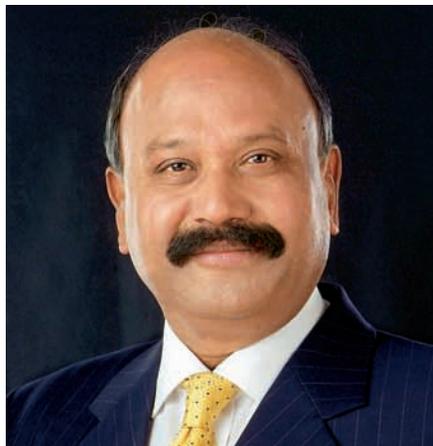


# Chairman's letter to the shareholders



Dear Shareholders,

It is my privilege to present you the 14th Annual Report of your company.

"The only way of finding the limits of the possible, is by going beyond them into the impossible" said eminent futurist Sir Arthur C Clarke. That has been the story of India in the recent past and I am confident, it will be so in the foreseeable future.

According to latest reports, in the next 20 years, urban population in India will grow to 590 million, twice the population of USA today, 70% net new employment will be generated in cities, and 60 cities will reach a population of 1 million compared to 35 cities in Europe today. Average national income will grow four-fold in the next 2 decades. Therefore, for infrastructure developers like us, the sky is the limit.

So far the Indian economy has shown remarkable resilience and smart recovery. It expanded 7.2% in the previous year and is expected to grow at 8.5% in the fiscal FY11, making it the world's second-fastest growing major economy after China. Consumption will strengthen as the labour market improves, and investment is expected to be boosted by strong profitability, rising business confidence, and favourable financing conditions. To increase the flow of funds for infrastructure, India plans to launch an \$11 billion infrastructure fund that will go a long way to develop the domestic bond market and refinance high-cost debt.

We are buoyed by the continued thrust of Government policies to create world-class infrastructure assets. To compliment this, there has been increasing learning, adaption, acceptance and implementation of Public-Private Partnerships (PPP) in this domain. We believe that your company is well poised to leverage this and deliver the promise of providing superior infrastructure assets. Your company has chosen the strategy of diversification across infrastructure sectors to spread its risk. Today, we have operations and investments across airports, energy, urban infrastructure and highways sectors. We shall continue to evaluate other related and emerging opportunities in the infrastructure domain.

During the financial year under review, we have been able to sustain our optimism and have successfully continued to grow, develop assets, raise finance from banks and financial institutions, worked closely with government and demonstrated our commitment of providing infrastructure services of the highest standards to the public. We have also formed several Joint Ventures bringing in partners who will help enhance the value of our business. We have achieved several key milestones as per plan. Our excellence in execution has been recognized through several industry and global awards and accolades.

The year under review has been a story of delivery excellence by your company.

## Business Development & Financials

"To accomplish great things, we must not only act, but also dream; not

only plan but also believe!!" said Nobel prize winning poet and novelist Anatole France.

### Airport Sector

At New Delhi's Indira Gandhi International Airport (IGIA), the company delivered a new terminal 1D in April 2009 which was beyond our original mandate. Passenger traffic grew by 14% making it the busiest airport in India.

We completed the construction of the mammoth terminal T3 on time in March 2010. This new terminal is a state-of-the-art complex with the highest standards and it will be dedicated to the Nation on 3rd July 2010 by the Prime Minister of India and Chairperson of the UPA. Completion of T3 in a record time of 37 months is a global benchmark for an airport of such scale.

IGIA was declared the World's 4th Best Airport and Asia-Pacific's Most Improved Airport for Airport Service Quality in the 15 to 25 million passengers category by the Airports Council International (ACI).

In order to focus on the non-aero & aero revenue streams, during the year, Delhi International Airport Private Limited (DIAL) signed agreements for 11 Joint Venture partnerships which include Duty-free, F&B, Cargo, IT, Fuel Farm, Car Parking, Advertising and Bridge Mounted Equipments. These partnerships will help in value enhancement as well as bring in operational expertise.

