

## BOARD OF DIRECTORS

<b>E. Sudhir Reddy</b>	<b>Chairman &amp; Managing Director</b>
<b>E. Sunil Reddy</b>	<b>Director</b>
<b>R. Balarami Reddy</b>	<b>Executive Director – Finance &amp; Group CFO</b>
<b>K. Ashok Reddy</b>	<b>Executive Director</b>
<b>E. Ella Reddy</b>	<b>Director</b>
<b>T. N. Chaturvedi</b>	<b>Director</b>
<b>T. R. C. Bose</b>	<b>Director</b>
<b>P. R. Tripathi</b>	<b>Director</b>
<b>S. K. Gupta</b>	<b>Director</b>
<b>Mahesh Madduri</b>	<b>Director</b>

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### Company Secretary

B. Subrahmanyam

### Statutory Auditors

M/s. Chaturvedi & Partners  
Chartered Accountants  
203, Kushal Bazar  
32-33, Nehru Place  
New Delhi – 110 019.

M/s. Deloitte Haskins & Sells  
Chartered Accountants  
Coromandel House  
1-2-10, Sardar Patel Road  
Secunderabad – 500 003.

### Internal Auditors

T. Vijay Kumar  
Chartered Accountant  
Plot # 101, Jyothi Pride Apartments  
P.S. Nagar, Masab Tank  
Hyderabad – 500 028.

### Registrars and Transfer Agents

M/s. Karvy Computershare Private Limited  
Karvy House, 46, Avenue 4, Street No. 1  
Banjara Hills, Hyderabad – 500 034.

### Bankers

Andhra Bank  
Bank of India  
Canara Bank  
Catholic Syrian Bank  
Centurion Bank of Punjab Limited  
Corporation Bank  
ICICI Bank Limited  
IDBI Limited  
HDFC Bank Limited  
Indian Overseas Bank  
ING Vysya Bank Limited  
Lakshmi Vilas Bank Limited  
Punjab & Sind Bank  
Standard Chartered Bank  
State Bank of India  
State Bank of Indore  
State Bank of Hyderabad  
State Bank of Mauritius  
State Bank of Mysore  
Syndicate Bank  
Tamilnad Mercantile Bank Limited  
YES Bank Limited

### Registered Office

M-22/3RT  
Vijayanagar Colony  
HYDERABAD – 500 057  
Ph.: 91-40-23352961  
Fax: 91-40-23354482

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## **FORWARD LOOKING STATEMENT**

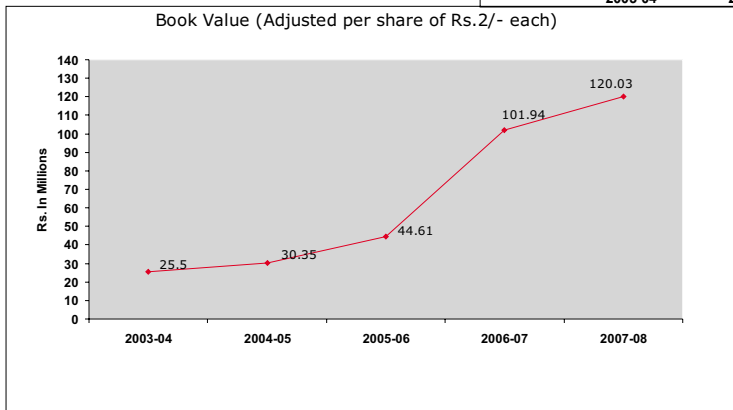
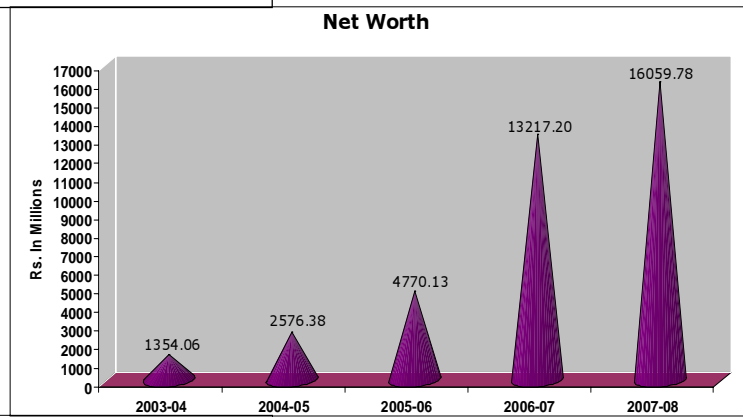
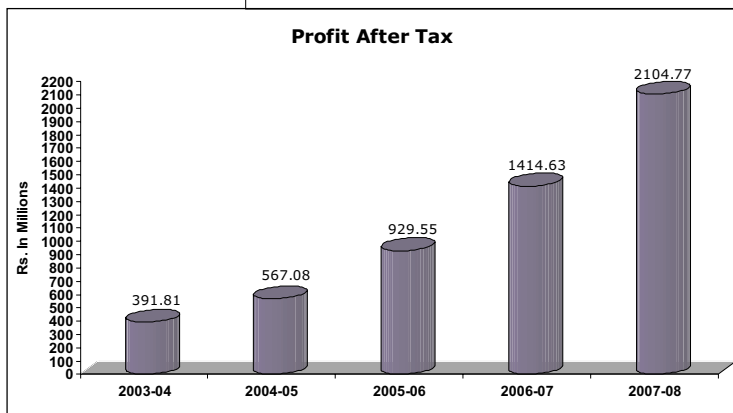
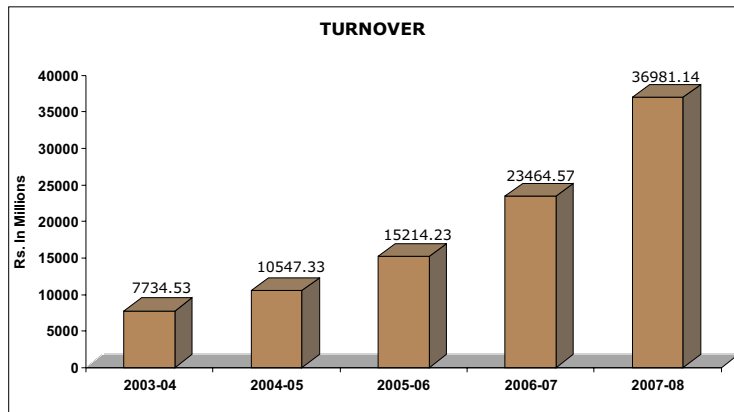
This communication contains statements that constitute "forward looking statements" including without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to our future business developments and economic performance.

While these forward looking statements represent our judgements and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors including but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial condition of third parties dealing with us, legislative developments, and other key factors that have been indicated could adversely affect our business and financial performance.

IVRCL undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.

## FINANCIAL PERFORMANCE



## PERFORMANCE AT A GLANCE

*Rs. in million*

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
<b>Turnover</b>	36,981.14	23,464.57	15,214.23	10,547.33	7,734.53	4,403.49	3,919.96	2,671.93	2,116.40	1,094.80
<b>Profit Before Tax</b>	2,853.30	1,850.96	1,037.25	594.67	427.12	240.06	199.22	153.79	138.84	74.38
<b>Profit After Tax</b>	2,104.77	1,414.63	929.55	567.08	391.81	155.09	130.94	128.06	90.55	54.01
<b>Equity Capital</b>	266.98	259.32	213.88	169.80	106.19	105.06	104.44	104.44	61.44	30.48
<b>Reserves &amp; Surplus</b>	15,792.80	12,957.88	4,556.25	2,406.58	1,247.87	913.82	796.05	750.71	265.24	218.72
<b>Net Worth</b>	16,059.78	13,217.20	4,770.13	2,576.38	1,354.06	1,018.88	900.49	855.15	326.68	249.20
<b>Gross Block</b>	4,175.96	2,593.35	1,580.10	1,107.10	964.34	898.60	755.18	496.44	333.74	279.58
<b>Net Block</b>	3,191.94	1,929.13	1,107.35	741.03	672.97	703.94	644.74	404.02	250.85	219.66
<b>Book Value (Rs.) per share</b>	120.31	101.94	44.61	151.74	127.50	96.98	86.22	81.88	53.17	81.76
<b>EPS (Rs.) Basic</b>	16.08	12.38	8.84	33.56	37.04	14.85	12.54	12.26	14.73	17.72
<b>Dividend</b>	70%	50%	50%	30%	30%	30%	30%	30%	30%	30%

The Book Value and EPS are per share of Rs. 2/- for the years 2007-08, 2006-07 and 2005-06, while the previous years figures indicate per share of Rs.10/- each. Equity share of Rs.10/- was sub-divided into five equity shares of Rs. 2/- each, with effect from 4th March, 2006.

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the twenty first Annual General Meeting of the Members of IVRCL Infrastructures & Projects Limited will be held on Monday, the 15<sup>th</sup> September, 2008 at 4.00 P.M. at Prime Club House, Hill Ridge Springs, Survey No. 25, ISB Road, Gachibowli, Hyderabad - 500 032 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2008, the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors attached thereto.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S.K.Gupta, a Director, who retires by rotation under Art.121 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. P.R.Tripathi, a Director, who retires by rotation under Art.121 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. T.N.Chaturvedi, a Director, who retires by rotation under Art.121 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration.

To consider and pass the following resolution with or without modifications as an ordinary resolution:

**“RESOLVED THAT** M/s Deloitte Haskins & Sells, Chartered Accountants, and

M/s Chaturvedi & Partners, Chartered Accountants, the retiring Auditors be and are hereby reappointed as Statutory Auditors of the Company to jointly hold office till the conclusion of next annual general meeting and that the Board of Directors of the Company be and is hereby authorised to fix the remuneration payable to them.”

### SPECIAL BUSINESS:

7. **Variation in the remuneration of Mr. E.Sudhir Reddy, Chairman & Managing Director**

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

**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to statutory approvals if any, the terms of remuneration of Mr. E.Sudhir Reddy, Chairman & Managing Director of the company be modified, with effect from February 1, 2008 for the remaining period of his present terms of appointment as follows:

- (a) Salary – Rs.10,00,000/- (Rupees Ten lacs only) per month with attendant benefits
- (b) Commission – 5% of net profits as per the provisions of Section 198 and 309 of the Companies Act, 1956, including salary and perquisites

**FURTHER RESOLVED THAT** the other terms of appointment and remuneration, as approved by the Members of the Company

by way of a resolution in the 17<sup>th</sup> Annual General Meeting held on September 17, 2004, shall remain unaltered being within the provisions of Schedule XIII of the Companies Act, 1956.

**8. To change the designation of Mr. R.Balarami Reddy as Executive Director – Finance & Group CFO and increase his remuneration**

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to statutory approvals if any, Mr. R.Balarami Reddy be and is hereby appointed and designated as Executive Director- Finance & Group CFO, so long as he continues to be a Director liable to retire by rotation.

FURTHER RESOLVED that the remuneration paid to him for the period from 01.04.2008 to 31.08.2008 as detailed hereunder be and is hereby confirmed.

- i. Salary – Rs.2,57,600/- p.m  
(Basic Salary – Rs.1,65,375/- p.m and Allowances - Rs.92,225/- p.m)
- ii. Leave Travel Assistance at the rate of one month’s basic salary per annum.
- iii. Reimbursement of Medical expenses at the rate of one month’s basic salary per annum.
- iv. Provident Fund at the rate of 12% of basic salary.
- v. Super-annuation benefits equivalent to one month’s basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.

- vi. Gratuity as per rules of the Company
- vii. Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee
- viii. Provision of Car in accordance with the Employee Car Scheme formulated by the Compensation Committee and as amended from time to time.

FURTHER RESOLVED that Mr. R.Balarami Reddy, Executive Director – Finance & Group CFO be paid the following remuneration for the period from 01.09.2008 to 31.03.2009 and that his remuneration be increased from 01.04.2009 till such time as he continues to be a Director liable to retire by rotation as may be decided by the Board subject to the confirmation of the Members at the immediately following general Meeting.

- i. Basic Salary – Rs.1,65,375/- p.m and Allowances - Rs.92,225/- p.m)
- ii. Leave Travel Assistance at the rate of one month’s basic salary per annum.
- iii. Reimbursement of Medical expenses at the rate of one month’s basic salary per annum.
- iv. Provident Fund at the rate of 12% of basic salary.
- v. Super-annuation benefits equivalent to one month’s basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.
- vi. Gratuity as per rules of the Company
- vii. Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee
- viii. Provision of Car in accordance with the Employee Car Scheme formulated

by the Compensation Committee and as amended from time to time.

Employee Stock Options granted/to be granted, from time to time, are not to be considered as perquisite and not to be included for the purpose of computation of overall ceiling of remuneration.

**9. To change the designation of Mr. K.Ashok Reddy as Executive Director and increase his remuneration.**

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, and subject to statutory approvals if any, Mr. K.Ashok Reddy be and is hereby appointed and designated as Executive Director, so long as he continues to be a Director liable to retire by rotation.

FURTHER RESOLVED that the remuneration paid to him for the period from 01.04.2008 to 31.08.2008 as detailed hereunder be and is hereby confirmed.

- i. Salary – Rs.2,54,900/- p.m  
(Basic Salary – Rs.1,63,688/- p.m and Allowances – Rs.91,212/- p.m)
- ii. Leave Travel Assistance at the rate of one month’s basic salary per annum.
- iii. Reimbursement of Medical expenses at the rate of one month’s basic salary per annum.
- iv. Provident Fund at the rate of 12% of basic salary.
- v. Super-annuation benefits equivalent to one month’s basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.

- vi. Gratuity as per rules of the Company
- vii. Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee
- viii. Provision of Car in accordance with the Employee Car Scheme formulated by the Compensation Committee and as amended from time to time.

FURTHER RESOLVED that Mr. K.Ashok Reddy, Executive Director be paid the following remuneration for the period from 01.09.2008 to 31.03.2009 and that his remuneration be increased from 01.04.2009 till such time as he continues to be a Director liable to retire by rotation as may be decided by the Board subject to the confirmation of the Members at the immediately following general Meeting.

- i. Basic Salary – Rs.1,63,688/- p.m and Allowances – Rs.91,212/- p.m)
- ii. Leave Travel Assistance at the rate of one month’s basic salary per annum.
- iii. Reimbursement of Medical expenses at the rate of one month’s basic salary per annum.
- iv. Provident Fund at the rate of 12% of basic salary.
- v. Super-annuation benefits equivalent to one month’s basic salary per annum at the discretion of the Compensation Committee of the Board of Directors.
- vi. Gratuity as per rules of the Company
- vii. Free telephone facility at residence and mobile phone but personal long distance calls will be billed to the appointee
- viii. Provision of Car in accordance with the Employee Car Scheme formulated by the Compensation Committee and as amended from time to time.

Employee Stock Options granted/to be granted, from time to time, are not to be considered as perquisite and not to be included for the purpose of computation of overall ceiling of remuneration.

**10. To consider increase in the borrowing powers of the Company from Rs.50,000 Million to Rs.75,000 Million**

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

“RESOLVED THAT in supersession of the resolution limiting the borrowing powers of the Board of Directors of the Company upto Rs.50,000 millions passed at the Annual General Meeting held on 7<sup>th</sup> September, 2007, the Board of Directors of the Company be and is hereby authorised under Section 293(1)(d) of the Companies Act, 1956, to borrow moneys from time to time upto a limit not exceeding in the aggregate of Rs.75,000 millions including Foreign borrowings like Foreign Convertible Currency Bonds, Foreign Currency Bonds etc. notwithstanding that monies to be borrowed, together with the moneys already borrowed by the Company apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business will exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.”

**11. Evaluation of options on the basis of intrinsic value in place of the fair value**

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

**RESOLVED THAT** the options granted / to be granted under ESOP 2007 scheme

approved by the members on 07.09.2007 be evaluated in accordance with the intrinsic value of the shares instead of fair value of the shares as approved by the members at the said meeting.

**RESOLVED FURTHER THAT** the following statement be treated as part of the scheme and that the company shall calculate the employee compensation cost using the intrinsic value of the stock options and that the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed in the Directors’ Report and also the impact of this difference on profits and on Earning Per Share (EPS) of the company shall also be disclosed in the Directors’ Report.

*“In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors’ Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors’ Report.*

By order of the Board of Directors

**Regd. Office :**  
M-22/3RT,  
Vijayanagar Colony,  
Hyderabad - 500 057

**B. Subrahmanyam**  
Company Secretary

Date : May 28, 2008

## NOTES:

- 1 A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy forms to be valid should be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
  - 2 The Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all material facts in respect of Items 7 to 11 of the Notice is attached and the Statement of particulars of Directors seeking reappointment, as required under Clause 49 of the listing agreement is enclosed (Annexure – A).
  - 3 Members may please bring the Admission Slip duly filled in and may hand over the same at the entrance of the Meeting Hall.
  - 4 Members, who hold shares in dematerialized form, are requested to bring their depository account number (Client ID and DPID No ) for easier identification and recording of attendance at the meeting.
  - 5 The Register of Members and Share Transfer Books of the Company shall be closed from 11.09.2008 to 15.09.2008 both days inclusive.
  - 6 (a) After declaration of dividend at the Annual General Meeting, the Dividend Warrants / Pay Orders / Drafts for the dividend amount are scheduled to be posted from 30.09.2008 onwards to the members, whose names appear on the Register of Members on close of business hours on 10.09.2008. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership, as per details to be furnished for this purpose by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).  
(b) The dividend declared for the earlier years and outstanding in the unpaid / unclaimed dividend account will be transferred to the Investor Education & Protection Fund Account as per Rules. The shareholders who have not claimed their dividend earlier may claim the same.
- 7 The dividend will be paid through ECS in respect of shareholders having demat accounts, to the credit of relative bank accounts as furnished by the depositories. Members who desire the amounts to be credited by way of dividend warrants and would like to have their bank account details incorporated in their dividend warrants may please furnish the (i) Folio Nos. (ii) Name and address of sole/first shareholder (iii) Bank Account No. (with prefix SB/CA etc) (iv) Name of the bank and branch (iv) Full address of the Bank with Pin Code.

### **Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956**

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

#### **Variation in the remuneration of Mr. E.Sudhir Reddy, Chairman & Managing Director**

The Board of Directors of the Company at its meeting held on 31<sup>st</sup> January 2008, subject to approval of the shareholders of the Company in a general meeting, made

certain changes in the terms of remuneration of Mr. E.Sudhir Reddy, Chairman & Managing Director of the company for the remaining period of his present term of appointment, with effect from February 1, 2008 as stated in the resolution. Variation in the remuneration in effect results in increase in monthly remuneration from Rs.2,00,000/- to Rs.10,00,000/- and reduction in commission payable within the overall remuneration limit of 5% of the net profits of the company.

In the 17<sup>th</sup> Annual General Meeting held on 17<sup>th</sup> September 2004, Mr. E.Sudhir Reddy was appointed Managing Director of the company with effect from October 1, 2004 for a period of five years.

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

**Memorandum of Interest:** None of the Directors except a) Mr. E.Sudhir Reddy directly and b) Mr. E.Sunil Reddy and Mr. E.Ella Reddy, indirectly as relatives of Mr. E.Sudhir Reddy, is interested in the resolution.

#### **ITEM NO: 8**

##### **To change the designation of Mr.R.Balarami Reddy as Executive Director – Finance & Group CFO and increase his remuneration**

Mr. R.Balarami Reddy was appointed as Director-Finance and Group CFO in the 20<sup>th</sup> Annual General Meeting held on 7<sup>th</sup> September, 2007, so long as he continues to be Director liable to retire by rotation on the terms and conditions as stated in the above resolution.

The Board of Directors in its meeting held on 28<sup>th</sup> May 2008 approved the increase

in the remuneration, subject to approval of the shareholders as stated in the resolution. It is also being proposed to designate him as Executive Director – Finance & Group CFO so long as he continues to be a Director liable to retire by rotation.

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

**Memorandum of Interest:** Mr. R.Balarami Reddy may be deemed to be concerned or interested in this resolution as it relates to variation of the terms of his appointment as above. No other Director is interested in the above resolution.

This may be treated as abstract of the terms of variation in the remuneration of Mr. R.Balarami Reddy pursuant to Section 302 of the Companies Act, 1956.

#### **ITEM NO: 9**

##### **To change the designation of Mr. K.Ashok Reddy as Executive Director and increase his remuneration**

Mr. K.Ashok Reddy was appointed as Director-Resources in the 20<sup>th</sup> Annual General Meeting held on 7<sup>th</sup> September, 2007, so long as he continues to be Director liable to retire by rotation on the terms and conditions as stated in the above resolution.

