwards, sugar prices fell considerably thereby adversely affecting the economics of the Mills which had taken positions on raw sugar imports.

There is likely to be a surge in domestic sugar production in the next two years, 22.5 million MT in 2010-11 going up to 30 million MT in 2011-12, against 18 million MT in 2009-10. The consumption is expected to grow at around 3% from the current level of 24 million MT.

### **Our Performance during 2009-2010**

Crushing of sugarcane during the year was 5,85,352 MT (2008-09; 3,83,244 MT). The sugar production was at 5,66,855 qtls (2008-09; 3,89,825 Qtls) and sales was 4,56,592 qtls (2008-09; 3,05,278 qtls). The average sugar sales realization was Rs. 2,779 per qtl. (2008-09; Rs.1,717 per qtl). During the year, the Company processed 19963 MT of raw sugar at its Sankili plant on job work basis and achieved a contribution of Rs.137.47 Lakhs.

### **COGENERATION**

As per estimates, there is a potential for power generation of about 15,000 MW (including sugar industry) through co-generation in various core industries in the country. Co-generation will help to improve the quality of life while keeping the environment clean.

The sugar industry is playing an important role within this renewable energy landscape. Bagasse, a sugar industry by-product and other renewable biomass can substitute fossil fuels in power generation, while reducing greenhouse gas emissions. According to sources, the cogeneration facility can add 9,700 MW of power, addressing around 6% of the country's cumulative power requirement with the potential to earn around 48 million carbon credits besides leveraging uninterrupted power supply and enhance asset utilization. On the other hand, some of the power generated can be used for captive consumption thereby reducing power cost.

During the year the total power generated by our Cogeneration Plants was 1025.56 lac units, as against 814.80 lac units in the previous year. The Company benefited due to a short term enhancement in power tariff rate by the Government of Karnataka.

## DISTILLERY

Molasses, the byproduct of sugarcane crushing, can be converted into various types of alcohols like Rectified Spirit, Extra Neutral Alcohol and Fuel Alcohol. Majority of distilleries in India produces alcohol from sugarcane molasses. The distillery industry based on molasses consists of potable liquor and industrial alcohol.

The commissioning of the Distillery plant at Haliyal was delayed due to delay in receipt of the approval of the license from the Government of Karnataka. During the year the Company produced 95.92 lakh litres of Industrial Alcohol against, 93.53 lakh litres produced in the previous year.

## SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Product/Services	2009-10		2008-09	
	Quantity	Value (Rs. in Lakhs)	Quantity	Value (Rs. in Lakhs)
Sugar (Quintals)	4,56,592	12,687.23	3,05,278	5241.40
Cogen(Units)	7,33,33,000	3,238.01	5,91,74,150	3002.73
Distillery (Litres.)	98,81,000	3,423.02	90,10,321	2715.75

## INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

The Company has in place adequate systems of internal control. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with best practices in these areas as well. All these controls and processes have been embedded and integrated with SAP system including the Cane Management System which has been implemented. Some significant features of the internal control systems include the following:

- Delegation of power and responsibility matrix with authority limits defined for incurring capital and revenue expenditure;
- Corporate policies on accounting and major processes;
- Well-defined processes for formulating and reviewing annual and long-term business plans;
- Preparation and monitoring of annual budgets for all operating activities, projects and service functions;
- A well-established multi-disciplinary internal audit team, which review and report to the management and the Audit Committee about the compliance to internal controls, corporate governance, statutory compliance efficiency and effectiveness of operations, key process risks, and information integrity & security;
- Audit Committees of the Board of Directors regularly reviews the audit plans, significant audit findings, compliance to suggested audit recommendations, adequacy of internal controls, compliance to Accounting Standards as well as reasons for changes in accounting policies and practices, if any;
- Entity-level controls and testing of key controls as a part of compliance to applicable rules and regulations;
- Identifying and mitigating key business risks through an Enterprise Risk Management programme.

**HUMAN RESOURCES DEVELOPMENT**

Your Company is a strong value based organization with a culture that promotes openness, empowerment and freedom. The organization believes that human capital is the key differentiator in business in a challenging and competitive environment, The Company had a total employee strength of 571 as on 31 March, 2010. The company and the management strive to deliver contemporary HR practices focusing on long-term imperatives such as:

**Talent Management:** The Company nurtures both experience and fresh talent and actively encourages talent acquisition from both within the sector and outside. This gives the Company the benefit of cross pollination. The process of job rotation, job enrichment and job sculpting has started this year as a first step towards exposing the employees to diverse and challenging assignments thereby building the talent pipeline for the future. As part of talent management the company also initiated formal process of succession planning for critical positions.

**Learning & Development and capability enhancement:** During the year the Company organized Senior Leadership Programmes to enhance Leadership capability. Hewitt was engaged to assess the developmental interventions required for the Senior Leadership Team. Competency Development Programmes were also organized for the Top Management, NextGen Managers programme for the Middle Management, First Time Leaders Programme for the Junior Management and Development programmes for the Staff.

**Two way Employee Communication:** The Company is guided by its stated Values and Beliefs - Humility, Entrepreneurship, Teamwork and Relationships, Deliver the promise, Learning, Social responsibility and Respect for Individual which influences our management practices and processes. A series of initiatives were taken during this year to ensure that these were cascaded down to all the employees of the company through V & B workshop at each unit locations. Communication by Top Management through Town Hall and Skip Level meetings and other forums has created confidence and resulting in active involvement of employees.

**Employee Engagement:** Few of the initiatives driven to enhance employee engagement were Self Managed Team Concept, Institutionalization of 5's implementation, Visual Factory - Safety Awareness, Quality Circles, Foundation day, Knowledge sharing sessions, Jagruti- HR Policy Road shows and Industrial visits.

**Rewards and Recognitions:** These includes Best Employee Award, Long Service Awards etc.

**CAUTIONARY STATEMENT**

The management discussion and analysis report containing your Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement. Your Company's operation may interalia be affected by the supply and demand situations, input price and the availability, changes in the government regulations, tax laws and other factors. The Company cannot guarantee the accuracy of the assumptions and perceived performance of the Company in future. The investors should bear the above in mind.

**SUBSIDIARY ACCOUNTS**

In terms of the approval granted by the Central Government u/s 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, and Reports of the Board and the Auditors of the Subsidiary Company, Alagwadi Bireswar Sugars Pvt Ltd. have not been attached to the Balance Sheet of the Company as at 31st March, 2010. However, as directed by the Central Government, the financial data of the subsidiary have been separately furnished forming part of the Annual Report. The Company will make available the annual audited accounts and related detailed information of the Subsidiary Company upon request by any member of the Company. These documents will also be available for inspection at the Registered Office of the Company during working hours up to the date of the Annual General Meeting.

**CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the same together with Auditors' Report thereon form part of the Annual Report.

**DIRECTORS**

Mr. B.V.N. Rao, Chairman resigned from the Board with effect from 19th October, 2009. The Board places on record its grateful appreciation of the valuable services rendered and contributions made by Mr. B.V.N. Rao as the Chairman of the Company. Mr. K.Balasubramanian joined the Board on 27th October, 2009 and was appointed as Chairman of the Company.

Mr. D. Kumaraswamy joined the Board as an Additional Director on 18th May, 2010 in terms of the share purchase agreement signed by the promoters of the Company with EID Parry (India) Ltd.

Both Mr. K. Balasubramanian and Mr. D. Kumaraswamy will hold office till the ensuing Annual General Meeting. The Company has received notices from members proposing the appointments of K. Balasubramanian and Mr. D. Kumaraswamy as Directors of the Company. A brief resume, expertise and details of other directorships of K. Balasubramanian and Mr. D. Kumaraswamy are provided in the Corporate Governance Report.

Mr. Uday M. Chitale and Mr. N.V. Varadarajulu retire by rotation in terms of Article 108 of the Articles of Association of the Company and being eligible, offers themselves for re-appointment. A brief resume, expertise and details of other directorships of Mr. Uday M.Chitale and Mr. N.V. Varadarajulu are provided in the Corporate Governance Report.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation given by the Executives of the Company and also subject to disclosures in the Annual Accounts, your Directors confirm as under:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- iii. that the Directors had 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.
- iv. that the Directors had prepared the annual accounts for the financial year ended 31st March, 2010 on a going concern basis.

### **SOCIAL RESPONSIBILITY**

Through its CSR projects, the Company seeks to provide quality education, improve access to public health system, nutritional inputs and enhancing economic opportunities of families and community through the promotion of sustainable agriculture and micro enterprises and by providing vocational training to youth and girls. The CSR arm of the Group, GMR Varalakshmi Foundation run preschools which provide care and support to the children below 6 years of age. Through Bala Badi centers, supplementary nutrition and regular health checkups are provided to the children. Training and orientation are given to the mothers on best child rearing practices and family planning methods. Other initiatives of the Foundation includes working with Government schools to improve the quality of education, organizing Medical and health checkups for the children/families, regular medical camps like eye-camp, dental camps and diabetes camps, etc. The Foundation also facilitates in tying up with recognized training institutes for the skill development for young boys in the area of driving, desk top publishing, garment making, electrical wiring, mobile and TV repair, etc. Apart from improving the livelihood, the Foundation also has facilitated self help groups and village development committees in order to ensure people's participation towards ensuring sustainability of its intervention.

### **PREFERENCE SHARE CAPITAL**

The Company had issued 8% Redeemable Preference shares to the Shareholders of erstwhile Varalakshmi International Limited (VIL) consequent upon VIL's merger with the Company on August 14, 2004. The entire 12831880 preference shares of the Company are currently held by GMR Holdings Pvt. Ltd. the promoters of the Company. As per the consent received from M/s GMR Holdings Pvt. Ltd. pursuant to the provisions of Section 106 of the Companies Act, 1956, the terms of the said 8% cumulative preference shares have been varied to be non-cumulative. The Company has accordingly, treated the same in the Accounts for the year ended 31.03.2010. The Share Purchase Agreement entered into by the promoters with E.I.D.- Parry (India) Ltd. also includes the said preference shares.

### **FIXED DEPOSITS**

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act 1956. As such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

**CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance Requirements as set out by SEBI. The Ministry of Corporate Affairs recently announced a set of voluntary guidelines on Corporate Governance. The Company, in line with its guiding principle of being committed to the philosophy and practices of good corporate governance, is in conformity with many of these guidelines and will evaluate the feasibility for its implementation gradually. The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite certificate from a Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid clause 49 is attached to this Report.

**PERSONNEL RELATIONS**

Your directors hereby place on record their appreciation for the services rendered by the executives, staff and workers of the Company. During the year under review, relations between the employees and the management continued to remain cordial.

**CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information relating to conservation of energy, technical absorption and foreign exchange earnings and outgo pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

**AUDITORS**

M/s. Price Waterhouse, Chartered Accountants (Registration No 007568S), statutory auditors of the Company, who retire at the conclusion of the ensuing Annual General Meeting of the Company have expressed their desire to discontinue as Auditors of the Company for the financial year 2010-11. M/s. Price Waterhouse, Chartered Accountants (Registration No 301112E ) have expressed their willingness for appointment as statutory auditors and confirmed that their appointment, if made, will be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. Special notice has also been received from a member proposing the appointment of M/s. Price Waterhouse, Chartered Accountants (Registration No 301112E) as statutory auditors of the Company for the financial year 2010-11.

**COST AUDITORS**

Mr. S. P. Sarma, Cost Accountant, was appointed as Cost Auditor of the Company with the consent of the Government of India for conducting the cost audit of Sugar Units of the Company, for the financial year 2009-10. However, due to the sad demise of Mr. Sarma, the Company with the consent of Government of India appointed Mr. Narashima Murthy & Co., Cost Auditor to carry out the cost audit for the year 2009-2010.

**PARTICULARS OF EMPLOYEES**

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure forming part of this Report.

**ACKNOWLEDGEMENTS**

Your directors acknowledge and express their grateful appreciation for the co-operation and assistance received from Banks, Government Authorities, Customers, Farmers and Suppliers.

Your directors also thank the shareholders for the confidence reposed by them in the management of the Company and for their continued support and co-operation.

For and on behalf of the Board

Place : Bangalore  
Date : June 18, 2010

**K. Balasubramanian**  
Chairman



**A) Conservation of energy**

a)	Energy Conservation Measures Taken;	At the Haliyal Plant Variable Frequency devices (VFDs) have been installed at Diffuser for the Scalding Juice pumps. VFDs have also been installed for Air blower for Sulphur burners
b)	Additional investments and proposals, if any, being implemented for reduction of consumption of energy;	The Company have invested an amount of Rs. 5 Lakhs for Energy Audit of the Haliyal plant.
c)	Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;	Savings achieved is @ 0.5 unit/ton of cane by installing above VFDs. Suggestions of energy audit will be taken up during the next financial year.
d)	Total energy consumption and energy consumption per unit of production	As per Form A.

**B) Technology absorption:**

e)	Efforts made in technology absorption	As per Form B
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**C) Foreign exchange earnings and outgo:**

(Rs. in Lakhs)

f)	Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;	Nil	
g)	Total foreign exchange used and earned.	<b>2009-2010</b> (Rs. in Lakhs)	2008-2009 (Rs. in Lakhs)
	Foreign Exchange used		
a)	Capital Items	254.41	942.83
b)	Stores & Spares	-	14.53
c)	Travel Expenses	-	15.42
d)	Consultancy Fees	-	56.86
e)	Aircraft inspection and data link service.	-	60.62
	Foreign Exchange earned		
	Sale of CER/VER	-	89.28

**FORM A**

**Form for Disclosure of particulars with respect to Conservation of Energy**

<b>A. POWER AND FUEL CONSUMPTION</b>	<b>2009-10</b>	<b>2008-09</b>
<b>1. Electricity</b>		
<b>a. Purchased units</b>	<b>93573</b>	606601
Amount (Rs. in Lakhs)	528911	28.54
Rate/ Unit (Rs.)	5.65	4.70
<b>b. Own Generation</b>		
<b>(i) Through Diesel</b>		
Units generated	271958	278171
Diesel Consumed (Ltrs)	156655	118670
Cons. value of diesel (Rs. in Lakhs)	62.19	43.45
Units per Litre of Diesel Oil	1.74	2.34
Cost / Unit (Rs.)	22.87	15.62
<b>(ii) Through Steam Turbine</b>		
Units generated	19767411	16223592
Cost / Unit (Rs.)	6.98	4.03
<b>2. Furnace Oil</b>	-	
Units (Litre)	-	
Amount (Rs.)	-	
Cost / Unit (Rs.)	-	
<b>3. HSD Oil</b>		
Units (Litre)	156655	86537
Amount (Rs. in Lakhs)	62.19	31.13
Rate / Unit (Rs.)	39.70	35.97
<b>B. CONSUMPTION PER UNIT OF PRODUCTION/SUGAR (QTL)</b>		
1. Electricity (Units)	35.27	39.88
2. Furnace Oil (Litre)	Nil	Nil
3. HSD Oil	0.27	0.20

**FORM B**  
**(See rule 2)**

Form for disclosure of particulars with respect to absorption.  
Research and development (R & D)

1. Specific areas in which R & D carried out by the company.
  2. Benefits derived as a result of the above R&D
  3. Future plan of action
  4. Expenditure on R & D:
    - (a) Capital
    - (b) Recurring
    - (c) Total
    - (d) Total R & D expenditure as a percentage of total turnover
- Technology, absorption, adaptation and innovation*
1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
  2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.
  3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :
    - (a) Technology imported.
    - (b) Year of import.
    - (c) Has technology been fully absorbed?
    - (d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action

- Nil-

For and on behalf of the Board

Place : Bangalore  
Date : June 18, 2010

**K. Balasubramanian**  
Chairman

**Annexure to the Directors' Report**

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report for the year ended 31st March 2010.

Name of the Employee	R. Ramakrishnan	TCS Reddy	Krishnan Kumar	M. Krishnan*	U. Naresh Kumar**
Age	59	59	47	54	57
Designation and Nature of Employment	Managing Director	Director - Technical	CFO	Head-Cane	COO
Remuneration (Rs.)	73,39,359	39,93,096	42,65,880	28,34,103	14,55,238
Educational Qualifications	Diploma (Mech. Engg.) & MBA	B.E. (Mech.), ANSI	B.Com., ACA	B.Sc. (AGRI), PGDBM	B.E. (Chem.), MBA
Experience (No. of Years)	40	37	23	35	32
Date of Commencement of Employment	12.07.2006	12.06.1996	07.09.2006	10.11.2008	18.12.2009
Last Employment	Sanmar Group	Empee Sugars & Chemicals Ltd.	Kewalram Chanrai Group	E.I.D. Parry (India) Limited	GMR Ferro Alloys & Industries Ltd
No. of shares held in the Company, if any	-	-	-	-	-
Employment for the year (part of year / full year)	Full year	Full Year	Full Year	Full Year	Part of the year

\*Resigned w.e.f. 31 March, 2010.

\*\* Appointed w.e.f. 18th December 2009

- The nature of appointment is contractual.
- None of the above employees are related to any directors of the Company.
- None of the employees by themselves or along with their spouse and dependent children hold more than 2 percent shares of the Company.
- Remuneration received includes Salary, House Rent Allowance, Contribution to Provident Funds & other perquisites.



## REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance

The Company's Corporate Governance philosophy is founded upon transparency, integrity, honesty, accountability upholding its values and beliefs that vibrates and resonates with the spirit of the principles of governance. Good corporate governance is an integral part of the management in its pursuit for excellence, growth and value creation. The Company always strive to ensure compliance with regulatory requirements both in letter and spirit besides being responsive to the aspirations of our stakeholders. The Company recognizes that governance is a conscious and continuous process across the Organization, which enables the Company to adopt best practices to retain and enhance the trust of all our stakeholders.

#### 1. Board of Directors

##### A. Composition of Board

The Board consists of eight Directors including a Non-Executive Chairman, a Managing Director and two Executive Directors (as on 31.03.2010). Four Directors are Independent Directors (i.e., 50%). All important strategic policy matters are deliberated at the Board Meetings where the role of Independent Directors is crucial. The Independent Directors are professionals with high credentials who actively contribute in the deliberations of the Board. The Board of Directors of the Company has an optimum combination of non-executive and independent directors, which is in conformity with Clause 49 of the Listing Agreements with the Stock Exchanges.

The name and categories of Directors on the Board and the number of Directorship and Committee Chairmanships/Memberships held by them in other Companies as on March 31, 2010 are given below:

Name of the Director	Director Identification Number (DIN)	Category	No. of Directorships in other public limited companies #		No. of Committee positions in other public limited companies \$	
			Chairman of the Board	Member of the Board	Chairman of the Committee	Member of the Committee
Mr. K.Balasubramanian Chairman *	00009132	Non-Independent and Non Executive	–	5	1	1
Mr. R. Ramakrishnan Managing Director	00680202	Non-Independent and Executive	–	–	–	–
Mr. T. C. S. Reddy Director (Technical)	01064778	Non-Independent and Executive	–	–	–	–
Mr. A. Sankara Rao Executive Director	00229921	Non-Independent and Executive	–	–	–	–
Mr. S. Sandilya Director	00037542	Independent and Non-Executive	1	3	2	2
Mr. Uday M. Chitale Director	00043268	Independent and Non-Executive	–	5	2	3
Mr. V. P. Singh Director	00015784	Independent and Non-Executive	–	3	1	–
Mr. N. V. Varadarajulu Director	00011736	Independent and Non-Executive	–	–	–	–

There are no inter-se relationships between our Board members.

\* Appointed as an Additional Director with effect from October 27, 2009

# Excludes Directorships / Committee Positions in Private Limited Companies which are not subsidiaries of Public Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

\$ Figures include Directorships / Committee Positions in Audit Committee and Shareholders / Investors Grievance Committee only.

None of the above Directors hold any shares in the Company as on March 31, 2010.

##### B. Board Meetings

The Board meets atleast once in a quarter to review the financial results and other items on the agenda, which are distributed to the Directors in advance. Four Board meetings were held during the year ended March 31, 2010. These were held on 26 May, 2009; 27 July, 2009; 27 October, 2009 and 29 January, 2010 and the maximum gap between the two Board Meetings did not exceed four months.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

### C. Directors' Attendance

The attendance of Directors at Board Meetings held during the financial year ended March 31, 2010 and at the previous Annual General Meeting held on 17 September, 2009 was as follows:

Name of the Director	No. of Board Meetings held during the period 01.04.2009 to 31.03.2010		Attendance at the previous AGM
	Held	Attended	
Mr.K. Balasubramanian (*)	4	2	No
Mr. R. Ramakrishnan	4	4	Yes
Mr. T. C. S. Reddy	4	3	Yes
Mr. A. Sankara Rao	4	-	No
Mr. N. V. Varadarajulu	4	3	Yes
Mr. Uday M. Chitale	4	3	Yes
Mr. V. P. Singh	4	3	Yes
Mr. S. Sandilya	4	4	Yes
Mr. B. V. N. Rao (**)	4	1	Yes

### D. Changes in the composition of Directors during financial year 2009-10

(\*) Mr. K. Balasubramanian was appointed as Additional Director with effect from 27.10.2009

(\*\*) Mr. B.V.N. Rao resigned from the Board with effect from 19.10.2009.

### E. Code of Conduct

The Company has adopted the code of conduct for all Board members and Senior Management as required under Clause 49 of the Listing Agreement. The Code is posted on the Company's website: [www.gmrindustries.in](http://www.gmrindustries.in). All Board members and Senior Management personnel have affirmed compliance with the Code on an annual basis and a declaration to this effect by Mr. R. Ramakrishnan, Managing Director is attached to this Report.

A code of business conduct and ethics applicable to all the employees of the group has been communicated which are to be followed in day to day work life that will enable employees to maintain highest standards of values in their conduct to achieve organizational objectives.

### F. Profile of Directors retiring by rotation and seeking re-appointment and new appointment in pursuance of Clause 41 of the Listing Agreement.