The Rajiv Gandhi International Airport (RGIA) at Hyderabad witnessed a 5% growth in overall passenger traffic despite an unfavorable business scenario globally and political disturbances locally. Our company's sustained airline marketing efforts have resulted in additional routes and schedules being started from Hyderabad. Cargo volumes have shown a remarkable growth of 14.8% touching 65,727 tons in FY 2010.

RGIA created Indian aviation history by being declared the best airport in the world for Airport Service Quality by ACI in the 5-15 million passenger category.

During the year, GMR Aviation Academy in collaboration with Jeppesen Aviation Training Services, a subsidiary of Boeing, will start Flight Operations Management training courses at its training academy at Rajiv Gandhi International Airport. Another JV was signed with Malaysian Airlines Systems in the presence of the Malaysian Prime Minister for a new MRO facility which is all set to begin the first phase of operations by the later part of 2011.

Our Istanbul Sabiha Gocken International airport (ISGIA) in Turkey involved construction of a new international terminal and complimentary facilities, as well as management of two existing terminals. Construction of the new terminal was completed in a record period of 18 months that was 12 months ahead of schedule and inaugurated on 31st October 2009 in the presence of the Turkish Prime Minister and Indian Union Minister of Civil Aviation. The airport can now handle 25 million passengers annually.

The airport won the anna.aero Airport Traffic Growth award for highest traffic growth of 48% in the 5-10 million passenger category and handled 6.3 million passengers.

### Energy Sector

India's Energy Sector is one of the key enablers for achieving overall economic growth. The country faced a peak power deficit of 13.3% during the year. In the coming years, the deficit is expected to continue despite the significant capacity additions that have been planned.

Your company has 3 operational power plants with a total capacity of 808 MW:

Projects under operation	Fuel	Capacity
Basin Bridge Chennai, Tamil Nadu	Diesel	200 MW
Barge mounted Kakinada, Andhra Pradesh	Gas	220 MW
Vemagiri, Andhra Pradesh	Gas	388 MW
<b>Total</b>		<b>808 MW</b>

In addition, the company has 11 projects at various stages of progress with an aggregate of over 8,448 MW:

Projects under development	Fuel	Capacity	Financial Closure	Commercial Operation Date
Kamlanga, Orissa	Coal	1400 MW	Done May 2009	By Mar 2012
EMCO, Warora, Maharashtra	Coal	600 MW	Done Mar 2010	By Jun 2012
Raikhera, Chhattisgarh	Coal	1370 MW	By Sep 2010	By Feb 2014
SJK Power, Shahdol, Madhya Pradesh	Coal	1370 MW	By Oct 2010	By Dec 2014
	<b>Total Coal</b>	<b>4740 MW</b>		
Rajahmundry Energy, Andhra Pradesh	Gas	768 MW	By July 2010	By Mar 2012
Island Power, Jurong, Singapore	Gas	800 MW	By Oct 2010	By Nov 2013
	<b>Total Gas</b>	<b>1568 MW</b>		
Alaknanda, Uttarakhand	Hydro	300 MW	By Mar 2011	By Mar 2015
Upper Karnali, Nepal	Hydro	900 MW	By Mar 2012	By Dec 2015
Talong, Arunachal Pradesh	Hydro	160 MW	By Mar 2012	By Jun 2016
Bajoli Holi, Himachal Pradesh	Hydro	180 MW	By Mar 2012	By Jul 2016
Upper Marsyangdi, Nepal	Hydro	600 MW	By Mar 2012	By Oct 2016
	<b>Total Hydro</b>	<b>2140 MW</b>		

Out of these, the company acquired 2 power projects with a total capacity of 1970 MW in the year under review - EMCO and SJK power projects.

A significant achievement was the successful relocation of our barge mounted 220 MW power plant from Mangalore (West coast) to Kakinada (East coast). This will help the power plant operate at lower cost by replacing the feedstock from naphtha to natural gas. With fuel supply and power purchase lined up, it will start generation in Jun 2010 in single cycle and July 2010 in combined cycle.

Your company has made several strategic investments to ensure long term fuel security.