The Board of Directors in its meeting held on 28<sup>th</sup> May 2008 approved the increase in the remuneration, subject to approval of the shareholders as stated in the resolution. It is also being proposed to designate him as Executive Director so long as he continues to be a Director liable to retire by rotation.

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

**Memorandum of Interest:** Mr. K.Ashok Reddy may be deemed to be concerned or interested in this resolution as it relates to variation of the terms of his appointment as above. No other Director is interested in the above resolution.

This may be treated as abstract of the terms of variation in the remuneration of Mr. K.Ashok Reddy pursuant to Section 302 of the Companies Act, 1956.

#### **ITEM NO.10**

##### **To consider increase in the borrowing powers of the Company from Rs.50,000 Million to Rs.75,000 Million.**

The Board of Directors were authorised by a resolution passed in the general meeting dated 7<sup>th</sup> September, 2007, to borrow monies upto a limit of Rs.50,000 million under Section 293(1)(d) of the Companies Act, 1956. To meet the increasing financial requirements of the Company and to be in tune with the internal policies of some bankers - who are considering temporary working capital loans as monies to be covered by the borrowings under Section 293 (1)(d) of the Companies Act, 1956, it was felt necessary that the borrowing powers of the Board of Directors be increased from Rs.50,000 million to Rs.75,000 million.

The Board recommends the said resolution for adoption by members.

##### **Memorandum of Interest**

None of the Directors is interested in the above resolution, except to the extent of their shareholding, if any.

#### **ITEM No.11**

##### **Evaluation of options on the basis of intrinsic value in place of the fair value**

The shareholders approved the ESOP-2007 scheme in the 20<sup>th</sup> Annual General Meeting held on 7<sup>th</sup> September 2007, under which the Board of Directors were authorized to grant 4,200,000 options convertible into 4,200,000 shares of Rs.2/- each, on exercise of the options granted to the employees. It was conceived that the employee compensation cost shall be calculated on fair value basis as per the original scheme. It has now been decided by the Board that the same shall be done in accordance with the intrinsic value of the options and that necessary disclosures as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, be made in accordance with Clause 6(2)(k). Since any change in the scheme requires approval of the members, it is commended that the members may approve the changes to the scheme as above.

##### **Memorandum of Interest**

None of the Directors is interested in the above resolution, except to the extent of their shareholding, if any.

By order of the Board of Directors

**Regd. Office :**

M-22/3RT,  
Vijayanagar Colony,  
Hyderabad - 500 057

**B. Subrahmanyam**  
Company Secretary

Date : May 28, 2008

**Details of the Directors Seeking appointment / re-appointment at the forthcoming Annual General Meeting  
(Pursuant of Clause 49 of the Listing Agreement)**

**Annexure -A**

<b>Name of Director</b>	<b>Mr. T.N. Chatuvedi</b>	<b>Mr. S.K. Gupta</b>	<b>Mr. P. R. Tripathi</b>
Date of Birth	15.01.1959	18.08.1938	24.06.1943
Date of Appointment	16.06.2000	07.07.2006 as Additional Director	07.07.2006 as Additional Director
Expertise in Specific functional areas	He has nearly twenty two years of experience in the field of auditing corporate and financial restructuring, public issues, mergers taxation and other legal issues	Directorate in Metallurgical Engineering. Held various Management positions in Academic and Industrial Institutions and is an UNESCO Fellow	He is a B.E. Electrical, F.I.E, has 40 years of wide experience having held various senior positions and finally as Director Projects with A.P. State Electricity Board presently known as Transmission Corporation of Andhra Pradesh Ltd.
Qualification	B.Com, F.C.A,	B.Sc (Mat. Engg.) Ph.D.(Tech),D.Sc.(Tech)	B.Sc. (Hon.) A.I.S.M. (Mining) F.C.C. (Coal & Metal)
List of other Companies in which Directorship is held as on 31 March, 2008	a) Hindustan Dorr-Oliver Ltd. b) Orient Abrasives Ltd. c) Perfect Pac Ltd. d) Universal Cylinders Ltd. e) IVR Prime Urban Developers Ltd. f) IVRCL Road Toll Holdings Ltd.	a) Vesuvius India Ltd. b) Eco Coke & Power Private Ltd. c) JSW Steel Ltd d) Jindal South West Holdings Ltd. e) Ferro Green Technologies Private Ltd. f) Jindal Saw Ltd. g) Bhuwalka Steel Industries Ltd. h) HMT Ltd. i) Sobha Developers Ltd. j) Surana Industries Ltd. k) IVRCL Steel Construction & Services Ltd. l) Jindal ITF Ltd. m) BMM ispat Ltd.	a) Minman Consultancy Services Private Ltd. b) Sarda Energy & Minerals Ltd. c) Jhagadia Copper Ltd. d) IVR Prime Urban Developers Ltd. e) Hindustan Dorr-Oliver Ltd. f) HDO Technologies Ltd. g) Eastern Coal Fields Ltd. h) Premier Explosives Ltd. i) Taurian Resources Private Ltd. j) POL India Agencies Ltd.
Chairman/Member of the Committees of the Board of the Companies in which he is a Director as on March 31, 2008	a) <b>Orient Abrasives Limited</b> <b>Chairman</b> Audit Committee Compensation Committee <b>Member</b> Share Transfer Committee b) <b>Hindustan Dorr-Oliver Limited</b> <b>Chairman</b> Audit Committee <b>Member</b> Compensation Committee c) <b>IVR Prime Urban Developers Ltd.</b> <b>Chairman</b> Audit Committee Compensation Committee Investor Grievance Committee	a) <b>JSW Steel Limited</b> <b>Chairman</b> Remuneration Committee Shareholders / Investors Grievance Committee <b>Member</b> Audit Committee Share Allotment Committee Project Review Committee b) <b>Jindal South West Holdings Limited</b> <b>Member</b> Audit Committee Investor Grievance Committee Remuneration Committee c) <b>Vesuvius India Limited</b> <b>Chairman</b> Audit Committee <b>Member</b> Shareholders & Investors Grievance Committee Remuneration Committee d) <b>Sobha Developers Limited</b> <b>Member</b> Investor Grievance Committee e) <b>HMT Limited</b> <b>Member</b> Audit Committee f) <b>Bhuwalka Steel Industries Limited</b> <b>Member</b> Audit Committee	a) <b>Hindustan Dorr-Oliver Limited</b> <b>Member</b> Audit Committee b) <b>Premier Explosives Limited</b> <b>Member</b> Audit Committee
Equity shares held in the Company	2275	NIL	NIL

# Directors' Report

To  
The Members

The Directors have pleasure in presenting the 21<sup>st</sup> Annual Report and Audited Accounts for the financial year ended 31<sup>st</sup> March 2008.

The performance of your Company for the financial year ended 31<sup>st</sup> March, 2008, is summarized below:

## 1. FINANCIAL RESULTS

	<i>Rs. in million</i>	
	<b>Year ended 31.03.2008</b>	Year ended 31.03.2007
Gross Turnover	<b>36,981.14</b>	23,464.57
Profit before Interest, Depreciation, Extraordinary items & Taxes	<b>3,659.70</b>	2,391.71
Less : Interest & Finance Charges	<b>478.22</b>	324.87
Less : Depreciation	<b>328.18</b>	215.88
Profit before tax (PBT)	<b>2,853.30</b>	1,850.96
Provision for tax	<b>748.53</b>	436.33
Profit after tax (PAT)	<b>2,104.77</b>	1414.63
Balance brought forward from previous year	<b>970.76</b>	723.83
Profit available for appropriation	<b>3,075.53</b>	2,138.46
Appropriations : Transfer to		
(i) General Reserve	<b>500.00</b>	250.00
(ii) Special Reserve (Taxation)	<b>270.00</b>	766.00
Proposed Dividend on existing shares	<b>186.89</b>	129.66
Corporate Dividend Tax	<b>31.76</b>	22.04
Sum total of Appropriations	<b>988.65</b>	1,167.70
Balance carried to Balance Sheet	<b>2,086.88</b>	970.76

## 2. DIVIDEND

Your Directors have pleasure in recommending a dividend of 70% i.e. Rs.1.40/- per share of Rs.2/- each (last year Rs.1/- per share of Rs.2/- each) on **133,489,929** equity shares of Rs.2/- each for the financial year ended 31<sup>st</sup> March, 2008, which if approved at the ensuing Annual General Meeting, will be paid to all those members whose names appear in the Register of Members as on the close of business hours on 10<sup>th</sup> September, 2008 and to all those shareholders whose names appear on that date as beneficial owners in the list furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The dividend payable will result in an outgo of Rs.186.89 million towards dividend besides the applicable taxes.

The dividend pay out for the year under review is in accordance with the Company's policy of suitably rewarding the shareholders besides keeping in view the Company's need for capital, its growth plans and the intent to finance such plans through internal accruals to the maximum.

## 3. RESERVES

It is proposed to transfer Rs.500.00 million to the General Reserves of the Company, constituting 23.76% of the profits made during the year. Further, it is proposed to transfer Rs. 270.00 million to Special Reserve Account to meet any unforeseen liabilities that may arise in matters connected with taxation.

## 4. REVIEW OF PERFORMANCE

### Financial

The financial year 2007-08 is yet another year of significant growth. Your company achieved a gross turnover of Rs. 36,981.14 million for the year ended 31<sup>st</sup> March, 2008 as against Rs.23,464.57 million for the previous financial

year registering an incremental turnover of Rs. 13,516.57 million and recording a growth rate of 57.60% over the previous year.

The Earnings before Interest, Depreciation, Taxes and Amortisation (EBIDTA) at Rs. 3659.70 million are 9.90% of the Gross Turnover for the year under review as against 10.19% for the previous financial year and this rate of gross profit compares well with similar other companies.

IVRCL continues to be called the Water related technology company with maximum turnover from water related projects. The Irrigation Wing of Water Division has substantially contributed to the improved turnover during the year under review.

### TLT Factory at Nagpur

The company's factory for manufacture of Transmission Line Tower parts (TLT Parts factory) has commenced production during the year.

## 5. ORDER BOOK POSITION:

The Order Book has substantially increased during the year to Rs.122,415 Million as on 19<sup>th</sup> May 2008, and is likely to increase further considering the tenders in which the company's offers were rated lowest, for which orders are in pipeline. Water and Irrigation works constitute the bulk of the Order Book Position accounting for 62%:

Sl. No.	Particulars	Orders on hand (Rs. in Millions)	%
1	Water Division	75,728	61.86
2	Buildings Division	28,015	22.89
3	Transportation Division	11,157	9.11
4	Power Division	7,515	6.14
<b>TOTAL</b>		<b>122,415</b>	<b>100.00</b>

## **6. FUTURE OUTLOOK**

Your directors are confident that the present environment of investments in infrastructure by the State and Central Governments assures growth of operations of your company, so as not only to maintain the growth rates achieved in earlier years but also surpass the same.

## **7. JOINT VENTURES**

The increased volume of business was partly due to strategic association with various joint ventures partners. The company has mainly entered into joint ventures for execution of various works to meet the pre-qualification requirements.

The launching of various irrigation projects has given a great opportunity to your company to establish itself in a bigger way in the development of these projects. Of the irrigation works awarded to the company to be executed either by itself or through the Joint Ventures, works of the value of 42% thereof have since been completed. The company is confident that the balance works would be executed as per the timelines set, but for unforeseen circumstances.

## **8. SUBSIDIARIES**

Your company firmly believes in partnering with the Government in implementing and managing various infrastructure projects under the concept of Public Private Partnership (PPP) and has decided to have a greater role in the infrastructure development of the country in the Water, Roads and Power sectors. To meet the challenges in this evolving scenario, separate companies (Special Purpose Vehicles) have been incorporated into which investments have been made for execution of the projects awarded on BOT, BOOT and DBOOT basis, as detailed herein. The performance of the subsidiaries is detailed hereunder:

### **8.1 HINDUSTAN DORR-OLIVER LIMITED (HDO)**

The operations of Hindustan Dorr-Oliver Limited (HDO) after acquisition by your company have broadened and substantially improved to include EPC works.

The company is focusing on high growth sectors of oil business, in Manufacturing, Design & Engineering activities of KPO (Knowledge Process Outsourcing) and large scale EPC projects in Mineral Beneficiation & Environment Sectors. Leveraging on its core competency in Design & Engineering, Manufacturing & EPC project execution capabilities, the company is positioned to take advantage of opportunities in the field of Alumina and Steel industries. In Mineral Beneficiation sector, HDO has tied up with global leaders like M/s. Bateman Minerals & Metals, South Africa for Uranium Alkali Bleaching Technology, M/s. Alfa Laval, Denmark for Evaporation Technology and M/s. Bokela, Germany for security filtration Technology.

For the financial year ending 31<sup>st</sup> March 2008, the company achieved a turnover of Rs. 3,050.70 million, an increase of 46% compared to previous year. The Profit after tax has increased from Rs. 154 million to Rs. 226 million, an increase of 47% resulting an EPS of Rs. 6.29 ps on Rs. 2/- share. The Company increased the dividend from 25% to 30 % on the equity capital of the Company.

### **8.2 IVR PRIME URBAN DEVELOPERS LTD., (PUDL)**

IVR Prime Urban Developers Limited is the Real Estate arm of your company having a land bank of 3393 acres. The company is engaged in construction of residential, retail and commercial projects at Chennai, Vizag, Bangalore, Pune, Nagpur and New Delhi besides Hyderabad. The Company made an

initial public offering of its shares during the year 2007-08. PUDL has undertaken execution of a well planned township in a plot of land of about 700 acres, in Sriperambadur, near Chennai, for development of Residential complex (300 Acres), Commercial (26.50 acres), Hardware SEZ (50.00 acres), Convention Centre, Tourism and Recreation Facilities (13.20 acres), School and Hospital (10.00 Acres) with Open and Green space of 230 acres, jointly with Kotak Realty Group through a Special Purpose Vehicle (SPV) viz., IVR Hotels and Resorts Limited with a stake of 67% therein.

For the financial year ending 31<sup>st</sup> March 2008, the company has achieved a turnover of Rs.5,958.18 million with a gross profit (PBT) of Rs.2,418.73 million and net profit (PAT) of Rs.1,757.94 million. The Company declared a maiden dividend of 40% on its equity capital.

### **8.3 IVRCL ROAD TOLL HOLDINGS LIMITED**

IVRCL Road Toll Holdings Limited (IRTHL) is an investment subsidiary through which all the investments into road related BOOT projects viz., Jalandhar-Amritsar road project, Salem-Kumarapalayam road project and Kumarapalayam-Chengapalli road project have been routed. IRTHL has made investments in Salem Tollways Limited to the extent of Rs.710.67 million, Kumarapalayam Tollways Limited to the extent of Rs.650.50 million and Jalandhar Amritsar Tollways Limited to the extent of Rs.330.10 million which are the Special Purpose Vehicles conceived for implementation of the road projects as further detailed herein.

#### **8.3.1 SALEM TOLLWAYS LTD.**

Salem Tollways Limited (a subsidiary of IRTHL) was incorporated to design, construct, develop, finance, operate and maintain 53 kilometers section of National Highways – 47 from Salem to Kumarapalayam in the state of Tamilnadu

pursuant to the concession agreement dated 20.01.2006 between the Company and National Highways Authority of India (NHAI) at an estimated cost of Rs.5,011.30 million to be financed by way of equity of Rs.801.30 million, grant from NHAI of Rs.1,290.00 million and term loans of Rs. 2,920 million. 27.3% of the project has already been completed in financial terms and is expected to be completed as per schedule.

#### **8.3.2 KUMARAPALAYAM TOLLWAYS LTD.**

Kumarapalayam Tollways Limited (a subsidiary of IRTHL) has been incorporated to design, construct, develop, finance, operate and maintain 47 kilometers section of National Highway – 47 from Kumarapalayam to Chengapalli in the state of Tamilnadu pursuant to the concession agreement dated 20.01.2006 between the company and National Highways Authority of India (NHAI) at an estimated cost of Rs.4,214.40 million to be financed by way of equity of Rs.650.50 million, grant from NHAI of Rs.175.00 million and term loan of Rs.3,388.90 million. 33.1% of the project has already been completed in financial terms and is expected to be completed as per schedule.

#### **8.3.3 JALANDHAR AMRITSAR TOLLWAYS LTD.**

Jalandhar Amritsar Tollways Limited (a subsidiary of IRTHL) has been incorporated for execution of widening and strengthening of Jalandhar-Amritsar road and the concession agreement signed with National Highways Authority of India (NHAI). The estimated cost of the project is Rs.2,377.50 million financed by way of debt to the extent of Rs.1,570.00 million and equity of Rs.413.00 million and grant from NHAI to the extent of Rs.394.50 million. 48.8% of the project has already been completed in financial terms and is expected to be completed by December, 2008 barring unforeseen delays.

#### **8.3.4 IVRCL BUILDING PRODUCTS LIMITED**

IVRCL Building Products Limited (IBPL) (a subsidiary of IRTHL) was incorporated with a view to manufacture, produce mine and deal in various inputs connected with the construction industry with more thrust initially on metal aggregates. The company is in the process of acquiring mining leases at various places like Bangalore, Chennai, Pune etc. for production of metal aggregates. The operations of this company have been conceived to be complementary to those of your Company. The IBPL has been made a subsidiary of IVRCL Road Toll Holdings Limited with an investment of 60% .

#### **8.4 IVRCL WATER INFRASTRUCTURES LIMITED**

IVRCL Water Infrastructures Limited (IWIL) was incorporated as a subsidiary of IVRCL to make investments into various water related BOOT projects. IWIL holds 74.85% of shareholding of Chennai Water Desalination Limited, the Special Purpose Vehicle for implementing desalination project awarded by the Government of Tamilnadu, besides 95% of First STP Pvt. Ltd. which has set up the Sewerage Treatment Plant for Allandur Municipality, Chennai.

##### **8.4.1 CHENNAI WATER DESALINATION LIMITED**

Chennai Water Desalination Limited (CWDL) is a Special Purpose Vehicle promoted by your company and M/s. BEFASA CTA of SPAIN who are leaders in Water Desalination technology. Your company holds through IWIL 75% of shareholding while BEFASA holds 25%. CWDL has received all the clearances for implementation of the project at a cost of Rs.4900 million. The project execution has commenced and 66.9% has been completed in financial terms. The project which was scheduled to be completed by August 2008, has been rescheduled to be completed by January 2009, due to delays in getting certain clearances, abnormal climatic conditions at the

site and other unforeseen circumstances.

##### **8.4.2 FIRST STP PRIVATE LIMITED**

**FIRST STP Private Limited** is a subsidiary of IWIL which holds 95% of shareholding. The company is engaged in the business of sewerage treatment for Allandur Municipality, a suburb of Chennai. The total investment made is Rs.28.50 million. The company achieved a turnover of Rs.16.02 million with a Profit Before Tax (PBT) of Rs.0.82 million and Profit After Tax (PAT) of Rs.0.73 million, during the period under review.

##### **8.5 ALKOR PETROO LIMITED**

During the year under review, your company has forayed into oil and gas sector by acquiring the majority stake in Alkor Petroo Limited, a company which is having 25% participating interest in three oil exploration blocks i.e., Blocks 19, 28 and 57 in Yemen and 20% participating interest in two blocks viz., Block 6 {(N-Happy)(Off-shore)} and Block 8 {(South Diyar)(On-shore)} in Egypt as a member of consortia which were awarded the exploration rights by the respective Governments. The other members of the Consortium are Gujarat State Petroleum Corporation Limited (Operator-45%) Jubilant (30%) in Blocks 19, 28 and 57 of Yemen; and Gujarat State Petroleum Corporation Limited (Operator-50%) Geo Global (30%) in Blocks 6 and 8 of Egypt.

Production Sharing Agreements have been ratified by the Parliaments of respective countries for the relative blocks and the Consortia have entered into necessary agreements with the respective governments.

The Company has also fulfilled its obligations in making payment of signature bonus and provision of performance guarantees to the Government of Yemen to the extent of its share in blocks located in Yemen and to the Gujarat State Petroleum Corporation in respect of Egyptian Blocks. The actual exploration is

expected to commence from August 2008 in all the blocks.