Name of the Director	Uday M. Chitale	N.V. Varadarajulu	K. Balasubramanian	D. Kumaraswamy
Date of Birth	20th October, 1949	7th July, 1937	3rd December, 1942	5th June, 1953
Date of Appointment	12th August, 2006	30th January, 2000	27th October, 2009	18th May, 2010
Qualifications	Chartered Accountant	B.E. (Mechanical) PG Diploma in Sugar Engg.	Graduate in Commerce from the University of Madras, Advanced Management Programme from Harvard Business School	B.Com., Chartered Accountant & Company Secretary
Expertise in specific functional area	Banking, Finance Advisory Services	Sugar Technocrat	International banking, finance and general management	Finance & General Business Management
Chairman/Director of other Companies	Director of other Companies DFK Consulting Services (India) Pvt. Ltd. DFK International DelVal Flow Controls Pvt. Ltd. Electronica Plastic Machines Ltd. GMR Infrastructure Ltd. ICICI Securities Primary Dealership Ltd. ICICI Securities Ltd. Indian Council for Dispute Resolution Janalakshmi Financial Services Pvt. Ltd. JSW Steel Ltd. Vemagiri Power Generation Ltd.	-	Director of other Companies GMR Holdings Pvt. Ltd. GMR Varalakshmi Foundation Coromandel Fertilisers Ltd. Easy Access Financial Services Ltd. DQ Entertainment Ltd. Grow Talent Company Ltd. Raxa Security Services Ltd.	Parry America Inc. Parry Phytoremedies Pvt. Ltd.

Name of the Director	Uday M. Chitale	N.V. Varadarajulu	K. Balasubramanian	D. Kumaraswamy
<b>Chairman/Member of the Committees(*) of the Boards of which he is a Director</b>	<u>Audit Committee</u> DeVal Flow Controls Pvt. Ltd. - Member Electronica Plastic Machines Ltd.- Member GMR Infrastructure Ltd.- Member ICICI Brokerage Services Ltd. - Chairman ICICI Securities Ltd. - Chairman JSW Steel Ltd.- Chairman Vemagiri Power Generation Ltd.- Member <u>Shareholders/Investors Grievance Committee</u> JSW Steels Ltd. - Member	-	<u>Audit Committee</u> Coromandel Fertilisers Ltd.- Member DQ Entertainment Ltd. – Member	-
<b>No. of shares held in the Company</b>	Nil	Nil	Nil	Nil

(\*) includes Audit, Remuneration and Shareholders/Investors Grievance Committees of other Companies.

## 2. Audit Committee

### A. Composition of the Audit Committee:

The Audit Committee of the Board comprises of four members viz., Mr. Uday M. Chitale; Mr. K.Balasubramanian; Mr. V. P. Singh and Mr. N. V. Varadarajulu. Mr. Uday M. Chitale is the Chairman of the Audit Committee. He is an Independent Director and Chartered Accountant by profession. The Audit Committee comprises of three Independent Directors and the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements have been complied with. Mr. B. M. Rath, Company Secretary acts as the Secretary of the Committee.

Chief Financial Officer is a permanent invitee to the Audit Committee Meetings. The Managing Director, Statutory Auditors, Internal Auditors, Cost Auditor and other members of the senior management attend when invited to the meetings.

### B. Meetings and Attendance during the year

During the financial year ended March 31, 2010, the Audit Committee met four times on May 26, 2009; July 27, 2009; October 26, 2009 and January 29, 2010 and the maximum gap between the two Audit Committee Meetings did not exceed four months. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Sr. No.	Name of the Member	No. of Meetings	
		Held	Attended
1.	Mr. Uday M. Chitale	4	3
2.	Mr. K. Balasubramanian (*)	4	1
3.	Mr. V. P. Singh	4	4
4.	Mr. N. V. Varadarajulu	4	3
5.	Mr. B. V. N. Rao (*)	4	1

(\*) Mr. B.V.N. Rao ceased to be a member of the Audit Committee consequent upon his resignation as Director w.e.f. 19.10.2009. The Committee was reconstituted w.e.f. 27.10.2009 by inclusion of Mr. K. Balasubramanian.

The necessary quorum was present for all the meetings.

Mr. Uday M. Chitale, Chairman of the Audit Committee was present at the Annual General Meeting held on September 17, 2009.

### C. The Terms of reference of Audit Committee:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees and approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Review with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same

- c) Major accounting entries involving estimates based on the exercise of judgment by management
  - d) Significant adjustments made in the financial statements arising out of audit findings
  - e) Compliance with listing and other legal requirements relating to financial statements
  - f) Disclosure of any related party transactions
  - g) Qualifications in the draft audit report.
4. Review with the management, the quarterly financial statements before submission to the board for approval.
  5. Review with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter.
  6. Review with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  7. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  8. Discuss with internal auditors any significant findings and follow up there on.
  9. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
  10. Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  12. To review the functioning of the Whistle Blower mechanism.
  13. Carry out any other function as is mentioned in the terms of reference of the Audit Committee.

### 3. Remuneration Committee

#### A. Composition of the Remuneration Committee

The Remuneration Committee comprises of four members viz, Mr. V. P. Singh; Mr. Uday M. Chitale; Mr. K. Balasubramanian and Mr. N. V. Varadarajulu. Mr. V. P. Singh, an independent Director, is the Chairman of the Remuneration Committee. Mr. B.M. Rath, Company Secretary acts as Secretary to the Remuneration Committee. The Chairman of the Remuneration Committee was present at the Annual General Meeting.

#### B. Terms of Reference

The Remuneration Committee, *inter alia*, shall

- Determine and recommend to the Board, the remuneration payable including any revision in remuneration payable to Managing Directors / Executive Directors / Non-Executive Directors.
- Take into consideration and ensure the compliance of provisions under Schedule XIII of the Companies Act, 1956, while determining the remuneration.
- To consider such other matter as the Board may advise the Committee.

#### C. Remuneration Committee Meetings

The Remuneration Committee Meetings would be held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to Managing Directors/Executive Directors/Non-Executive Directors, are to be considered.

During the financial year 2009-10 the Committee met two times on July 27, 2009 and October 26, 2009.

#### D. Attendance of Remuneration Committee Members during the financial year 2009-10

Sr. No.	Name of the Member	No. of Committee Meetings	
		Held	Attended
1.	Mr. V. P. Singh	2	2
2.	Mr. B. V. N. Rao*	2	–
3.	Mr. Uday M. Chitale	2	1
4.	Mr. N. V. Varadarajulu	2	1
5.	Mr. K. Balasubramanian*	2	–

\*Mr. B.V.N. Rao ceased to be a member of the Remuneration Committee consequent upon his resignation as Director w.e.f. 19.10.2009. The Committee was reconstituted w.e.f. 27.10.2009 by inclusion of Mr. K. Balasubramanian.

## E. Remuneration Policy

### i) Remuneration to Executive Directors

Remuneration to the Executive Directors comprises of Salary, Allowances & Perquisites and performance incentive. While determining the remuneration, the Committee shall take into account the financial position of the Company, prevailing trend in the industry, qualification, experience and past performance of the person. The performance incentive is determined based on performance parameters as per the Company's Policy and also based on certain pre-agreed performance parameters. The Company does not have any Employees Stock Option Scheme.

Details of remuneration paid during the financial year 2009-10 are furnished hereunder:

(Rs. in Lakhs)

Name of the Director	Salary	Allowances & Perquisites	Incentive	Total ***
Mr. R. Ramakrishnan – Managing Director*	18.68	50.39	1.87	70.94
Mr. T. C. S. Reddy – Director (Technical)	10.43	27.09	1.04	38.56
Mr. A. Sankara Rao**	4.00	–	–	4.00
<b>Total</b>	<b>33.11</b>	<b>77.48</b>	<b>2.91</b>	<b>113.50</b>

Note: (\*) In view of the inadequacy of profit during the financial year 2009-10, the Company had filed application with the Central Government and the Central Government has approved the remuneration paid to the Managing Director in excess of the limits specified in Schedule XIII of the Companies Act, 1956.

(\*\*) The remuneration is paid to Mr. Sankara Rao as Executive Director w.e.f. 01.08.2009. The Company had paid a total sum of Rs. 10,50,000/- to Mr. Sankara Rao towards advisory services during his tenure as Non-Wholetime Director from 01.11.2007 till 31.07.2009 and filed an application with the Central Government for approval u/s 297 & 309(5B) of the Companies Act, 1956. Since the application filed by the Company has not been considered favourably by the Central Government, Mr. Sankara Rao has returned the said sum to the Company.

(\*\*\*) Contribution to provident fund and other benefits are excluded

### ii) Remuneration to Non Executive Directors

Non-Executive Directors are paid sitting fees at Rs.10,000/- for each Board Meeting and Rs.5,000/- for each Committee Meeting. The Company also reimburses the out of pocket expenses incurred by the Directors for attending the Meeting. The details of sitting fees paid to the Non-Executive Directors for the financial year 2009-10 are as under:

(Rs. in Lakhs)

Name of the Director	Sitting Fees
Mr. N. V. Varadarajulu	0.50
Mr. V. P. Singh	0.60
Mr. Uday M. Chitale	0.50
Mr. S. Sandilya	0.40
<b>Total</b>	<b>2.00</b>

## 4. Shareholders / Investors Grievance Committee

### A. Composition of the Committee:

The Shareholders / Investors Grievance Committee comprises of Mr. K. Balasubramanian and Mr. R. Ramakrishnan. Mr. K. Balasubramanian, Non-Executive Director, is the Chairman. The composition of the Committee meets the requirements of Clause 49 of the Listing Agreement. Mr. B. M. Rath, Company Secretary & Compliance Officer acts as the Secretary of the Committee.

The functions of the committee include (i) dealing with the investors complaints like delay in transfers of shares, non-receipt of balance sheet, non-receipt of declared dividends/share certificates, dematerialization of shares, replacement of lost / stolen / mutilated share certificates, etc., (ii) investigate into investors complaints and take necessary steps for redressal thereof (iii) to perform all functions relating to the interest of shareholders/investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements and the guidelines issued by SEBI or any other regulatory authority.

### Name, designation and address of Compliance Officer:

Mr. B.M. Rath, General Manager (Legal) & Company Secretary  
 GMR Industries Limited  
 SKIP House, 25/1, Museum Road  
 Bangalore -560 025  
 Tel: 080-40534021 Fax: 080-40534057

## B. Meetings of the Shareholders/Investors Grievance Committee

During the financial year 2009-10, the Committee met four times on May 26, 2009; July 27, 2009; October 27, 2009 and January 29, 2010.

## C. Attendance of Shareholders/Investors Grievance Committee Members are as under:

Sr. No.	Name of the Member	No. of Meetings	
		Held	Attended
1.	Mr. K. Balasubramanian*	4	2
2.	Mr. R. Ramakrishnan	4	4
3.	Mr. B. V. N. Rao*	4	1

\*Mr. B.V.N. Rao ceased to be a member of the Shareholders/Investors Grievance Committee consequent upon his resignation as Director w.e.f. 19.10.2009. The Committee was reconstituted w.e.f. 27.10.2009 by inclusion of Mr. K. Balasubramanian.

## D. The details of complaints received during the financial year 2009-10 and status of the same are given below:

Sr. No.	Particulars	No. of complaints		
		Received	Resolved	Pending
1.	Non-receipt of dividend warrants	40	40	–
2.	Non-receipt of securities	35	35	–
3.	Non-receipt of Annual Report	4	4	–
4.	Non-receipt of securities after transfer	11	11	–
	<b>Total</b>	<b>90</b>	<b>90</b>	<b>–</b>

## 5. General Body Meetings

### (a) Annual General Meetings

The venue, date and time of the Annual General Meetings held during the preceding three years and the Special Resolution passed thereat are as under:

Year	Date & Time of Meeting	Venue	Special resolutions passed
2008-09	September 17, 2009	Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560 001	1) Payment of remuneration to the Managing Director in excess of the limits as per Sub Clause C of Section II of Part II of Schedule XIII of the Companies Act, 1956. 2) Payment of remuneration to the Director – Technical in excess of the limits as per Sub Clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956. 3) Payment of remuneration to the erstwhile Managing Director in excess of the limits as per Sub Clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956.
2007-08	September 25, 2008 at 9.30 a.m.	KLN Prasad Auditorium, P.B. No.14, Federation House, 11-6-841, Redhills, Hyderabad-500 004	Appointment of Mr. A. Sankara Rao, Director as Advisor for a period of three years with effect from 01.11.2007 on a monthly remuneration of Rs. 50,000/- plus out of pocket expenses.
2006-07	September 25, 2007 at 9.30 a.m.	KLN Prasad Auditorium, P.B.No.14, Federation House, 11-6-841, Redhills, Hyderabad - 500 004	Nil

### (b) Extraordinary General Meetings

There were no Extraordinary General Meetings during the preceding three years.

(c) There were no Special Resolutions passed through postal ballot during the Financial year 2009-10.



## 6. Disclosures

### (i) Disclosure on materially significant related party transactions that may have potential conflict with the interests of company at large:

There are no transactions which may have potential conflicts with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 12 of the schedule to the accounts.

### (ii) Details of non-compliance by the company, penalties, 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.

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years. No penalties or strictures have been imposed by the Stock Exchanges or SEBI or any statutory authority.

### (iii) Whistle blower policy and affirmation that no personnel has been denied access to the Audit Committee.

With a view to maintain high level of legal, ethical and moral standards and to provide a platform for the employees to voice their concern on any malpractices, impropriety, abuse or wrongdoing, the GMR Group has formulated a whistle blower policy which is applicable to the company and its subsidiary. The employees can raise his/her concern to the designated person and necessary action will be taken. This mechanism has been communicated to the employees. During the year under review, the company has not received any complaint or concern.

### (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 on Corporate Governance as specified in Clause 49 of the Listing Agreement with the Stock Exchanges.

So far as the adoption of non-mandatory requirements are concerned, the Company has constituted a Remuneration Committee of the Board of Directors and the whistle blower policy of the Group has been made applicable to the Company.

### (v) Corporate Identity Number (CIN)

The Corporate Identity Number of the Company allotted by the Ministry of Corporate Affairs, Government of India is: L28100KA1986PLC049077.

### (vi) Compliance certificate of the Auditors

Certificate from a Practicing Company Secretary M/s. V. Sreedharan & Associates confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

### (vii) Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. The audit is carried out every quarter and report thereon is submitted to the Stock Exchanges and is placed before the Board of Directors.

### (viii) Enterprise Risk Management

The Company has an integrated approach to manage inherent risk in various aspects of its business.

## 7. Means of communication

The Annual Reports, notices and other communications have been sent to each shareholder through post. The quarterly/annual (consolidated) financial results of the Company as per the statutory requirements under Clause 41 of the Listing Agreement with the Stock Exchanges and the segment-wise reports are generally published in "Business Line" and "Samyukta Karnataka" (a regional daily in Kannada language). The quarterly/annual financial results, shareholding pattern and other updates on the working of the Company have been posted on the Company's website: [www.gmrindustries.in](http://www.gmrindustries.in). Besides the above, the Company also submits, inter alia, to the Stock Exchanges, the full version of the Annual Report including Balance Sheet, Profit & Loss Account, Directors Report, Auditors Report and Cash Flow Statement; quarterly report on corporate governance; quarterly/half yearly/yearly unaudited/audited financial results taken on record by the Board of Directors; quarterly shareholding pattern; quarterly secretarial audit report; disclosure as per SEBI (SAST) Regulations and SEBI (Prohibition of Insider Trading) Regulations; Limited Review Reports of Auditors; details of appointment/resignation of Directors and Company Secretary and such other reports as may be specified. In terms of Clause 51 of the Listing Agreement with the Stock Exchanges, the Company also submits the statements, information and reports on the Corporate Filing and Dissemination System (CFDS) which are available at [www.corpfiling.co.in](http://www.corpfiling.co.in)

## 8. General Shareholder information

I.	<b>AGM:</b>	Date: 4th August, 2010 Time: 11.00 A.M. Venue: Khincha Hall, Bhartiya Vidya Bhavan, Race Course Road, Bangalore 560 001	
II.	<b>Financial Calendar</b>	Financial year: April 1 to March 31	
		The financial results are proposed to be declared as per the following tentative schedule:	
		<b>Particulars</b>	<b>Tentative schedule</b>
		Financial reporting for the quarter ending June 30, 2010	Before August 15, 2010
		Financial reporting for the quarter/half year ending September 30, 2010	Before November 15, 2010
		Financial reporting for the quarter/nine months ending December 31, 2010	Before February 15, 2011
		Financial reporting for the quarter/year ending March 31, 2011.	In April/May 2011
		Annual General Meeting for the year ending March 31, 2011.	August/ September, 2011
III.	<b>Date of Book Closure</b>	27.07.2010 to 04.08.2010 (both days inclusive)	
IV.	<b>Dividend payment date</b>	Nil	
V.	<b>Listing on Stock Exchanges</b>	<p><b>Bombay Stock Exchange Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. Tel Nos: (022) 22721233/34 Fax: (022) 22723121 Stock Code: 500162</p> <p><b>National Stock Exchange of India Limited</b> Exchange Plaza, 5th Floor, Plot No. C/1, G. Block Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051 Tel. Nos. (022) 26598100-8114 Fax: (022) 26598237/38 Stock Code: GMRINDS</p> <p>The Company has paid listing fees for the financial year to each of the Stock Exchanges.</p>	

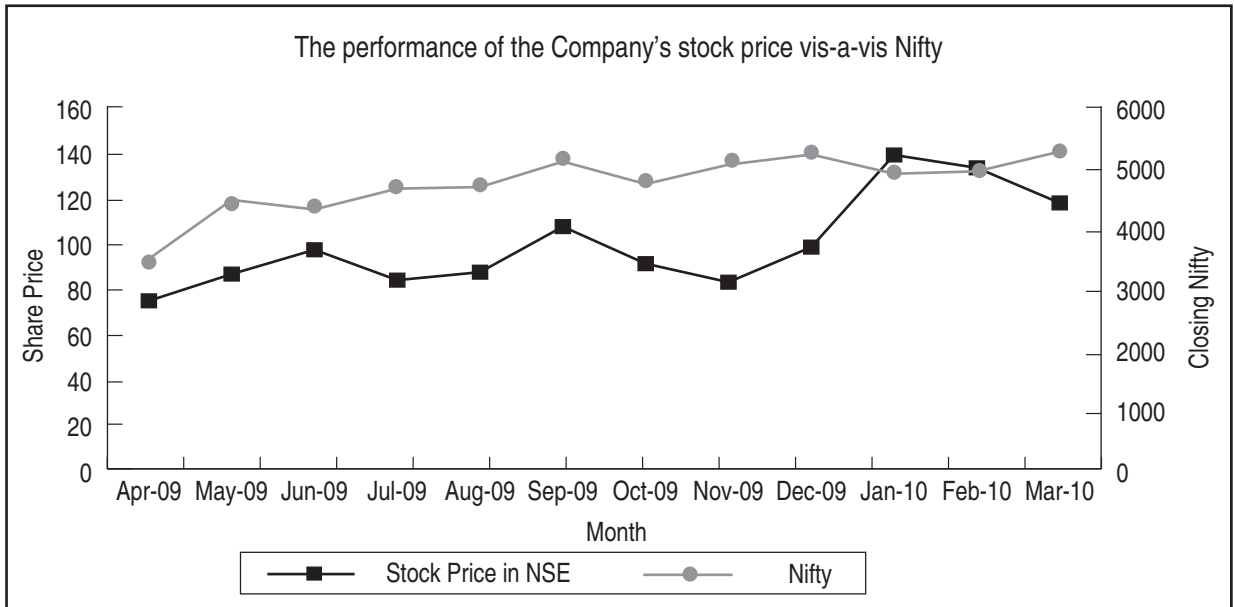
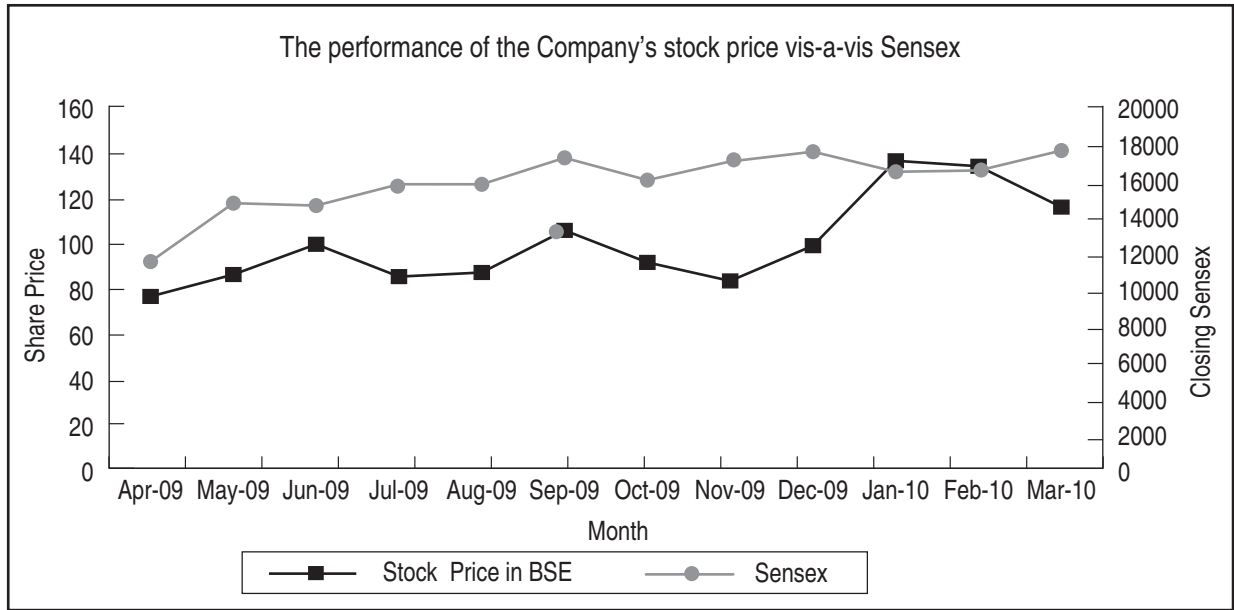
## VI. Market Price Data: High and Low during each month in the last financial year

Month	NSE			BSE		
	High	Low	NIFTY	High Price	Low Price	SENSEX
April, 2009	81.60	66.60	3473.95	81.55	70.10	11403.25
May, 2009	99.70	72.10	4448.95	99.30	71.70	14625.25
June, 2009	113.00	80.25	4291.10	114.70	83.00	14493.84
July, 2009	93.95	72.50	4636.45	95.00	74.15	15670.31
August, 2009	96.40	77.10	4662.10	96.80	76.00	15666.64
September, 2009	132.70	81.00	5083.95	129.70	80.25	17126.84
October, 2009	103.00	78.00	4711.70	103.20	78.50	15896.28
November, 2009	89.00	75.65	5032.70	88.10	77.25	16926.22
December, 2009	115.85	79.75	5201.05	115.85	80.60	17464.81
January, 2010	162.05	114.85	4882.05	160.75	110.60	16357.96
February, 2010	145.55	120.00	4922.30	147.35	119.20	16429.55
March, 2010	137.60	97.00	5249.10	135.00	95.50	17527.77



VII. Share price performance compared with broad-based indices

Company's share price vis-a-vis Sensex



### VIII. Registrar and Transfer Agents

#### Main Office

**Karvy Computershare Pvt. Ltd.**  
 Unit: GMR Industries Limited  
 Plot No.17 to 24, Vittal Rao Nagar  
 Madhapur, Hyderabad – 500 081  
 Phone: (040) 23420819 to 24  
 Fax: (040) 23420814  
 Email ID: einward.ris@karvy.com

#### Branch Office

**Karvy Computershare Pvt. Ltd.**  
 Unit: GMR Industries Limited  
 No.51/2, TKN Complex, Vani Vilas Road  
 Opp: National College, Basavanagudi, Bangalore – 560 004  
 Phone: (080) 41204350  
 Fax: (080) 26621169  
 E-mail ID: Bangalore@karvy.com

### IX. Share Transfer System

95.99% of the shares of the Company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. Regarding transfer of shares held in physical form, the transfer documents can be lodged with Karvy Computershare Pvt. Ltd., at any of the above mentioned addresses or at the Registered Office of the Company. The shares transfers received in physical form are processed within a period of 30 days from the date of receipt subject to the documents being valid and complete in all respects. The Board of Directors of the Company has delegated the powers of approving transfers, transmission, issue of duplicate share certificates, etc., to the Managing Director and the Company Secretary and a summary of the transfer, transmission, dematerialisation / rematerialisation requests approved are placed before the Board. Company obtains half yearly certificate from a Company Secretary in practice regarding compliance of share transfer formalities and submits a copy thereof to the Stock Exchanges in terms of Clause 47(c) of the Listing Agreement.