Coal Mine	Reserves	Resources	Status
PT BSL Indonesia	104 MMT	700 MMT	Under development
HEG Kendall South Africa	25 MMT	621 MMT	Under operation
HEG Eloff South Africa	275 MMT		Under development
HEG 4 other coal mines, South Africa	Being evaluated		Under development
Rampia Orissa India	454 MMT Allocation to GMR: 112 MMT	645 MMT	Under development

The company has also built capability and assets in transmission business. In power trading, GMR Energy Trading Limited, is today among the top ten power traders in the country.

#### Highways Sector

In the Highways sector, the Government of India has taken several initiatives to encourage private investment in roads. We believe that the sector will witness growth on fast track owing to political will, structural changes (land acquisition, clearances etc) and changes in capital and financial markets providing options for fund raising. The company has currently 6 highway projects under operation across India measuring a total length of around 421 km (1684 Lane Km). These include a balanced mix of both Annuity and Toll-based projects.

Project	Lane-km	Type
59 km Tuni - Anakapalli	236	Annuity
93 km Tambaram - Tindivanam	372	Annuity
103 km Pochanpalli	412	Annuity
<b>Total Annuity</b>	<b>1020</b>	
35 km Ambala - Chandigarh	140	Toll
58 km Faruknagar - Jadcherla	232	Toll
73 km Tindivanam - Ulundurpet	292	Toll
<b>Total Toll</b>	<b>664</b>	

During the year, the company won 3 road projects with a total length of 310 km (1664 Lane Km).

Project	Lane-km	Type
181 km Hyderabad – Vijayawada Highway	1090	Toll
30 km Chennai Outer Ring Road	178	Annuity
99 km Hungund – Hospet Highway	396	Toll
<b>Total</b>	<b>1664</b>	

#### Urban Infrastructure

In Indira Gandhi International Airport (IGIA) Delhi, in Phase I of the hospitality district, the Company awarded all asset areas (45 acres) to successful bidders for commercial property development. This is a major step forward towards unlocking the value of real estate around IGIA.

Your company has plans to build a large aerropolis around the Rajiv Gandhi International Airport (RGIA) Hyderabad with 6 specific themes – Education port, Healthcare port, Entertainment Port, Hospitality Port, Commercial Port and Logistics Port. To this end, the company is working closely with leading international players to form Joint Venture partnership and bring best-in-class business assets across 1000 acres.

The exports from the functioning SEZs in India have grown considerably with a CAGR of about 48%, establishing beyond doubt that the response to the SEZ policy of the Central Government has been overwhelming and the scheme has been able to achieve the envisaged objectives. Your company has plans to develop aviation SEZ spread over 250 acres and multi-product SEZ in another 250 acres close to RGIA.

#### Results

(Rs. in Crore)

Particulars	Year ended		
	31st March'10	31st March'09	% change
Net Revenue	4,566.5	4,019.2	13.6%
EBITDA	1,364.3	1,066.8	27.9%
PAT*	158.4	279.5	-43.3%
Cash Profit	734.6	643.8	14.1%

\* After minority interest and Share of Loss from Associate

Net Revenues have gone up a modest 13.6%, primarily impacted by the absence of Revenues from the decommissioned 220 MW barge mounted power plant during the year. EBITDA, Cash Profit moved up significantly, signifying efficient and profitable operations of the business.

## Organization Development

It is said “Your greatest achievement is not to get ahead of others but to surpass yourself”.

While business building has been on course, our emphasis on institution building has remained a very high priority. We are continuing to invest in this area to ensure that our organizational growth remains sustainable taking care of our relationship with all our stakeholders – shareholders, lenders, customers, suppliers, JV partners, government, employees, society and environment.

### Performance Management, Talent Review, Training & Development

We believe that our employees are our greatest source of strength and differentiation. During the year gone by, we IT-enabled several people processes, brought performance management process to high level of maturity and introduced world-class development programs for our leadership team.

### Corporate Governance

While we already have a high standard of corporate governance, we initiated a major initiative to strengthen this further with the creation of a corporate governance framework. A team of very senior cross-functional team is now engaged in taking corporate governance in your company to a different level.