(Rs. in million)

Sl. No.	Name of the company	Investment made	Turnover achieved	Profit before Tax	Profit after Tax
1	IVR Enviro Projects Private Limited	6.75	0.81	(2.28)	(1.49)
2	IVRCL PSC Pipes Private Limited	1.67	2.10	0.60	0.40
3	GEO IVRCL Engineering Limited	0.49	—	(0.17)	(0.17)
4	IVRCL Steel Construction & Services Ltd.,	0.50	—	(0.02)	(0.02)

The performance of the other subsidiaries, in a nut shell, is detailed hereunder :

Statement pursuant to Sec.212 of the Companies Act, is annexed vide Annexure-B to this report. The summarized financial performance of the subsidiaries is annexed to this report.

## 9. CONSOLIDATION OF ACCOUNTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on Financial Reporting of Interests in Joint Ventures, your Directors have pleasure in attaching the Consolidated Financial Statements presented by your Company which form part of the Annual Report and Accounts.

Profit after tax and minority interest as per the consolidated accounts is Rs. 2,834.40 million considering the combined profits net of losses of all the subsidiaries, joint ventures and after eliminating unrealized profits from intra-group transactions to the tune of Rs.16.09 million.

## 10. ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS

The Foreign Currency Convertible Bonds (FCCBs) of the value of US \$ 65.00 million have been issued by the company and listed on the Singapore Stock Exchange and are liable to be converted into company's equity shares at

an exercise price of Rs.234.03 per share of Rs.2/- each considering an exchange rate of Rs.45.84 per dollar. The bonds of the value of US \$ 57.40 million have been converted into 11243024 shares leaving bonds of the value of US \$ 7.60 million convertible into 1488635 shares. As a result of these conversions, the share capital has increased by Rs.22.48 million and reserves by Rs.2,609 million.

## 11. EMPLOYEE STOCK OPTION SCHEMES:

Your Company is the first company to introduce stock options in the construction sector, as detailed hereunder:

### a) IVRCL ESOP 2000

All the 3,00,000 options granted to permanent employees as approved by the shareholders on 17<sup>th</sup> March, 2000 have been duly exercised and converted into shares except 3000 options entitling allotment of 15000 shares of Rs.2/- each which are liable to be exercised in June 2008.

### b) IVRCL ESOP 2004

All the 4,00,000 options approved by the shareholders at the Extraordinary General Meeting held on 5<sup>th</sup> January, 2004 have been granted to the employees, exercised by the employees on the respective due dates and have been converted into 1999205 shares of Rs.2/- each except 795 options which have

lapsed party due to efflux of time within which these options were scheduled to be converted into shares and non-exercising by the employees who have been granted the same, due to resignations etc.

#### **c) IVRCL ESOP 2007**

The members approved granting of 4,200,000 options at the Annual General Meeting held on 7<sup>th</sup> September 2007, underlying 4,200,000 shares of Rs.2/- each. The company is yet to grant these options to the employees.

The options against which allotment have been made are accounted for in the books in accordance with the SEBI guidelines and the required particulars are provided in Annexure-C.

#### **12. PUBLIC DEPOSITS**

There are no outstanding public deposits as on 31<sup>st</sup> March, 2008.

#### **13. DIRECTORS**

Mr. S.K.Gupta, Mr. P.R.Tripathi and Mr. T.N.Chaturvedi retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

#### **14. CORPORATE GOVERNANCE**

Your Directors report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. M/s. Chaturvedi & Partners, Chartered Accountants' Certificate along with the report on Corporate Governance is included in the Annual Report. The Management Discussion and Analysis of the previous year's performance is also provided in the Annual Report.

#### **15. DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures ;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2008 and of the profit of the Company for the financial year ended on that date.
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

#### **16. AUDITORS**

M/s. Chaturvedi & Partners and M/s. Deloitte Haskins & Sells, the Statutory Auditors, retire at the ensuing annual general meeting and are eligible for reappointment. The Company received confirmation that their appointment, if made, would be within the limits prescribed under Sec. 224(1B) of the Companies Act, 1956.

#### **17. PARTICULARS OF EMPLOYEES**

Particulars of employees as contemplated under Section 217 (2A) of the Companies Act, 1956 is attached as Annexure -D to the report.

#### **18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Conservation of Energy, which is an on going process in the Company's activities. The core activity of the company is civil construction which is not an energy intensive activity.

There is no information to be furnished regarding Technology Absorption as your Company has not undertaken any research and development activity in any manufacturing activity nor any specific technology is obtained from any external sources which needs to be absorbed or adapted.

Innovation is a culture in the Company to achieve cost efficiency in the construction activity to be more and more competitive in the prevailing environment and the effect of the same cannot be quantified.

The particulars of expenditure and earnings in Foreign currency is furnished in item No.B10 Notes to Accounts in Schedule 19.

#### **19. INDUSTRIAL RELATIONS**

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

#### **20. ACKNOWLEDGMENTS**

The Directors wish to express their appreciation of the support and co-operation of the Central and the State Governments, bankers, financial institutions, suppliers, associates and subcontractors, and expects the same in future as well for sustaining the growth rates achieved in the past.

For and on behalf of the Board

**E. Sudhir Reddy**

Chairman &

Managing Director

Place: Hyderabad

Date: May 28, 2008

## Annexure -B

### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Rupees

Name of the Subsidiary Company	Hindustan Dorr-Oliver Limited	IVR Prime Urban Developers Limited	IVRCL Road Toll Holdings Limited	IVRCL Water Infrastructures Limited	IVRCL PSC Pipes Private Limited	IVR Enviro Projects Private Limited	GEO IVRCL Engineering Limited	IVRCL Steel Construction & Services Limited	Alkor Petroo Limited
Number of shares held and extent of holding thereof by the holding company, IVRCL Infrastructures & Projects Limited as at 31.03.2008 :									
a) The number of equity shares of Rs. 10/- each fully paid	19,080,998 (Face Value of Rs 2 each)	40,000,005	39,063,000	16,940,000	167,000	674,550	49,400	49,400	5,625,000
b) Extent of holdings in percentage terms	53.00	62.35	100.00	100.00	66.43	89.94	98.80	98.80	84.91
The net aggregate profits or (losses) of the subsidiary company for the current financial year so far as it concerns the members of the holding company									
a) dealt with or provided in the accounts of the holding company	—	—	—	—	—	—	—	—	—
b) Not dealt with or provided in the accounts of the holding company	121,371,553	633,581,178	(1,219,436)	(41,788)	266,779	(1,335,893)	(170,246)	(20,908)	(465,314)
The net aggregate profits or (losses) of the subsidiary company for the previous financial years so far as it concerns the members of the holding company									
a) dealt with or provided in the accounts of the holding company	—	—	—	—	—	—	—	—	—
b) Not dealt with or provided in the accounts of the holding company	41,602,229	195,847,540	(2,900,048)	(1,347,991)	(626,548)	(4,458,087)	—	—	—

**Financial Information regarding Subsidiary Companies**

(Rs. in million)

Name of the Subsidiary Company	IVR Prime Urban Developers Limited	Hindustan Dorr-Oliver Limited	Alkor Petroo Limited	IVR Enviro Projects Pvt. Limited	IVRCL PSC Pipes Pvt. Limited	IVRCL Road Toll Holdings Limited	IVRCL Water Infrastructures Limited	Geo IVRCL Engineering Limited	IVRCL Steel Construction & Services Limited
Capital	641.50	72.01	66.25	7.50	2.51	390.63	169.40	0.50	0.50
Reserves	9,109.15	1,428.35	(40.18)	(6.44)	1.17	1,276.34	448.61	(0.17)	(0.02)
Total Assets	13,281.39	1,907.55	195.99	23.56	14.57	1,662.85	618.01	0.33	0.48
Total Liabilities	13,281.39	1,907.55	195.99	23.56	14.57	1,662.85	618.01	0.33	0.48
Investments (except in case of investment in subsidiaries)	—	34.42	—	—	—	—	—	—	—
Turnover	5,958.18	3,050.70	—	0.90	2.10	—	—	0.04	0.03
Profit Before Taxation	2,418.73	338.94	(40.31)	(2.28)	0.60	(1.22)	(0.04)	0.17	(0.02)
Provision for Taxation	660.79	112.58	(16.76)	(0.79)	0.20	—	—	—	—
Profit After Taxation	1,757.94	226.36	(23.75)	(1.49)	0.40	(1.22)	(0.04)	0.17	(0.02)
Proposed Dividend	256.60	21.60	—	—	—	—	—	—	—

We M/s IVRCL Infrastructures & Projects Limited, do hereby undertake that annual accounts of the above subsidiary companies and the related detailed information will be made available to the investors of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at its Head Office and of the subsidiary company concerned.

## ANNEXURE-C

A. The following table sets forth the particulars of the options under both the schemes as on 31<sup>st</sup> March, 2008 :

Particulars	First Scheme ESOP –2000	Second Scheme ESOP –2004	TOTAL
Options approved by Members	3,00,000	4,00,000	7,00,000
Of which:			
a. Options Granted	3,00,000	3,99,922	6,99,922
b. The Pricing Formula	Rs.10/-	Rs.100/-	–
c. Options vested	3,00,000	3,99,922	6,99,922
d. Options exercised	2,97,000	3,99,841	6,96,841
e. The total no. of shares (of Rs. 10/- each) arising as a result of exercise of options	2,97,000	4,00,000	7,00,000
f. Options lapsed	3,000	159	3,159
g. Options re-issued	3,000	–	3,000
Variation of terms of options (Note 1)	Nil	Nil	Nil
h. Money realised by exercise of options (Rs.)	29,70,000	39,98,410	69,68,410
i. Total no. of options in force	3,000	–	3,000
Of which:			
Options granted	3000	–	3,000
To be granted (inclusive of 'f')	Nil	Nil	Nil
j. Employee wise details of options granted to:			
(i) Senior Managerial Personnel:			
Mr. D. Devaraja Rao	14000	12130	26130
Mr. R. Balarami Reddy	20300	8130	28430
Mr. K. Ashok Reddy	18700	5730	24430
Mr. K.H.K. Prasad	16700	7300	24000
Mr. Raj Kumar Singh	17000	8500	25500
Mr. A. Krishna Reddy	17000	9090	26090
Mr. J. L. Vidya Sagar	15500	4900	20400
Mr. S. Ramachandran	9600	3100	12700
Mr. G. Rama Krishna Rao	6700	2470	9170

Mr. G. Seetharam	5000	1850	6850
Mr. N. P. Haran	3300	3050	6350
Mr. R. Venkatraghavan	6500	1900	8400
Mr. M. Srinivasa Rao	3000	2200	5200
Mr. K. Pandu Ranga Rao	–	520	520
(ii) Any other employee who receives grants in any one year of option amounting to 5% or more of options granted during that year	Nil	Nil	Nil
(iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants / conversions) of the Company at the time of grant	Nil	Nil	Nil
k. Diluted earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with the International Accounting Standard (IAS) 33.	Rs.15.77 per share for 2007-08.		
l. Employees Compensation Cost as per Intrinsic Value	Rs. 85.37 Million		
Employees Compensation Cost as per Fair Value	Rs. 85.10 Million		
Impact on Profits	Rs. 0.27 Million		
Impact on EPS	Nil		
m. Weighted average exercise price	Rs. 2/-		
Weighted average fair value.	Rs. 352.17		
	Exercise Price is less than the Market Price for all options.		
n. Assumptions used during the year to estimate the Fair value of options	<ol style="list-style-type: none"> <li>1. Risk-free interest rate – 6.91%</li> <li>2. Expected life – 1 Year</li> <li>3. Expected volatility – 15.34%</li> <li>4. Expected dividends – 70% p.a</li> <li>5. The price of the underlying share in market at the time of option grant – Rs. 355.30</li> </ol>		

**Note 1:** As a consequence of sub-division of the equity share of Rs.10/- each into five equity shares of Rs.2/- each with effect from 4<sup>th</sup> March, 2006 (the date of Extraordinary General Meeting passing the resolution), the underlying shares for each option stands increased from one share of Rs.10/- to five shares of Rs.2/- each and accordingly the conversions of options have been accounted for.

## ANNEXURE-D

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended March 31, 2008

(Rs. million)

Sl. No.	Name	Age (years)	Designation	Gross Remuneration	Qualification	Experience (years)	Date of Joining	Previous Employment
1	E. Sudhir Reddy	48	Chairman & Managing Director	150.72	B.Com.	21	16.01.1987	N/A
2	R. Balarami Reddy	54	Executive Director – Finance & Group CFO	2.96	F.C.A., A.I.C.W.A., A.C.S.	23	06.06.1994	BAJAJ ORGANICS (P) LTD.
3	K. Ashok Reddy	53	Executive Director	2.93	PGDBA	28	06.08.1997	TISCO
4	D. Devaraja Rao	63	Director (Technical)	2.80	LME	37	01.04.1989	RAYA-LASEEMA CONSTRUCTION COMPANY
5	S. Ramachandran	54	Director (Business Development & Corporate Strategy)	2.63	PGDBA	31	03.06.1999	TEXUNA CHEMICALS INC

Notes :

1. Gross Remuneration includes Salary, P.F., Leave encashment, taxable value of perquisites and commission on profits in terms of Schedule XIII to the Companies Act, 1956.
2. The appointments are contractual. Other terms and conditions are as per Company Rules.
3. The Chairman & Managing Director is related to Mr. E. Ella Reddy, Director and to Mr. E. Sunil Reddy, Director of the Company. Others are not related to any Director of the Company.

For and on behalf of the Board

Place : Hyderabad  
Date : 28.05.2008

**E. Sudhir Reddy**  
Chairman & Managing Director

# Management Discussion and Analysis

## **INFRASTRUCTURE THE FIRST CHOICE**

With the Indian economy moving at a “breathtaking speed” clocking growth at a rate between 8.5 to 9 percent India is experiencing phenomenal growth in infrastructure development. The Approach Paper of the XI Plan states that investment in infrastructure would have to rise from the current 4.6% of India’s GDP to an estimated 8.0% during the XI Plan period (2007 -12) to meet India’s target GDP growth rate of 9%. According to the Consultation Paper on the projections of investment in infrastructure during the 11<sup>th</sup> plan (2007-2012), the total requirement for the sector (at 2006-07 prices) is over Rs.20,187 billion (\$ 500 billion). This implies a growth rate of 162% over the X plan. Segments of infrastructure with the biggest growth potential are - ports (almost 18 fold growth in investments envisaged), airports (400% growth) and water supply (200% growth).

With the tremendous spending potential arising from the country’s improved fiscal position, an investment of US\$ 1.5tn is expected to be injected into infrastructure building by 2017. Opportunities abound for developers, contractors, suppliers and financiers. The current momentum in infrastructure spend is set to accelerate, because of a strong political will; setting up of Independent Regulators in Infrastructure Sectors; Public Private Participation and Negative Grants /Revenue Share reducing the funds outlay of the Central Government; and greater Public Acceptance of User Access Charges.

With the catalysts now in place accelerating the pace of India’s infrastructure development, we have begun to see successful examples of infrastructure projects in ports, roads, airports, power and railways with private-sector majority ownership. We will perhaps continue to see strong growth in power, railways, ports and airports enhanced by the aggressive participation by private sector. Though some risk of delays is perceived in roads due to land acquisition, dispute resolution etc, construction companies, equipment suppliers, lenders, consultants as well as owners of infrastructure assets are well positioned to benefit, given the increasing size and complexity of projects. Increased mechanization will drive demand for construction equipment.

## **IVRCL – SURGING AHEAD WITH ITS PAN-INDIA PRESENCE!**

On the back of this huge infrastructure rollout and an improving external environment, at IVRCL, our journey continues to be exiting and challenging and with each passing milestone, we are inspired to take the next bold step on the path ahead. Based on the robust outlook of the Indian economy and the inherent strengths and current financial performance of the Company, IVRCL is aware of the potential of multiple opportunities for growth and diversification across all lines of infrastructure business. Your Company is well placed to continue as a one among the top players in infrastructure industry and as a front runner in the water sector in India.

To reach where we stand today and grow beyond from here, we have built a complete

infrastructure company to harness the four most critical sectors for the development of the country, i.e., Water, Transportation, Buildings & Industrial Structures and Power Transmission.

## **WATER**

To IVRCL, Water continues to be the dominant business where we offer any and every solution for all types of water and sanitation needs. With an enviable track record and proven capabilities and credentials in the industry, IVRCL is uniquely positioned to take advantage of the tremendous opportunities in the water sector and we are capturing the potential in this vertical by investing in building, owning and operating water projects across the country. With the ever increasing water demand be it for irrigation, drinking or industrial purposes, several states in India such as Andhra Pradesh, Kerala, West Bengal, Madhya Pradesh and Rajasthan to name a few, have launched large irrigation schemes, reservoir projects, treatment plants and pipeline systems to augment their available water resources effectively. Hence irrigation systems, infrastructure for drinking water and industrial water and recycling of waste water are going to be long term demand drivers.

IVRCL is the undisputed leader in irrigation projects across the country and Irrigation projects continue to be a bulk of our water sector portfolio. We have successfully completed Phase – III of the prestigious Sripada Sagar Project in Karimnagar District of Andhra Pradesh on EPC basis and currently executing the following major irrigation projects:

- Telugu Ganga Stage-3
- Kalwakurthi Lift Irrigation Scheme- Package 28
- Koil Sagar Stages 1 & 2 and the HNSS Phase - 1

In Maharashtra, while the first phase of Purandhar Lift Irrigation Project and the Mukhtainagar Lift Irrigation Projects have been completed, work has commenced on the Dehani Lift (Drip) Irrigation System for Bembla River Project under Vidarbha Irrigation Development Project at Yavatmal.

The Company has bagged massive irrigation projects of Narmada Valley Development Department in Madhya Pradesh comprising of execution of 51 km of main canal and over 250 km of distribution network for a command area of over 20700 ha. The Company is targeting similar opportunities in other potential states to set its foot print.

The Company has been forging ahead in other sub-sectors of water as well. The sheer competence and capability of IVRCL as a leading player in the water infrastructure sector has set new standards in Rajasthan. The Company has achieved a path-breaking performance for Neyveli Lignite's Power Plant at Bikaner in Rajasthan by completing its Water Carrier System, a determined win under the most difficult conditions. The project is considered an engineering marvel and a great achievement considering the harsh desert conditions and difficult terrain demonstrate the magnitude of the project significance and IVRCL's achievement.

Another major industrial water project that the Company is engaged in is the water supply for Rayalaseema Thermal Power Plant in Kadapa District of Andhra Pradesh. The project involves laying of pipeline of 1100 mm dia to convey 50 cusecs of water over 72 km from Brahmam Sagar Reservoir to the power plant. The work includes construction of pipeline carrying bridges across Kunadu and Penna rivers, besides minor bridges and a ground level reservoir at plant site.

Other significant projects completed during the year under review in the Water Sector include the:

- Sujalam Sufalam Water Supply Pipeline project,
- RWS Project - CPWS Scheme in Andhra Pradesh
- Make up Water System for Super Thermal Power Project, Stage – I (3X660MW) for NTPC
- Water Treatment System Package for NTPC, Vindhyachal Super Thermal Power Project
- River water Intake and Piping System for O. P. Jindal Super Thermal Power Plant (4x250MW) in Chattisgarh,
- Regional Water Supply Scheme for 38 villages on Single Responsibility Turnkey Basis in Rajasthan
- Water Distribution System in Bikaner City
- Pumping stations for Modhera – dharoi Pipeline project in Gujarat on EPC basis.

Some of the major works bagged by the company and under execution during the year are:

- HNSS Main Canal for Stage II of Phase I in Andhra Pradesh.
- Execution of Main canal system of Indira Sagar Project including distribution net work for irrigation of culturable command area of about 20700 ha on turnkey basis under Narmada Valley Development Authority in Madhya Pradesh.
- Investigation, Design, Excavation and lining of Gandikota Tunnel for Feeding to Gandikota Reservoir including construction of Adit in Kadapa District of Andhra Pradesh.