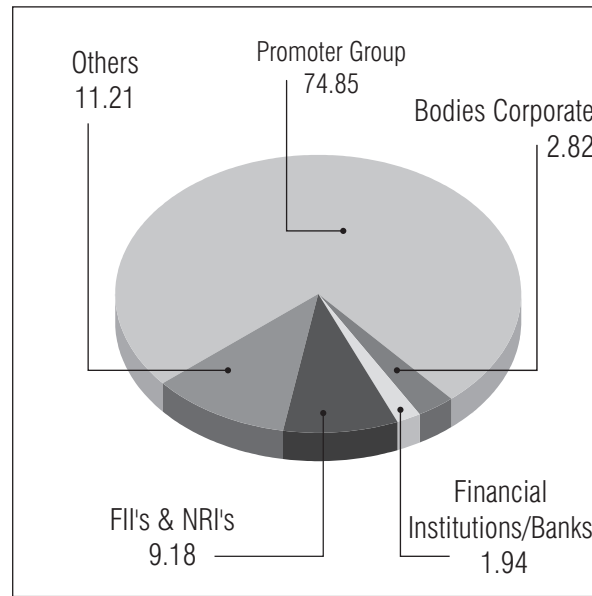
### X. Distribution of shareholding of equity shares as on 31.03.2010

Sr. No.	Distribution of Holdings	No. of Shareholders	% of Shareholders	Total Shares	Amount in Rs. Lakhs	% Amount
1.	1 - 5000	18745	99.84	2133599	213.36	10.688
2.	5001 - 10000	15	0.08	103805	10.38	0.520
3.	10001 - 20000	5	0.03	64818	6.48	0.325
4.	20001 - 30000	0	0.00	0	0.00	0.000
5.	30001 - 40000	0	0.00	0	0.00	0.000
6.	40001 - 50000	0	0.00	0	0.00	0.000
7.	50001 - 100000	1	0.01	79107	7.91	0.396
8.	100001 and above	9	0.05	17580378	1758.04	88.071
	<b>TOTAL:</b>	<b>18775</b>	<b>100.00</b>	<b>19961707</b>	<b>1996.17</b>	<b>100.000</b>

### XI. Shareholding Pattern as on 31.03.2010

Sr. No.	Description	No. of entities	Total shares	% Equity
1.	Promoters			
	i) Bodies Corporate	1	14940288	74.84
	ii) Individuals / HUF	1	992	0.01
2.	Financial Institutions / Banks	3	387690	1.94
3.	Clearing Members	33	3068	0.02
4.	Foreign Institutional Investors	4	1746996	8.75
5.	H U F	152	42924	0.22
6.	Bodies Corporate	330	562138	2.82
7.	Mutual Funds/UTI	3	868	0.00
8.	Non-Resident Indians	154	86359	0.43
9.	Overseas Bodies Corporate	1	248	0.00
10.	Individuals	18092	1972207	9.88
11.	Trusts	1	217929	1.09
	<b>TOTAL</b>	<b>18775</b>	<b>19961707</b>	<b>100</b>

## Graphical Representation of Shareholding pattern as on March 31, 2010



### XII. Distribution and Shareholding Pattern of Preference Shareholders as on March 31, 2010.

GMR Holdings Pvt. Ltd., the holding company holds 12831880, 8% Non-Cumulative Redeemable Preference shares of the face value of Rs.11/- each of the Company.

### XIII. Dematerialisation of shares and liquidity

The process of conversion of shares from physical form to electronic form is known as dematerialisation. For dematerialising the shares, the Shareholder has to open a demat account with a Depository Participant (DP). The Shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate(s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL, to the R&T Agent. On receipt of the demat request both physically and electronically and after verification, the Shares are dematerialised and an electronic credit of shares is given in the account of the shareholder.

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India viz., National Securities Depository Ltd., and Central Depository Services (India) Limited (CDSL). The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Ltd., in electronic form.

### Mode of Equity Shares held

The Company has registered itself with NSDL and CDSL and the ISIN pertaining to the equity shares of the Company is: INE353B01021. The modes of holding of the Company's equity shares as on March 31, 2010 is as under:

Description	No. of Shareholders	No. of Shares	% Equity
PHYSICAL	7511	802237	4.02
NSDL	8425	18691157	93.64
CDSL	2839	468313	2.35
<b>Total</b>	<b>18775</b>	<b>19961707</b>	<b>100.00</b>

### XIV. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments.

### XV. Prevention of Insider Trading.

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, the Company has instituted a comprehensive Code of Conduct for Prohibition of Insider Trading in the Company's shares.

**XVI. Plant locations**

Sugar Complex - Sugar, Co-generation power, Distillery & Bio-fertilizers Unit at Sankili Village, Regidi Amadalavalasa Mandal, Srikakulam District 532 440, Andhra Pradesh

Sugar Complex – Sugar, Co-generation Power & Distillery Units at Hullatti Village, Haliyal Mandal, Uttara Kannada District, Karnataka

Sugar Complex – Sugar & Co-generation Power (leased unit) at Khanapet village, PO Toragall, Ramdurg Taluk, Belgaum District, Karnataka.

**XVII. Address for correspondence****Registered Office Address:**

GMR Industries Limited

SKIP House, 25/1, Museum Road, Bangalore – 560 025

Phone: (080) 40534000 Fax: (080) 40534057

Email: [investorgrievancescell.GMRIndustriesLimited@gmrgroup.in](mailto:investorgrievancescell.GMRIndustriesLimited@gmrgroup.in)

Website: [www.gmrindustries.in](http://www.gmrindustries.in)

**Registrar & Share Transfer Agents:**

Karvy Computershare Pvt. Ltd.

(Unit: GMR Industries Limited)

Plot Nos.17 to 24, Vittal Rao Nagar

Madhapur

HYDERABAD – 500081

Phone: (040) 23420815 to 824

Fax: (040) 23420814

Email: [svraju@karvy.com](mailto:svraju@karvy.com)

## Certificate under Clause 49 (v) of the Listing Agreement

We, as required under Clause 49(V) of the Listing Agreement with Stock Exchanges, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year 2009-10 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 existing accounting standards, applicable laws and regulations.
- (b) to the best of our knowledge and belief, there are 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 that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such 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
  - (a) significant changes, if any, in internal control over financial reporting during the year;
  - (b) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
  - (c) 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.

Date: April 23, 2010  
Place: Bangalore

Sd/-  
**R. Ramakrishnan**  
Managing Director

Sd/-  
**K. Kumar**  
Chief Financial Officer

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## Declaration regarding Compliance by Board Members and Senior Management Personnel with the Company's Code of Conduct by the CEO under Clause 49(I)(D)(II) of the Listing Agreement to the Members of GMR Industries Ltd.

I, R. Ramakrishnan, Managing Director of GMR Industries Limited, to the best of my knowledge and belief, declare that all the members of the Board and Senior Management Personnel have affirmed compliance with the code of conduct of the Company in respect of the financial year ended March 31, 2010.

Date: April 23, 2010  
Place: Bangalore

Sd/-  
**R. Ramakrishnan**  
Managing Director



## Corporate Governance Compliance Certificate

Corporate Identity No: L28100KA1986PLC049077

Nominal Capital : Rs. 7500 Lakhs

### To the Members of GMR Industries Limited

We have examined all the relevant records of GMR Industries Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended March 31, 2010. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced and the explanations and information furnished, we certify that the Company has complied with:

- (a) All the mandatory conditions of the said Clause 49 of the Listing Agreement
- (b) The following non-mandatory requirements of the said Clause 49:
  - (i) Clause 2 relating to Remuneration Committee
  - (ii) Clause 7 relating to Whistle Blower Policy

For **V. Sreedharan & Associates**  
Company Secretaries

**V. Sreedharan**  
Partner

Place: Bangalore  
Date: June 11, 2010

“Persons constituting group coming within the definition of “group” for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following;”

GMR Holdings Private Limited - Holding Company	SJK Powergen Limited
Alagwadi Bireswar Sugars Private Limited	Karnali Transmission Company Private Limited
GMR Infrastructure Limited	Maryangdi Transmission Company Private Limited
Delhi International Airport Private Limited	GMR Maharashtra Energy Limited
GMR Hyderabad International Airport Limited	GMR Highways Limited
GMR Airports Holding Limited	GMR Tuni Anakapalli Expressways Private Limited
GMR Hyderabad Aerotropolis Limited	GMR Tambaram Tindivanam Expressways Private Limited
GMR Hyderabad Airport Resource Management Limited	GMR Jadcherla Expressways Private Limited
Hyderabad Menzies Air Cargo Private Limited	GMR Pochanpalli Expressways Limited
Gateways for India Airports Private Limited	GMR Ulundurpet Expressways Private Limited
GMR Hyderabad Aviation SEZ Limited	GMR Hyderabad Vijayawada Expressways Private Limited
GMR Hyderabad Multiproduct SEZ Limited	GMR Ambala - Chandigarh Expressways Private Limited
Hyderabad Airport Security Services Limited	GMR Chennai Outer Ring Road Private Limited
GMR Hotels and Resorts Limited	GMR OSE Hungund Hospet Highways Private Limited
DIAL Cargo Private Limited	GMR Krishnagiri SEZ Limited
Delhi Aerotropolis Private Limited	Advika Properties Private Limited
Delhi Aviation Fuel Facility Private Limited	Aklima Properties Private Limited
East Delhi Waste Processing Company Private Limited	Amartya Properties Private Limited
GMR Energy Limited	Baruni Properties Private Limited
GMR Power Corporation Limited	Camelia Properties Private Limited
GMR Vemagiri Power Generation Limited	Eila Properties Private Limited
GMR Mining & Energy Private Limited	Gerbera Properties Private Limited
GMR Chhattisgarh Energy Private Limited	Lakshmi Priya Properties Private Limited
GMR Energy Trading Limited	Honeysuckle Properties Private Limited
GMR Consulting Services Private Limited	Idika Properties Private Limited
Himtal Hydro Power Company Private Limited	Krishnapriya Properties Private Limited
GMR (Badrinath) Hydro Power Generation Private Limited	Nadira Properties Private Limited
GMR Kakinada Energy Private Limited	Prakalpa Properties Private Limited
Badrinath Hydro Power Generation Private Limited	Purnachandra Properties Private Limited
GMR Kamalanga Energy Limited	Shreyadita Properties Private Limited
GMR Upper Karnali Hydro Power Public Limited	Sreepa Properties Private Limited
GMR Coastal Energy Private Limited	Bougainvillea Properties Private Limited
GMR Bajoli Holi Hydropower Private Limited	GMR SEZ and Port Holdings Private Limited
GMR Londa Hydropower Private Limited	GMR Energy (Mauritius) Limited
EMCO Energy Limited	GMR Lion Energy Limited
PT Barasentosa Lestari	Lion Energy Tuas Pte. Limited
PT Dwikarya Sejati Utama	GMR Energy (Cyprus) Limited
PT Duta Sarana Internusa	GMR Energy (Netherlands) BV
PT Unsoco	GMR Infrastructure (Mauritius) Limited
Island Power Intermediary Pte. Limited	GMR Infrastructure (Cyprus) Limited
Island Power Company Pte. Limited	GMR Infrastructure Overseas Sociedad Limitada
Island Power Supply Pte. Limited	GMR International (Malta) Limited
GMR Rajahmundry Energy Limited	GMR Infrastructure (Global) Limited

“Persons constituting group coming within the definition of “group” for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following;”

GMR Energy (Global) Limited	Nirasree Real Estates Private Limited
GMR Infrastructure (Singapore) Pte. Limited	Rajeswara Real Estates Private Limited
GMR Corporate Affairs Private Limited	Salvia Real Estates Private Limited
GMR Infratech Private Limited	Sreejaya Properties Private Limited
GMR Campus Private Limited	Vijay Nivas Real Estates Private Limited
GMR Aviation Private Limited	Ganasatya Real Estates Private Limited
GMR Corporate Center Limited	Dandelion Properties Private Limited
Dhruvi Securities Private Limited	Fabcity Properties Private Limited
GMR Ventures Mauritius Limited	Kondampeta Properties Private Limited
GMR Infrastructure (UK) Limited	Larkspur Properties Private Limited
GMR Sports Private Limited	Delhi Golf Link Properties Private Limited
GMR League Games Private Limited	Hyderabad Jabilli Properties Private Limited
GMR Projects Private Limited	MAS GMR Aerospace Engineering Company Limited
Kakinada Refinery & Petrochemicals Private Limited	Rajam Enterprises Private Limited
GMR Infrastructure (Netherlands) B.V.	Grandhi Enterprises Private Limited
GMR Infrastructure Investments (Singapore) Pte. Limited	Kirthi Timbers Private Limited
GBS Holdings Private Limited	Corporate Infrastructure Services Private Limited
BSR Holdings Private Limited	GMR Holdings (Mauritius) Limited
GKR Holdings Private Limited	Crossridge Investments Limited
GMR Airport Developers Limited	Master Globe Limited
GMR Infra Ventures Private Limited	GMR Holding (Malta) Limited
GMR Varalakshmi Foundation	GMR Infrastructure (Malta) Limited
GMR Ventures Pte. Limited	GMR Holdings (Overseas) Limited
GMR Holding Pte. Limited	Toridon Enterprises Limited
GMR Ventures (UK) Limited	GMR International FZE
GMR Infra Holdings (Mauritius) Limited	GMR Holdings Overseas Spain, S.L.U
GMR International (Mauritius) Limited	Leora Real Estates Private Limited
GMR Infra (Overseas) Limited	Pashupati Artex Agencies Private Limited
Mr. G M Rao	Ravivarma Realty Private Limited
Mr. Srinivas Bommidala	InterGen N.V.
Mr. G B S Raju	GMR Enterprises Private Limited
Mr. Kiran Kumar Grandhi	Sri Varalakshmi Jute Twine Mills Private Limited
Ms. G Varalakshmi	Istanbul Sabiha Gokcen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. (Sabiha Gokcen International Airport, Istanbul)
Ms. B Ramadevi	Istanbul Sabiha Gokcen Uluslararası Havalimanı Yer Hizmetleri A.Ş. (Ground Handling Company)
Ms. Smitha Raju	LGM Havalimanı İşletmeleri Ticaret Ve Turizm Anonim Şirketi
Ms. Ragini Kiran	LGM Güvenlik Hizmetleri Anonim Şirketi
Other Group Companies	Limak-GMR Adi-Ortaklı (Limak-GMR Joint Venture)
Raxa Security Services Limited	Homeland Energy Group Limited
Ideaspace Solutions Limited	Deepesh Properties Private Limited
GMR Estates Private Limited	Padmapriya Properties Private Limited
GMR Bannerghatta Properties Private Limited	
GMR Hebbal Towers Private Limited	
Asteria Real Estates Private Limited	



## Auditors' Report to the Members of GMR Industries Limited

1. We have audited the attached Balance Sheet of GMR Industries Limited (the "Company") as at March 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our opinion, we draw attention to Note 6 of Schedule 19 to the financial statements regarding carrying value of long term investment amounting to Rs.1,368.09 lakhs (2009: Rs.519.06 lakhs) in the subsidiary company which exceed its net worth and loans amounting to Rs.1,134.00 lakhs (2009: Rs.250 lakhs) given to the subsidiary company. Considering the strategic location of the project and the nearby high recovery sugar cane rich belt which is the lifeline of a sugar industry, the Company's Management considers that the acquisition cost is reasonable and believes that the intrinsic value of the acquisition including the embedded value of the sugar license held by the said subsidiary company is far in excess of the carrying cost of investments and loan given, and therefore, no provision is considered necessary at this stage in respect of aforementioned amounts.
5. 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act 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 March 31, 2010
    - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse**  
Firm Registration Number: 007568S  
Chartered Accountants

Place: Bangalore  
Date: April 23, 2010

**J. Majumdar**  
Partner  
Membership Number: F-51912

## Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of GMR Industries Limited on the financial statements for the year ended March 31, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of the inventory. The discrepancies noted on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted an unsecured loan to one Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loan aggregate to Rs.1,134 Lakhs and Rs.1,134 Lakhs respectively.  
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.  
(c) In respect of the aforesaid loans, the terms of principal and interest repayment are not stipulated.  
(d) In respect of aforesaid loans, there is no overdue payment of more than Rupees one Lakh.  
(e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses 3(f) and 3(g) of Paragraph 4 of the Order are not applicable.
4. 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 purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess, which have not been deposited on account of a dispute, are as follows:

Sr. No.	Statute & nature of dues	Nature of dues	Forum where the dispute is pending	Amount (in Lakhs)	Period which the matter pertains
1.	Central Excise Act, 1944	CENVAT Credit	Additional Commissioner, Central Excise & Customs	21.70	2005-06
				126.48	2006-07
				0.57	2007-08
				8.24	2008-09
2.	Central Excise Act, 1944	Clearance of goods	Additional Commissioner, Central Excise & Customs	30.73	2007-08
3.	Andhra Pradesh Electricity Duty Act, 1939	Electricity duty	Government of Andhra Pradesh-Electrical Inspectorate	166.03	2009-10
4.	Entry tax	Orissa Sales Tax	Commissioner sales Tax	4.76	2004-05
5.	The Andhra Pradesh General Sales Tax Act, 1956	Sales tax	High Court	14.55	2000-01
				22.46	2004-05
6.	Value Added Tax Act	VAT	Assistant Commissioner (Commercial Taxes) (LTU)	10.69	2005-06

10. The Company has no accumulated losses as at March 31, 2010 and there was no cash loss in the immediately preceding financial year. However, it has incurred cash losses of Rs.3,296.16 lakhs in the financial year ended on that date.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / Nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year except in respect of repayment, out of its cane price dues to its sugarcane suppliers, of the agricultural loans taken by them from banks, the terms and conditions of which, in our opinion are not prima facie prejudicial to the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds amounting to Rs. 10,980 lakhs raised on a short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Price Waterhouse**  
Firm Registration Number: 007568S  
Chartered Accountants

Place: Bangalore  
Date: April 23, 2010

**J. Majumdar**  
Partner  
Membership Number: F-51912

## Balance Sheet as at March 31, 2010

(Rs. in Lakhs)

	Schedule	2010	2009
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Capital	1	3,407.68	3,407.68
Reserves and Surplus	2	3,467.28	9,310.37
		<b>6,874.96</b>	12,718.05
<b>Loan Funds</b>			
Secured Loans	3	53,372.97	41,923.68
Unsecured Loans	4	—	1,500.00
		<b>53,372.97</b>	43,423.68
<b>Deferred Tax Liability (Net)</b>		<b>2,237.84</b>	2,433.95
[Schedule 19 Note 15]			
		<b>62,485.77</b>	<b>58,575.68</b>
<b>Application of Funds:</b>			
<b>Fixed Assets</b>			
	5A		
Gross Block (at cost)		59,115.65	52,691.19
Less: Depreciation		9,626.79	7,076.46
Net Block		49,488.86	45,614.73
Capital Work in Progress		1,092.92	6,553.49
		<b>50,581.78</b>	52,168.22
Expenditure incurred during construction period pending allocation	5B	—	—
<b>Investments</b>	6	<b>1,368.09</b>	524.31
<b>Current Assets, Loans and Advances</b>			
Inventories	7	8,859.38	5,148.16
Sundry Debtors	8	1,979.69	2,347.37
Cash and Bank Balances	9	312.06	559.93
Other Current Assets	10	581.69	564.54
Loans and Advances	11	5,828.86	5,174.17
		<b>17,561.68</b>	13,794.17
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	12	6,936.96	6,424.27
Provisions	13	88.82	1,486.75
		<b>7,025.78</b>	7,911.02
<b>Net Current Assets</b>		<b>10,535.90</b>	5,883.15
		<b>62,485.77</b>	<b>58,575.68</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Accounts

This is the Balance sheet referred to in our report of even date

For and on behalf of the Board

**For Price Waterhouse**

Firm Registration Number - 007568S  
Chartered Accountants

**T.C.S. Reddy**  
Director

**R. Ramakrishnan**  
Managing Director

**J. Majumdar**

Partner  
Membership Number - F 51912

**K. Kumar**  
Chief Financial Officer

**B. M. Rath**  
Company Secretary

Place: Bangalore

Date : April 23, 2010

## Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lakhs)