### Business Excellence and Knowledge Management

Business Excellence is very crucial for us and even though the journey may be a long one, it will build and upgrade our processes and systems to be more efficient and effective. As a Group we have embarked on the Business Excellence journey based on the globally acclaimed Malcolm Baldrige Business Excellence Model.

Knowledge Management is also an integral part of institution building. It is essential for us to create future value, mitigate risks and build organizational capabilities.

### Environmental Protection and Energy Conservation

The success of your company is integrated with strong environmental management practices. Clean environment is our top priority and to support that several unique schemes have been implemented to prevent pollution and conserve natural resources to achieve sustainable development. High priority is given to energy conservation and carbon footprint minimization in all our assets and projects.

### Risk Management

Over the last few years, the Company has consciously embedded formal Enterprise Risk Management (ERM) practices into every facet of the

decision-making process. Our approach is holistic in nature and we consider risk at various stages of the value chain, i.e. at Bid, Project and Asset stages. The Company's ERM philosophy is to integrate the process for managing risk across its business and lifecycle to enable protection and enhancement of stakeholder value. ERM is an integral component of our corporate strategy, culture and value generation process.

### Corporate Social Responsibility

GMR Varalakshmi Foundation (GMRVF) is our corporate social responsibility arm. GMRVF aims to contribute to this objective by focusing on education, health, hygiene, and sanitation; empowerment; and community development initiatives. The Foundation works intensively with the poorer sections of society surrounding the business operations and projects of various GMR Group companies all over the country. The thrust areas enable the Foundation to develop need-based and locale-specific responses to the needs of the diverse communities it works with. It is now present in 22 locations.

GMRVF won the prestigious TERI Corporate Award for Corporate Social Responsibility in recognition of corporate leadership for social responsibility and sustainable development initiatives from the President of India.

### Acknowledgements

I express my sincere gratitude to our shareholders, investors, JV partners, banks and financial institutions with whom we have enjoyed excellent symbiotic relationships. I would also like to thank SEBI, NSE, BSE, RBI, NHAI, TIDCO, AAI, AERA, CERC, Central and State Governments and all other regulatory and state bodies for providing continuous direction, support and an enabling environment for smooth conduct of business. I wish to express my appreciation to my colleagues on the Board and our employees for their thought leadership, dedication and commitment.

I acknowledge my deep appreciation to the Board of Directors and the employees of the subsidiaries for their continued support.

I am grateful to you all for your cooperation and the trust you have reposed in us.

Best Regards



G M Rao  
Executive Chairman

## Key Milestones Achieved

Month/Year	Project	Project Milestone Achieved
April 2009	Indira Gandhi International Airport, Delhi	New Domestic Departure Terminal 1D was completed and commercial operations successfully commenced.
May 2009	1400 MW Kamalanga Thermal Power Project, Orissa	Achieved financial closure.
July 2009	73 km Tindivanam-Ulundurpet highway project	Was completed and commenced commercial operations.
October 2009	Sabiha Gokcen International Airport, Istanbul	Inauguration of the new passenger terminal building on 31st October 2009 in a record time of 18 months.
2009-10	Indira Gandhi International Airport, Delhi	Agreements concluded for 11 Joint Venture partnerships - Duty free, F&B, Cargo, Fuel Farm, Car Parking, Advertising, Bridge Mounted Equipment etc.
February 2010	Indira Gandhi International Airport, Delhi	In Phase I of the hospitality district, awarded all asset areas across 45 acres for commercial property development.
February 2010	Rajiv Gandhi International Airport, Hyderabad	MRO JV signed with Malaysian Airlines Systems
March 2010	Rajiv Gandhi International Airport, Hyderabad	CFM International, world's leading aircraft engine manufacturer, inaugurated the engine Maintenance Training Center.
March 2010	600 MW EMCO Thermal Power Project, Maharashtra	Achieved financial closure.
March 2010	Indira Gandhi International Airport, Delhi	Construction on the new integrated Terminal 3 was completed in March 2010 in a record time of 37 months.