- Water supply from Narmada Canal ( Jalore District) for Jalore Town and 281 villages through various off take viz. construction of RWR Water Treatment Plant, 33/6.6 KV Switchyard. PHED RGLC, Rajasthan.
- Execution of Balance work of Transmission Main part of Chambal – Dholpur – Bharatpur Water Supply Project for PHED, Rajasthan.
- Investigation, Design, Supply and erection of components to Lift 8.10 & 8.30 TMC in 45 days from elevation +204 M to +221 M from foreshore of Gandikota Reservoir Storage Reservoir -1 in Yallanur & Thimmapuram Villages respectively in Andhra Pradesh.
- Bhadra Modernization Package No.11 (a) & Modernization of Bhadra Right Bank Canal (0-60 Kms.) including Lining works and Rehabilitation of Structure Package No.3 for Karnataka Neeravari Nigam Limited.
- IV Mumbai Water Supply Project – Construction of 140 ML Master Balancing Reservoir and Associated works at Bhandup Complex – Contract No. MVP - 10.
- Design, Construction, Commissioning, Operation and Maintenance of Clear Water Sump and Pumping Station, Indore Municipal Corporation.
- CMWSSB – C & M – Construction and Commissioning Water Distribution Station for Kilpauk Water Distribution Zone including Civil, Mechanical, Electrical and Instrumentation works.
- Hyderabad Metro Water Supply and Sewerage Board - Providing Flow, Level and Chlorine measurements and Supervisory Control and Data Acquisition System (SCADA) for all reservoirs and bulk

supply pipe lines in the entire system of HMWSSB on EPC system. The operating philosophy includes facilities to measure flow, level and residual chlorine parameters as well as control the chlorine dosing accordingly and it will be transmitted to a central server from different RTU Stations and indicate the real time parameters on the PC based SCADA system at HMWSSB office. All data from the various sites shall be made available for monitoring over water transmission network linked via a communications through GSM link to the Master Control Centre (MCC) i.e. from different RTU Stations. The MCC is where a PC based SCADA system shall be provided. This is a very significant work adding value to the Company to undertake similar projects in the Water Sector.

**Chennai Desalination** – The prestigious Chennai Sea Water Desalination Project of 100 MLD Capacity being executed in Joint Venture with BEFESA CTA of Spain for Chennai Metro is the first of its kind in the country and stands out as one of the most distinguished ventures of IVRCL. While work on this project is going on in full swing, the Company is targeting the second 100 MLD Desalination plant as well and working very closely with BEFESA towards bagging the order. IVRCL recognizes the immense potential of desalination as a major water source for the country and will spearhead the desalination drive to bring water to people and industry, IVRCL views the emergence of Special Economic Zones (SEZ s) and industrial parks etc in the coastal states as a major contributor to the demand for desalinated water.

Niche Water Projects - As a pure play market leader in the water EPC space in India, besides continuing its thrust on irrigation schemes and water distribution projects, IVRCL, with an eye

on the future, has carved out an Advanced Water Technologies Division to specifically leverage business advantages in niche water projects and will enhance its role and presence in more complex water application projects, as:

- Industrial high purity Water solutions
- Multiple Urban related Water Schemes
- Waste Water Treatment & Recirculation Systems
- Industrial / Effluent / Sewage Treatment Solutions
- Non – revenue water

The strong emphasis on irrigation, finding solutions which alleviate “Water Stress” for rural and urban drinking water besides the current boom in industrial construction; all point towards a future full of immense possibilities and potential for a huge wave of opportunities in the water sector in India. With its leadership in water segment, IVRCL is perceived to be the natural beneficiary of India’s mega water plans in the near future and will continue to ride this wave to emerge as a winner in the water sector.

IVRCL’s significant milestones in terms of our cumulative achievements in the Water Sector are:

- Water Pipe Lines laid 17650 Km s
- Maximum diameter of Pipe laid 3100 mm
- Cumulative Storage Tank Capacity 4893 Million Liters
- Total Installed Discharge Capacity 600,000 cum/hr
- Total Installed Pumps Capacity 120,000 KW
- Total Installed Motor Capacity 160,000 HP

- Single Largest Pump Installed 7 cumecs with Head of 148 m & Motor Rating of 15.80 MW
- Single largest Pumping head 192 m
- Maximum head delivered in a single project 584 m
- PLC /SCADA provided for 15 Projects

## TRANSPORTATION

IVRCL has established itself as a key player in the transportation sector. The focus of the Company during the year has been to complete the ongoing National highway projects and bid for turn key contracts of roads, bridges and tunnel projects. The three major National Highway projects on a BOT basis in Tamil Nadu and Punjab are currently under execution.

The Company has successfully completed the Doubling of Mohol – Solapur BG Railway line work on Chennai - Mumbai Trunk Route in a record time and working towards bagging more such upcoming railway contracts. On the PSU front, the MGR Link Line which includes roads, bridges and permanent way has been completed for NTPC Sipat Super Thermal Power Project in Bilaspur District, Chhattisgarh. Major bridges under construction for Southern Railways have been completed in Tamil Nadu. Other major projects completed during the year are:

- Integrated Improvement cum Performance Based Maintenance on Pachpadra to Ram Ji Ki Gol Road in Rajasthan (PR-2) for Road Infrastructure Development Company of Rajasthan Limited, Jaipur
- Rehabilitation of Road from Ron to Kushtagi (via Gajendragarh), Gadag and Koppal District, Contract Package No. M

34 for Karnataka State Highways Improvement Project, Bangalore.

It may be noted that the recent ruling of NHA to shortlist only the top five or six qualifying bidders for BOT projects has led the Company to take a strategic view of this development and enter into alliances with domestic and overseas players to bid for selective packages.

The massive investments for the proposed Dedicated Freight Corridor comprising 2762 km of new railway lines along the western and eastern corridors being envisaged by the Indian Railways to give a fillip to the economic buoyancy in the country offer a tremendous opportunity for your Company to participate in these works either on its own or by a joint venture route and thereby enhance its credentials in the railways sector. The Company is also focusing on the metro rail and high speed rail for airports connectivity being planned in the major cities across the country as highly potential projects in near future.

## BUILDINGS AND INDUSTRIAL STRUCTURES

In the Buildings and Industrial Structures Sector, IVRCL brand continues to command an impeccable reputation in regard to highest standards of project execution and deliverables for quality construction and the orders of some of the most prestigious projects bagged by the Company are a testimony to this. IVRCL has been awarded the second phase of Bidar Medical College and Bangalore Metro Bus Terminus at Yeshwantpur in Bangalore, besides bagging the following major orders:

- Chhattisgarh State Secretariat Building of Naya Raipur Development Authority
- Rajiv Gandhi Infotech Park for DLF-Akruti Info Parks, Pune
- Research Building Complex for IGCARL – Part – I at Pulivendula in Kadapa District, Andhra Pradesh.

- Mass Housing - Construction of 5552 EWS Houses (Composite work) with Cost Effective Technologies at Baprola, Delhi for Delhi State Industrial & Infrastructure Development Corp. Ltd.
- Construction of 1456 tenements in P + 7 Buildings at Milind Nagar and Construction of 2320 tenements in G + 4 Buildings at Sector 22 E in Pune.
- Developing Integrated Township for M/s.Riverbank Developers Pvt Ltd., at New Bata Nagar in Kolkata
- Nest Towers at IT Techno Park Campus - Construction of multi storied building for the office of Network Systems & Technologies (P) Ltd (NeSt) at Technopark Campus, Thiruvananthapuram
- Multi Storied Residential Complex “Upohar” at Chawkgaria, Kolkata for Bengal Ambuja Housing Development Limited.
- Open Air Theatre and Signature Tower, ICFAI Club, Sports Complex and Swimming Pool, Hotel Blocks – Phase III at Dontanapally Village, Shankarpally, Hyderabad.
- Calcutta Riverside Project - Piling, Structural and Finishing works for Civil Engineering Construction works for developing integrated Township for Calcutta Riverside-Project at New Bata Road, Kolkata.
- Civil work, Structural Fabrication, Erection and Alignment for the WIRE & BAR MILL Project at Jindal Steel & Power Ltd in Patratu, Jharkhand.
- EPC Contract for TATA Cummins Limited (TCL) Plant at Phaltan, District Satara, Maharashtra
- Civil & Structural work of Auxilliary Building for 2 X500 MW Mejia BTPS for BHEL in West Bengal.

Educational & Academics Infrastructure – Your Company is distinctly poised to emerge as a front runner in the construction of infrastructure for some of the most prestigious educational and academic institutions in the country. The Company is currently executing the construction of the following education institutional projects:

- Construction of BITS Pilani, Hyderabad campus at Jawahar Nagar, Shameerpet, Hyderabad spread over 200 acres comprising administration and academic blocks and overall infrastructure close to 2 million sft of built up area.
- Construction of ICFAI Office building in 65 acres including staff quarters, shopping complex and MPD Centre and all civil works, electrification and conduits for data and voice networking.
- Construction of 2<sup>nd</sup> phase Buildings of Bidar Institute of Medical Sciences at Bidar

Foray into SEZ Infrastructure – Sensing the vast potential opportunity unfolding with the announcement of innumerable SEZs across the country, your Company proposes to focus on the construction of infrastructure for SEZs. As a step in this direction, the Company is constructing the infrastructure of the Apparel City of Brandix India Apparel City (Pvt) Ltd at Visakhapatnam. The project is spread over 1000 acres and consists of construction, supply and installation of water distribution system, clear water reservoir & water towers, domestic waste water collection system & pump station, industrial waste water collection system & pump station, roads and storm water drainage system and related mechanical and electrical works.

Another major SEZ Project bagged by the Company is Petrochemical Complex for ONGC in Dahej District, Bharuch, Gujarat comprising the entire infrastructure

development works for petrochemical complex. The scope of work involves borrowed earth filling of around 2.0 m and infrastructure development 532 ha of land including water and sewage treatment facilities, storm water drainage and flood protection system, water supply and sewer network, rain water harvesting system, boundary wall, internal road network, administrative office building and a world class guest house facility. the earthwork filling quantity is 8.65 million cum and removal of existing earth is 3.72 million cum.

Some of the significant projects successfully completed by the Company during the year are as follows:

- Housing Project for Defense Personnel at Ambala, Haryana (Packages - I, II & III).
- New Prasadalya Building for Shri Saibaba Sansthan Trust (Shirdi).

## **POWER**

The government is planning to come with a revised Accelerated Power Development and Reform Program (APDRP) to provide substantial support and financial incentives for reduction in T & D losses in the country. This is crucial for a sustainable power sector, as India is one amongst those with the highest T & D losses in the world. The 11<sup>th</sup> plan investments under this scheme are targeted at US \$ 10bn and another US\$10bn are targeted to be spent on rural electrification to achieve governments target of "Power for All" by 2012.

IVRCL has established its formidable presence in the power transmission, particularly in rural electrification projects while simultaneously strengthening its activities in cross country transmission lines, substations, distribution systems and railway traction works. Having thus acquired a leadership position in projects of accelerated power leadership generation (APDRP), and the Accelerated Rural

Electrification Program (APRP), by edging out established players in this sector, IVRCL will aggressively pursue the above opportunities in the revised APDRP and rural electrification sectors. The Company continues to take up railway traction projects which, going further, would qualify us for the upcoming major projects envisaged in the railway sector.

The Division has taken the inevitable, but strategic backward integration measure to implement its transmission business by setting up a state – of – the art Transmission Line Tower manufacturing facility at Nagpur, Maharashtra. The factory has commenced production and apart from manufacturing towers is diversifying into related products and expanding its portfolio. Besides supplying to the domestic market, the Division is well is on its way to bagging some export orders.

Besides some new and the ongoing rural electrification works across the country, some major orders bagged by the Company during the year are:

### **Transmission Lines**

- Supply, erection, testing and commissioning of transmission lines, sub transmission and distribution lines, Power transformers with commissioning of Sub-stations on Turnkey Basis for Yavatmal District under Amravati Zone in Maharashtra.
- Providing, designing Constructing and erecting on turnkey basis 132 KV. Chikali-Dusarbid Line to proposed 132 KV Sub station 33 KV Single Circuit Line including isolator to Pump house 4 Nos ( Stage I to IV of Kahdakpurna Project)
- Construction of 132 KV SC / DC / 2- Phase Transmission Lines on Turnkey Basis Uttar Pradesh.

### **Overhead Electrification Works**

- Design, Supply, Erection, Testing and Commissioning of Traction Overhead Equipment, Switching stations in connection with doubling of track between Ernakulam and Kayankulam Section ( via Kottayam) for widening of platform at Palghat Station via Alleppey of Shoranur Junction.
- Design, Supply, Erection, Testing & Commissioning of 25 KV AC, Single Phase, 50HZ, Traction Overhead Equipments, Switching Stations, Booster Transformer stations including foundations, structures and all ancillary equipments in Trichur – Guruvayur section Gr.91A (Turnkey) of Southern Railway.

### **Other Works**

- Electrification works for Gaothan Feeder Separation Scheme Phase II Project: for Lot No.6 for works in Amravati Zone on Turnkey basis.
- Supply of material connected to the erection, testing & commissioning of new 6.3/10/16/25 KVA distribution transformers and conversion of LT line to 11 KV line on Turnkey basis under Bhikhiwind Division, City Tarn Taran Division & Amloh Division of Punjab State Electricity Board under HVDS Scheme.

The Company has completed the following major works during the year:

### **Rural Electrification & APDRP works**

- Rural Electrification works under Rajiv Gandhi Gramin Vidyutikaran Yojana on Turnkey Basis in Bahraich / Srawasti,

Jhansi & Lalitpur, Banda & Chitrakoot Districts of Uttar Pradesh.

- Package - II of Rural Electrification works in Purulia District of West Bengal.
- Construction of New 11/0.433 KV S/s. augmentation of capacities and R&M works of existing 11/0.433 KV S/s. in Mainpuri under ARDRP Scheme on Turnkey basis

### **Transmission Lines**

- APTRANSCO - Simhadri & Vizag Transmission System Project - Design, Supply & Erection etc. of 400KV Vizag - Khammam D/C Line, package - A, i.e Reach-I : Vizag 400KV SS - Kathipadi DC Line.
- Turnkey Package for Transmission Lines associated with Unchahar III Transmission System.
- Construction of New 11 KV & LT lines and renovation and revamping of 11 KV, LT works and lines in Saharanpur under APDRP scheme, Meerut.
- Construction of New & Reconductoring of existing 11 KV and LT lines in Mainpuri under ARDRP Scheme on Turnkey Basis
- Construction (Erection Activity) for 80 Kms. of 400 KV D/C Palandur - Chandrapur Transmission Lines.
- Construction of 33KV Line on 280Kg, 9.1 Mtr. Long PCC poles using ACSR 80 Sq.mm Aluminium Conductor from 33/11 KV S/s. Pandariya to 33/11 KV S/s. Kapadah on Turnkey Basis.

### **Overhead Electrification Works**

- Design, Supply, Erection, Testing, Testing and Commissioning of Traction Overhead Equipment including modification to existing OHE on the section between Thalangai and Walajah Road in connection with laying of third lines

### **Other Works**

- Civil Works for 765 KV Substation Project at Sipat for Alstom.

### **OUR BEST ASSET- OUR PEOPLE**

We have always realized the importance of human capital and valued it highly. We are also aware of the challenge in attracting the best of talent to join us apart from retaining the people endowed with the critical mass of having been with IVRCL, to remain with the Company.

Fortunately, we have put in place a well drawn out HR Policy to attract talent and create a working environment that will encourage innovation, enhance work satisfaction and build a merit driven organizational culture.

IVRCL wants to be known as “a company for, by and of its people.” We are the foremost among companies in the Indian infrastructure sector to offer Employee Stock Options (ESOPs) to its employees, whereby a record 3.5 million shares have been distributed amongst our employees. Our employees actively participate in the decision making process and the attrition rate amongst our top management is negligible. Going forward, we want to enable a team culture at all levels, while encouraging

employees to change orbits to ramp up their career path. Today there are 6500 employees in IVRCL Group and the number is growing.

In conclusion, at IVRCL, our abiding vision, the strength of our human capital and our commitment to creating enduring value will continue to inspire us as we strive to achieve even greater success in the future.

### **RISK MANAGEMENT**

The company is committed to high standards of business conduct and the risk management with a view to

- Protect the Company’s assets
- Achieve sustainable business growth
- Avoid major surprises related to the overall control environment
- Safeguard shareholder investment; and
- Ensure compliance with applicable legal and regulatory requirements

In order to improve upon the prevalent practices of monitoring the risk environment through the Project Monitoring Cell (PMC) which reports to the Chief Operating Committee (COC), the Company engaged the professional services of M/s. Deloitte and documented the various risks involved and developed a structure for systematic management of the various risks. In the process the risk mitigation and the de-risking strategy is developed covering all the environmental, regulatory, economic, operational, financial, technical and legal and statutory risks.

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Over View:

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

the Balance Sheet date and profits of the Company for the year ended on that date.

The Company maintained its continual growth in terms of revenue and profitability in Fiscal 2008 also. The Company's total revenue increased to 36,651 million i.e. increased by 58.4% over fiscal 2007 and Net Profit (PAT) to 2,105 million, increased by 48.8% over fiscal 2007.

The revenues have grown on average over 52% per year in the last three years. The growth of the Company has been funded through debt, equity and reinvestment of retained profits.

### Financial Performance:

A summary of the Company's financial position as at March 31, 2008 and 2007 is given below:

*(Rs. in million)*

	March 31, 2008	%	March 31, 2007	%	Growth %
<b>Sources of funds</b>					
Share capital	266.98	1.0	259.32	1.4	3.0
Reserves & Surplus	15,792.80	58.8	12,957.88	68.8	21.9
Total Shareholders' funds	16,059.78	59.8	13,217.20	70.2	21.5
Secured loans	5,787.86	21.6	3,894.60	20.7	48.6
Unsecured loans	4,890.55	18.2	1,666.49	8.8	193.5
Total Loan funds	10,678.41	39.8	5,561.09	29.5	92.0
Deferred tax liability	103.09	0.4	55.89	0.3	84.5
	<b>26,841.28</b>	<b>100.0</b>	<b>18,834.18</b>	<b>100.0</b>	<b>42.5</b>
<b>Application of funds</b>					
Fixed assets	3,732.80	13.9	2,435.05	12.9	53.3
Investments	3,409.07	12.7	2,828.94	15.0	20.5
<b>Current assets, loans &amp; advances</b>					
Inventories	1,943.39	7.2	825.37	4.4	135.5
Sundry debtors	6,584.88	24.5	6,332.10	33.6	4.0
Cash & bank balances	1,771.70	6.6	2,238.20	11.9	(20.8)
Other current assets	10,725.15	40.0	6,367.47	33.8	68.4
Loans & advances	7,805.84	29.1	7,071.00	37.5	10.4
	<b>28,830.96</b>		<b>22,834.14</b>		<b>26.3</b>
<b>Current liabilities &amp; provisions</b>					
Current liabilities	8,893.18	33.1	9,091.89	48.3	(2.2)
Provisions	238.37	0.9	172.06	0.9	38.5
	9,131.55		9,263.95		(1.4)
<b>Net current assets</b>	<b>19,699.41</b>	<b>73.4</b>	<b>13,570.19</b>	<b>72.1</b>	<b>45.2</b>
	<b>26,841.28</b>	<b>100.0</b>	<b>18,834.18</b>	<b>100.0</b>	<b>42.5</b>

## 1. SHARE CAPITAL

The authorized share capital of the Company consists of 175,000,000 equity shares of Rs. 2/- each amounting to Rs. 350,000,000 and 25,000,000 preference shares of Rs.2/- each amounting to Rs. 50,000,000.

During the year, the Company increased the equity share capital by Rs. 7.66 million on account of conversion of FCCB and allotment under ESOP 2004. The total paid up share

capital as at March 31, 2008 stood at Rs. 266.98 million.

In terms of the Guidance note issued by the ICAI, the Option outstanding under ESOP 2000 scheme have been shown at the exercise price fixed by the compensation committee. Stock options of Rs.4.19 million represent 15,000 options outstanding to be exercised for conversion in to equity shares of Rs. 2 each.

A statement showing movement of share capital is given below:

	March 31, 2008		March 31, 2007	
	Equity Shares (Rs. in million) (No.)		Equity Shares (Rs. in million) (No.)	
Balance at the beginning	129,662,390	259.32	106,937,900	213.88
Shares issued- on conversion of FCCB	3,545,284	7.09	7,697,740	15.39
Shares issued- to QIBs	–	–	15,000,000	30.00
Shares issued upon conversion of options issued under:				
ESOP 2004 plan	282,255	0.57	26,750	0.05
Balance at the end	133,489,929	266.98	129,662,390	259.32

## 2. RESERVES AND SURPLUS

### Security Premium Account:

A statement of movement in the security premium account is given below:

(Rs. in million)

	March 31, 2008	March 31, 2007
<b>Balance-beginning of the year</b>	<b>9,630.53</b>	<b>2,488.25</b>
<b>Add:</b>		
Premium on conversion of FCCBs	822.62	1,786.11
Premium on allotment under ESOP 2004	126.60	3.26
Premium on issue of shares to QIBs	–	5520.00
Redemption premium on converted FCCBs reversed/premium provided on balance (net)	48.14	(39.93)
	<b>10,627.89</b>	<b>9,757.69</b>
<b>Less:</b>		
Expenses incurred on issue of shares to QIBs	5.10	127.16
	<b>5.10</b>	<b>127.16</b>
<b>Balance-end of the year</b>	<b>10,622.79</b>	<b>9,630.53</b>

**Revaluation Reserve:**

The revaluation reserve amounts to Rs. 28.49 million as on March 31, 2008 represents the reserve arising due to revaluation of some land and building done during the year 2001-02 as reduced by the depreciation on revalued portion of the assets till March 31, 2008.