	Schedule	2010	2009
<b>Income</b>			
Gross Income from Sales and Services		20,347.98	13,153.53
Less: Excise Duty		583.49	469.20
Net Income from Sales and Services		19,764.49	12,684.33
Job work Income - Raw Sugar processing		610.83	-
Other Income	14	2,380.93	806.66
		<b>22,756.25</b>	13,490.99
<b>Expenditure</b>			
Materials	15	14,554.68	6,041.49
Employee Costs	16	1,803.79	1,093.79
Other Costs	17	4,652.76	3,294.36
Interest and Finance Charges	18	4,209.89	2,051.50
Depreciation	5A	2,687.48	1,781.46
		<b>27,908.60</b>	14,262.60
<b>Profit/(Loss) before Exceptional item and Taxation</b>		<b>(5,152.35)</b>	<b>(771.61)</b>
Exceptional Item [Schedule 19 Note 14 ]		831.29	-
<b>Profit/ (Loss) before Taxation</b>		<b>(5,983.64)</b>	<b>(771.61)</b>
<b>Profit/ (Loss) from Continuing Operations before Taxation</b>		<b>(5,983.64)</b>	<b>(1,721.87)</b>
<b>Provision for Taxation</b>			
- Current Tax (Relating to earlier years)		55.56	-
- Deferred Tax ( Credit)		(196.11)	754.87
- Fringe Benefit Tax		-	26.30
		<b>(140.55)</b>	781.17
Profit/ (Loss) from Continuing operations after Taxation		<b>(5,843.09)</b>	<b>(2,503.04)</b>
<b>Profit/ (Loss) from Discontinuing Operations before Taxation</b>		-	950.26
<b>Provision for taxation</b>			
- Current Tax		-	-
- Deferred Tax ( Credit)		-	(1,614.08)
		-	(1,614.08)
<b>Profit/ (Loss) from Discontinuing operations after Taxation</b>		-	2,564.34
<b>Profit/(Loss) after Taxation</b>		<b>(5,843.09)</b>	61.30
Balance in Profit and Loss Account brought forward		5,572.67	5,551.02
Adjustments on account of effects of changes in foreign exchange rates		-	(39.65)
		<b>(270.42)</b>	5,572.67
Set-off against General Reserve (Schedule 2)		<b>(270.42)</b>	-
<b>Balance carried to Balance Sheet</b>		-	5,572.67
Earnings/(Loss) Per Share (Rs.) - Basic and Diluted [Rs. per Equity share of 10 each] [Schedule 19 Note 10]		<b>(29.93)</b>	(0.35)
Significant Accounting Policies and Notes to Accounts	19		

The Schedules referred to above form an integral part of the Accounts

This is the Profit and Loss Account referred to in our report of even date

For and on behalf of the Board

**For Price Waterhouse**

Firm Registration Number - 007568S  
Chartered Accountants

**J. Majumdar**

Partner  
Membership Number - F 51912

**T.C.S. Reddy**

Director

**K. Kumar**

Chief Financial Officer

**R. Ramakrishnan**

Managing Director

**B. M. Rath**

Company Secretary

Place: Bangalore

Date : April 23, 2010

## Schedules forming part of the Balance Sheet as at March 31, 2010

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorized</b>		
5,19,00,000 Equity Shares of face value of Rs. 10/- each	5,190.00	5,190.00
2,10,00,000 (8%) Preference Shares of face value of Rs. 11/- each	2,310.00	2,310.00
	<b>7,500.00</b>	7,500.00
<b>Issued, Subscribed and Paid-up</b>		
19,961,707 [2009: 19,961,707] Equity Shares of Rs. 10/- each fully paid up	1,996.17	1,996.17
Of the above-		
[13,963,002 Equity shares of Rs. 10 each per share were issued as fully paid up to the shareholders' of erstwhile M/s. Varalakshmi Sugars Limited and M/s. Varalakshmi International Limited on their respective amalgamation with the Company, for consideration otherwise than in cash.]		
14,940,288 Shares [2009: 14,125,976] of Rs.10 each are held by the Holding Company, M/s. GMR Holdings Private Limited]		
<b>Preference Shares</b>		
12,831,880 8% Redeemable Non-Cumulative Preference shares of Rs. 11/- each	1,411.51	1,411.51
[The above Preference shares have been issued as fully paid up to M/s. GMR Holdings Private Limited and other shareholders' of erstwhile M/s. Varalakshmi International Limited on its respective amalgamation with the Company, for consideration otherwise than in cash.]		
[The Preference shares are redeemable in not later than 8 years from the date of issue i.e., August 14, 2004 with a call option shareholders' for redemption after three years from the date of issue.]		
	<b>3,407.68</b>	3,407.68
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	1,175.00	1,175.00
<b>Securities Premium</b>		
As per last Balance Sheet	991.97	991.97
<b>General Reserve</b>		
As per last Balance Sheet	1,570.73	1,570.73
Less: Debit Balance in Profit and Loss Account*	(270.42)	-
<b>Surplus in Profit and Loss Account</b>	-	5,572.67
	<b>3,467.28</b>	9,310.37

\* The debit balance in the Profit and Loss Account has been deducted from the balance available in General Reserve to conform to the reporting requirements of Schedule VI to the Companies Act, 1956

## Schedules forming part of the Balance Sheet as at March 31, 2010

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>Term Loans</b>		
<b>Rupee Loans</b>		
From Banks [Note (i)]	23,607.15	22,840.40
[Repayable within one year: Rs. 3,888.36 Lakhs [2009: Rs. 697.08 Lakhs]		
From Government of India - Sugar Development Fund [Note (ii)]	3,196.10	1,388.39
[Repayable within one year: Rs. 76.61 Lakhs [2009: Rs.76.61 Lakhs]		
<b>Foreign Currency Loans [Note (iii)]</b>		
From Banks	42.71	801.81
[Repayable within one year: Rs. 42.71 Lakhs [2009: Rs.759.00 Lakhs]		
Short Term Loans against deposits from Banks [Note (iv)]		801.81
[Repayable within one year: Rs. 19,713.13 Lakhs [2009: Rs.12,371.06 Lakhs]		
<b>Cash Credits and Demand Loans</b>		
<b>From Banks</b>		
Rupee Loans [Note (v) below]	6,813.88	4,521.88
Vehicle Loans [Note (vi) below]	–	0.14
	<b>53,372.97</b>	<b>41,923.68</b>
(i) a) Rupee Term Loans from Banks, other than which are specifically mentioned hereinafter, are secured by first charge on all the movable and immovable assets of the respective divisions of the Company, both present and future, ranking <i>pari passu</i> in terms of sanction (Subject to prior charges on specified movables in favour of the Bankers for working capital borrowings).	<b>2,141.00</b>	<b>2,405.40</b>
b) Term loan from banks include Rupee term loan availed from Central Bank of India is secured by way of first charge on the fixed assets acquired under the expansion project of sugar crushing capacity at Sankili and Haliyal units on <i>pari passu</i> basis with other lenders and second Charge on current Assets of Sugar Divisions at Sankli and Haliyal units.	<b>17,212.15</b>	<b>16,722.00</b>
c) Rupee term loan from banks include amounts availed from Axis Bank Limited that are secured by way of first charge on the fixed assets acquired in respect of the new project at Ramdurg and further secured by corporate guarantee from Holding Company, GMR Holdings Private Limited, for Rs. 3,168 Lakhs.	<b>3,010.00</b>	<b>3,168.00</b>
d) Term Loan from Banks include Rupee term loan availed from Central Bank of India that is secured by way of first charge on the fixed assets acquired in sugar division of Haliyal Unit and first charge on the current assets of the Haliyal unit of the Company.	<b>369.00</b>	<b>545.00</b>
e) Term loan from banks include Rupee term loan from Yes Bank Limited secured by way of residual charge on Fixed Assets of Sankli Unit.	<b>875.00</b>	<b>–</b>
(ii) Secured by way of second charge on all the movable and immovable properties of Sugar Division of the Company.		
(iii) Secured by way of first charge on the fixed assets created/purchased out of the term loan proceeds.		
(iv) Secured against the term deposits of M/s. GMR Projects Private Limited, a fellow subsidiary company, with such banks.		
(v) Cash Credits and demand loans, other than which are specifically mentioned hereinafter, are Secured by way of hypothecation of finished goods, raw materials, stores and spares, stock in process, receivables and secured by second charge on fixed assets.		



**Schedules forming part of the Balance Sheet as at March 31, 2010**

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 3 SECURED LOANS (Contd.)</b>		
Cash credits and demand loans include loans from State Bank of Mysore and Andhra Bank which are counter guaranteed by M/s. Sri Varalakshmi Jute Twine Mills Private Limited a fellow subsidiary company.		
(vi) Secured by exclusive charge on respective vehicles acquired from the loan proceeds.		
<b>SCHEDULE 4 UNSECURED LOANS</b>		
Short Term		
From Banks	-	1,500.00
	-	1,500.00

**SCHEDULE 5A  
FIXED ASSETS**

[Schedule 19 Notes 1(iii) and 1(v)]

Rs. In Lakhs

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	2009	Additions (Note 1)	Deletions Adjustments	2010 (Note 1)	2009	For the Year	Deletions Adjustments	2010	2010	2009
Land	1,325.35	46.53	-	1,371.88	-	-	-	-	1,371.88	1,325.35
Buildings	8,622.99	958.77	64.35	9,517.41	632.96	236.74	5.17	864.53	8,652.88	7,990.03
Plant and Machinery (Note 2)	40,777.06	5,721.95	58.83	46,440.18	5,797.87	2,229.08	-	8,026.95	38,413.23	34,979.19
Furniture and Fixtures	1,600.56	34.63	213.28	1,421.91	529.09	186.39	129.10	586.38	835.53	1,071.47
Vehicles	365.23	12.35	13.31	364.27	116.54	35.27	2.88	148.93	215.34	248.69
	<b>52,691.19</b>	<b>6,774.23</b>	<b>349.77</b>	<b>59,115.65</b>	<b>7,076.46</b>	<b>2,687.48</b>	<b>137.15</b>	<b>9,626.79</b>	<b>49,488.86</b>	<b>45,614.73</b>
<b>2009</b>	<b>29,792.79</b>	<b>30,973.34</b>	<b>8,074.94</b>	<b>52,691.19</b>	<b>6,394.82</b>	<b>1,807.86</b>	<b>1,126.22</b>	<b>7,076.46</b>		
<b>Capital Work-in-Progress (including capital advances)</b>									1,092.92	6,553.49
									<b>50,581.78</b>	<b>52,168.22</b>

**Notes:**

- Additions include assets, aggregating to Rs.877.59 Lakhs, capitalized in relation to Ramdurg Unit, Karnataka, which is taken on lease on Built, Own, Operate and Transfer Basis. The total Gross block of such assets as at April 1, 2010 aggregate to Rs. 4,659.19 Lakhs [2009: Rs.3,777.60 Lakhs]. [Also refer Schedule 19 - Note 11]
- Addition to Plant and Machinery includes foreign exchange loss aggregating to Rs.58.82 Lakhs [2009: Rs.39.65 Lakhs] adjusted. [Also Refer Schedule 19 Note 4(a) ]
- Depreciation for the year includes Rs. Nil ( Rs. 26.40 Lakhs) till date of captilazation during the year taken to expenditure incurred during construction period in Schedule 5B

**SCHEDULE 5B  
EXPENDITURE INCURRED DURING CONSTRUCTION PERIOD PENDING  
ALLOCATION**

Salaries, Wages and bonus	-	298.91	
Trial run expenses inclusive of material cost	-	692.22	
Administrative Expenses	-	2,003.54	
Depreciation	-	36.21	
Interest and Finance Charges	-	1,891.27	
		-	4,922.15
Less:			
Apportioned over cost of fixed assets/transferred to CWIP	-	4,436.69	
Charged to profit and loss account	-	31.30	
Other Income (Sale of Scrap)	-	2.75	
Trial run stock	-	451.41	4,922.15
		-	-

## Schedules forming part of the Balance Sheet as at March 31, 2010

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
[Schedule 19 Note 1(vii)]		
<b>Long Term</b>		
Unquoted		
Trade		
<b>In Equity Shares of Subsidiary Company:</b>		
Alagawadi Bireshwar Sugars Private Limited	1,362.94	519.06
[102,222 (2009:100,777) equity shares of Rs. 100 each fully paid up]		
(note below)		
Other than Trade		
<b>Government Securities - National Savings Certificates</b>	0.15	0.25
<b>Quoted</b>		
Other than Trade		
Cronimet Alloys India Ltd (formerly GMR Ferro Alloys and Industries Ltd)	5.00	5.00
[50,000 (2009: 50,000) equity shares of Rs.10 each fully paid up]		
	<b>1,368.09</b>	<b>524.31</b>
Aggregate value of Quoted investment		
– Book value:	5.00	5.00
– Market value:	18.20	12.33
Note:		
Additions during the year - 1445 equity shares of Rs.100/- each fully paid-up for additional cost of Rs. 843.88 lakhs. Also refer Schedule 19 Note 6.		
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
[Schedule 19 Note 1(viii)]		
Stores and Spares	600.23	511.67
Raw Materials	167.68	494.26
Finished Goods	6,769.54	3,241.63
By Products	1,086.16	815.63
Work-in-Progress	235.77	84.97
	<b>8,859.38</b>	<b>5,148.16</b>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Considered Good		
Outstanding for a period exceeding six months	827.54	789.47
Other Debts	1,152.15	1,557.90
	<b>1,979.69</b>	<b>2,347.37</b>
	<b>1,979.69</b>	<b>2,347.37</b>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	3.44	5.01
<b>Balance with Scheduled Banks:</b>		
- On Current Accounts	152.89	173.27
- On Fixed Deposit Accounts	-	59.40
- On Margin Money accounts	98.81	264.82
- On Unclaimed Dividend Accounts	56.92	57.43
	<b>308.62</b>	<b>554.92</b>
	<b>312.06</b>	<b>559.93</b>

## Schedules forming part of the Balance Sheet as at March 31, 2010

(Rs. in Lakhs)

	2010	2009	
<b>SCHEDULE 10</b>			
<b>OTHER CURRENT ASSETS</b>			
(Unsecured and Considered Good)			
Interest accrued but not due	0.83	0.22	
Other Deposits	580.76	564.32	
Other receivables	0.10	–	
	<b>581.69</b>	<b>564.54</b>	
<b>SCHEDULE 11</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured and considered good, unless otherwise stated)			
Loans to Subsidiary	1,134.00	250.00	
Loans to Employees	4.70	50.89	
Advances recoverable in cash or in kind or for value to be received			
Considered Good	1,469.43	1,636.14	
Considered doubtful	32.44	–	
	<b>1,501.87</b>	<b>1,636.14</b>	
Less: Provision for doubtful advances	32.44	–	1,636.14
Balances with Excise Departments including Cenvat/VAT credit	2,943.82		2,913.80
Advance Income Tax (Net of Provisions)	276.91		323.34
	<b>5,828.86</b>	<b>5,174.17</b>	
<b>SCHEDULE 12</b>			
<b>CURRENT LIABILITIES</b>			
Sundry Creditors			
Micro and small enterprises [Schedule 19 Note 16]	–	–	
Others	6,236.17	5,194.20	
Capital Creditors'	243.25	864.23	6,058.43
Unclaimed Dividend	56.92		57.43
Advances received from Customers	166.82		60.14
Other Liabilities	131.54		149.50
Interest accrued but not due	102.26		98.77
	<b>6,936.96</b>	<b>6,424.27</b>	
<b>SCHEDULE 13</b>			
<b>PROVISIONS</b>			
Retirement Benefits	88.82		48.06
Fringe Benefit Tax	–		30.57
L Factor [Schedule 19 Note 13]	–		1,408.12
	<b>88.82</b>	<b>1,486.75</b>	

## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Dividend Income - Other than trade (Gross)	–	9.01
Liquidated Damages [Schedule 19 Note 6]	399.18	–
Profit on sales of assets (Net)	35.84	–
Profit on transfer of aircraft division	–	595.19
Profit on sale of long-term investments (net)	–	11.96
Received from AP Transco	138.37	–
Provisions no longer required written back [Schedule 19 Note 13]	1,408.12	–
Insurance Claims Received	5.20	19.53
Interest Received [Gross, tax deducted at Source: Rs. 0.65 Lakhs (2009: Rs.0.46 Lakhs)]	6.21	5.05
Scrap Sales	147.47	–
Miscellaneous income	240.54	165.92
	<b>2,380.93</b>	<b>806.66</b>
<b>SCHEDULE 15</b>		
<b>MATERIALS</b>		
Raw Materials Consumed		
Opening Stock	494.26	94.78
Add: Purchases during the year	18,177.34	7,979.06
	18,671.60	8,073.84
Less: Closing Stock	167.68	494.26
	<b>18,503.92</b>	<b>7,579.58</b>
(Increase)/ Decrease in Stocks		
Opening Stock		
Work-in-Process	84.97	151.54
Finished Goods	3,241.63	1,554.06
By products	815.63	447.13
	4,142.23	2,152.73
Add: Stock out of trial run production		451.41
Closing Stock		
Work-in-Process	235.77	84.97
Finished Goods	6,769.54	3,241.63
By products	1,086.16	815.63
	8,091.47	4,142.23
	<b>(3,949.24)</b>	<b>(1,538.09)</b>
	<b>14,554.68</b>	<b>6,041.49</b>
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, Wages and Bonus	1,654.76	994.60
Contribution to Provident and Other Funds	84.86	59.06
Staff Welfare Expenses	64.17	40.13
	<b>1,803.79</b>	<b>1,093.79</b>

## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lakhs)

	2010	2009
<b>SCHEDULE 17</b>		
<b>OTHER COSTS</b>		
Material Handling Expenses	202.97	132.63
Power and Fuel	401.65	432.55
Stores, Spares and consumables	1,174.72	684.33
Distribution Expenses	8.76	23.85
Repairs and Maintenance		
Plant and Machinery	540.34	407.18
Buildings	26.45	-
Aircraft	-	378.60
Others	157.90	144.26
Travelling and Conveyance	221.43	196.51
Communication Expenses	45.65	65.62
Consultancy and Other Professional Charges	219.03	115.58
Directors' Remuneration	117.32	113.25
Directors' Sitting Fee	2.00	2.10
Rent	40.78	12.82
Operation Lease rentals [Schedule 19 Note 11]	704.78	218.82
Printing and Stationary	19.63	28.13
Rates and Taxes	214.91	7.65
License Fee	26.49	21.87
Insurance	86.52	65.05
Donations	4.25	6.89
Auditor's Remuneration		
Statutory Audit	10.00	10.00
Tax Audit	0.60	0.55
Cost Audit	1.25	1.25
	11.85	11.80
Loss on Sale of Fixed Assets (Net)	-	3.56
Bad Debts Written Off	34.80	15.40
Provision for Doubtful Advances	32.44	-
Others	358.09	205.91
	<b>4,652.76</b>	<b>3,294.36</b>
<b>SCHEDULE 18</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	3,473.13	1,631.41
Others	634.70	282.11
Bank / Other Finance Charges	102.06	137.98
	<b>4,209.89</b>	<b>2,051.50</b>

**1. Significant Accounting Policies****i. Basis of preparation of Financial Statements**

The financial statements of the Company are prepared under historical cost convention in accordance with the Generally Accepted Accounting principles in India, the Accounting Standards notified under Sub-section (3C) of Section 211 of the Companies Act, 1956 (the 'Act') and other relevant provisions of the Act.

**ii. Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of goods have been passed on to the buyer. Sale of goods is exclusive of sales tax and captive consumption of Molasses, Power and Baggasse.

Revenue from raw sugar processing on job work basis under agreements is recognized in terms of the respective contracts.

Revenue from sale of Verified/Certified Emission Reductions is recognized upon execution of a firm contract of sale of the eligible credits.

Dividend Income is recognized in the year in which the right to receive the payment is established.

Income from investments is recognized in the year in which it is accrued and stated at gross of tax deducted at source.

**iii. Fixed Assets**

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses for bringing the asset concerned to its working condition for its intended use, less accumulated depreciation and impairment loss. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate. Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

**iv. Leases**

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis as per terms of the lease.

**v. Depreciation and amortization**

Depreciation is provided on straight-line method, *pro rata* to the period of use, at the rates specified in Schedule XIV of the Act or the rates based on the useful lives of the assets as estimated by the management, whichever is higher. The rates based on the useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

Description	Rate of depreciation
Electrical Equipment	5.38%
Telephone Equipment	6.33%
Computer Software	16.67%

Lease hold assets are amortized at rate based on the period of lease or the rate specified in Schedule XIV of the Act, whichever is higher.

All individual assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

**vi. Impairment**

Impairment loss is provided to the extent carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of asset's selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**vii. Investments**

Long-term investments are valued at cost. Provision is made to recognize a decline, other than temporary, in the value of long-term investments.

Current Investments are stated at lower of cost or market value.

#### viii. Inventories

- a) Stock of Raw-materials is valued at lower of cost or Net Realizable Value. The costs are, in general, determined on Weighted Average Basis.
- b) Finished goods and Work-in-process:
 

Finished goods are valued at lower of cost or Net Realizable Value. Cost includes direct materials, Labour and a proportion of manufacturing overheads based on normal operating capacity.

Work-in-process is valued at lower of cost or Net Realizable Value. The cost is determined up to the estimated stage of process and includes direct materials, Labour and a proportion of manufacturing overheads based on normal operating parameters.
- c) By Products: At estimated realizable value.
- d) Stores and Spares: At lower of cost or Net Realizable Value. The costs are, in general, determined on weighted average basis.

#### ix. Foreign Exchange Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Liabilities/assets in foreign currencies are reckoned in the accounts as per the following principles:

Exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

- (a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and
- (b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortized over the balance period of such long term asset/liability but not beyond March 31, 2011.

All other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008, whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

#### x. Employee Benefits

##### Defined Contribution Plans

These comprise of contributions to employees' provident fund with the government and certain state plans like Employees' state Insurance and Employees' Pension scheme. The Company's payments to the defined contribution plans are recognized as an expense during the period in which the employees perform the services that the payment covers.

##### Defined Benefit Plan

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognized in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

##### Other Long-term Employee Benefits

Other Long-term employee benefits comprise of Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on actuarial valuation carried out at each balance sheet date.



### Short-term Employee Benefits

Undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

#### xi. Borrowing Costs

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

#### xii. Earnings/(Loss) per Share

The earnings/(loss) considered in ascertaining the Company's Earnings/(Loss) Per Share (EPS) comprise of the net profit/(loss) after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

#### xiii. Taxes on Income

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

#### xiv. Provisions

A provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

#### xv. Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

#### xvi. Expenditure

Expenses are net of taxes recoverable, where applicable.

### 2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) of Rs. 55.84 Lakhs (2009: Rs. 114.69 Lakhs).

### 3. Contingent Liabilities

(Rs. in Lakhs)

Particulars	2010	2009
Contingent liabilities not provided for on account of:		
a) Bank Guarantees	211.25	110.75
b) Letter of Credit	786.14	709.74
c) Corporate Guarantees given by the Company to banks in respect of crop loans to farmers	7,040.00	800.00
d) Arrears of fixed cumulative dividends of Preference shares	264.22	132.11
e) Claims made by Government Departments against the Company not acknowledged as debts:		
i) Excise claims under appeal	201.16	77.61
ii) Sales tax appeal under various states	42.89	41.78
iii) Other claims	166.02	–

4. a) The Ministry of Corporate Affairs, Government of India has vide its Notification No. GSR 225(E) dated March 31, 2009 has announced Companies Accounting Standards (Amendment) Rules 2009 prescribing changes to Accounting Standard 11 on 'The Effects of Changes in Foreign Exchange Rates'.

The Company has, pursuant to the adoption of such principles of Companies (Accounting Standards) Amendment Rules 2009, exercised the option of recognizing the exchange differences arising on reporting of foreign currency monetary items at rates different from those at which they were recorded earlier, in the original cost of such depreciable fixed assets in so far such exchange differences arose on foreign currency monetary items relating to the acquisition of a depreciable asset as below:

Exchange differences aggregating to Rs. 58.82 Lakhs arising during the year ended March 31, 2010 (2009: Rs. 39.65 Lakhs) have been adjusted to the cost of the depreciable assets.

(Rs. in Lakhs)

	2010	2009
b) Borrowing cost capitalized on fixed assets/CWIP	590.89	1,891.27

5. During the year, the Company has recognized Rs. 399.18 Lakhs (2009: Nil) of liquidated damages recovered from suppliers' of capital equipment purchased, with respect to the Haliyal unit, as "Other Income". These liquidated damages were imposed on suppliers' due to failure on the performance with regard to the delivery schedules and were recovered at an amount or a rate in conformity with the purchase order entered into. The same was grouped under "Current liabilities" in earlier years.

The Liquidated damages such recognized as "other income" are subject to reconciliation, acceptance and confirmation by the suppliers' as at the Balance Sheet date.

6. During the year, the Company acquired 1,445 Shares of Rs. 100/- each comprising 1.41% of the paid-up capital of Alagawadi Bireshwar Sugars Private Limited (ABSPL) at a cost of Rs. 843.88 Lakhs. Consequently ABSPL has become a wholly-owned Subsidiary of the Company with effect from March 27, 2010. The carrying value of investment in ABSPL as at March 31, 2010 is Rs. 1,362.94 Lakhs (2009: Rs. 519.06 Lakhs) which exceed the net worth of ABSPL. Additionally, loan amounting to Rs. 1,134 lakhs [2009: Rs. 250 Lakhs] has been given to ABSPL.

ABSPL owns an Industrial Entrepreneur Memorandum (IEM) to set up a 2500 TCD Sugar mill in the high recovery sugar rich belts of Raibagh Taluk, Belgaum District of Karnataka. Further, ABSPL acquired land to the extent of approximately 196 acres for setting up the project and has also obtained permission of the State High Level Committee (SHLC) for setting up a 25 MW Cogeneration Plant and 100 KLPD Distillery. Considering the strategic location of the project, the embedded value of the sugar license held by ABSPL and the nearby high recovery sugar cane rich belt which is the lifeline of a Sugar Industry, the Company considers that the acquisition cost is reasonable. The management of the Company believes that this reflects intrinsic value far in excess of the carrying cost of investments and loan given. Therefore, no provision is considered necessary at this stage in respect of aforementioned amounts.

7. Sundry Debtors as at March 31, 2010 include Rs.1,090.73 Lakhs [2009: Rs. 905.48 Lakhs] receivable from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO). Of the total such dues,
- a) Amounts aggregating to Rs. 539.42 Lakhs [2009:Rs. 448.81 Lakhs] relate to price difference matter in dispute where APTRANSCO has appealed before the apex court against an order of Electricity Tribunal. As the matters are pending before the apex court, the Company, as a matter of prudence, has postponed the recognition of such amounts as income and a corresponding credit is retained as liability in the books of account. Necessary adjustments will be made upon final resolution of the matter.
- b) Amounts aggregating to Rs. 551.31 Lakhs [2009: Rs. 456.67 Lakhs] relate to various matters in dispute where APTRANSCO has appealed before the apex court against the orders of Electricity Tribunal. As the matters are pending before the apex court, no adjustment has been made in respect of such dues recognized as receivable as at March 31, 2010.

#### 8. Segment Reporting:

- (i) The Company has identified three business segments viz., Sugar, Power and Distillery. Segments have been identified and reported taking into account the nature of the products, the differing risks and returns, the organizational structure and internal business reporting system.
- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Un-allocable".
- (b) Segment Assets and Segment Liabilities represent assets and liabilities of respective segment. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un-allocable"
- (c) The Company generally accounts for inter segment sales/transfer as if the sales/transfers were to external parties at prevailing average market price on the date of transfer.

**Segment Reporting:**

**(a) Information about primary business segments:**



(Rs. in Lakhs)

Business Segments Particulars	Continuing Operations						Discontinued Operations		Un allocable		Total	
	Sugar		Power		Distillery		Aircraft		2010	2009	2010	2009
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenue</b>												
Revenue from Customers	13,084.35	5,241.40	3,243.99	3,030.34	3,436.15	2,823.00	-	1,589.59	-	-	19,764.49	12,684.33
Job work Income - Raw Sugar processing	610.83	-	-	-	-	-	-	-	-	-	610.83	-
Inter Segment Revenue	1,775.86	1,851.37	2,021.63	944.95	-	6.82	-	-	-	-	3,797.49	2,803.14
<b>Segment Revenues</b>	<b>15,471.04</b>	<b>7,092.77</b>	<b>5,265.62</b>	<b>3,975.29</b>	<b>3,436.15</b>	<b>2,829.82</b>	-	<b>1,589.59</b>	-	-	<b>24,172.81</b>	<b>15,487.47</b>
Operating Expenses	13,804.24	6,526.65	4,465.63	2,044.74	2,741.36	1,083.93	-	774.32	-	-	21,011.23	10,429.64
Inter Segment Cost	1,917.71	933.73	1,106.55	774.26	773.23	1,095.15	-	-	-	-	3,797.49	2,803.14
Depreciation/Amortization	1,450.61	879.96	860.21	421.39	238.22	136.23	-	226.15	138.44	117.73	2,687.48	1,781.46
<b>Segment Result</b>	<b>(1,701.52)</b>	<b>(1,247.57)</b>	<b>(1,166.77)</b>	<b>734.90</b>	<b>(316.66)</b>	<b>514.51</b>	-	<b>589.12</b>	<b>(138.44)</b>	<b>(117.73)</b>	<b>(3,323.39)</b>	<b>473.23</b>
Interest Expenses	2,615.96	1,384.32	1,398.01	329.49	195.92	75.07	-	262.62	-	-	4,209.89	2,051.50
Interest Income	(6.19)	(5.06)	(0.02)	-	-	-	-	-	-	-	(6.21)	(5.06)
Other income	(2,038.72)	(92.62)	(320.89)	(69.66)	(15.11)	(15.56)	-	(623.76)	-	-	(2,374.72)	(801.60)
<b>Profit/(Loss) before tax</b>	<b>(2,272.57)</b>	<b>(2,534.21)</b>	<b>(2,243.87)</b>	<b>475.07</b>	<b>(497.47)</b>	<b>455.00</b>	-	<b>950.26</b>	<b>(138.44)</b>	<b>(117.73)</b>	<b>(5,152.35)</b>	<b>(771.61)</b>
Exceptional Items (Note 14 above)	831.29	-	-	-	-	-	-	-	-	-	831.29	-
Profit after Exceptional Items	(3,103.86)	(2,534.21)	(2,243.87)	475.07	(497.47)	455.00	-	950.26	(138.44)	(117.73)	(5,983.64)	-
<b>Taxation</b>												
Current tax	-	-	-	-	-	-	-	-	-	-	55.56	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	(196.11)	(859.21)
Fringe Benefit tax	-	-	-	-	-	-	-	-	-	-	-	26.30
<b>Net Profit/(Loss) after taxation/ Adjusted Profits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,843.09)</b>	<b>61.30</b>
<b>Other Information</b>												
Segment Assets	38,853.73	38,256.98	16,633.37	16,534.51	9,016.13	8,156.87	-	197.27	4,468.90	3,341.08	68,972.13	66,486.71
Segment Liabilities	26,040.78	26,886.75	9,472.06	7,703.69	2,679.84	2,147.91	-	-	23,904.49	17,030.31	62,097.17	53,768.66
Capital expenditure	95.51	2,244.02	521.34	7,106.03	594.51	5,161.35	-	-	102.38	551.71	1,313.64	15,063.11
Other non-cash expenses/(income) (Net)	(1,344.88)	15.97	4.00	0.03	-	0.08	-	-	-	2.88	(1,340.88)	18.96

During the year under report, the Company has engaged in its business only within India and not in any other country. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

## 9. Employee Benefits

- (i) The following table sets forth the status of gratuity plan of the company and the amount recognized in the Balance Sheet and Profit and Loss Account:

(Rs. in Lakhs)

	2010	2009
<b>Changes in present value of obligation</b>		
<b>Present value of Obligations at the beginning of the period</b>	<b>84.09</b>	62.03
Service cost	30.62	34.62
Interest cost	6.08	4.25
Benefits settled	(16.11)	(2.59)
Actuarial (gain)/loss	(0.03)	(14.22)
<b>Present value of Obligations at the end of the period</b>	<b>104.65</b>	84.09
<b>Fair value of plan assets</b>		
<b>Fair value of plan assets as at beginning of the period</b>	<b>76.97</b>	41.44
Expected return on plan assets (estimated)	5.51	4.42
Actuarial gain/(loss)	1.01	3.58
Contributions (less risk prem., etc.)	–	30.12
Benefits settled	(16.11)	(2.59)
<b>Fair value of plan assets as at end of the period</b>	<b>67.38</b>	76.97
<b>Amounts recognised in the Balance Sheet</b>		
Present value obligation at the end of period	104.65	84.09
Fair value of Plan assets at end of period	67.38	76.97
<b>Net (asset)/liability recognised in the Balance sheet</b>	<b>37.27</b>	7.12
<b>Expense recognised in the statement of Profit and Loss Account</b>		
Service cost	30.62	34.62
Interest cost	6.08	4.25
Expected return on plan assets	(5.51)	(4.42)
Actuarial (gain)/loss	(1.32)	(17.81)
Net gratuity cost	29.87	16.64
<b>Assumptions</b>		
Discount rate	8.00%	7.00%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	6.00%	6.00%
Attrition Rate	5.00%	5.00%
Retirement expectancy (in Years)	60	58
Expected average remaining service (in Years)	23.36	22.12
Mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table
<b>Actual return on plan assets (Rs. in Lakhs)</b>	<b>6.52</b>	8.00

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per the best estimate of the management, contribution of Rs. 48.75 lakhs is expected to be paid to the plan during the year ending March 31, 2011.

- (ii) During the year, the Company has recognized the following amounts in the Profit and Loss Account, which are included in 'Contribution to Provident and Other Funds in Schedule 16:

	(Rs. in Lakhs)	
	2010	2009
Provident Fund and Employees' Pension Scheme	88.68	63.84

#### 10. Earnings/(Loss) Per Share:

The computation of earnings per share is set out below:

	2010	2009
Nominal value of equity shares (Rs.)	10	10
Net Profit/(Loss) after tax (Rs. Lakhs)	(5,843.09)	61.30
Less: Preference Dividend attributable to Preference Shares (including corporate tax thereon)	132.11	132.11
Net Profit/(Loss) attributable to the Equity Shareholders.	(5,975.20)	(70.81)
Shares:		
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year	19,961,707	19,961,707
Basic and diluted Earnings/(Loss) Per Share	(29.93)	(0.35)

Note: There are no potentially dilutive equity shares outstanding during the year

#### 11. Operating Leases:

- (i) The Company has entered into a non-cancellable operating lease agreement with Shri Dhanalakshmi Sahakari Sakkare Karkhane Niyamit, Ramdurg for the lease of sugar factory together with the specified assets on Build, Own, Operate and Transfer basis (BOOT) for a period of 25 years. Lease rentals of Rs. 704.52 Lakhs (2009: Rs. 218.82 Lakhs) in respect of the obligation under such lease agreement have been recognized in the Profit and Loss Account.

Future obligations of lease rentals applicable to the above lease agreement aggregate to Rs.15,711.48 Lakhs (2009: Rs.16,416.00 Lakhs) and are due:

	(Rs. in Lakhs)	
	2010	2009
Not later than one year	725.65	704.52
Later than one year and not later than five years	3,968.18	3,035.87
Later than five years	11,017.65	12,675.61
Total	15,711.48	16,416.00

- (ii) The Company has certain operating leases for office facilities and residential premises under a cancellable operating lease agreement. Such agreements are generally with the option of renewal against increased rent and premature termination of agreement. The charge on account of lease rentals under such agreements to the Profit and Loss Account for the year is Rs. 40.78 Lakhs (2009: Rs. 12.82 Lakhs).

#### 12. Related Party Disclosures:

##### A. Names of the related parties and description of relationship:

Relationship	Name of the Parties
Holding Company	GMR Holdings Private Limited (GHPL)
Subsidiary Company	Alagawadi Bireshwar Sugars Private Limited (ABSPL)
Fellow Subsidiaries where transactions have taken place during the year	GMR Infrastructure Limited ( GIL)
	GMR Energy Limited ( GEL)
	GMR Projects Private Limited ( GPPL)
	Delhi International Airport Limited (DIAL)
	GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)
	GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)
	GMR Ulundurpet Expressways Private Limited (GUEPL)
	GMR Pochanpalli Expressways Private Limited (GPEPL)
	GMR Jadcherla Expressways Private Limited (GJEPL)
	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)

Relationship	Name of the Parties
	GMR Aviation Private Limited (GAPL)
	GMR Ferro Alloys and Industries Limited (GFAIL)
	GMR Power Corporation Private Limited (GPCPL)
	GMR (Badrinath) Hydro Power Generation Private Limited (GHPGPL)
	GMR Hyderabad International Airport Limited (GHIAL)
	Raxa Security Services Limited (RSSL)
	Rajam Enterprises Private Limited (REPL) (Previously as Roshan Investments Private Limited)
	GMR Enterprises (GE)
	Grandhi Enterprises Private Limited (GEPL) (Previously Blue Moon Investments Private Limited)
	GMR Sports Private Limited (GSPL)
	GMR Varalakshmi Foundation
	GMR Bajoli Holi Hydro Projects Private Limited (GBHHPL)
Key Management Personnel	Mr. R. Ramakrishnan
	Mr. TCS Reddy
	Mr. A. Sankara Rao
Individuals exercising control or significant influence and their relatives	Mr.G.M. Rao
	Mr. G.B.S. Raju
	Mr. G. Kiran Kumar
	Mrs. G.Varalakshmi
	Mrs. B. Rama Devi
Enterprises where Individuals exercising control or significant influence over the company have significant influence	Adarsh Industries (AI)
	GMR Varalakshmi Foundation (GMVF)

**B. Summary of transactions with above related parties is as follows:**

(Rs. in Lakhs)

Nature of the Transaction	2010	2009
<b>Dividend Paid</b>		
Holding Company – GHPL	-	254.18
Corporate Guarantee availed		
Holding Company:		
GHPL	<b>3,168.00</b>	3,168.00
<b>Rent Paid</b>		
Individuals exercising control or significant influence and their relatives		
G. Varalakshmi	<b>2.54</b>	0.90
G. Kiran Kumar	-	1.80
GBS Raju	-	1.80
B. Ramadevi	<b>0.60</b>	0.60
<b>Aviation Services Rendered</b>		
Fellow Subsidiaries		
DIAL	-	516.91
GHAIL	-	217.36
GIL	-	262.57
GFAIL	-	-
GEL	-	208.16

Nature of the Transaction		2010	2009
	Others	-	109.16
	<b>Aviation Services Received</b>		
	Fellow Subsidiary		
	GAPL	-	187.71
	<b>Services Received</b>		
i.	Fellow Subsidiary		
	RSSL	54.06	68.87
ii.	Enterprises where Individuals exercising control or significant influence over the company have significant influence		
	AI	-	17.80
	<b>Sale of immovable/movable assets</b>		
	Fellow Subsidiaries		
	GMR Enterprises Pvt. Ltd.	160.96	-
	GMR Varalakshmi Foundation	5.54	-
	<b>Investment in Equity Shares</b>		
	Subsidiary		
	ABSPL	843.88	519.06
	<b>Sale of Investments</b>		
	Individuals exercising control or significant influence and their relatives:		
	G. Varalakshmi	-	63.85
	Others	-	0.03
	<b>Assignment of Key Man insurance policy</b>		
	Individuals exercising control or significant influence and their relatives		
	G. M. Rao	97.38	-
	<b>Sale of Aircraft Division</b>		
	Fellow Subsidiary:		
	GAPL	-	2,900.00
	<b>Unsecured loans given</b>		
	Subsidiary – ABSPL	1,134.00	250.00
	<b>Unsecured loans taken</b>		
i.	Holding Company- GHPL	-	8,018.00
ii.	Fellow Subsidiaries		
	REPL	-	4,100.00
	GEPL	-	1,800.00
	<b>Repayment of unsecured loans</b>		
	Fellow Subsidiaries		
	REPL	-	4,100.00
	GEPL	-	1,800.00
	GPPL	-	2,000.00
	<b>Remuneration</b>		
	<b>Key Management Personnel</b>		
	Mr. R. Ramakrishnan	73.39	67.59
	Mr. TCS Reddy	39.93	36.74
	Mr. V. Raghunathan	-	8.92
	Mr. A. Sankara Rao	4.00	-
	<b>Balance Payable/(recoverable) at the end of the year:</b>		
i.	Subsidiary	(1,134.00)	(250.00)
ii.	Fellow Subsidiaries	-	93.69
iii.	Individuals exercising control or significant influence and their relatives	-	63.88
iv.	Enterprises where Individuals exercising control or significant influence over the company have significant influence	-	(18.27)



**Notes:**

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

**C. Managerial remuneration**

- i. The Profit and Loss Account includes payments and provisions on account of remuneration to managerial person as under:

(Rs. in Lakhs)

Particulars	2010	2009
Salaries	33.11	52.55
Contribution to Provident Fund	3.82	4.78
Allowances	56.78	39.61
Incentives	2.91	12.40
Other benefits	20.70	3.91
<b>Total</b>	<b>117.32</b>	<b>113.25</b>

- ii. The remuneration, as approved by the Remuneration committee/Board/Shareholders, paid to the managerial personnel during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over the maximum remuneration stipulated under Schedule XIII of the Act, amounting to Rs. 25.18 Lakhs due to absence of profit during the year. The Central Government vide its letter dated March 11, 2010 approved payment of Rs. 73.18 Lakhs as remuneration to Mr. Ramakrishnan, Managing Director of the Company.

**13. Provision towards L-Factor:**

Pursuant to the amendment of the Essential Commodities Act, 1955 vide the Central Government through order dated October 22, 2009 (S.O.2665(E)/Essential Commodities/sugar cane issued by the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) in exercise of powers conferred by Section 3 of the Essential Commodities Act, 1955 called as Sugarcane (Control) Amendment Order 2009 has omitted Clause 5A and second schedule of the sugarcane control order.

Consequently, the erstwhile formula under which the Company made a provision for additional remuneration payable to the farmers has now become redundant and such provision amounting to Rs. 1,408.12 Lakhs has been written back during the year.

The movement in Provision for L-Factor as at March 31, 2010 is shown hereunder:

(Rs. in Lakhs)

**At the beginning of the year**

Add/(Less): Provisions made/(Written back) during the year

**At the end of the year**

	2010	2009
At the beginning of the year	1,408.12	1,408.12
Add/(Less): Provisions made/(Written back) during the year	(1,408.12)	–
At the end of the year	–	1,408.12

14. During the current year the Company has accounted for sugar cane purchases for the season 2008-09 at Rs. 50 per quintal in respect of Haliyal and Ramdurg units. The total additional cane price announced and paid in respect of the 2008-09 season aggregating to Rs. 831.29 Lakhs has been included in the Profit and Loss Account as 'Exceptional Item'. The decision to pay such additional cane price for last year supplies was taken keeping in view the scarcity of sugar cane and competition in the region.

**15. Deferred tax Liability:**

The major components of the deferred tax assets and liabilities on account of timing differences are as follows:

(Rs. in Lakhs)

Particulars	2010		2009	
	Asset	(Liability)	Asset	(Liability)
Depreciation	–	3,497.09	–	3,046.27
Unabsorbed depreciation	1,252.66	–	530.59	–
Others	6.59	–	81.73	–
	1,259.25	3,497.09	612.32	3,046.27
<b>Net Deferred Tax Liability</b>		<b>2,237.84</b>		<b>2,433.95</b>

**Note:**

The deferred tax asset as at March 31, 2010, computed on carry forward business loss amounts to Rs. 2,068.97 Lakhs. However, the same has not been recognized, as a measure of prudence, in the absence of virtual certainty as envisaged in AS 22.

16. Based on the information available with the Company regarding the status of supplier under Micro, Small and Medium Enterprises Development Act, 2006 (MSME), during the year no amounts have been paid beyond the appointed day in terms of the MSME and there is no amount paid towards interest. Further, there is no interest accrued/payable under the said act as at the balance sheet date.
17. Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part of Schedule VI to the Act.

i) **Capacities and Production**

Particulars	UOM	2010		2009	
		Quantity	Amount	Quantity	Amount
<b>Capacities:</b>					
<b>Licensed Capacity</b>					
Sugarcane crushing	MT	11,000		11,000	
Co-generation	MW	46		46	
Distillery	KLPD	85		45	
<b>Installed Capacity</b>					
(As certified by the management)					
Sugarcane crushing	MT	11,000		11,000	
Co-generation	MW	46		46	
Distillery	KLPD	95		40	

ii) **Production and Turnover:**

Particulars	UOM	2010		2009	
		Quantity	Rs. Lakhs	Quantity	Rs. Lakhs
<b>Production:</b>					
Sugar	Quintals	566,855		389,825	
Molasses	MT	29,044		23,468	
Power	Units	102,557,847		81,480,274	
<b>Distillery:</b>					
Rectified Spirit	Litres	1,662,943		2,101,303	
Extra Neutral Alcohol	Litres	3,624,632		4,692,312	
Impure Spirit	Litres	880,678		814,680	
Ethanol	Litres	3,424,058		1,744,571	
<b>Turnover:</b>					
<b>Manufacturing – A</b>					
Sugar	Quintals	456,592	13,116.94	305,278	5,511.20
Molasses*	MT	19,199	455.45	21,317	
Cogeneration – Power#	Units	73,333,000	3238.01	59,174,150	3,002.73
<b>Distillery**</b>					
Rectified Spirit	Litres	1,340,000	398.35	852,025	258.42
Extra Neutral Alcohol	Litres	4,316,000	1,518.74	5,333,000	1,663.00
Impure Spirit	Litres	297,000	70.57	506,650	146.68
Ethanol	Litres	3,928,000	1,530.98	2,318,646	844.64
Others			18.94		137.27
<b>Total</b>			<b>20,347.98</b>		<b>11,563.94</b>
<b>Aircraft Chartering Service – B</b>			–		1,589.59
<b>Total (A+B)</b>			<b>20,347.98</b>		<b>13,153.53</b>

\* Includes inter division transfers of 11650.25 MT (2009: 21317 MT) at Nil value.