**General Reserve:**

Out of the profits for the year Rs. 500 million has been transferred to general reserve, Rs. 270 million to a special reserve created for the purpose of adjustment of disputed tax liability that may arise in case of disallowance of

deduction claimed under section 80 IA of the Income Tax Act, 1961 and the balance of Rs. 1,116.12 million (after providing for dividend) has been retained in the profit and loss account.

The total Shareholder funds of the Company increased to Rs. 16,060 million as of March 31, 2008 from Rs. 13,217 million as of the previous year end. The book value per share having face value Rs. 2/- increased to Rs. 120.31 as of the year end compared to Rs. 101.94 as of the previous year end registering an increase of 18.0%.

**3. SECURED LOAN**

The details of Secured Loans are discussed below:

(Rs.in million)

	March 31, 2008	March 31, 2007
Term Loan (Project Specific)	—	726.07
Term Loan	572.75	304.51
Working Capital Loans:		
Project Specific	822.28	790.16
From Consortium banks	4,392.83	2,073.86
<b>Total</b>	<b>5,787.86</b>	<b>3,894.60</b>

The Company has taken term loans to finance purchase of plant, machinery, equipment and vehicles specific to certain projects and for the Company as a whole. The amount of loan availed as on March 31, 2008 stood at Rs. 572.75 million as against Rs. 304.51 million, the amount of loan availed as on March 31, 2007. However, additions to these assets during the year was Rs. 1,603.28 million.

The Company has availed Project-specific working capital loans for certain major projects to meet the working capital requirements of those specific projects.

The Company has also availed working capital loans from a ten-member consortium banks to finance infrastructure projects where no project-specific funding have been done. The limits are optimally operated with all the member banks in the consortium duly meeting the requirements of these banks in compliance with the terms of the loan agreements with them. The amount of working capital loan availed as on March 31, 2008 increased by Rs.1,625.02 million i.e. 45.3% as compared to the amount of loan availed as on March 31, 2007 in view of the additional working capital requirements due to increased operations.

**4. UNSECURED LOAN**

The details of Unsecured Loans are discussed below:

(Rs. in million)

	March 31, 2008	March 31, 2007
Banks & others	4,585.78	549.43
Foreign Currency Convertible Bonds	304.77	1,117.06
<b>Total</b>	<b>4,890.55</b>	<b>1,666.49</b>

The Company has also availed short term unsecured loan of Rs. 4,585.78 million (Rs. 549.43 million during last year) from some banks, financial institutions during the year to bridge temporary needs in the ordinary course of business. All these loans are due for repayment with in the current financial year ending March 2009.

During the year the holders of Foreign Currency Convertible Bonds (FCCB) worth US \$ 18.10 million have exercised their option for conversion into equity shares. Consequently 3,545,284 no of equity shares of Rs. 2 each have been allotted to such bond holders.

## 5. FIXED ASSETS

During the year, the Company has invested Rs. 1,582.61 million (net) towards the addition to fixed assets as compared to addition of Rs. 1,013.25 million during the previous year. The increase in capital expenditure is mainly to cater the need of fixed assets requirement in roads and buildings sectors. The TLT factory to manufacture galvanised structures was commissioned during the year where the investment in fixed assets were to the tune of around Rs. 200 million.

*(Rs. in million)*

	March 31, 2008	March 31, 2007
Gross book value	4,175.96	2,593.35
Less : Accumulated Depreciation	984.02	664.22
Net Block	3,191.94	1,929.13
Add : Capital Work-in-progress	540.86	505.92
Net fixed assets	3,732.80	2,435.05
Depreciation as a % of revenue	0.9%	0.9%
Depreciation as a % of gross block of Depreciable assets	8.1%	8.6%
Accumulated depreciation as a % of gross block of Depreciable assets	24.2%	26.4%

## 6. DEFERRED TAX ASSETS & LIABILITIES

The Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. The Company has recognised deferred tax expenses of Rs. 50.95 million during the year. Net deferred tax liability represents timing differences in the financial and tax books arising mainly from depreciation on assets, provision for debtors and advances and public issue expenses. The net deferred tax liability has increased from Rs. 55.89 million as on March 31, 2007 to Rs. 103.09 million as on March 31, 2008.

## 7. INVESTMENTS

The Company has created holding companies in specific sectors like Water, Transportation and Urban Infrastructures which in turn invests in Special Purpose Vehicles created in those specific sectors to undertake BOO/BOT/BOOT projects. Total investment in subsidiaries as at March 31, 2008 stood at Rs. 3,382.60 million as against investments as at March 31, 2007 Rs. 2,801.74 million.

The details of investments in subsidiary Companies as on March 31, 2008 and the movements in the investment account during the year is given below:

Company	March 31, 2007	Additions	Deletions	March 31 2008
Hindustan Dorr-Oliver Ltd.	603.96	10.54	—	614.50
IVR Prime Urban Developers Ltd.	400.00	0.22	—	400.22
IVRCL Water Infrastructures Ltd.	119.40	500.00	—	619.40
IVRCL Road Toll Holdings Ltd.	1,666.97	—	—	1,666.97
Alkor Petroo Ltd.	—	70.10	—	70.10
Other Subsidiaries	11.41	—	—	11.41

The revenues, Profit after tax and net worth of subsidiaries are as given below:

	Revenue			Profit after tax			Net worth
	March 31, 2008	March 31, 2007	Growth %	March 31,2008	March 31, 2007	Growth %	March 31, 2008
Hindustan Dorr-Oliver Ltd	3,110.55	2,135.96	45.6	226.36	153.53	47.3	1,285.67
IVR Prime Urban Developers Ltd.	6,143.32	1,478.27	315.6	1,757.94	206.79	750.9	9,750.66
IVRCL Water Infrastructures Ltd.	–	–	–	(1.38)	(1.35)	–	618.02
IVRCL Road Toll Holdings Ltd.	–	–	–	(2.90)	(2.74)	–	1,662.86
Alkor Petroo Ltd.	–	–	–	(23.75)	(16.44)	–	25.58
IVRCL PSC Pipes Pvt.Ltd.	2.10	1.87	12.30	0.40	0.24	66.67	3.68
IVR Enviro Projects Pvt.Ltd.	0.90	0.71	26.76	(1.49)	(1.40)	–	1.06
Geo IVRCL Engineering Ltd.	–	–	–	–	–	–	0.33
IVRCL Steel Constructions & Services Ltd.	0.03	–	–	(0.02)	–	–	0.48

## 8. SUNDRY DEBTORS

Sundry debtors amount to Rs. 6,584.88 million (as reduced by provision for doubtful debts) as at March 31, 2008 as compared with amount of Rs. 6,332.10 million as at March 31, 2007. These debtors are considered good and realisable.

Debtors including unbilled revenue amounts to Rs.12,793.42 million as at March 31, 2008

as compared to Rs. 9,568.03 million as at March 31, 2007. Debtors and unbilled revenue are at 34.6% of revenues for the year ended March 31, 2008, as compared to 40.8% for the previous year, representing an outstanding of 126 days and 149 days of revenues for the respective years.

## 9. CASH & CASH EQUIVALENTS

(Rs.in million)

	March 31, 2008	March 31, 2007
Cash/Cheques on hand	30.05	26.14
Bank balances:		
Current Accounts	1,035.51	795.61
Fixed Deposit-Margin	35.26	71.88
Fixed Deposit-Others	522.96	569.57
Fixed Deposit-Foreign currency	147.92	775.00
	<b>1,771.70</b>	<b>2,238.20</b>

Cash on hand Rs. 30.05 million comprises cash balances in project sites, regional offices and head office required to meet day to day needs of the growing business and balances in current accounts Rs. 1,035.51 million are spread over project sites at various locations to meet day to day requirements of the project management and includes client bill proceeds received and deposited at the year end but realised subsequent to the balance sheet date.

The margin money kept with banks as FDRs relate to guarantees and letters of credit issued by banks on behalf of the Company in favour of various clients and material suppliers.

Fixed Deposit-Foreign currency represents the amount of US \$ 3.69 million kept as fixed deposit in ICICI Bank, Baharain out of the total Foreign Currency Convertible Bonds of Rs. 65.00 million issued during 2005-06.

#### **10. OTHER CURRENT ASSETS**

The amount under this heading mainly consist of:

Unbilled Revenue – Rs. 6,208.54 million (Rs.3,235.93 million)

This represents amounts to be billed to few of the contractee clients in respect of revenue earned under the percentage completion method, followed by the Company, as reduced by that portion of such revenue already billed and receivable from those clients

This unbilled revenue recoverable is a dynamic figure every quarter in as much as the revenue earned is arrived at every quarter under the same method duly adjusting in those quarters the billed revenue as well as the unbilled revenue carried over from the corresponding previous quarter.

Retention Money – Rs. 2,908.19 million (Rs. 2,141.92 million)

The account represents the amounts retained by the clients towards performance security as a guarantee for satisfactory performance of the infrastructure projects developed by the Company. The Company has not received any demand for claim from any of the clients and hence all these amounts are treated as good for recovery except an amount of Rs.4.09 million considered doubtful of recovery. The increase over previous year correspond with turnover growth in the current year.

Other deposits – Rs. 1,441.65 million (Rs. 874.59 million)

This mainly consists of deposit lying with Government departments like Sales tax, Electricity Board, Telephones etc. and EMD with the clients.

#### **11. LOANS AND ADVANCES**

Tax deducted at source and advance tax net of provisions – Rs. 1,155.11 million (Rs. 624.09 million).

This mainly consists of tax deducted at source from contract revenue by the clients as per the provisions of the Income Tax Act, 1961 and advance tax paid as reduced by the income tax provisions made and assessed (undisputed). All undisputed liabilities have been fully adjusted against this account.

Loans to Subsidiaries – Rs.3,924.30 million (Rs.4,105.79 million)

These amounts as loans have been provided to the subsidiaries for their strategic business ventures. These loans are interest bearing and subsidiary wise details of loans are as follows:

(Rs. in million)

Particulars of Subsidiary	March 31, 2008	March 31, 2007
IVR Prime Urban Developers Ltd.	2,850.00	3,636.21
IVR Enviro Projects Pvt. Ltd.	30.07	27.21
FIRST STP Pvt. Ltd.	7.61	15.71
IVRCL Road Toll Holdings Ltd.	33.81	27.58
IVRCL Water Infrastructures Ltd.	8.44	191.32
Chennai Water Desalination Ltd.	316.00	180.60
Salem Tollways Ltd.	346.94	–
IVRCL Building Products Ltd.	126.51	–
Alkor Petroo Ltd.	167.37	–
Other Subsidiaries	37.55	27.16
	<b>3,924.30</b>	<b>4,105.79</b>

Advances recoverable in cash or in kind or for value to be received (Secured & Unsecured) – Rs. 2,357.72 million (Rs.2,067.25 million).

The account represents advances paid to various suppliers, sub-contractors, labour

contractors etc., which are partly adjusted in the subsequent periods and the balance would also be recovered from their bill of services or otherwise. Hence all these amounts outstanding are considered realisable.

## 12. CURRENT LIABILITIES

(Rs. in million)

	March 31, 2008	March 31, 2007
Advances received from contractee clients	2,696.99	2,547.61
Trade deposits	51.45	48.02
Sundry Creditors	5,800.65	6,183.05
Other liabilities	344.09	313.21
	<b>8,893.18</b>	<b>9,091.89</b>

Advances received from Contractee-clients are the advances provided to the Company in the nature of short-term liabilities, which are recovered from client bills. Some of the advances bear an interest cost and others are interest free. The Company has also provided bank guarantees for some of these advances.

Sundry Creditors represent amount due to suppliers, sub-contractors, labour contractors, back-to-back contractors and other service providers. Through confirmation of account balances and a system of reconciliation of supplies and services to the Company, all

known liabilities incurred to earn the gross revenue have been fully captured and accounted for during the year under discussion.

Other liabilities represent all statutory dues such as PF, ESI, TDS, Sales Tax etc. payable by the Company relating to the month of March 2008. The Company has remitted the statutory liabilities on or before the respective due dates. Provision for Leave Encashment has been made on the basis of estimation prescribed under the Accounting Standard (revised).

### 13. PROVISIONS

Proposed dividend of Rs.186.89 million (Rs. 129.66 million) represents the dividend recommended to the shareholders by the Board of Directors. This will be paid after the Annual General Meeting, upon approval by the shareholders. Provision for tax on dividend Rs. 31.76 million (Rs. 22.04 million) denotes

taxes payable on dividends declared for the year ended March 31, 2008.

Gratuity provision has been made as per the actuarial estimation and certification by an independent Actuary as per the requirement under Accounting Standard 15 (revised).

### Results of Operations:

The following table sets forth the income statement for the financial year ended March 31, 2008, 2007 and 2006. The components of expenses have been expressed as a percentage of total income for the years indicated.

*(Rs. in million)*

	March 31, 2008	March 31, 2007	March 31, 2006
Income from operations	36,981.14	23,464.57	15,214.23
Other income	45.29	73.80	57.47
<b>Total income</b>	<b>37,026.43</b>	<b>23,538.37</b>	<b>15,271.70</b>
Less: Indirect tax	375.19	405.71	257.25
<b>Net total income</b>	<b>36,651.24</b>	<b>23,132.66</b>	<b>15,014.45</b>
Percentage growth (year to year)	58.44%	54.07%	43.51%
Construction expenses (incl. indirect tax)	31,340.31	19,902.99	13,221.05
Construction expenses as a percentage to total income	84.64%	84.56%	86.57%
Administration & other expenses	2,026.42	1,243.67	650.30
Administration & other expenses as a percentage to total income	5.47%	5.28%	4.26%
EBITDA	3,659.70	2,391.71	1,400.34
EBITDA- percentage to total income	9.88%	10.16%	9.17%
Interest & finance charges	478.22	324.87	253.13
Interest & finance charges as a percentage to total income	1.29%	1.38%	1.66%
Depreciation	328.18	215.88	109.97
Depreciation as a percentage to total income	0.89%	0.92%	0.72%
Profit before tax (PBT)	2,853.30	1,850.96	1,037.25
PBT-percentage to total income	7.71%	7.86%	6.79%
Provision for taxation	748.53	436.33	107.70
Provision for taxation as a percentage to total income	2.02%	1.85%	0.70%
Profit after tax (PAT)	2,104.77	1,414.63	929.55
PAT-percentage to total income	5.68%	6.01%	6.09%

## 1. Income Recognised

Gross work bills represent revenue earned till end March 2008, on long term construction contracts, where revenue is recognizable over time as the work progresses rather than at the completion of such contracts. It is an established principle that the contractee client has the legal right to require specific performance from the contractor to the effect the client acquire ownership claim to the contractors work-in-progress. In turn the contractor acquires legally enforceable rights to require the client to make payments progressively against the work executed/cost incurred in due performance of those contracts. Hence, the substance of the construction business activity is that revenue is earned continuously as the project progress.

This principle is well established in the accounting standard, AS 7 (revised 2002) issued by the Institute of Chartered Accountants of India. The income from operation also includes sale of galvanized structures manufactured in the TLT factory Rs.142.08 million.

The Company continues to earn its major contract revenue from water and water related projects, which account for 48% of the total revenue. The other projects such as building and industrial structures accounted for 14%, transport infrastructures like roads, rail tracks and bridges 20% and power infrastructures like transmission lines, substations etc. 18%.

## 2. Construction Expenses

*(Rs. in million)*

	March 31, 2008	March 31, 2007	% Increase
Construction & other materials	12,393.49	9,308.05	
Sub-contractors work bills	10,923.20	5,256.70	
Masonry & other works	6,506.49	4,192.36	
<b>Prime cost</b>	<b>29,823.18</b>	<b>18,757.11</b>	<b>59.0%</b>
Repairs & Maintenance	344.12	296.85	15.9%
Machinery hire charges	566.98	352.09	61.0%
Other Construction expenses	151.05	91.23	65.6%
Raw materials consumed (TLT factory)	79.79	–	–
<b>Total</b>	<b>30,965.12</b>	<b>19,497.28</b>	<b>58.8%</b>

The increase in prime cost i.e. construction materials, sub-contractors work bills and masonry & other works are in line with the increase in gross work bills. The major items of construction materials are steel, cement, pipes, oil and fuel etc. During the year more

contract works have been executed on sub-contract basis as compared to the previous year. The increase in the other expenses under the head i.e. repairs and maintenance, machinery hire charges etc. are also in line with the increase in revenue.

### 3. Administration and other Expenses

	March 31, 2008	March 31, 2007	% Increase
Payment to employees & employees related payments	1,442.01	853.51	69.0%
Travelling & conveyance	87.34	49.00	78.2%
Printing & stationery	38.53	28.97	33.0%
Communication expenses	45.02	34.18	31.7%
Rates & taxes	26.34	12.40	112.4%
Business promotion	5.87	5.14	14.2%
Office maintenance	79.58	43.68	82.2%
Rent	63.49	33.89	87.3%
Advertisement & publicity	21.31	10.65	100.1%
Legal & professional charges	78.00	52.80	47.7%
Insurance	68.75	58.37	17.8%
Other expenses/provisions	70.18	61.08	14.9%
<b>Total</b>	<b>2,026.42</b>	<b>1,243.67</b>	<b>62.9%</b>

Employee cost – The increase in the employee cost by 69.0% is due to increase in the employee strength to around 5000 employees in year 2008 from 3600 employees in 2007 in view of the increased operations and annual incremental salaries.

Increase in other heads of expenditure such as Travelling & conveyance, Printing &

stationery, Communication, Business promotion, Office maintenance, Advertisement and Rent are because of the increase in the number of project sites and volume of business during the year. The above expenses are also semi-variable in nature and hence the increase is partly proportion to the increase in the turnover.

### 4. Interest and Finance charges

(Rs. in million)

	March 31, 2008	March 31, 2007	% Growth
Interest on fixed loans	207.87	101.98	103.8%
Interest on other credit facilities	699.54	375.68	86.2%
Bank & financing charges/other interest	186.52	83.20	124.2%
Foreign exchange loss	70.84	16.47	330.1%
<b>Total</b>	<b>1,164.77</b>	<b>577.33</b>	<b>101.8%</b>
Less: Interest received from banks & others	686.55	252.46	171.9%
<b>Net Interest &amp; finance charges</b>	<b>478.22</b>	<b>324.87</b>	<b>47.2%</b>

The increase in the net Interest & finance charges by 47.2% is in line with turnover growth.

Interest income represents interest earned on ICD given to subsidiaries and the deposits kept

with banks towards margins against Bank Guarantees and Letters of Credit and on other deposits like EMD etc. This also includes interest earned on fixed deposit in foreign currency made out of the unutilised portion of the FCCB issue.

Depreciation and Amortisation – Rs. 328.18 million (Rs. 215.88 million).

Depreciation on all assets have been provided at the rates and method as adopted in the previous year. There is no change in the accounting policy as regards charge of depreciation and the same is in compliance with the provisions of the Companies Act, 1956 and the relevant accounting standards. The increase in depreciation is in line with the additions to the gross block of fixed assets.

#### 4. OPERATING PROFIT

The Company earned an operating profit (EBITDA) of Rs. 3,659.70 million, representing 9.88% of the total income as compared to Rs.2,391.71 million, representing 10.16% of total income during the previous year.

Profit before tax (PBT) as a percentage to Total Income works out to 7.71% for the year when compared to 7.86% for the previous year. The marginal reduction in the PBT is mainly due

#### 5. LIQUIDITY

Cash Flow Statement:

(Rs. in million)

	Year ended March 31, 2008	Year ended March 31, 2007
Operating adjusted profit before working capital changes	3,739.27	2,417.43
Working capital changes	(6,285.97)	(3,075.78)
Direct taxes paid	(1,228.59)	(601.34)
Net cash generated from operations	(3,775.29)	(1,259.69)
Net cash from investing activities	(1,323.29)	(4,265.78)
Net cash from financing activities	4,633.74	5,322.53
Net inc/dec in cash & cash equivalents	(466.50)	(205.28)

The construction infrastructure industry is by its nature working capital intensive, and net investments in inventory and current assets amount to, on average, approximately six months of total income. The company had a compound annual growth rate in excess of 52% over the last three fiscal years. The increase in the current assets are mainly in the categories of sundry debtors and inventory (which includes unbilled revenues). There

to proportional increase in operational cost and administrative expenses.