# Net of captive consumption

\*\* Excludes quantities used in the processing of other distillery products mentioned above.

iii) Opening and closing stock:

	UOM	2010		2009	
		Quantity	Rs. Lakhs	Quantity	Rs. Lakhs
<b>Opening Stocks:</b>					
Sugar	Quintals	171,469	2,686.82	86,922	1,275.15
Molasses	MT	12,165.15	790.73	10,014	337.98
Work-in-Process	Quintals	4,459.82	84.97	-	151.54
Baggasse/Bio-mass	MT	3,830.57	24.90	16,793	109.15
Distillery:					
Rectified spirit	Litres	704,783	190.93	544,974	98.86
Impure Spirit	Litres	879,578	240.41	227,337	28.30
ENA	Litres	283,658	68.90	676,748	106.91
Ethanol	Litres	214,741	54.57	348,684	44.77
Work-in-Progress	Litres			-	-
Others					0.07
<b>Total</b>			<b>4,142.23</b>		<b>2,152.73</b>
<b>Closing Stocks:</b>					
Sugar	Quintals	281,732	6,248.63	171,469	2,686.82
Molasses	MT	22,010	1,070.61	12,165	790.73
Baggasse/Bio-mass	MT	2,393	15.55	3,831	24.90
Work-in-process	Quintals	10,008	226.69	4,460	84.97
WIP- Molasses	Quintals	190	9.08		
Distillery	Litres				
Rectified Spirit		708,860	198.72	704,783	190.93
Impure Spirit		264,978	55.78	283,658	68.90
ENA		242,941	85.49	879,578	240.41
Ethanol		535,344	180.92	214,741	54.57
Others					
<b>Total</b>			<b>8,091.47</b>		<b>4,142.23</b>

iv) Raw material consumed (including consumed during the trial run):

Particulars	UOM	2010		2009	
		Quantity	Rs. Lakhs	Quantity	Rs. Lakhs
Sugar Cane	MT	585,352	14,072.94	418,244	6,491.70
Coal	MT	76,436	2,602.56	25,945.34	797.88
Others*			1,828.42		2,044.31
<b>Total</b>			<b>18,503.92</b>		<b>9,333.89</b>

\* In view of the large number of items, individually costing less than 10% of total consumption and the different units of measurement used, quantitative details cannot be given

## v) Details of consumption of raw materials and stores and spares

Particulars	2010		2009	
	%	Rs. Lakhs	%	Rs. Lakhs
<b>Percentage of raw material consumed:</b>				
Indigenous	100.00	18,503.92	100.00	9,333.89
	100.00	18,503.92	100.00	9,333.89
<b>Stores and spares consumed</b>				
Indigenous	100.00	1,174.72	97.87	670.00
Imported	-	-	2.12	14.53
<b>Total</b>	<b>100.00</b>	<b>1,174.72</b>	<b>100.00</b>	<b>684.53</b>

## 18. Expenditure in foreign currency

## (i) CIF Value of imports:

(Rs. in Lakhs)

Particulars	2010	2009
Capital Items	254.41	942.83
Stores and Spares	-	14.53

## (ii) Expenditure in Foreign Currency:

(Rs. in Lakhs)

Particulars	2010	2009
Travel Expenses	-	15.42
Staff Training Expenses	-	-
Aircraft Operation and Maintenance	-	60.62
Consultancy fees	-	56.86

## (iii) Foreign currency remittances:

(Rs. in Lakhs)

Particulars	2010	2009
Dividend	-	0.01

19. Previous year's figures have been regrouped and reclassified wherever necessary, to conform to those of the current year.

## For Price Waterhouse

Firm Registration Number – 007568S

Chartered Accountants

## J. Majumdar

Partner

Membership No: F - 51912

## For and on behalf of the Board

## T.C.S. Reddy

Director

## R. Ramakrishnan

Managing Director

## K. Kumar

Chief Financial Officer

## B. M. Rath

Company Secretary

Place: Bangalore

Date: April 23, 2010

## Cash Flow Statement for the Year ended March 31, 2010

(Rs. in Lakhs)

	2010	2009	
<b>A. Cash flow from Operating Activities</b>			
Net Profit/(Loss) before Exceptional Item and Taxation	(5,152.35)	(771.61)	
Adjustments for:			
Depreciation	2,687.48	1,781.46	
Bad debts written off	34.80	15.40	
Profit on Sale of Investments	-	11.96	
Provision for doubtful advances	32.44	-	
Interest received	(6.21)	(5.05)	
Interest and finance charges	4,209.89	2,051.50	
Provisions no longer required written back	(1,408.12)	-	
Dividend from Mutual funds	-	(9.01)	
(Profit) / Loss on sale of fixed assets	(35.84)	3.56	
Profit on transfer of Aircraft division	-	(595.19)	3,254.63
<b>Operating profit before working capital changes</b>	<b>362.09</b>	<b>2,483.02</b>	
Adjustments for:			
Trade and other receivables	(417.22)	(3,338.37)	
Inventories	(3,711.22)	(2,459.69)	
Trade and other payables	1,171.45	1,936.85	(3,861.21)
Cash generated from/ (used in) operations	(2,594.90)	(1,378.19)	
Interest paid	(4,206.40)	(2,051.50)	
Income taxes paid	(39.70)	(21.00)	
<b>Net cash from / (used in) operating activities before exceptional item</b>	<b>(6,841.00)</b>	<b>(3,450.69)</b>	
Exceptional item (Refer Schedule 19 Note 14)	(831.29)	-	
<b>Net cash from / (used in) operating activities after exceptional item</b>	<b>(7,672.29)</b>	<b>(3,450.69)</b>	
<b>B. Cash from Investing Activities</b>			
Purchase of Fixed assets	(1,934.64)	(15,063.11)	
Proceeds from sale of fixed assets	248.46	48.25	
Investments in Equity shares of Subsidiaries	(843.78)	(519.06)	
Proceeds from sale of investments	-	541.60	
Proceeds from transfer of Aircraft business	-	2,898.50	
Interest / dividends received	5.60	14.06	
<b>Net cash from / (used in) investing activities</b>	<b>(2,524.36)</b>	<b>(12,079.76)</b>	
<b>C. Cash Flow from Financing Activities</b>			
Repayment of unsecured loans	(1,500.00)	(5,000.00)	
Proceeds from Secured loans	12,806.94	20,822.55	
Repayment of Secured loans	(1,357.65)	-	
Dividend Paid	(0.51)	(373.90)	
<b>Net cash from / (used in) financing activities</b>	<b>9,948.78</b>	<b>15,448.65</b>	
<b>Net Change In Cash And Cash Equivalents</b>	<b>(247.87)</b>	<b>(81.80)</b>	
Cash And Cash Equivalents -Opening Balance	559.93	668.73	
Cash and Cash Equivalents transferred to pursuant to Sale of Aircraft Division	-	(27.00)	
<b>Cash And Cash Equivalents - Closing balance</b>	<b>312.06</b>	<b>559.93</b>	

### Notes:

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2010 and the related Profit and Loss Account for the year ended on that date.
- The above Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash flow Statements, as notified under Section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents - closing balance include balances aggregating to Rs. 56.92 Lakhs [2009: Rs. 57.43 Lakhs] with Scheduled banks in respect of unclaimed dividend, which are not available for use by the Company.
- Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement referred to in our report of even date.

**For Price Waterhouse**  
Firm Registration Number - 007568S  
Chartered Accountants

**J. Majumdar**  
Partner  
Membership Number - F 51912

Place: Bangalore  
Date : April 23, 2010

**T.C.S. Reddy**  
Director

**K. Kumar**  
Chief Financial Officer

For and on behalf of the Board

**R. Ramakrishnan**  
Managing Director

**B. M. Rath**  
Company Secretary



# Balance Sheet Abstract and Company's General Business Profile

(Pursuant to the provisions of Part IV of Schedule VI of the Companies Act, 1956)

## I. Registration Details

Registration No. 

			4	9	0	7	7
--	--	--	---	---	---	---	---

State Code 

0	8
---	---

Balance Sheet Date 

3	1	0	3	2	0	1	0
Date			Month		Year		

## II. Capital raised during the year (Rupees in '000)

Public Issue 

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue 

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue 

					N	I	L
--	--	--	--	--	---	---	---

Private Placement 

					N	I	L
--	--	--	--	--	---	---	---

## III. Position of mobilisation and deployment of funds (Rupees in '000)

Total Liabilities 

	6	2	4	8	5	7	7
--	---	---	---	---	---	---	---

Total Assets 

	6	2	4	8	5	7	7
--	---	---	---	---	---	---	---

### Sources of Funds

### Application of Funds

#### Paid up Capital

Equity Share Capital 

			1	9	9	6	1	7
--	--	--	---	---	---	---	---	---

Net Fixed Assets 

	5	0	5	8	1	7	8
--	---	---	---	---	---	---	---

Preference Share Capital 

			1	4	1	1	5	1
--	--	--	---	---	---	---	---	---

Reserves & Surplus 

			3	4	6	7	2	8
--	--	--	---	---	---	---	---	---

Investments 

			1	3	6	8	0	9
--	--	--	---	---	---	---	---	---

Secured Loans 

	5	3	3	7	2	9	7
--	---	---	---	---	---	---	---

Net Current Assets 

	1	0	5	3	5	9	0
--	---	---	---	---	---	---	---

Unsecured Loans 

					N	I	L
--	--	--	--	--	---	---	---

Miscellaneous Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Deferred Tax Liability (Net) 

		2	2	3	7	8	4
--	--	---	---	---	---	---	---

## IV. Performance of Company (Rupees in '000)

Turnover (including other income) 

	2	2	7	5	6	2	5
--	---	---	---	---	---	---	---

Profit before Tax 

	-	5	9	8	3	6	4
--	---	---	---	---	---	---	---

Total Expenditure 

	2	7	9	0	8	6	0
--	---	---	---	---	---	---	---

Profit after Tax 

	-	5	8	4	3	0	9
--	---	---	---	---	---	---	---

## V. Generic Names of Three Principal Products/Services of Company

Item Code 

		1	7	0	1	.	1	1
--	--	---	---	---	---	---	---	---

Product Description 

									S	U	G	A	R
--	--	--	--	--	--	--	--	--	---	---	---	---	---

Item Code 

	0	0	0	0	2	2	.	0	7
--	---	---	---	---	---	---	---	---	---

Product Description 

															I	N	D	U	S	T	R	I	A	L	A	L	C	H	O	L
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code 

		2	7	1	6	.	0	0
--	--	---	---	---	---	---	---	---

Product Description 

															E	L	E	C	T	R	I	C	A	L	E	N	E	R	G	Y
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

For and on behalf of the Board

**T.C.S. Reddy**  
Director

**R. Ramakrishnan**  
Managing Director

**K. Kumar**  
Chief Financial Officer

**B.M. Rath**  
Company Secretary

Place: Bangalore  
Date: April 23, 2010

## Auditors' Report on Consolidated Financial Statements to the Board of Directors of GMR Industries Limited

1. We have audited the attached consolidated balance sheet of GMR Industries Limited (the "Company") and its subsidiary (hereinafter referred to as the "Group") as at March 31, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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 the 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. Without qualifying our opinion, we draw attention to Note 6 of Schedule 19 to the financial statements regarding carrying value of long term investment amounting to Rs.1,368.09 lakhs (2009: Rs.519.06 lakhs) in the subsidiary company which exceeds its net worth, thereby giving rise to recognition of goodwill on consolidation amounting to Rs. 1264.73 Lakhs (2009: Rs.443.60 Lakhs). Considering the strategic location of the project and the nearby high recovery sugar cane rich belt which is the lifeline of a sugar industry, the Company's Management considers that the acquisition cost is reasonable and believes that the intrinsic value of the acquisition including the embedded value of the sugar license held by the said subsidiary company is far in excess of the carrying cost of investments in the subsidiary company and that there is no condition requiring impairment of such goodwill arising on consolidation.
4. We did not audit the financial statements of the subsidiary included in the consolidated financial statements, which constitute total assets of Rs. 1,232.24 Lakhs and net assets of Rs. 98.25 Lakhs as at March 31, 2010, total revenue of Rs. Nil, net profit/net loss of Rs. Nil and net cash flows amounting to Rs.31.29 Lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
6. Based on our audit and on consideration of reports of other auditor on separate financial statements and on the other financial information of the component of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
  - (b) in the case of the consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date: and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Price Waterhouse**  
Firm Registration Number: 007568S  
Chartered Accountants

Place: Bangalore  
Date: April 23, 2010

**J. Majumdar**  
Partner  
Membership Number: F-51912



## Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	Schedule	2010	2009
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Capital	1	3,407.68	3,407.68
Reserves and Surplus	2	3,467.28	9,310.37
		<b>6,874.96</b>	12,718.05
<b>Loan Funds</b>			
Secured Loans	3	53,372.97	41,923.67
Unsecured Loans	4	—	2,120.11
		<b>53,372.97</b>	44,043.78
<b>Deferred Tax Liability (Net)</b> [Schedule 19 Note 16]		<b>2,237.84</b>	2,433.95
		<b>62,485.77</b>	<b>59,195.78</b>
<b>Application of Funds:</b>			
Goodwill on Consolidation		<b>1,264.73</b>	443.60
<b>Fixed Assets</b>			
	5A		
Gross Block (at cost)		60,280.45	53,554.98
Less: Depreciation		9,626.79	7,076.46
Net Block		50,653.66	46,478.52
Capital Work-in-Progress		1,178.05	6,553.49
		<b>51,831.71</b>	53,032.01
<b>Expenditure incurred during construction period pending allocation</b>	5B	—	—
<b>Investments</b>	6	5.15	5.25
<b>Current Assets, Loans and Advances</b>			
Inventories	7	8,859.38	5,148.16
Sundry Debtors	8	1,979.69	2,347.37
Cash and Bank Balances	9	483.31	699.89
Other Current Assets	10	581.68	564.54
Loans and Advances	11	4,747.36	4,976.30
		<b>16,651.43</b>	13,736.26
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	12	7,178.43	6,489.21
Provisions	13	88.82	1,532.13
		<b>7,267.25</b>	8,021.34
<b>Net Current Assets</b>		<b>9,384.18</b>	5,714.92
		<b>62,485.77</b>	<b>59,195.78</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Accounts  
This is the Consolidated Balance sheet referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number - 007568S  
Chartered Accountants

**J. Majumdar**  
Partner  
Membership Number - F 51912  
Place: Bangalore  
Date: April 23, 2010

**T.C.S. Reddy**  
Director

**K. Kumar**  
Chief Financial Officer

For and on behalf of the Board  
**R. Ramakrishnan**  
Managing Director

**B. M. Rath**  
Company Secretary

## Consolidated Profit and Loss Account for the year ended March 31, 2010

Rs. in Lakhs

	Schedule	2010	2009
<b>Income</b>			
Gross Income from Sales and Services		20,347.98	13,153.53
Less: Excise Duty		583.49	469.20
Net Income from Sales and Services		19,764.49	12,684.33
Job work Income - Raw Sugar processing		610.83	-
Other Income	14	2,380.93	806.66
		<b>22,756.25</b>	<b>13,490.99</b>
<b>Expenditure</b>			
Materials	15	14,554.68	6,041.49
Employee Costs	16	1,803.79	1,093.79
Other Costs	17	4,652.76	3,294.36
Interest and Finance Charges	18	4,209.89	2,051.50
Depreciation	5A	2,687.48	1,781.46
		<b>27,908.60</b>	<b>14,262.60</b>
<b>Profit/(Loss) before Exceptional items and Taxation</b>		<b>(5,152.35)</b>	<b>(771.61)</b>
Exceptional Items (Net) [Schedule 19 Note 15 ]		831.29	-
<b>Profit/(Loss) before Taxation</b>		<b>(5,983.64)</b>	<b>(771.61)</b>
<b>Profit/(Loss) from Continuing Operations before Taxation</b>		<b>(5,983.64)</b>	<b>(1,721.87)</b>
<b>Provision for Taxation</b>			
- Current Tax (Relating to earlier years)		55.56	-
- Deferred Tax (Credit)		(196.11)	754.87
- Fringe Benefit Tax		-	26.30
		<b>(140.55)</b>	<b>781.17</b>
<b>Profit/(Loss) from Continuing operations after Taxation</b>		<b>(5,843.09)</b>	<b>(2,503.04)</b>
<b>Profit/(Loss) from Discontinuing Operations before Taxation</b>		<b>-</b>	<b>950.26</b>
<b>Provision for taxation</b>			
- Current Tax		-	-
- Deferred Tax (Credit)		-	(1,614.08)
		<b>-</b>	<b>(1,614.08)</b>
<b>Profit/(Loss) from Discontinuing operations after Taxation</b>		<b>-</b>	<b>(2,564.34)</b>
<b>Profit/(Loss) after Taxation</b>		<b>(5,843.09)</b>	<b>61.30</b>
Balance in Profit and Loss Account brought forward		5,572.67	5,551.02
Adjustments on account of effects of changes in foreign exchange rates		-	(39.65)
		<b>(270.42)</b>	<b>5,572.67</b>
Set-off against General Reserve (Schedule 2)		<b>(270.42)</b>	<b>-</b>
<b>Balance carried to Balance Sheet</b>		<b>-</b>	<b>5,572.67</b>
Earnings/(Loss) Per Share (Rs.) - Basic and Diluted [Rs. per Equity share of 10 each] [Schedule 19 Note 11]		<b>(29.93)</b>	<b>(0.35)</b>
<b>Significant Accounting Policies and Notes to Accounts</b>		<b>19</b>	

The Schedules referred to above form an integral part of the Accounts

This is the Consolidated Profit and Loss Account referred to in our report of even date

For and on behalf of the Board

**For Price Waterhouse**  
Firm Registration Number - 007568S  
Chartered Accountants

**T.C.S. Reddy**  
Director

**R. Ramakrishnan**  
Managing Director

**J. Majumdar**  
Partner  
Membership Number - F 51912  
Place: Bangalore  
Date: April 23, 2010

**K. Kumar**  
Chief Financial Officer

**B. M. Rath**  
Company Secretary

## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	2010	2009
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorized</b>		
5,19,00,000 Equity Shares of face value of Rs. 10/- each	5,190.00	5,190.00
2,10,00,000 (8%) Preference Shares of face value of Rs. 11/- each	2,310.00	2,310.00
	<b>7,500.00</b>	<b>7,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
19,961,707 [2009: 19,961,707] Equity Shares of Rs. 10/- each fully paid up	1,996.17	1,996.17
Of the above -		
[13,963,002 Equity shares of Rs 10 each per share were issued as fully paid up to the shareholders' of erstwhile M/s. Varalakshmi Sugars Limited and M/s. Varalakshmi International Limited on their respective amalgamation with the Company, for consideration otherwise than in cash.]		
14,940,288 Shares [2009: 14,125,976] of Rs.10 each are held by the Holding Company, M/s. GMR Holdings Private Limited]		
<b>Preference Shares</b>		
12,831,880 8% Redeemable Non-Cumulative Preference shares of Rs. 11/- each	1,411.51	1,411.51
[The above Cumulative Preference shares have been issued as fully paid up to M/s. GMR Holdings Private Limited and other shareholders' of erstwhile M/s Varalakshmi International Limited on its respective amalgamation with the Company, for consideration otherwise than in cash.]		
[The Preference shares are redeemable in not later than 8 years from the date of issue i.e. August 14, 2004 with a call option shareholders' for redemption after three years from the date of issue.]		
	<b>3,407.68</b>	<b>3,407.68</b>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	1,175.00	1,175.00
<b>Securities Premium</b>		
As per last Balance Sheet	991.97	991.97
<b>General Reserve</b>		
As per last Balance Sheet	1,570.73	1,570.73
Less: Debit Balance in Profit and Loss Account*	270.42	-
Surplus in Profit and Loss Account	-	5,572.67
	<b>3,467.28</b>	<b>9,310.37</b>
* The debit balance in the Profit and Loss Account has been deducted from the balance available in General Reserve to conform to the reporting requirements of Schedule VI of the Companies Act, 1956		

## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	2010	2009
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>Term Loans</b>		
<b>Rupee Loans</b>		
From Banks [Note (i)]	23,607.15	22,840.40
[Repayable within one year: Rs. 3,888.36 Lakhs [2009: Rs.697.08 Lakhs]		
From Government of India - Sugar Development Fund [Note (ii)]	3,196.10	1,388.39
[Repayable within one year: Rs. 76.61Lakhs [2009: Rs.76.61 Lakhs]		
Foreign Currency Loans [Note (iii)]		
From Banks	42.71	801.81
[Repayable within one year: Rs. 42.71 Lakhs [2009: Rs.759.00 Lakhs]		
Short Term Loans against deposits from Banks [Note (iv)]		801.81
[Repayable within one year: Rs. 19,713.13 Lakhs [2009: Rs. 12,371.06 Lakhs]		
<b>Cash Credits and Demand Loans</b>		
From Banks		
Rupee Loans [Note (v) below]	6,813.88	4,521.88
<b>Vehicle Loans [Note (vi) below]</b>	-	0.14
	<b>53,372.97</b>	<b>41,923.67</b>
(i) a) Rupee Term Loans from Banks, other than which are specifically mentioned hereinafter, are secured by first charge on all the movable and immovable assets of the respective divisions of the Company, both present and future, ranking <i>pari passu</i> in terms of sanction (Subject to prior charges on specified movables in favour of the Bankers for working capital borrowings).	<b>2,141.00</b>	<b>2,405.39</b>
b) Term loan from banks include Rupee term loan availed from Central Bank of India is secured by way of first charge on the fixed assets acquired under the expansion project of sugar crushing capacity at Sankili and Haliyal units on pari passu basis with other lenders and second Charge on current Assets of Sugar Divisions at Sankli and Haliyal units.	<b>17,212.15</b>	<b>16,722.00</b>
c) Rupee term loan from banks include amounts availed from Axis Bank Limited that are secured by way of first charge on the fixed assets acquired in respect of the new project at Ramdurg and further secured by corporate guarantee from Holding Company, GMR Holdings Private Limited, for Rs. 3,168 Lakhs.	<b>3,010.00</b>	<b>3,168.00</b>
d) Term Loan from Banks include Rupee term loan availed from Central Bank of India is secured by way of first charge on the fixed assets acquired in sugar division of Haliyal Unit and first charge on the current assets of the Haliyal unit of the Company.	<b>369.00</b>	<b>545.00</b>
e) Term loan from banks include Rupee term loan from Yes Bank Limited secured by way of residual charge on Fixed Assets of Sankli Unit.	<b>875.00</b>	-
(ii) Secured by way of second charge on all the movable and immovable properties of Sugar Division of the Company.		
(iii) Secured by way of first charge on the fixed assets created/purchased out of the term loan proceeds.		
(iv) Secured against the term deposits of M/s. GMR Projects Private Limited, a fellow subsidiary company, with such banks.		
(v) Cash Credits and demand loans, other than which are specifically mentioned hereinafter, are Secured by way of hypothecation of finished goods, raw materials, stores and spares, stock in process, receivables and secured by second charge on fixed assets.		

## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	2010	2009
Cash credits and demand loans include loans from State Bank of Mysore and Andhra Bank which are counter guaranteed by M/s. Sri Varalakshmi Jute Twine Mills Private Limited a fellow subsidiary company.		
(vi) Secured by exclusive charge on respective vehicles acquired from the loan proceeds.		
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
<b>Short Term</b>		
From Banks	-	1,500.00
Inter Corporate Loans	-	620.11
	-	2,120.11

**SCHEDULE 5A****FIXED ASSETS**

[Schedule 19 Notes 2(iii) and 2(v)]

Rs. in Lakhs

	Gross Block (At Cost)				Depreciation				Net Block	
	2009	Additions (Note 1)	Deletions Adjustments	2010 (Note 1)	2009	For the Year	Deletions Adjustments	2010	2010	2009
Land	2,189.14	347.54	-	2,536.68	-	-	-	-	2,536.68	2,189.14
Buildings	8,622.99	958.77	64.35	9,517.41	632.96	236.74	5.17	864.53	8,652.88	7,990.03
Plant and Machinery (Note 2)	40,777.06	5,721.95	58.83	46,440.18	5,797.87	2,229.08	-	8,026.95	38,413.23	34,979.19
Furniture and Fixtures	1,600.56	34.63	213.28	1,421.91	529.09	186.39	129.10	586.38	835.53	1,071.47
Vehicles	365.23	12.35	13.31	364.27	116.54	35.27	2.88	148.93	215.34	248.69
Total	53,554.98	7,075.24	349.77	60,280.45	7,076.46	2,687.48	137.15	9,626.79	50,653.66	46,478.52
2009	29,792.79	30,973.34	8,074.94	53,554.98	6,394.82	1,807.86	1,126.22	7,076.46		
Capital Work-in-Progress (including capital advances)									1,178.05	6,553.49
									51,831.71	53,032.01

**Notes:**

- Additions include assets, aggregating to Rs.877.59 Lakhs, capitalized in relation to Ramdurg Unit, Karnataka, which is taken on lease on Built, Own, Operate and Transfer Basis. The total Gross block of such assets as at April 1, 2010 aggregate to Rs. 4,659.19 Lakhs [2009: Rs.3,777.60 Lakhs]. [Also refer Schedule 19 - Note 12]
- Addition to Plant and Machinery includes foreign exchange loss aggregating to Rs.58.82 Lakhs [2009: Rs.39.65 Lakhs] adjusted. [Also Refer Schedule 19 Note 5(a)]
- Depreciation for the year includes Rs. Nil (Rs.26.40 Lakhs) till the date of capitalization during the year and taken to expenditure incurred during construction period in Schedule 5B.

	2010	2009
<b>SCHEDULE 5B</b>		
<b>Expenditure incurred during construction period pending allocation</b>		
Salaries, Wages and bonus	-	298.91
Trial run expenses inclusive of material cost	-	692.22
Administrative Expenses	-	2003.54
Depreciation	-	36.21
Interest and Finance Charges	-	1891.27
	-	4922.15
Less:		
Apportioned over cost of fixed assets/transferred to CWIP	-	4436.69
Charged to profit and loss account	-	31.30
Other Income (Sale of Scrap)	-	2.75
Trial run stock	-	451.41
	-	4922.15
	-	-

## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	2010	2009
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
[Schedule 19 Note 1 (vii)]		
<b>Long term</b>		
<b>Unquoted</b>		
<b>Other than Trade</b>		
<b>Government Securities - National Savings Certificates</b>	0.15	0.25
<b>Quoted</b>		
<b>Other than Trade</b>		
Cronimet Alloys India Ltd (formerly GMR Ferro Alloys and Industries Ltd.)		
[50,000 (2009: 50,000) equity shares of Rs. 10 each fully paid up ]	5.00	5.00
<b>Total</b>	<u>5.15</u>	<u>5.25</u>
Aggregate value of Quoted investment		
- Book value	5.00	5.00
- Market value	18.20	12.33
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
[Schedule 19 Note 1 (viii)]		
Stores and Spares	600.23	511.67
Raw Materials	167.68	494.26
Finished Goods	6,769.54	3,241.63
By Products	1,086.16	815.63
Work-in-Progress	235.77	84.97
<b>Total</b>	<u>8,859.38</u>	<u>5,148.16</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Considered Good		
Outstanding for a period exceeding six months	827.54	789.47
Other Debts	1,152.15	1,557.90
<b>Total</b>	<u>1,979.69</u>	<u>2,347.37</u>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	4.15	10.79
<b>Balance with Scheduled Banks:</b>		
- On Current Accounts	219.77	198.68
- On Fixed Deposit Accounts	103.66	167.69
- On Margin Money accounts	98.81	264.82
- On Unclaimed Dividend Accounts	56.92	57.43
	<u>479.16</u>	<u>688.62</u>
<b>Balances with other banks</b>		
- On Current Accounts	-	0.48
<b>Total</b>	<u>483.31</u>	<u>699.89</u>

## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

Rs. in Lakhs

	2010	2009	
<b>SCHEDULE 10</b>			
<b>OTHER CURRENT ASSETS</b>			
(Unsecured and Considered Good)			
Interest accrued but not due	0.82		0.22
Other Deposits	580.76		564.32
Other receivables	0.10		–
<b>Total</b>	<b>581.68</b>		<b>564.54</b>
<b>SCHEDULE 11</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured and considered good, unless otherwise stated)			
Loans to Employees	4.70		50.89
Advances recoverable in cash or in kind or for value to be received			
Considered Good	1,519.41		1,686.15
Considered doubtful	32.44		–
	<b>1,551.85</b>		<b>1,686.15</b>
Less: Provision for doubtful advances	32.44	1,519.41	–
Balances with Excise Departments including Cenvat/VAT credit		2,943.82	2,913.80
Advance Income Tax (Net of Provisions)		279.43	325.46
<b>Total</b>	<b>4,747.36</b>		<b>4,976.30</b>
<b>SCHEDULE 12</b>			
<b>CURRENT LIABILITIES</b>			
Sundry Creditors			
Micro and small enterprises [Schedule 19 Note 17]	–		–
Others	6,477.64		5,259.14
Capital Creditors'	243.25	6,720.89	864.23
Unclaimed Dividend		56.92	57.43
Advances received from Customers		166.82	60.14
Other Liabilities		131.54	149.50
Interest accrued but not due		102.26	98.77
<b>Total</b>	<b>7,178.43</b>		<b>6,489.21</b>
<b>SCHEDULE 13</b>			
<b>PROVISIONS</b>			
Retirement Benefits		88.82	93.38
Fringe Benefit Tax		–	30.63
L Factor [Schedule 19 Note 14]		–	1,408.12
<b>Total</b>		<b>88.82</b>	<b>1,532.13</b>



## Schedules forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2010

Rs. in Lakhs

	2010	2009
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Dividend Income - Other than trade (Gross)	–	9.01
Liquidated Damages [Schedule 19 Note 6]	399.18	–
Profit on sales of assets (Net)	35.84	–
Profit on transfer of aircraft division	–	595.19
Profit on sale of long-term investments (net)	–	11.96
Received from AP Transco	138.37	–
Provisions no longer required written back [Schedule 19 Note 14]	1,408.12	–
Insurance Claims Received	5.20	19.53
Interest Received [Tax recovered at Source: Rs.0.65 Lakhs (2009: Rs.0.46 Lakhs)]	6.21	5.05
Scrap Sales	147.47	–
Miscellaneous income	240.54	165.92
<b>Total</b>	<b>2,380.93</b>	<b>806.66</b>
<b>SCHEDULE 15</b>		
<b>MATERIALS</b>		
Raw Materials Consumed		
Opening Stock	494.26	94.78
Add: Purchases during the year	18,177.34	7,979.06
	18,671.60	8,073.84
Less: Closing Stock	167.68	494.26
<b>Total</b>	<b>18,503.92</b>	<b>7,579.58</b>
<b>(Increase)/Decrease in Stocks</b>		
Opening Stock		
Work-in-Process	84.97	151.54
Finished Goods	3,241.62	1,554.06
Add: Stock out of trial run production	–	451.41
By products	815.64	447.13
	4,142.23	2,604.14
<b>Closing Stock</b>		
Work-in-Process	235.77	84.97
Finished Goods	6,769.54	3,241.62
By products	1,086.16	815.64
	8,091.47	4,142.23
	(3,949.24)	(1,538.09)
<b>Total</b>	<b>14,554.68</b>	<b>6,041.49</b>
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, Wages and Bonus	1,654.76	994.60
Contribution to Provident and Other Funds	84.86	59.06
Staff Welfare Expenses	64.17	40.13
<b>Total</b>	<b>1,803.79</b>	<b>1,093.79</b>

## Schedules forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2010

Rs. in Lakhs

	2010	2009
<b>SCHEDULE 17</b>		
<b>OTHER COSTS</b>		
Material Handling Expenses	202.97	132.63
Power and Fuel	401.65	432.55
Stores, Spares and consumables	1,174.72	684.33
Distribution Expenses	8.76	23.85
Repairs and Maintenance:		
Plant and Machinery	540.34	407.18
Buildings	26.45	–
Aircraft	–	378.60
Others	157.90	144.26
Travelling and Conveyance	221.43	196.51
Communication Expenses	45.65	65.62
Consultancy and Other Professional Charges	219.03	115.58
Directors' Remuneration	117.32	113.25
Directors' Sitting Fee	2.00	2.10
Rent	40.78	12.82
Operation Lease rentals [Schedule 19 Note 12]	704.78	218.82
Printing and Stationary	19.63	28.13
Rates and Taxes	214.91	7.65
License Fee	26.49	21.87
Insurance	86.52	65.05
Donations	4.25	6.89
Auditor's Remuneration:		
Statutory Audit	10.00	10.00
Tax Audit	0.60	0.55
Cost Audit	1.25	1.25
	11.85	11.80
Loss on Sale of Fixed Assets (Net)	–	3.56
Bad Debts Written Off	34.80	15.40
Provision for Doubtful Advances	32.44	–
Others	358.09	205.91
<b>Total</b>	<b>4,652.76</b>	<b>3,294.36</b>
<b>SCHEDULE 18</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	3,473.13	1,631.41
Others	634.70	282.11
Bank/Other Finance Charges	102.06	137.98
<b>Total</b>	<b>4,209.89</b>	<b>2,051.50</b>

# Schedules to the Consolidated Financial Statements for the year ended March 31, 2010

## SCHEDULE 19

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### 1. Principles of Consolidation:

The consolidated financial statements include financial statements of the Company and its subsidiary companies. Subsidiary companies are those companies in which GIDL, either directly or indirectly, has interest of more than one half of voting power or otherwise has power to exercise control over operations. Subsidiaries are consolidated from the date on which effective control is transferred to the group till the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

All intra group transactions, balances and unrealized profits and losses on transactions between the group companies are eliminated.

Minority interest represents the amount of equity attributable to minority shareholders/partners at the date on which investment in subsidiary is made and its share of movements in equity.

The details of the subsidiary considered in the consolidated financial statements for the year ended March 31, 2010, along with the shareholding, is listed below:

Name of the Company	Relationship	% Shareholding as at	
		March 31, 2010	March 31, 2009
Shri Alagawadi Bireshwar Sugars Private Limited*	Subsidiary	100%	98.59%

\* Commercial operations not yet commenced

#### 2. Significant Accounting Policies

##### i. Basis of preparation of Financial Statements

The financial statements of the Company are prepared under historical cost convention in accordance with the Generally Accepted Accounting principles in India, the Accounting Standards notified under Sub-section (3C) of Section 211 of the Companies Act, 1956 (the 'Act') and other relevant provisions of the Act.

##### ii. Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of goods have been passed on to the buyer. Sale of goods is exclusive of sales tax and captive consumption of Molasses, Power and Baggasse.

Revenue from raw sugar processing on job work basis under agreements is recognized in terms of the respective contracts.

Revenue from sale of Verified/Certified Emission Reductions is recognized upon execution of a firm contract of sale of the eligible credits.

Dividend Income is recognized in the year in which the right to receive the payment is established.

Income from investments is recognized in the year in which it is accrued and stated at gross of tax deducted at source.

##### iii. Fixed Assets

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses for bringing the asset concerned to its working condition for its intended use, less accumulated depreciation and impairment loss. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.

Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

##### iv. Leases

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis as per terms of the lease.

**v. Depreciation and amortization**

Depreciation is provided on straight line method, *pro rata* to the period of use, at the rates specified in Schedule XIV of the Act or the rates based on the useful lives of the assets as estimated by the management, whichever is higher. The rates based on the useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

Description	Rate of depreciation
Electrical Equipment	5.38%
Telephone Equipment	6.33%
Computer Software	16.67%

Lease hold assets are amortized at rate based on the period of lease or the rate specified in Schedule XIV of the Act, whichever is higher.

All individual assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

**vi. Impairment**

Impairment loss is provided to the extent carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of asset's selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**vii. Investments**

Long-term investments are valued at cost. Provision is made to recognize a decline, other than temporary, in the value of long-term investments.

Current Investments are stated at lower of cost or market value.

**viii. Inventories**

- a. Stock of Raw-materials is valued at lower of cost or Net Realizable Value. The costs are, in general, determined on Weighted Average Basis.
- b. Finished goods and Work-in-process:
 

Finished goods are valued at lower of cost or Net Realizable Value. Cost includes direct materials, Labour and a proportion of manufacturing overheads based on normal operating capacity.

Work-in-process is valued at lower of cost or Net Realizable Value. The cost is determined up to the estimated stage of process and includes direct materials, Labour and a proportion of manufacturing overheads based on normal operating parameters.
- c. By Products: At estimated realizable value.
- d. Stores and Spares: At lower of cost or Net Realizable Value. The costs are, in general, determined on weighted average basis.

**ix. Foreign Exchange Transactions**

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Liabilities/assets in foreign currencies are reckoned in the accounts as per the following principles:

Exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

- (a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and
- (b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortized over the balance period of such long-term asset/liability but not beyond March 31, 2011.

All other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) - 11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008, whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

**x. Employee Benefits**

**Defined Contribution Plans**

These comprise of contributions to employees' provident fund with the government and certain state plans like Employees' state Insurance and Employees' Pension scheme. The Company's payments to the defined contribution plans are recognized as an expense during the period in which the employees perform the services that the payment covers.

**Defined Benefit Plan**

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognized in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Other Long-term employee benefits**

Other Long-term employee benefits comprise of Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on actuarial valuation carried out at each balance sheet date.

**Short-term employee benefits**

Undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

**xi. Borrowing Costs**

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

**xii. Earnings/(Loss) per Share**

The earnings/(loss) considered in ascertaining the Company's Earnings/(Loss) Per Share (EPS) comprise of the net profit/(loss) after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

**xiii. Taxes on Income**

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

**xiv. Provisions**

A provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

**xv. Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

**xvi Expenditure**

Expenses are net of taxes recoverable, where applicable.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) of Rs.101.84 Lakhs (2009: Rs.114.69 Lakhs).

## 4. Contingent Liabilities

Rs. in Lakhs

Particulars	2010	2009
Contingent liabilities not provided for on account of:		
a) Bank Guarantees	311.25	110.75
b) Letter of Credit	786.14	709.74
c) Corporate Guarantees given by the Company to banks in respect of crop loans to farmers	7,040.00	800.00
d) Arrears of fixed cumulative dividends of Preference shares	264.22	132.11
e) Claims made by Government Departments against the Company not acknowledged as debts:		
i. Excise claims under appeal	201.16	77.61
ii. Sales tax appeal under various states	42.89	41.78
iii. Other claims	166.02	–

5. a) The Ministry of Corporate Affairs, Government of India has vide its Notification No. GSR 225(E) dated March 31, 2009 has announced Companies Accounting Standards (Amendment) Rules 2009 prescribing changes to Accounting Standard 11 on 'The Effects of Changes in Foreign Exchange Rates'.

The Company has, pursuant to the adoption of such principles of Companies (Accounting Standards) Amendment Rules 2009, exercised the option of recognizing the exchange differences arising on reporting of foreign currency monetary items at rates different from those at which they were recorded earlier, in the original cost of such depreciable fixed assets in so far such exchange differences arose on foreign currency monetary items relating to the acquisition of a depreciable asset as below:

Exchange differences aggregating to Rs. 58.82 Lakhs arising during the year ended March 31, 2010 (2009: Rs. 39.65 Lakhs) have been adjusted to the cost of the depreciable assets.

	2010	2009
b) Borrowing cost capitalized on fixed assets/CWIP	590.89	1,891.27

6. During the year, the Company has recognized Rs.399.18 Lakhs (2009: Nil) of liquidated damages recovered from suppliers' of capital equipment purchased, with respect to the Haliyal unit, as "Other Income". These liquidated damages were imposed on suppliers' due to failure on the performance with regard to the delivery schedules and were recovered at an amount or a rate in conformity with the purchase order entered into. The same was grouped under "Current liabilities" in earlier years.

The Liquidated damages such recognized as "other income" are subject to reconciliation, acceptance and confirmation by the suppliers' as at the balance sheet date.

7. During the year, the Company acquired 1,445 Shares of Rs.100/- each comprising 1.41% of the paid up capital of Alagawadi Bireshwar Sugars Private Limited (ABSPL) at a cost of Rs. 843.88 Lakhs. Consequently ABSPL has become a wholly-owned Subsidiary of the Company with effect from March 27, 2010. The carrying value of investment in ABSPL as at March 31, 2010 is Rs 1,362.94 Lakhs (2009: Rs. 519.06 Lakhs) which exceed the net worth of ABSPL thereby giving rise to recognition of goodwill on consolidation amounting to Rs.1,264.73 lakhs (2009: Rs. 443.60 Lakhs).

ABSPL owns an Industrial Entrepreneur Memorandum (IEM) to set up a 2500 TCD Sugar mill in the high recovery sugar rich belts of Raibagh Taluk, Belgaum District of Karnataka. Further, ABSPL acquired land to the extent of approximately 196 acres for setting up the project and has also obtained permission of the State High Level Committee (SHLC) for setting up a 25 MW Cogeneration Plant and 100 KLPD Distillery. Considering the strategic location of the project and the nearby high recovery sugar cane rich belt which is the lifeline of a Sugar Industry, the Company considers that the acquisition cost is reasonable. The management of the Company believes that the intrinsic value is far in excess of the carrying cost of investments in ABSPL and that there is no condition requiring impairment of such goodwill arising on consolidation.

8. Sundry Debtors as at March 31, 2010 include Rs. 1,090.73 Lakhs [2009: Rs.905.48 Lakhs] receivable from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO). Of the total such dues,
- a) Amounts aggregating to Rs. 539.42 Lakhs [2009: Rs. 448.81 Lakhs] relate to price difference matter in dispute where APTRANSCO has appealed before the apex court against an order of Electricity Tribunal. As the matters are pending before the apex court, the Company, as a matter of prudence, has postponed the recognition of such amounts as income and a corresponding credit is retained as liability in the books of account. Necessary adjustments will be made upon final resolution of the matter.
  - b) Amounts aggregating to Rs. 551.31 Lakhs [2009: Rs. 456.67 Lakhs] relate to various matters in dispute where APTRANSCO has appealed before the apex court against the orders of Electricity Tribunal. As the matters are pending before the apex court, no adjustment has been made in respect of such dues recognized as receivable as at March 31, 2010.

**9. Segment Reporting:**

- i. The Company has identified three business segments viz., Sugar, Power and Distillery. Segments have been identified and reported taking into account the nature of the products, the differing risks and returns, the organizational structure and internal business reporting system.
  - (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Un-allocable".
  - (b) Segment Assets and Segment Liabilities represent assets and liabilities of respective segment. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un-allocable".
  - (c) The Company generally accounts for inter segment sales/transfer as if the sales/transfers were to external parties at prevailing average market price on the date of transfer.