The Company has made provision for income tax (including deferred tax and fringe benefit tax) for the year Rs. 748.53 million as against Rs. 436.33 million during the previous year. The Company has continued to claim deduction under Section 80 IA of the Income Tax Act, 1961 on the eligible infrastructure projects this year also in view of the decision of Special bench of ITAT, remanding back the case to the assessing officer and based on professional advice obtained.

Profit for the year after tax (PAT) as a percentage to Total Income works out to 5.68% when compared to 6.01% for the previous year. The reduction in PAT is due to reduction in claim under section 80 IA as compared to earlier years because the company has executed more number of projects which are not eligible for deduction under section 80 IA such as projects in the power and buildings sector.

were no corresponding increase in the payables since the company opted for cash purchases in many cases in order to avail special discounts from creditors. The above factors have contributed to negative cash from operations.

Net cash used in investing activities mainly comprises of purchase of fixed assets. Net cash generated from financing activities comprises of inflow from short term borrowings.

# Report on Corporate Governance

## 1. IVRCL PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes in transparency, empowerment, accountability and integrity in its operations having duly delegated authority to the various functional heads who are responsible for attaining the corporate plans with the ultimate purpose of enhancement of “stake holder value”.

This philosophy has guided the operations and the functioning of the Company. In the process of achieving corporate goals, the Company has always been taking the spirit of various legislations as guiding principles and has gone well beyond simple statutory compliance by instituting such systems and procedures as are required to make the management completely transparent and institutionally sound. This is a continuous process in the Company, to improve upon the past experience.

The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important policy matters.

## 2. BOARD OF DIRECTORS:

- i) The Company has an Executive Chairman during the financial year and the number of Independent Directors is 50% of the total number of Directors. The number of Non-Executive Directors at 70% is more than 50% of the total number of Directors prescribed under clause 49 of the Listing Agreement. Thus, the composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.
- ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as at March 31, 2008 have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Chairmanship / Membership of Board Committees include only Audit and Shareholders/ Investors Grievance Committees.

### a. The Board of Directors of the Company as on March 31, 2008 consisted of:

#### Non-Executive Directors

##### A. Independent

- Mr. T. N. Chaturvedi
- Mr. P. R. Tripathi
- Mr. T. R. C. Bose
- Mr. S. K. Gupta
- Mr. Mahesh Madduri

## B. Non-Independent

Mr. E. Ella Reddy (Relative of Promoter Directors)

Mr. E. Sunil Reddy (Promoter)

### Executive Directors

Chairman & Managing Director Mr. E. Sudhir Reddy (Promoter)

Whole-time Directors Mr. R. Balarami Reddy

Mr. K. Ashok Reddy

## b. Attendance at Board Meetings and last A.G.M. and details of memberships of Directors in other Boards and Board Committees.

Four meetings of the Board of Directors were held during the financial year 2007-08 on:

28<sup>th</sup> May, 2007, 31<sup>st</sup> July, 2007, 31<sup>st</sup> October, 2007 and 31<sup>st</sup> January, 2008

The last Annual General Meeting was held on Friday the 7<sup>th</sup> September 2007.

Name of the Director	Categories of Directorship	No. of Board Meetings attended	Attendance at last AGM	Directorship in other companies	No. of Committees held in other Public Limited Companies	
					Chairman	Member
Mr. E. Ella Reddy	NED	3	NO	1	NIL	NIL
Mr. E. Sudhir Reddy	CMD	4	YES	11	NIL	1
Mr. E. Sunil Reddy	NED	4	YES	12	NIL	1
Mr. T. N. Chaturvedi	I & NED	4	YES	12	4	0
Mr. R. Balarami Reddy	ED	4	YES	15	5	3
Mr. K. Ashok Reddy	ED	3	YES	10	1	0
Mr. T. R. C. Bose	I & NED	4	NO	4	0	2
Mr. P. R. Tripathi	I & NED	4	NO	10	0	2
Mr. S. K. Gupta	I & NED	3	NO	12	2	7
Mr. Mahesh Madduri	I & NED	4	YES	1	0	2

I & NED Independent & Non-Executive Director

NED Non-Executive Director

ED Executive Director

CMD Chairman & Managing Director

## 3. AUDIT COMMITTEE:

**A. Constitution:** The Audit Committee has been constituted by the Board of Directors in accordance with the requirement of Section 292A of the Companies Act, 1956 and **four** meetings of the committee were held during the financial year 2007-08. The role of the Committee is as conceived under Clause 49 of the Listing Agreement as amended from time to time.

**B. Composition, names of members and Chairperson:**

The composition of the Audit Committee is as follows:

Chairman	Mr. T. N. Chaturvedi
Members	Mr. P. R. Tripathi Mr. T. R. C. Bose

**C. Meetings and Attendance:**

**Four** Audit Committee meetings were held on 28<sup>th</sup> May, 2007, 31<sup>st</sup> July, 2007, 31<sup>st</sup> October, 2007 and 31<sup>st</sup> January, 2008.

<b>Name of the Director</b>	<b>No. of meetings attended</b>
Mr. T. N. Chaturvedi - Chairman	4
Mr. T. R. C. Bose	4
Mr. P. R. Tripathi	4

The Statutory Auditors and Internal Auditors of the Company were invited to join the Audit Committee Meetings for discussions on issues relevant to them. Mr. N. P. Haran, Executive Vice President (Finance) attended the meetings of the Committee as and when invited.

**4. COMPENSATION COMMITTEE:**

**A. The Composition of the Compensation Committee is as follows:**

Chairman	: Mr. T. N. Chaturvedi
Members	: Mr. P. R. Tripathi : Mr. T. R. C. Bose

**B. Meetings and Attendance:**

**Three** Compensation Committee meetings were held on 28<sup>th</sup> May, 2007, 1<sup>st</sup> June, 2007 and 31<sup>st</sup> January, 2008.

<b>Name of the Director</b>	<b>No. of meetings attended</b>
Mr. T. N. Chaturvedi - Chairman	3
Mr. T. R. C. Bose	3
Mr. P. R. Tripathi	3

**C. Remuneration Policy:**

- i) The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and perquisites besides Employee Stock Options. Individual performance is measured through the half-yearly appraisal process.

- ii) The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director. The other Executive Directors are compensated by way of salary, benefits, perquisites and allowances (fixed component) as decided by the Remuneration Committee and approved by the members from time-to-time.
- iii) Sitting fees at the rate of Rs. 20,000/- per meeting for attendance at the meetings of the Board or any committee thereof for non-executive directors as per the Articles of Association of the Company is paid. Further, reimbursement of actual travel and out of pocket expenses incurred for attending such meetings is also made.
- iv) There is at present no other component of remuneration to non-executive directors.

The details of remuneration to all the Directors for the year 2007-08 are as follows:

- i) Non-Executive Directors (sitting fee only) (in Rupees)

E. Ella Reddy	60,000
T. N. Chaturvedi	2,20,000
T. R. C. Bose	2,20,000
P. R. Tripathi	2,20,000
S. K. Gupta	60,000
Mahesh Madduri	80,000
<b>TOTAL</b>	<b>8,60,000</b>

- ii) Managing / Whole-time Director(s) (No Sitting Fees)

(Rs. in million)

Name and Designation	Fixed Component Salary	Variable Component Commission	Total
Mr. E. Sudhir Reddy Chairman & Managing Director	5.42	145.30	150.72
Mr. R. Balarami Reddy Director-Finance & Group CFO	2.96	-	2.96
Mr. K. Ashok Reddy Director-Resources	2.93	-	2.93
<b>TOTAL</b>	<b>11.31</b>	<b>145.30</b>	<b>156.61</b>

## 5. SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE:

- A. The Committee consists of Mr. P. R. Tripathi, Chairman, Mr. E. Sudhir Reddy and Mr. R. Balarami Reddy who look into the investor grievances. The Company Secretary coordinates with the Registrars & Transfer Agents, M/s. Karvy Computershare Private Ltd. for redressal of grievances.

B. Mr. B. Subrahmanyam, Company Secretary is the Compliance Officer nominated for this purpose under Clause No. 47(a) of the Listing Agreement with effect from 28th May, 2008 and Mr. G. Ramakrishna Rao was the Company Secretary & Compliance Officer upto 28th May, 2008.

During the year, the Company received 62 complaints and all the complaints were resolved to the satisfaction of the Investors.

## 6. EXECUTIVE COMMITTEE:

The Board reconstituted the Executive Committee with the following directors on 31.01.2005 with the following powers to consider and approve borrowings up to certain limits, as delegated from time to time; to approve joint ventures, to delegate authority to the functionaries as the business of the Company warrants; besides exercising such other power as are delegated from time to time.

### Members:

- i) Mr. E. Sudhir Reddy
- ii) Mr. K. Ashok Reddy
- iii) Mr. R. Balarami Reddy

### Powers:

1. The Committee is authorized to borrow monies upto a limit of Rs.50 crores besides the specific authority given to the committee from time to time in respect of specified projects.
2. To consider and approve joint ventures with other companies / firms for meeting the pre qualification requirements and to strengthen the technical and financial capabilities.
3. To delegate authority to various officers to bid and/or execute the projects awarded to the Company and to deal with the clients.
4. To decide routine matters connected with the day to day running of the Company requiring the attention of the Board.

The Executive Committee met 66 times during the year as and when the issue under its control arises.

## 7. GENERAL BODY MEETINGS:

### A. Details of location and time of holding the last three AGMs.

Year	Location	Date & Time
18 <sup>th</sup> AGM – 2005	Hotel Green Park, Ameerpet, Hyderabad	At 4.00 pm on September 30, 2005
19 <sup>th</sup> AGM – 2006	Hotel Fortune Katriya, Somajiguda, Hyderabad	At 4.00 pm on September 29, 2006
20 <sup>th</sup> AGM – 2007	Hotel Fortune Katriya, Somajiguda, Hyderabad	At 4.00 pm on September 7, 2007

**The following special resolutions were passed at the 18<sup>th</sup> Annual General Meeting of the Members of the Company held on 30<sup>th</sup> September, 2005:**

- a) To re-appoint Mr. R. Balarami Reddy as Wholetime Director and fix his remuneration.
- b) To re-appoint Mr. K. Ashok Reddy as Wholetime Director and fix his remuneration.
- c) To amend the Articles of Association of the Company consequent on cession of the share holders agreement entered into with M/s. Chryscapital and M/s. Citicorp, deleting the Clauses relevant to the agreement.
- d) To consider increase in the borrowing powers of the Company from Rs.12,000 millions to Rs. 37,500 Million.
- e) To issue further shares by way of GDRs and / or Foreign Currency Convertible Bonds etc., upto USD 140 Million.

**The following special resolutions were passed at the 19<sup>th</sup> Annual General Meeting of the Members of the Company held on 29<sup>th</sup> September, 2006:**

- a) To confirm the remuneration paid to Mr. R. Balarami Reddy, Director – Finance & Group CFO.
- b) To confirm the remuneration paid to Mr. K. Ashok Reddy as Director – Resources.
- c) To amend Clause V of the Memorandum of Association of the Company – sub-division of face value etc.

**The following special resolutions were passed at the 20<sup>th</sup> Annual General Meeting of the Members of the Company held on 7<sup>th</sup> September, 2007:**

- a) To re-appoint Mr. R. Balarami Reddy as Wholetime Director and fix his remuneration.
- b) To re-appoint Mr. K. Ashok Reddy as Wholetime Director and fix his remuneration.
- c) To consider increase in the borrowing powers of the Company from Rs.37,500 millions to Rs. 50,000 Millions.
- d) To approve the new lines of activity and seek amendments to objects clause of the Memorandum of Association of the Company.
- e) To consider the Employees Stock Option Scheme (ESOP-2007).

No Extraordinary General Meeting was conducted during the year.

**Postal Ballot**

Pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, approval of the Members of the Company was sought by means of Postal Ballot vide Notice dated 17<sup>th</sup> November, 2007, for alteration of Objects Clause of Memorandum of Association of the Company to include the business of '**mining and mineral explorations etc.**', Mr. D. Hanumantha Raju & Co., Practicing Company Secretaries conducted the Postal Ballot. The voting pattern was as follows:

<b>Particulars</b>	<b>No. of members</b>	<b>No. of Votes</b>
Total postal ballots received	3,452	3,74,49,785
Postal Ballots – valid	3,398	3,74,41,541
Postal Ballots – Invalid	54	8,244
<b>Postal ballot forms in favour of the resolution</b>	<b>3,396</b>	<b>3,74,41,446</b>
Postal ballot forms with dissent for the resolution	02	95

The resolution was carried, with over 99.99% in favour of the resolution.

## **8. DISCLOSURES:**

- (i) There has been no materially significant related party transactions with the Company Promoters, Directors, the Management, the Subsidiaries or relatives of the Directors which may have potential conflict with the interests of the Company at large. Whatever such transactions are there were disclosed in the accounts along with the financial impact of the same.
- (ii) There have been no major instances of non-compliance by the Company on any matters related to the Capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.
- (iii) The Company's financial statements are prepared as per Accounting Standard and the accounting principles generally accepted in India.
- (iv) There is no pecuniary relationship or transaction with the Non-Executive Directors.
- (v) **Secretarial Audit:**  
A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (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 dematerialized shares held with NSDL and CDSL.
- (vi) **Risk Management :**  
The Board members are informed about the risk assessment procedures and these procedures are reviewed every month by the Chief Operating Committee which controls risk as detailed in the Management Discussion and Analysis which forms part of this Annual Report.

## **9. MEANS OF COMMUNICATION:**

The quarterly results are being published in English Newspapers like Economic Times, Business Standard and/or Financial Express having all India circulation and one in Vernacular language i.e., in Telugu. The quarterly results are also displayed on the Company's website [www.ivrcl.com](http://www.ivrcl.com).

The gist of presentations made to the institutional investors or to analysts are also published on the Company's website. The Management Discussion and Analysis report is made a part of this annual report.

In compliance with the listing agreement the Company created a separate email id viz., [in\\_grievances@ivrinfra.com](mailto:in_grievances@ivrinfra.com) for speedy redressal of investor grievances.

## 10. GENERAL SHAREHOLDER INFORMATION:

- a. 21<sup>st</sup> Annual General Meeting
- Date and Time 15<sup>th</sup> September, 2008 at 4.00 P.M .
  - Venue Prime Club House, Hill Ridge Springs  
Survey No. 25, ISB Road, Gachibowli,  
Hyderabad - 500 032.
- b. Financial Calendar
- |  |                                   |
|--|-----------------------------------|
| Year ending  | March 31                          |
| Un-audited financial results for the quarter ending June 30, 2008                | Will be published in July 2008    |
| Un-audited/audited results for the quarter / half-year ending September 30, 2008 | Will be published in October 2008 |
| Un-audited results for the quarter ending December 31, 2008                      | Will be published in January 2009 |
| Audited results for the year ending March 31, 2009                               | Will be published in June 2009    |
- c. Book Closure: From 11<sup>th</sup> September, 2008 to 15<sup>th</sup> September, 2008 (Both days inclusive)
- d. Dividend payment date Will commence from 30<sup>th</sup> September, 2008
- e. The equity shares of the Company are listed on
- (i) Bombay Stock Exchange (BSE) Limited
  - (ii) National Stock Exchange of India Limited (NSE)
- f. Stock Code:
- i) Trading Symbol at
 

Bombay Stock Exchange (BSE) Limited
Scrip Code: 530773
National Stock Exchange
IVRCLINFRA EQ
  - ii) Demat ISIN Numbers in NSDL & CDSL
 

Equity Shares	INE875A01025
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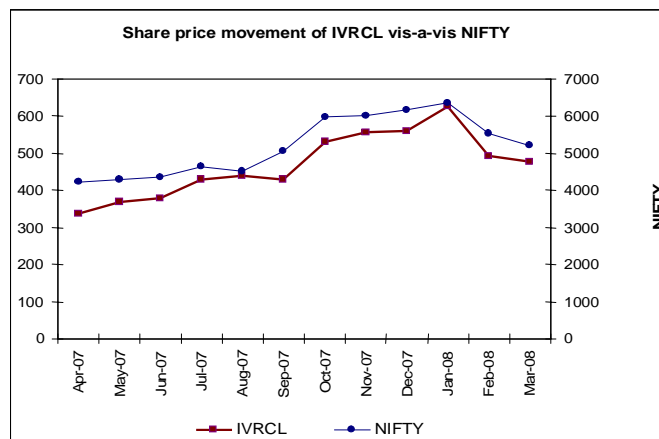
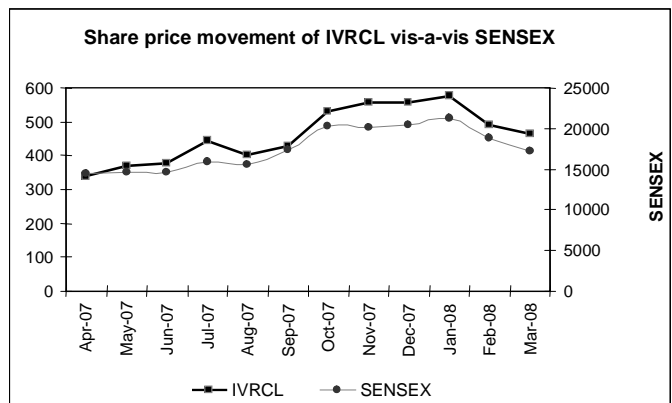
Listing fees as prescribed, has been paid fully to all the stock exchanges where the shares of the company are listed.

g. Stock Market Data

Month	The Stock Exchange, Mumbai				National Stock Exchange			
	Share Price		Sensex		Share Price		S&P CNX Nifty	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
April -07	337.50	241.15	14383.72	12425.52	337.90	241.10	4217.90	3617.00
May- 07	369.00	283.00	14576.37	13554.34	369.40	283.05	4306.75	3981.15
June-07	379.70	330.00	14683.36	13946.99	379.40	329.00	4362.95	4100.80
July -07	444.80	349.15	15868.85	14638.88	430.45	349.20	4647.95	4304.00
Aug- 07	400.00	319.00	15542.40	13779.88	440.00	319.00	4532.90	4002.20
Sep-07	429.00	368.00	17361.47	15323.05	429.90	365.50	5055.80	4445.55
Oct-07	530.10	384.25	20238.16	17144.58	531.95	390.25	5976.00	5000.95
Nov-07	557.00	445.60	20204.21	18182.83	557.00	445.70	6011.95	5394.35
Dec-07	558.00	454.00	20498.11	18886.40	559.00	446.00	6185.40	5676.70
Jan-08	575.00	360.00	21206.77	15332.42	627.00	325.00	6357.10	4448.50
Feb-08	490.55	375.55	18895.34	16457.74	493.00	375.00	5545.20	4803.60
Mar-08	464.00	332.50	17227.56	14677.24	478.00	302.65	5222.80	4468.55

Source: BSE website

Source: NSE website



#### h. Registrars & Transfer Agents :

M/s. Karvy Computershare Private Limited  
 Karvy House, 46, Avenue 4,  
 Street No.1, Banjara Hills, HYDERABAD- 500 034

#### Share Transfer System

Application for transfer of shares held in physical form is received at the office of the Registrars & Share Transfer Agents of the Company. Shareholders'/Investors Grievance Committee approves valid transfers of shares and share certificates duly endorsed are despatched within the time prescribed under the Listing Agreement / SEBI Guidelines.

Shares held in dematerialized form are electronically traded in the Depository and the Registrars & Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update the records and to send all corporate communications, dividend warrants etc.