**Segment Reporting:**
**a. Information about primary business segments:**

Business Segments Particulars	Continuing Operations						Discontinued Operations Aircraft		Un-allocable		Total	
	Sugar		Power		Distillery		Operations Aircraft		Un-allocable		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenue</b>												
Revenue from Customers	13,084.35	5,241.40	3,243.99	3,030.34	3,436.15	2,823.00	-	1,589.59	-	-	19,764.49	12,684.33
Job work Income - Raw Sugar Processing	610.83	-	-	-	-	-	-	-	-	-	610.83	-
Inter Segment Revenue	1,775.86	1,851.37	2,021.63	944.95	-	6.82	-	-	-	-	3,797.49	2,803.14
<b>Segment Revenues</b>	<b>15,471.04</b>	<b>7,092.77</b>	<b>5,265.62</b>	<b>3,975.29</b>	<b>3,436.15</b>	<b>2,829.82</b>	-	<b>1,589.59</b>	-	-	<b>24,172.81</b>	<b>15,487.47</b>
Operating Expenses	13,804.24	6,526.65	4,465.63	2,044.74	2,741.36	1,083.93	-	774.32	-	-	21,011.23	10,429.64
Inter Segment Cost	1,917.71	933.73	1,106.55	774.26	773.23	1,095.15	-	-	-	-	3,797.49	2,803.14
Depreciation/Amortisation	1,450.61	879.96	860.21	421.39	238.22	136.23	-	226.15	138.44	117.73	2,687.48	1,781.46
<b>Segment Result</b>	<b>(1,701.52)</b>	<b>(1,247.57)</b>	<b>(1,166.77)</b>	<b>734.90</b>	<b>(316.66)</b>	<b>514.51</b>	-	<b>589.12</b>	<b>(138.44)</b>	<b>(117.73)</b>	<b>(3,323.39)</b>	<b>473.23</b>
Interest Expenses	2,615.96	1,384.32	1,398.01	329.49	195.92	75.07	-	262.62	-	-	4,209.89	2,051.50
Interest Income	(6.19)	(5.06)	(0.02)	-	-	-	-	-	-	-	(6.21)	(5.06)
Other expense	-	-	-	-	-	-	-	-	-	-	-	-
Other income	(2,038.72)	(92.62)	(320.89)	(69.66)	(15.11)	(15.56)	-	(623.76)	-	-	(2,374.72)	(801.60)
<b>Profit/(Loss) before tax</b>	<b>(2,272.57)</b>	<b>(2,534.21)</b>	<b>(2,243.87)</b>	<b>475.07</b>	<b>(497.47)</b>	<b>455.00</b>	-	<b>950.26</b>	<b>(138.44)</b>	<b>(117.73)</b>	<b>(5,152.35)</b>	<b>(771.61)</b>
<b>Exceptional Items</b>	<b>831.29</b>	-	-	-	-	-	-	-	-	-	<b>831.29</b>	-
<b>Profit after Exceptional Items</b>	<b>(3,103.86)</b>	<b>(2,534.21)</b>	<b>(2,243.87)</b>	<b>475.07</b>	<b>(497.47)</b>	<b>455.00</b>	-	<b>950.26</b>	<b>(138.44)</b>	<b>(117.73)</b>	<b>(5,983.64)</b>	-
<b>Taxation</b>												
Current tax											55.56	-
Deferred tax											(196.11)	(859.21)
Frienge Benefit tax											-	26.30
<b>Net Profit/(Loss) after taxation/ Adjusted Profits</b>	-	-	-	-	-	-	-	-	-	-	(5,843.09)	61.30

Business Segments Particulars	Continuing Operations						Discontinued Operations Aircraft		Un-allocable		Total	
	Sugar		Power		Distillery		Operations Aircraft		Un-allocable		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment Assets	37,830.50	38,566.64	17,173.70	16,534.51	9,016.13	8,156.87	-	197.27	5,733.59	3,761.86	69,753.92	67,217.15
Segment Liabilities	26,282.24	27,617.16	10,012.39	7,703.69	2,679.84	2,147.91	-	-	23,904.49	17,030.31	62,878.96	54,499.07
Capital expenditure	396.42	3,107.81	521.34	7,106.03	594.51	5,161.35	-	-	102.38	551.71	1,614.65	15,926.90
Other non-cash expenses/ (income) (net)	(1,344.88)	15.97	4.00	0.03	-	0.08	-	-	-	2.88	(1,340.88)	18.96

During the year under report, the Company has engaged in its business only within India and not in any other country. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

## 10. Employee Benefits

- i) The following table sets forth the status of gratuity plan of the company and the amount recognized in the balance sheet and profit and loss account:

	Rs. in Lakhs	
	2010	2009
Changes in present value of obligation		
<b>Present value of Obligations at the beginning of the period</b>	<b>84.09</b>	62.03
Service Cost	<b>30.62</b>	34.62
Interest cost	<b>6.08</b>	4.25
Benefits settled	<b>(16.11)</b>	(2.59)
Actuarial (gain)/loss	<b>(0.03)</b>	(14.22)
<b>Present value of Obligations at the end of the period</b>	<b>104.65</b>	84.09
<b>Fair value of plan assets</b>		
<b>Fair value of plan assets as at beginning of the period</b>	<b>76.97</b>	41.44
Expected return on plan assets (estimated)	<b>5.51</b>	4.42
Actuarial gain/(loss)	<b>1.01</b>	3.58
Contributions (less risk prem. etc.)	<b>-</b>	30.12
Benefits settled	<b>(16.11)</b>	(2.59)
<b>Fair value of plan assets as at end of the period</b>	<b>67.38</b>	76.97
<b>Amounts recognised in the Balance sheet</b>		
Present value obligation at the end of period	<b>104.65</b>	84.09
Fair value of Plan assets at end of period	<b>67.38</b>	76.97
<b>Net (asset)/ liability recognised in the Balance sheet</b>	<b>37.27</b>	7.12
<b>Expense recognised in the statement of Profit and loss account</b>		
Service cost	<b>30.62</b>	34.62
Interest cost	<b>6.08</b>	4.25
Expected return on plan assets	<b>(5.51)</b>	(4.42)
Actuarial (gain)/loss	<b>(1.32)</b>	(17.81)
<b>Net gratuity cost</b>	<b>29.87</b>	16.64
<b>Assumptions</b>		
Discount rate	<b>8.00%</b>	7.00%
Expected return on assets	<b>8.00%</b>	8.00%
Rate of compensation increase	<b>6.00%</b>	6.00%
Attrition Rate	<b>5.00%</b>	5.00%
Retirement expectancy (in Years)	<b>60</b>	58
Expected average remaining service (in Years)	<b>23.36</b>	22.12
Mortality rates	<b>LIC 1994-96 ultimate table</b>	LIC 1994-96 ultimate table
<b>Actual return on plan assets (Rs. in Lakhs)</b>	<b>6.52</b>	8.00

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per the best estimate of the management, contribution of Rs. 48.75 Lakhs is expected to be paid to the plan during the year ending March 31, 2011.

- ii) During the year, the Company has recognized the following amounts in the Profit and Loss Account, which are included in 'Contribution to Provident and Other Funds in Schedule 16:

	Rs. in Lakhs	
	2010	2009
Provident Fund and Employees' Pension Scheme	<b>88.68</b>	63.84

### 11. Earnings/(Loss) Per Share:

The computation of earnings per share is set out below:

	2010	2009
Nominal value of equity shares (Rs.)	10	10
Net Profit/(Loss) after tax (Rs. Lakhs)	(5,843.09)	61.30
Less: Preference Dividend attributable to Preference Shares (including corporate tax thereon)	132.11	132.11
Net Profit/(Loss) attributable to the Equity Shareholders.	(5,975.20)	(70.81)
<b>Shares :</b>		
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year	19,961,707	19,961,707
Basic and diluted Earnings/(Loss) Per Share	(29.93)	(0.35)

**Note:** There are no potentially dilutive equity shares outstanding during the year

### 12. Operating Leases:

- i. The Company has entered in to a non-cancellable operating lease agreement with Shri Dhanalakshmi Sahakari Sakkare Karkhane Niyamit, Ramdurg for the lease of sugar factory together with the specified assets on Built, Own, operate and Transfer basis (BOOT) for a period of 25 years. Lease rentals of Rs.704.52 Lakhs (2009: Rs. 218.82 Lakhs) in respect of the obligation under such lease agreement have been recognized in the Profit and Loss Account.

Future obligations of lease rentals applicable to the above lease agreement aggregate to Rs.15,711.48 Lakhs (2009: Rs.16,416.00 Lakhs) and are due:

	Rs. in Lakhs	
	2010	2009
Not later than one year	725.65	704.52
Later than one year and not later than five years	3,968.18	3,035.87
Later than five years	11,017.65	12,675.61
	<b>15,711.48</b>	<b>16,416.00</b>

- ii. The Company has certain operating leases for office facilities and residential premises under a cancellable operating lease agreement. Such agreements are generally with the option of renewal against increased rent and premature termination of agreement. The charge on account of lease rentals under such agreements to the Profit and Loss Account for the year is Rs. 40.78 Lakhs (2009: Rs. 12.82 Lakhs).

### 13. Related Party Disclosures:

- i. **Names of the related parties and description of relationship:**

Relationship	Name of the Parties
Holding Company	GMR Holdings Private Limited (GHPL)
Fellow Subsidiaries where transactions have taken place during the year	GMR Infrastructure Limited ( GIL)
	GMR Energy Limited ( GEL)
	GMR Projects Private Limited ( GPPL)
	Delhi International Airport Limited (DIAL)
	GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL)
	GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL)
	GMR Ulundurpet Expressways Private Limited (GUEPL)
	GMR Pochanpalli Expressways Private Limited (GPEPL)
	GMR Jadcherla Expressways Private Limited (GJEPL)
	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)
	GMR Aviation Private Limited (GAPL)
	GMR Ferro Alloys and Industries Limited (GFAIL)
	GMR Power Corporation Private Limited (GPCPL)

Relationship	Name of the Parties
	GMR (Badrinath) Hydro Power Generation Private Limited (GHPGPL)
	GMR Hyderabad International Airport Limited (GHIAL)
	Raxa Security Services Limited (RSSL)
	Rajam Enterprises Private Limited (REPL) (Previously as Roshan Investments Private Limited)
	GMR Enterprises (GE)
	Grandhi Enterprises Private Limited (GEPL) (Previously Blue Moon Investments Private Limited)
	GMR Sports Private Limited (GSPL)
	GMR Varalakshmi Foundation
	GMR Bajoli Holi Hydro Projects Private Limited (GBHHPL)
Key Management Personnel	Mr. R. Ramakrishnan
	Mr. T.C.S. Reddy
	Mr. A. Sankara Rao
Individuals exercising control or significant influence and their relatives	Mr. G.M. Rao
	Mr. G.B. S Raju
	Mr. G. Kiran Kumar
	Mrs. G. Varalakshmi
	Mrs. B. Rama Devi
Enterprises where Individuals exercising control or significant influence over the company have significant influence	Adarsh Industries (AI)
	GMR Varalakshmi Foundation (GMVF)

ii. Summary of transactions with above related parties is as follows:

Nature of the Transaction	Rs. in Lakhs	
	2010	2009
<b>Dividend Paid</b>		
Holding Company – GHPL	-	254.18
<b>Corporate Guarantee availed</b>		
Holding Company:		
GHPL	3,168.00	3,168.00
<b>Rent Paid</b>		
Individuals exercising control or significant influence and their relatives		
G. Varalakshmi	2.54	0.90
G. Kiran Kumar	-	1.80
G.B.S. Raju	-	1.80
B. Ramadevi	0.60	0.60
<b>Aviation Services Rendered</b>		
Fellow Subsidiaries		
DIAL	-	516.91
GHAIL	-	217.36
GIL	-	262.57
GFAIL	-	-
GEL	-	208.16
Others	-	109.16
<b>Aviation Services Received</b>		
Fellow Subsidiary		
GAPL	-	187.71

Nature of the Transaction	2010	2009
Services received		
i. Fellow Subsidiary		
RSSL	54.06	68.87
ii. Enterprises where Individuals exercising control or significant influence over the company have significant influence		
AI	-	17.80
Sale of immovable/movable assets		
Fellow Subsidiaries		
GMR Enterprises Pvt. Ltd.	160.96	-
GMR Varalakshmi Foundation	5.54	-
Sale of Investments		
Individuals exercising control or significant influence and their relatives:		
G. Varalakshmi	-	63.85
Others	-	0.03
Assignment of Key Man insurance policy		
Individuals exercising control or significant influence and their relatives		
G. M. Rao	97.38	-
Sale of Aircraft Division		
Fellow Subsidiary:		
GAPL	-	2,900.00
Unsecured loans taken		
i. Holding Company- GHPL	-	8,018.00
ii. Fellow Subsidiaries		
REPL	-	4,100.00
GEPL	-	1,800.00
<b>Repayment of unsecured loans</b>		
Fellow Subsidiaries		
REPL	-	4,100.00
GEPL	-	1,800.00
GPPL	-	2,000.00
<b>Remuneration</b>		
<b>Key Management Personnel</b>		
Mr. R. Ramakrishnan	73.39	67.59
Mr. T.C.S. Reddy	39.93	36.74
Mr. V. Raghunathan	-	8.92
Mr. A. Sankara Rao	4.00	-
Balance Payable/(recoverable) at the end of the year:		
i. Fellow Subsidiaries	-	93.69
ii. Individuals exercising control or significant influence and their relatives	-	63.88
iii. Enterprises where Individuals exercising control or significant influence over the company have significant influence	-	(18.27)

**Notes:**

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

### C. Managerial remuneration

- i. The Profit and Loss Account includes payments and provisions on account of remuneration to managerial person as under:

	Rs. in Lakhs	
	2010	2009
Salaries	33.11	52.55
Contribution to Provident Fund	3.82	4.78
Allowances	56.78	39.61
Incentives	2.91	12.40
Other benefits	20.70	3.91
	<b>117.32</b>	<b>113.25</b>

- ii. The remuneration, as approved by the Remuneration committee/Board/Shareholders, paid to the managerial personnel during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over the maximum remuneration stipulated under Schedule XIII of the Act, amounting to Rs. 25.18 Lakhs due to absence of profit during the year. The Central Government vide its letter dated March 11, 2010 approved payment of Rs. 73.18 Lakhs as remuneration to Mr. R. Ramakrishnan, Managing Director of the Company.

### 14. Provision towards L-Factor:

Pursuant to the amendment of the Essential Commodities Act, 1955 vide the Central Government through order dated October 22, 2009 (S.O.2665(E)/Essential Commodities/sugar cane issued by the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) in exercise of powers conferred by Section 3 of the Essential Commodities Act, 1955 called as Sugarcane (Control) Amendment Order 2009 has omitted clause 5A and second schedule of the sugarcane control order.

Consequently, the erstwhile formula under which the Company made a provision for additional remuneration payable to the farmers has now become redundant and such provision amounting to Rs. 1,408.12 Lakhs has been written back during the year as exceptional item.

The movement in Provision for L-factor as at March 31, 2010 is shown hereunder:

	Rs. in Lakhs	
	2010	2009
At the beginning of the year	1,408.12	1,408.12
Add/ (Less): Provisions made/(Written back) during the year	(1,408.12)	-
At the end of the year	-	1,408.12

15. During the current year the Company has accounted for sugar cane purchases for the season 2008-09 at Rs. 50 per quintal in respect of Haliyal and Ramdurg units. The total additional cane price announced and paid in respect of the 2008-09 season aggregating to Rs. 831.29 Lakhs has been included in the Profit and Loss Account as 'Exceptional Item'. As explained to us, the decision to pay such additional cane price for last year supplies was taken keeping in view the scarcity of sugar cane and competition in the region.

### 16. Deferred tax Liability:

The major components of the deferred tax assets and liabilities on account of timing differences are as follows:

	Rs. in Lakhs			
	2010		2009	
	Asset	(Liability)	Asset	(Liability)
Depreciation	-	3,497.09	-	3,046.27
Unabsorbed depreciation	1,252.66	-	530.59	-
Others	6.59	-	81.73	-
	<b>1,259.25</b>	<b>3,497.09</b>	612.32	3,046.27
Net Deferred Tax Liability		<b>2,237.84</b>		2,433.95

The deferred tax asset as at March 31, 2010, computed on carry forward business loss amounts to Rs. 2,068.97 Lakhs, however, the same has not been recognized, as a measure of prudence, in the absence of virtual certainty as envisaged in AS 22.



17. Based on the information available with the Company regarding the status of supplier under Micro, Small and Medium Enterprises Development Act, 2006 (MSME), during the year no amounts have been paid beyond the appointed day in terms of the MSME and there is no amount paid towards interest. Further, there is no interest accrued/payable under the said act as at the balance sheet date.
18. Previous years' figures have been regrouped and reclassified wherever necessary, to conform to those of the current year.

**For Price Waterhouse**

Firm Registration Number – 007568S  
Chartered Accountants

For and on behalf of the Board

**J. Madjumdar**

Partner  
Membership No: F – 51912

**T.C.S. Reddy**

Director

**R. Ramakrishnan**

Managing Director

Place: Bangalore

Date: April 23, 2010

**K. Kumar**

Chief Financial Officer

**B. M. Rath**

Company Secretary

# Consolidated Cash Flow Statement for the year ended March 31, 2010

Rs. in Lakhs

	2010	2009
<b>A. Cash flow from/ (used in) Operating Activities</b>		
Net Loss before tax and exceptional and Non-recurring items	(5,152.35)	(771.61)
Adjustments for:		
Depreciation	2,687.48	1,781.46
Bad debts written off	34.80	15.40
Profit on Sale of Investments	-	11.96
Provision for doubtful advances	32.44	-
Interest received	(6.21)	(5.05)
Interest and finance charges	4,209.89	2,051.50
Provisions no longer required written back	(1,408.12)	-
Dividend from Mutual funds	-	(9.01)
(Profit)/Loss on sale of fixed assets	(35.84)	3.56
Profit on transfer of Aircraft division	-	(595.19)
	<b>5,514.44</b>	<b>3,254.63</b>
<b>Operating profit before working capital changes</b>	<b>362.09</b>	<b>2,483.02</b>
Adjustments for:		
Trade and other receivables	466.77	(3,338.37)
Inventories	(3,711.22)	(2,459.69)
Trade and other payables	1,302.65	1,936.85
	<b>(1,941.80)</b>	<b>(3,861.21)</b>
Cash generated from/ (used in) operations	(1,579.71)	(1,378.19)
Interest paid	(4,206.40)	(2,051.50)
Income taxes paid	(40.16)	(21.00)
<b>Net cash from/(used in) operating activities before exceptional and non-recurring items</b>	<b>(5,826.27)</b>	<b>(3,450.69)</b>
Exceptional and non recurring items [Refer Schedule 20 Note 15]	(831.29)	-
<b>Net cash from / (used in) operating activities after exceptional and non recurring items</b>	<b>(6,657.56)</b>	<b>(3,450.69)</b>
<b>B. Cash from Investing Activities</b>		
Purchase of Fixed assets	(3,141.90)	(15,063.11)
Proceeds from sale of fixed assets	248.46	48.25
Investments in Equity shares of Subsidiaries	-	(519.06)
Proceeds from sale of investments	0.10	541.60
Proceeds from transfer of Aircraft business	-	2,898.50
Interest/dividends received	5.62	14.06
<b>Net cash from/(used in) investing activities</b>	<b>(2,887.72)</b>	<b>(12,079.76)</b>
<b>C. Cash Flow from Financing Activities</b>		
Repayment of unsecured loans	(2,120.11)	(5,000.00)
Proceeds from Secured loans	12,806.95	20,822.55
Repayment of Secured loans	(1,357.65)	-
Dividend Paid	(0.51)	(373.90)
<b>Net cash from/(used in) financing activities</b>	<b>9,328.68</b>	<b>15,448.65</b>
Effects of exchange differences on translation of foreign currency cash & cash equivalents	-	-
Net Change in Cash and Cash Equivalents	(216.60)	(81.80)
Cash and Cash Equivalents - Opening Balance	699.89	668.73
Cash and Cash Equivalents transferred to Sale of Aircraft Division	-	(27.00)
Add: Cash and Cash Equivalents of Alagawadi Bireshwar Sugars Private Limited which became a subsidiary during the year	-	139.96
Cash and Cash Equivalents - Closing Balance	483.31	699.89
<b>[Refer Note 2 Below]</b>		

## Notes:

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2010 and the related Profit and Loss Account for the year ended on that date.
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow statements, as notified under Section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents - closing balance include balances aggregating to Rs.56.92 Lakhs [2009:Rs.57.43 Lakhs] with Scheduled banks in respect of unclaimed dividend, which are not available for use by the Company.
- Previous year's figures have been regrouped where necessary.

This is the Consolidated Cash Flow Statement referred to in our report of even date

For and on behalf of the Board

**For Price Waterhouse**  
Firm Registration Number - 007568S  
Chartered Accountants

**T.C.S. Reddy**  
Director

**R. Ramakrishnan**  
Managing Director

**J. Majumdar**  
Partner  
Membership Number - F 51912

**K. Kumar**  
Chief Financial Officer

**B. M. Rath**  
Company Secretary

Place: Bangalore  
Date : April 23, 2010

**Statement pursuant to the exemption received under Section 212 (8) of the Companies Act, 1956 relating to Subsidiary Company.**

Name of the Subsidiary Company: M/s Alagawadi Bireshwar Sugars Pvt. Ltd.

(Rs. in Lakhs)

Particulars	2009-10	2008-09
Share capital	102.22	102.22
Reserves & Surplus	–	–
Total Assets	1236.22	911.47
Total Liabilities	1236.22	911.47
Total Turnover	4.07	6.21
Profit/(Loss) Before Tax	–	(3.71)
Provision for Tax	–	(0.03)
Profit/ Loss After Tax	–	(3.74)
Proposed Dividend	–	–
Investments	–	–







### GMR Industries Limited

Registered Office: SKIP House, 25/1, Museum Road, Bangalore - 560 025, Karnataka.

#### ATTENDANCE SLIP

**PLEASE COMPLETE THIS ATTENDANCE SLIP AND  
HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**

Name & Address of the Member	Registered Folio No.	Client ID & DP ID No.	No. of Shares Held

I hereby record my presence at 24th Annual General Meeting of the Company held on Wednesday the 4th August, 2010.

#### **SIGNATURE OF THE MEMBER OF THE PROXY ATTENDING THE MEETING**

If Member, Please sign here

If Proxy, Please sign here


Note: Members are requested to bring their copies of the AGM Notice to the Meeting as the same will not be circulated at the Meeting.



### GMR Industries Limited

Registered Office: SKIP House, 25/1, Museum Road, Bangalore - 560 025, Karnataka.

#### PROXY FORM

Folio No. ....

Client ID No. & DP ID No. ....

I/We ..... of ..... being a Member/ Members of GMR Industries Limited, hereby appoint ..... of ..... or failing him/her ..... of ..... or failing him/her ..... of ..... as my/our Proxy to attend and vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company held on Wednesday, the 4th August, 2010.

Signed .....

Date .....

Affix  
Revenue  
stamp

**Note:** The Proxy form duly completed must be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting. The Proxy need not be a Member of the Company.







**GMR Industries Limited**

Registered Office: 25/1 Skip House, Museum Road, Bengaluru - 560 025, Karnataka.

[www.gmrindustries.in](http://www.gmrindustries.in)