#### i. i) Distribution of Shareholding as on 31.03.2008

Category (Amount)	Share/Debenture Holders		Equity	
	Number	% to Total	No. of Shares	% to Total
Upto – 5000	63764	98.81%	7086855	5.31
5001 - 10000	287	0.44%	1097698	0.82
10001 – 20000	115	0.18%	857361	0.64
20001 – 30000	52	0.08%	651065	0.49
30001 – 40000	27	0.04%	481805	0.36
40001 – 50000	26	0.04%	605746	0.45
50001 – 100000	46	0.07%	1748728	1.31
100001 and above	213	0.33%	120960671	90.61
<b>TOTAL</b>	<b>64530</b>	<b>100.00</b>	<b>133489929</b>	<b>100.00</b>

#### ii) Capital Build up during the financial year

Particulars	Nature of allotment	No. of shares of the face value of Rs. 2/- each	Aggregating to Rs.	Date of the listing and trading permissions
<b>Capital at the beginning of the year</b>		<b>129662390</b>	<b>259324780</b>	N/A
<b>Allotments made during the year:</b>				
16.11.2007	Conversion of ZCCBs*	1214406	2428812	NSE : 30.11.2007 BSE : 30.11.2007
04.12.2007	Conversion of ZCCBs*	1566977	3133954	NSE : 13.12.2007 BSE : 13.12.2007
04.01.2008	Conversion of ZCCBs*	763901	1527802	NSE : 15.01.2008 BSE : 16.01.2008
28.01.2008	Conversion of ESOPs**	282255	564510	NSE : 29.02.2008 BSE : 03.03.2008
<b>Capital at the end of the year</b>		<b>133489929</b>	<b>266979858</b>	

\* ZCCBs: Zero Coupon Convertible bonds due 2010 (FCCBs)

\*\* ESOPs: Employee Stock Option Plans

**iii) Shareholding pattern as on 31.03.2008**

Category Code	Category of Shareholder	Number of Share holders	Total Number of Shares	Number of shares held in demat form	Total shareholding As a Percentage of (A+B)1	As a Percentage of (A+B+C)
<b>A</b>	<b>PROMOTER AND PROMOTER GROUP</b>					
<b>1</b>	<b>INDIAN</b>					
a	Individual / HUF	10	8732955	8732955	6.54	6.54
b	Central Government / State Government	—	—	—	—	—
c	Bodies Corporate	4	4040137	4040137	3.03	3.03
d	Financial Institutions / Banks	—	—	—	—	—
e	Others	—	—	—	—	—
	<b>Sub Total A(1) :</b>	<b>14</b>	<b>12773092</b>	<b>12773092</b>	<b>9.57</b>	<b>9.57</b>
<b>2</b>	<b>FOREIGN</b>					
a	Individuals (NRIs / Foreign Individuals)	—	—	—	—	—
b	Bodies Corporate	—	—	—	—	—
c	Others -Foreign Bodies Corporates	—	—	—	—	—
	<b>Sub Total A(2) :</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total A= A(1) + A (2) :</b>	<b>14</b>	<b>12773092</b>	<b>12773092</b>	<b>9.57</b>	<b>9.57</b>
<b>B.</b>	<b>PUBLIC SHAREHOLDING</b>					
<b>1</b>	<b>INSTITUTIONS</b>					
a	Mutual Funds / UTI	74	24146930	24145430	18.09	18.09
b	Financial Institutions / Banks	7	334341	334341	0.25	0.25
c	Central Government / State Government (s)	—	—	—	—	—
d	Venture Capital Funds	—	—	—	—	—
e	Insurance Companies	2	105000	105000	0.08	0.08
f	Foreign Institutional Investors	182	76079573	76079573	56.99	56.99
g	Foreign Venture Capital Investors	—	—	—	—	—
h	Others	—	—	—	—	—
	<b>Sub-Total (B)(1)</b>	<b>265</b>	<b>100665844</b>	<b>100664344</b>	<b>75.41</b>	<b>75.41</b>

Category Code	Category of Shareholder	Number of Share holders	Total Number of Shares	Number of shares held in demat form	Total shareholding As a Percentage of (A+B)1	As a Percentage of (A+B+C)
<b>2</b>	<b>NON - INSTITUTIONS</b>					
a	Bodies Corporate	1024	8272656	8261656	6.20	6.20
b	Individuals					
	(i) Individual holding nominal share capital up to Rs. 1 lakh	62046	9259556	8964253	6.94	6.94
	(ii) Individual holding nominal share capital in excess of Rs. 1 lakh	2	188500	188500	0.14	0.14
c	Others					
	- CLEARING MEMBERS	179	94985	94985	0.07	0.07
	- FOREIGN BODIES	6	1906272	1906272	1.43	1.43
	- NON-RESIDENT INDIANS	992	328609	328609	0.25	0.25
	- TRUSTS	2	415	415	0.0003	0.0003
	<b>Sub Total B(2) :</b>	<b>64251</b>	<b>20050993</b>	<b>19744690</b>	<b>15.02</b>	<b>15.02</b>
	<b>Total B = B(1) + B (2) :</b>	<b>64516</b>	<b>120716837</b>	<b>120409034</b>	<b>90.43</b>	<b>90.43</b>
	<b>Total ( A + B ) :</b>	<b>64530</b>	<b>133489929</b>	<b>133182126</b>	<b>100.00</b>	<b>100.00</b>
(C)	Shares Held by Custodians, against which Depository Receipts have been issued	—	—	—	—	—
	<b>GRAND TOTAL ( A + B +C)</b>	<b>64530</b>	<b>133489929</b>	<b>133182126</b>	<b>100.00</b>	<b>100.00</b>

**iv) Instruments outstanding as on 31<sup>st</sup> March, 2008 and are liable for conversion into shares**

**a) FCCB Issue:**

During the financial year 2005- 2006, the company raised US \$ 65.00 million through issue of Foreign Currency Convertible Bonds viz., Zero Coupon Convertible Bonds due 2010 (ZCCB due 2010) and listed the bonds on Singapore Stock Exchange. The bonds are convertible into company's equity shares at an agreed exercise price of Rs.234.03 per share of Rs. 2/- each considering an exchange rate of Rs. 45.84 per dollar. The bonds of the value of US \$ 57.40 million were converted into 11,243,024 shares leaving a balance of 1,488,635 shares. As a result of these conversions, the share capital has increased by Rs. 22,486,048.

**b) IVRCL ESOP 2000:**

Against 3,00,000 options granted to permanent employees as approved by the shareholders on 17<sup>th</sup> March, 2000 the company allotted 297000 equity shares of Rs.10/- each and the remaining 3000 options of Rs.10/- each result in 15000 options of Rs.2/- each (due to sub-division of one share of Rs.10/- each into five shares of Rs.2/-

each at the Extraordinary General Meeting of the Members of the Company held on March 4, 2006) were granted to the Sr. Managerial Personnel of the company being the permanent employees of the company on June 1, 2007 at an exercise price of Rs. 2 /- each of face value of Rs. 2/- each.

**c) IVRCL ESOP 2004:**

Against 4,00,000 options approved by the shareholders at the Extraordinary General Meeting held on 5<sup>th</sup> January, 2004, 343390 options were converted into shares of Rs.10/- each on 18<sup>th</sup> June, 2005, and 2,82,255 options of Rs. 2/ each (after sub-division of one share of Rs.10/- each into five shares of Rs. 2/- each) were converted into equity shares on 28<sup>th</sup> January, 2008. The balance options of 795 of Rs. 2/- each have lapsed.

**d) IVRCL ESOP 2007:**

The shareholders of the company, in the 20<sup>th</sup> Annual General Meeting held on 7<sup>th</sup> September, 2007 approved to issue upto 4,200,000 options convertible into 4,200,000 equity shares of nominal value of Rs.2/- each. Each option is liable to be converted into one share of Rs. 2/- each at a price of Rs. 225/- per share on such terms as may be specified by the Board of Directors of the company. The Company has not granted any options out of IVRCL ESOP 2007 Scheme to any employee, as on date.

**j. Dematerialization of shares and liquidity:**

Shares of the Company can be held and traded only in Electronic form on Stock Exchanges. SEBI has stipulated the shares of the Company for compulsory delivery in dematerialized form only by all investors from 26<sup>th</sup> June, 2000.

Shares aggregating to 99.77 percent of the share capital have been dematerialized as on 31.03.2008. Shares of the Company are actively traded in The Bombay Stock Exchange Limited, and National Stock Exchange of India Limited, and hence have good liquidity.

**k. Code of Conduct for Directors and Senior Management:**

A copy of the Code has been put on the Company's website [www.ivrcl.com](http://www.ivrcl.com).

The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Chairman & Managing Director is given below:

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**DECLARATION**

I hereby confirm that :

The Company has obtained from all the members of the Board and Senior Management affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2007-08:

**E. Sudhir Reddy**  
Chairman & Managing Director

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**l. Address for Correspondence:**

**IVRCL Infrastructures & Projects Limited**  
IVRCL Towers, 8-2-596, Road No.10  
Banjara Hills, HYDERABAD – 500 034

m. The Company is operating from various work sites spread throughout the country and the operations are controlled by the Head Office at M-22/3RT, Vijayanagar Colony, Hyderabad-57 and through various Regional and Sub-Regional Offices at :

- |  |   |
|--|---|
| <p>(i) <b>Ahmedabad :</b><br/>A - 11, Sahajanand Towers,<br/>Near Maharaja Agrajan Vidyalaya,<br/>Curukul Road, Memnagar,<br/>AHMEDABAD – 52</p>                           | <p>(viii) <b>Kadapa:</b><br/>D.No. 1/922,<br/>Dwaraka Nagar,<br/>KADAPA - 516 004</p>   |
| <p>(ii) <b>Bangalore:</b><br/>'Prosperity', No. 438, 1st Floor,<br/>18<sup>th</sup> Main, 6th Block, Koramangala,<br/>BANGALORE - 560 095</p>                              | <p>(ix) <b>Kolkata:</b><br/>3A, Hindustan Road, 2<sup>nd</sup> Floor,<br/>Garia Hat, Opp. Murilidar Girls School,<br/>KOLKATA - 700 029</p>         |
| <p>(iii) <b>Bilaspur:</b><br/>S Saine Complex, Opp. Ganesh Sweets,<br/>Near SBI, Raj Kishore Nagar Square,<br/>Rajiv Vihar, Bajrang Chowk,<br/>BILASPUR (C.G.) 495 006</p> | <p>(x) <b>Lucknow:</b><br/>2/310, Vishal Khand,<br/>Gomti Nagar,<br/>LUCKNOW</p>  |
| <p>(iv) <b>Chennai :</b><br/>No. 30A, South Phase,<br/>6th Cross Road, Thiru Vi. Ka,<br/>Industrial Estate, Guindy,<br/>CHENNAI - 600 097</p>                              | <p>(xi) <b>Patna :</b><br/>H.No.14, Flat # A1,<br/>Kamta Sadan Apartment,<br/>Kamta Singh Kam Lane, East Boring<br/>Canal Road, PATNA – 800 001</p> |
| <p>(v) <b>Cochin:</b><br/>No.VII/719D, Plot # 180<br/>Mavelipuram Colony,<br/>Kakkanadu, COCHIN – 682 030</p>  | <p>(xii) <b>Pune:</b><br/>"IVRCL House", 35,<br/>Suyojana CHS, Kore Goan Park,<br/>PUNE</p>   |
| <p>(vi) <b>Delhi :</b><br/>COREANTHUM<br/>A-41, Tower – B, 1<sup>st</sup> Floor,<br/>LOBE – 4, Sector - 62, NOIDA</p>  | <p>(xiii) <b>Vizag</b><br/>D.No. 50-01-41/B, 2nd Floor,<br/>ASR Nagar, Seethammadhare,<br/>Visakhapatnam - 530 013.</p>                             |
| <p>(vii) <b>Jaipur:</b><br/>Shefali - 24, Gulmohar Lane,<br/>Hanuman Nagar, Sirsi Road,<br/>JAIPUR</p>   |   |

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

### TO THE MEMBERS OF IVRCL INFRASTRUCTURES & PROJECTS LIMITED

We have examined the compliance of conditions of Corporate Governance by IVRCL Infrastructures & Projects limited, for the year ended on March 31, 2008 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

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

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

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

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

Hyderabad  
May 28, 2008

**R N CHATURVEDI**  
Partner  
Membership No.92087

## Auditors' Report

### To the Members of IVRCL Infrastructures & Projects Limited

1. We have audited the attached Balance Sheet of IVRCL Infrastructures & Projects Limited as at 31<sup>st</sup> March, 2008, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Attention is invited to Note B-5 of Schedule 19 forming part of the financial statements regarding the Company's claim for the benefit of Rs.1,035.52 million and in respect of which no provision has been made for reasons explained therein. In the event the matter is decided against the Company, the reserves and surplus and net current assets would be lower by Rs.1,035.52 million.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - 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 it 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 Companies Act, 1956;
  - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the

accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;
- (ii) in the case of the Profit and Loss Account, of the profit 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.

6. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For Chaturvedi & Partners**  
Chartered Accountants

**R. N. Chaturvedi**  
Partner  
Membership No. 092087

Place : Hyderabad  
Date : May 28, 2008

**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Ramesh**  
Partner  
Membership No. 70928

## Annexure to the Auditors' Report

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

The nature of the Company's business/ activities during the year was such that clauses (viii), (xii), (xiii), (xiv), (xviii) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - (b) A major portion of the fixed assets has been physically verified during the year by the management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventories:
  - (a) As explained to us, the inventories of project stores and spares and construction materials were physically verified during the year by the Management. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to or from Companies, firms or from other parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - (a) The Company has granted inter corporate loan to three parties. At the year-end, the outstanding balance of such loan was Rs. 3,143.88 million and the maximum amount involved during the year was Rs. 3,143.88 million.
  - (b) in our opinion, the rate of interest and other terms and conditions of the loan are not prima facie, prejudicial to the interests of the Company.
  - (c) In accordance with the terms of the loan, the principal, along with interest thereon is receivable in half yearly instalments after a moratorium of a year. Accordingly no receipt of principal or interest was due during the year.

- (d) The Company has taken loan from one subsidiary. The maximum amount involved during the year was Rs. 147.50 million and the year end balance was Rs. 77.50 million.
- (e) In our opinion, the rate of interest and other terms and conditions of the loan are not, prima facie, prejudicial to the interest of the Company.
- (f) The principal is repayable on demand. The Company has been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control systems.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion there were no contracts or arrangements (other than loans reported in paragraph (iii) above) that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act 1956.
- (vi) In our opinion and according to the information and explanations given to us, the Company has generally complied with the provisions of Section 58 and 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (viii) In respect of Statutory dues:
- (a) According to the information and explanations given to us, except for the delays in deposit of Income tax and Sale tax, the Company has been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, custom duty, excise duty, cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, sales tax, wealth tax, custom duty, excise duty, cess and any other material statutory dues applicable to it were in arrears, as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there were no dues of custom duty, wealth tax, service tax, excise duty and cess which have not been deposited as on March 31, 2008 on account of any dispute. The details of disputed income tax, sales tax and entry tax which have not been deposited as on March 31, 2008 are given below:

Name of statute	Nature of dues	Amount (Rs. Million)	Period to which the amount relates	Forum where dispute is pending
APGST Act, 1957	Turnover Tax	0.51 1.52	1997-98 1998-99	Sales Tax Appellate Tribunal
A.P. Tax on Entry of Motor Vehicles Act, 1996	Entry Tax	0.83 0.28	2001-02 2007-08	Appellate Tribunal of Commercial Taxes The Appellate Deputy Commissioner (CT) Secunderabad Division, Hyderabad
Works Contract Tax Act	Works Contract Tax	2.76	2003-04	Sales Tax Appellate Tribunal Ernakulam
Value Added Tax	VAT Assessment Year 2005-06	1.22	2005-06	Deputy Commissioner Appeals, Ernakulam

- (ix) The Company does not have accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xi) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- (xii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used for long-term investment.
- (xiv) We have verified the end use of funds raised by public issue with the prospectus filed with SEBI and as disclosed in Note 19 of Schedule 19-B to the financial statements.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For Chaturvedi & Partners**  
Chartered Accountants

**R. N. Chaturvedi**  
Partner  
Membership No. 092087  
Place : Hyderabad  
Date : May 28, 2008

**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Ramesh**  
Partner  
Membership No. 70928

**BALANCE SHEET AS AT MARCH 31, 2008**
*(Rs. in million)*

	SCHEDULES/ NOTES	As At 31.03.2008	As At 31.03.2007
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS</b>			
Share Capital	1	266.98	259.32
Stock Options	Note-B-17 of Sch-19	4.19	40.34
Reserves and Surplus	2	15,788.61	12,917.54
		16,059.78	13,217.20
<b>LOAN FUNDS</b>			
Secured Loans	3	5,787.86	3,894.60
Unsecured Loans	4	4,890.55	1,666.49
		10,678.41	5,561.09
Deferred Tax Liability (Net)	Note-B-3 of Sch-19	103.09	55.89
		<b>26,841.28</b>	<b>18,834.18</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
	5		
Gross Block		4,175.96	2,593.35
Less: Depreciation		984.02	664.22
Net Block		3,191.94	1,929.13
Capital work-in-progress (Including Capital Advances aggregating to Rs. 516.50 million (Rs. 291.32 million))		540.86	505.92
		3,732.80	2,435.05
<b>INVESTMENTS</b>			
	6	3,409.07	2,828.94
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>			
Inventories	7	1,943.39	825.37
Sundry Debtors	8	6,584.88	6,332.10
Cash and Bank Balances	9	1,771.70	2,238.20
Other Current Assets	10	10,725.15	6,367.47
Loans and Advances	11	7,805.84	7,071.00
		28,830.96	22,834.14
<b>Less: CURRENT LIABILITIES AND PROVISIONS:</b>			
Current Liabilities	12	8,893.18	9,091.89
Provisions	13	238.37	172.06
		9,131.55	9,263.95
<b>NET CURRENT ASSETS</b>		<b>19,699.41</b>	<b>13,570.19</b>
		<b>26,841.28</b>	<b>18,834.18</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	19		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

**R. N. CHATURVEDI**  
Partner

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

**P. R. RAMESH**  
Partner

**FOR AND ON BEHALF OF THE BOARD**

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

Place : Hyderabad  
Date : May 28, 2008

**B. SUBRAHMANYAM**  
Company Secretary

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(Rs. in million)

PARTICULARS	SCHEDULES/ NOTES	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>INCOME</b>			
Income from Operations	14	36,981.14	23,464.57
Less: Indirect Tax		375.19	405.71
Net Income from Operations		<b>36,605.95</b>	<b>23,058.86</b>
Other Income	15	45.29	73.80
		<b>36,651.24</b>	<b>23,132.66</b>
<b>EXPENDITURE</b>			
Construction Expenses	16	30,965.12	19,497.28
Administration and Other Expenses	17	2,026.42	1,243.67
Interest and Financial Charges	18	478.22	324.87
Depreciation / Amortisation		328.22	215.92
Less : Transferred to Revaluation Reserve		0.04	0.04
		<b>33,797.94</b>	<b>21,281.70</b>
<b>Profit Before Tax</b>		<b>2,853.30</b>	<b>1,850.96</b>
Provisions for Taxation:			
Current Tax (Includes Rs. 82.43 million (Rs. 33.40 million) for prior year)		682.29	413.54
Deferred Tax		50.95	14.45
Fringe Benefit Tax		15.29	8.34
<b>Profit After Tax</b>		<b>2,104.77</b>	<b>1,414.63</b>
Balance brought forward from previous year		970.76	723.83
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>3,075.53</b>	<b>2,138.46</b>
APPROPRIATIONS:			
Proposed Dividend		186.89	129.66
Corporate Dividend Tax		31.76	22.04
Transfer to General Reserve		500.00	250.00
Transfer to Special Reserve		270.00	766.00
Balance carried to Balance Sheet		<b>2,086.88</b>	<b>970.76</b>
Earnings per share of face value Rs.2 each			
– Basic (Rs.)	Note-B-6 of	16.08	12.38
– Diluted (Rs.)	Sch-19	15.77	11.67
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	19		
The schedules referred to above form an integral part of the Profit and Loss account			

As per our report of even date attached

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD**

**R. N. CHATURVEDI**  
Partner

**P. R. RAMESH**  
Partner

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

Place : Hyderabad  
Date : May 28, 2008

**B. SUBRAHMANYAM**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	2,853.30	1,850.96	
Adjustment for:			
Depreciation	328.18	215.88	
Dividend received on investments	(9.51)	(5.98)	
(Profit) /Loss on sale of fixed assets	0.95	5.10	
(Profit )/Loss on sale of Investments	(0.37)	—	
Employees Compensation under ESOP	85.37	41.86	
Provision for doubtful Amounts & Bad Debts Written Off	14.09	18.17	
Liabilities no longer required written back	(10.97)	(6.09)	
(Gain)/ Loss on Foreign exchange translation	70.84	(10.87)	
Interest paid (net)	407.39	308.40	566.47
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3,739.27	2,417.43	
(Increase)/ Decrease in Inventories	(1,118.03)	(539.83)	
(Increase)/ Decrease in Debtors	(264.54)	(1,585.89)	
(Increase)/ Decrease in Other Current Assets	(4,363.54)	(1,771.00)	
(Increase)/ Decrease in Loans and Advances	(387.62)	(1,478.79)	
Increase/ (Decrease) in Current Liabilities	(152.24)	2,299.73	(3,075.78)
CASH GENERATED FROM OPERATIONS	(2,546.70)	(658.35)	
Direct taxes paid	(1,228.59)	(601.34)	
NET CASH USED IN OPERATIONS	(3,775.29)	(1,259.69)	
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(1,638.22)	(1,321.11)	
Sale of Fixed Assets	11.30	38.49	
Sale of Investments	1.09	(64.16)	
Purchase of Investments in Subsidiaries	(580.86)	—	
Loans to Subsidiaries	181.49	(3,195.39)	
Interest Received	692.40	270.41	
Dividend received on long term Investments	9.51	5.98	
NET CASH USED IN INVESTING ACTIVITIES	(1,323.29)	(4,265.78)	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Share Capital	0.56	30.05	
Proceeds from Share Premium	5.08	5,520.48	
Qualified Institutional Placement issue expenses	(5.10)	(127.16)	
Proceeds from Long Term Borrowings (net of repayments)	(457.83)	(3.53)	

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
Proceeds from Short Term Borrowings (net of repayments)	6,387.44	553.44
Unrealised Foreign Exchange	(51.76)	29.69
Interest and Finance Charges Paid	(1,093.42)	(556.42)
Dividends paid (including dividend distribution tax)	(151.23)	(124.02)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>4,633.74</b>	<b>5,322.53</b>
Effects of exchange differences on translation of foreign currency cash and cash equivalents	(1.66)	(2.34)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(466.50)</b>	<b>(205.28)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,238.20	2,443.48
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,771.70</b>	<b>2,238.20</b>

### Notes :

- Cash and Cash equivalents includes :
  - Rs. 147.92 million (775.00 million) being fixed deposits in foreign currency made out of proceeds received from the issue of Foreign Currency Convertible Bonds.
  - Rs. 35.26 million (Rs. 71.88 million) margin money in fixed deposits account. Refer Schedule 9
  - Bank balance includes restricted amount of Rs. 1.64 million (Rs. 1.17 million) towards unclaimed dividend.
- The Cash flow statement is prepared under 'indirect method' as set out in Accounting Standard - 3 on Cash Flow Statements notified in Section 211 (3C) of the Companies Act, 1956.
- Previous year's figures have been regrouped, wherever necessary.

As per our report of even date attached

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD**

**R. N. CHATURVEDI**  
Partner

**P. R. RAMESH**  
Partner

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

Place : Hyderabad  
Date : May 28, 2008

**B. SUBRAHMANYAM**  
Company Secretary

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

	As At 31.03.2008		As At 31.03.2007	
<b>SCHEDULE – 1</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
175,000,000 (175,000,000) Equity shares of Rs. 2 each		350.00		350.00
25,000,000 (25,000,000) Preference shares of Rs.2 each		50.00		50.00
		<b>400.00</b>		<b>400.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
133,489,929 (129,662,390) Equity shares of Rs. 2 each - Refer Note - B 2(a) of Schedule - 19		266.98		259.32
18,660,500 Shares of Rs.2 each represents after sub-division of 3,732,100 shares of the face value of Rs.10 each which were issued as fully paid bonus shares by utilisation of Rs. 37.32 million from General Reserve		<b>266.98</b>		<b>259.32</b>
<b>SCHEDULE – 2</b>				
<b>RESERVES &amp; SURPLUS</b>				
Capital Reserve		0.09		0.09
Security Premium Account – At the Commencement of the year	9,630.53		2,488.25	
Add : Additions during the year on account of conversion of FCCB of US \$18.10 million into Equity Shares, QIP Issue, exercise of options and conversion of warrants	949.22		7,309.37	
Add / (Less): Provision towards redemption premium on FCCB of US \$ 7.60 million, and Expenses relating to issue of Qualified Institutional Placement.	43.04	10,622.79	(167.09)	9,630.53
Revaluation Reserve – At the Commencement of the year	28.53		28.57	
Less: Depreciation on revalued portion of assets	0.04	28.49	0.04	28.53
General Reserve – At the Commencement of the year	1,521.63		1,314.25	
Less : Adjustment towards employee benefits (net of deferred tax of Rs. 3.75 million) in accordance with the transitional provisions of AS - 15 notified under section 211 (3C) of the Companies Act, 1956.	7.27		42.62	
Add : Transfer from Profit and Loss Account	500.00	2,014.36	250.00	1,521.63
Special Reserve – At the Commencement of the year	766.00		–	
Add : Transfer from Profit and Loss Account	270.00	1,036.00	766.00	766.00
Profit and Loss Account		2,086.88		970.76
		<b>15,788.61</b>		<b>12,917.54</b>

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 3</b>		
<b>SECURED LOANS</b>		
<b>TERM LOANS</b>		
From Banks	472.21	45.70
From Others	–	10.29
Project – Specific Term Loans from Banks	–	726.07
Earth Moving Equipment and Vehicle Loans from Banks	54.71	145.59
Earth Moving Equipment and Vehicle Loans from Others	45.83	102.93
	<b>572.75</b>	<b>1,030.58</b>
<b>WORKING CAPITAL LOANS</b>		
Working Capital Demand Loans from consortium of Banks	4,392.83	2,073.86
Project - Specific Working Capital Loans from Banks	822.28	790.16
	<b>5,215.11</b>	<b>2,864.02</b>
	<b>5,787.86</b>	<b>3,894.60</b>

### NOTES:

#### 1. TERM LOANS

Secured by way of first charge and hypothecation of specific machinery and Equipment Purchased. Repayable within twelve months Rs. 332.21 million (Rs.10.92 million).

#### 2. PROJECT-SPECIFIC TERM LOANS

- a) Secured by hypothecation of book-debts and inventory relating to NHAI-NS-40/TN Project, for a loan of Rs. Nil (Rs.190.00 million) financed by Standard Chartered Bank, payable within a year Rs. Nil (Rs.135.00 million).
- b) Secured by hypothecation of book-debts and inventory relating to RIDCOR-PR-2 Package for the loan of Rs. Nil (Rs.130.00 million) financed by Syndicate Bank, payable within a year Rs.Nil (Rs.130.00 million).
- c) Secured by hypothecation of book-debts and inventory relating to PGCIL Bhagalpur (Bihar) Project for a loan of Rs.Nil (Rs.80.00 million), financed by IDBI Ltd., payable within a year Rs. Nil (Rs.80.00 million).
- d) Secured by hypothecation of book-debts and inventory relating to NHAI-NS-41/TN Project, for a loan of Rs. Nil (Rs.117.00 million) financed by IDBI Ltd., payable within a year Rs. Nil (Rs. 117.00 million).
- e) Secured by hypothecation of book-debts and inventory relating to NTPC-GUNA Project, for a loan of Rs. Nil (Rs. 260.00 million) financed by YES Bank Ltd., payable within a year Rs. Nil (Rs. 260.00 million).

- 3. EQUIPMENT LOANS FROM BANKS AND NON-BANKING FINANCIAL COMPANIES (NBFCs)**  
Secured by first charge and hypothecation of specified machinery, equipment and vehicles. Repayable within one year Rs. 94.05 million (Rs. 147.48 million).
- 4. WORKING CAPITAL DEMAND LOAN FROM CONSORTIUM OF BANKS**  
Secured by hypothecation of book debts, inventories and other current assets, excluding those charged to lenders of specific-funding projects and certain Plant & Machinery and equipments valuing Rs. 150.21 million and Rs. 72 million respectively not charged to other lenders, and Mortgage of Lands & Flats owned by the Company ranking pari-passu among the consortium banks and further secured by a second charge on machinery and equipment hypothecated to L & T Finance.  
**Note:** During the year The Company has borrowed and repaid Rs. 300 million by issue of Commercial papers.
- 5. PROJECT-SPECIFIC WORKING CAPITAL LOAN FROM FINANCIAL INSTITUTIONS**
- Secured by hypothecation of book-debts, inventory and other current assets relating to H2-Bhank Project financed by State Bank of Hyderabad for a sum of Rs. 95.89 million (Rs. 89.51 million).
  - Secured by hypothecation of book-debts, inventory and other current assets relating to D2IS-Yavatmal Project financed by Bank of India for a sum of Rs. 249.60 million (Rs. 247.24 million).
  - Secured by hypothecation of book-debts, inventory and other current assets relating to MVVNL Transmission Line Project financed by ICICI Bank Limited for a sum of Rs. Nil (Rs. 53.01 million).
  - Secured by hypothecation of book-debts, inventory and other current assets relating to CIDCO Project financed by Centurion Bank Limited & UTI Bank Ltd. for a sum of Rs. Nil & Rs. Nil. (Rs. 53.28 & 34.12 million).
  - Secured by hypothecation of book-debts, inventory and other current assets relating to Jharkhand Project financed by ICICI Bank for a sum of Rs. Nil. (Rs. 137.87 million).
  - Secured by hypothecation of book-debts and inventory and other current assets relating to NHAI-NS-40 Project financed by Standard Chartered Bank for a sum of Rs. 0.61 million. (Rs. 79.97 million).
  - Secured by hypothecation of book-debts and inventory and other current assets relating to RIDCOR-AS project financed by State Bank of Mysore for a sum of Rs. Nil. (Rs. 94.53 million).
  - Secured by hypothecation of book-debts and inventory and other current assets relating to BITS project financed by HDFC Bank Ltd. for a sum of Rs. 90.94 million. (Rs. Nil).
  - Secured by hypothecation of book-debts and inventory and other current assets relating to BRANDIX project financed by HDFC Bank Ltd. for a sum of Rs. 49.55 million. (Rs. Nil).
  - Secured by hypothecation of book-debts and inventory and other current assets relating to DLF AKRUTHI project financed by HDFC Bank Ltd. for a sum of Rs. 335.69 million. (Rs. Nil)

(Rs. in million)

	<b>As At 31.03.2008</b>	<b>As At 31.03.2007</b>
<b>SCHEDULE – 4</b>		
<b>UNSECURED LOANS</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
– From Banks	4,508.28	401.93
– Foreign Currency Convertible Bonds	304.77	1,117.06
– From Subsidiary	77.50	147.50
	<b>4,890.55</b>	<b>1,666.49</b>

**Note:** Amounts repayable within one year Rs. 4,585.78 million (Rs. 549.43million)

**SCHEDULE – 5**

**FIXED ASSETS**

(Rs. in million)

Particulars	Gross Block at Cost / Revaluation				Depreciation				Net Block	
	As at 01.04.2007	Addi- -tions	Adjust- -ments	As on 31.03.2008	Upto 01.04.2007	For the Year	Adjust- -ments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land – Freehold	69.89	27.15	6.27	90.77	–	–	–	–	90.77	69.89
Land – Leasehold	10.10	8.24	–	18.34	0.88	0.18	–	1.06	17.28	9.22
Buildings	171.91	226.12	–	398.03	63.15	58.48	–	121.63	276.40	108.76
Plant & Machinery	1,776.13	1,053.09	6.39	2,822.83	401.08	187.06	4.72	583.42	2,239.41	1,375.05
Motor Vehicles	396.47	207.51	6.41	597.57	124.99	49.46	3.48	170.97	426.60	271.48
Furniture	34.05	19.36	1.51	51.90	20.76	10.54	0.20	31.10	20.80	13.29
Office Equipment	48.05	28.83	0.09	76.79	14.41	7.07	0.02	21.46	55.33	33.64
Computers	86.75	32.98	–	119.73	38.95	15.43	–	54.38	65.35	47.80
<b>Total</b>	<b>2,593.35</b>	<b>1,603.28</b>	<b>20.67</b>	<b>4,175.96</b>	<b>664.22</b>	<b>328.22</b>	<b>8.42</b>	<b>984.02</b>	<b>3,191.94</b>	<b>1,929.13</b>
	<b>(1,580.10)</b>	<b>(1,081.29)</b>	<b>(68.04)</b>	<b>(2,593.35)</b>	<b>(472.75)</b>	<b>(215.92)</b>	<b>(24.45)</b>	<b>(664.22)</b>	<b>(1,929.13)</b>	

**NOTE:**

1. Land – Freehold includes Rs. 18.79 million towards revaluation made in the year 2001-02 on current cost basis carried out by an independent valuer.
2. Buildings includes Rs. 2.20 million towards revaluation made in the year 2001-02 on current cost basis carried out by an independent valuer.
3. Additions to buildings includes Rs. 55.20 million, in respect of which, conveyance deed is yet to be executed.

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

		As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 6</b>			
<b>INVESTMENTS:</b>			
<b>LONG TERM INVESTMENTS</b>	<i>No of Equity Shares of Face Value of Rs. 10 each fully paid-up unless otherwise specified</i>		
<b>(At cost less provision for diminution in value)</b>			
<b>A. TRADE INVESTMENTS</b>			
<b>IN SUBSIDIARY COMPANIES</b>			
<b>QUOTED</b>			
Hindustan Dorr - Oliver Limited (Face Value of Rs. 2 each) (80,000 shares purchased during the year)	19,080,998	614.50	603.96
IVR-Prime Urban Developers Limited (505 shares purchased during the year)	40,000,005	400.22	400.00
<b>UNQUOTED</b>			
IVRCL PSC Pipes Private Limited	167,000	1.67	1.67
IVR Enviro Projects Private Limited	674,550	6.75	6.75
GEO IVRCL Engineering Limited	49,400	0.49	0.49
Chennai Water Desalination Limited	50,000	0.50	0.50
IVRCL Water Infrastructure Limited (5,000,000 shares subscribed during the year)	16,940,000	619.40	119.40
Salem Tollways Limited	50,000	0.50	0.50
Kumarapalyam Tollways Limited	50,000	0.50	0.50
IVRCL Steel Constructions & Services Limited	50,000	0.50	0.50
IVRCL Road Toll Holdings Limited	39,063,000	1,666.97	1,666.97
Jalandhar Amritsar Tollways Limited	50,000	0.50	0.50
Alkor Petroo Limited (Purchased during the year)	5,625,000	70.10	–
<b>IN PARTNERSHIP FIRMS</b>			
Bhanu IVRCL Associates (50:50 Share between the Company and Bhanu Construction Co. Limited respectively)		0.01	0.01
IVRCL - Tantia Joint Venture (AOP) 50:50 Share between the Company and Tantia Construction Co. Limited respectively)		0.20	0.20
<b>IN ASSOCIATE BODIES CORPORATE</b>			
Viva Infrastructures Private Limited	50,000	0.50	0.50
Paresh Infrastructure Private Limited	4,900	0.05	0.05

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>B. OTHER INVESTMENTS</b>		
<b>QUOTED</b>		
Ballarpur Industries Limited (Sold during the year)	1,200	0.15
Akruthi Nirman Limited (Sold during the year)	293	0.16
<b>UNQUOTED</b>		
Telcon Ecoroad Resurface Private Limited (Face Value of Rs. 100 each fully paid-up)	240,000	24.00
Flexi Bonds of Industrial Development Bank of India (Face Value of Rs. 5,000 each)	400	2.00
Tamil Nadu Mercantile Bank Limited	25	0.21
<b>CURRENT INVESTMENTS (at lower of cost and fair value)</b>		
Andhra Bank (Sold during the year)	5,631	0.51
	<b>3,409.57</b>	<b>2,829.53</b>
Less : Provision for diminution in Value of Investment	0.50	0.59
	<b>3,409.07</b>	<b>2,828.94</b>

Aggregate amount of book value of quoted investment Rs. 1,014.72 million (Rs. 604.78 million).

Aggregate market value thereof Rs. 8,820.38 million (Rs. 1,145.49 million).

Aggregate amount of book value of unquoted investment Rs. 2,394.35 million (Rs. 2,224.16 million).

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 7 INVENTORIES</b>		
<b>At Project sites - (at cost)</b>		
- Stores and Spares	1,850.34	825.37
<b>At Factory - (at lower of cost and net realisable value)</b>		
- Stores and Spares	63.88	–
- Finished Goods	14.68	–
- Work-in-Progress	14.49	–
	<b>1,943.39</b>	<b>825.37</b>
<b>SCHEDULE – 8 SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	1,524.16	996.84
Other Debts	5,082.20	5,344.97
	<b>6,606.36</b>	<b>6,341.81</b>
Less: Provision for Doubtful Debts	21.48	9.71
	<b>6,584.88</b>	<b>6,332.10</b>
<b>Of the above</b>		
Considered good	6,584.88	6,332.10
Considered doubtful	21.48	9.71
	<b>6,606.36</b>	<b>6,341.81</b>

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 9</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash and Cheques on Hand	30.05	26.14
b) Balances with Scheduled Banks		
1. In Current Accounts	1,035.51	795.61
2. In Fixed Deposit Accounts		
– Margin money	35.26	71.88
– Fixed Deposit in Foreign Currency	147.92	775.00
– Others	522.96	569.57
	<b>1,771.70</b>	<b>2,238.20</b>
<b>SCHEDULE – 10</b>		
<b>OTHER CURRENT ASSETS (Unsecured)</b>		
Interest accrued other than on Investments	11.36	17.22
Retention Money	2,908.19	2,141.92
Other Deposits	1,441.65	874.59
Unbilled Revenue	6,208.54	3,235.93
Other Receivables	159.50	101.90
	<b>10,729.24</b>	<b>6,371.56</b>
Less: Provision for Doubtful Deposits	4.09	4.09
	<b>10,725.15</b>	<b>6,367.47</b>
<b>Of the above</b>		
Considered good	10,725.15	6,367.47
Considered doubtful	4.09	4.09
	<b>10,729.24</b>	<b>6,371.56</b>
<b>SCHEDULE – 11</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured, unless otherwise stated)</b>		
Loans to Subsidiaries	3,924.30	4,105.79
Advance to Joint Venture Partnership firms in which the company is a partner	454.34	357.18
Advances recoverable in cash or in kind or for value to be received		
– Secured	8.67	8.67
– Unsecured	2,349.05	2,058.58
Tax deducted at Source and Advance Tax { net of provisions Rs.1,335.43 million (Rs. 657.50 million)}	1,155.11	624.09
Balance with Post Office (held in the names of employees)	0.36	0.36
	<b>7,891.83</b>	<b>7,154.67</b>
Less: Provision for Doubtful Advances	85.99	83.67
	<b>7,805.84</b>	<b>7,071.00</b>
<b>Of the above</b>		
Considered good	7,805.84	7,071.00
Considered doubtful	85.99	83.67
	<b>7,891.83</b>	<b>7,154.67</b>

## SCHEDULES forming part of the Balance Sheet

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 12</b>		
<b>CURRENT LIABILITIES</b>		
Advances received from Contractee – Clients	2,696.99	2,547.61
Retention Money	51.45	48.02
Sundry Creditors :		
Dues to Small Scale Industrial undertakings	–	11.77
Dues to Micro and Small Enterprises (Refer Note No. B - 12 of Schedule 19)	12.90	–
Subsidiaries	3.62	471.78
Joint Ventures	47.93	1.75
Others	5,736.20	5,697.75
Other Liabilities (including employee benefits)	283.25	205.53
Interest accrued but not due on loans	58.88	106.51
Liability towards Investors Education Fund under Section 205C of the Companies Act, 1956		
– Not due - Unclaimed Public Deposit and Interest on it	0.32	–
– Not due - Unclaimed Dividends	1.64	1.17
	<b>8,893.18</b>	<b>9,091.89</b>
<b>SCHEDULE – 13</b>		
<b>PROVISIONS</b>		
Proposed Dividend	186.89	129.66
Tax on Proposed Dividend	31.76	22.04
Gratuity	19.72	20.36
	<b>238.37</b>	<b>172.06</b>

## SCHEDULES forming part of the Profit and Loss Account

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>SCHEDULE – 14</b>		
<b>INCOME FROM OPERATIONS</b>		
Gross Work Bills	36,718.26	23,348.80
Share of Profit from a Joint Venture	120.80	115.77
Sale of Products (Refer Note B-20 of Schedule 19)	142.08	–
	<u>36,981.14</u>	<u>23,464.57</u>
<b>SCHEDULE – 15</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	23.23	60.46
Dividend Income from Subsidiaries	9.50	5.93
Dividend Income on Long Term Investments	0.01	0.05
Profit on sale of Long Term Investments	0.37	–
Profit from sale of Fixed Assets	1.21	1.27
Liabilities no longer required written back	10.97	6.09
	<u>45.29</u>	<u>73.80</u>
<b>SCHEDULE – 16</b>		
<b>CONSTRUCTION AND MANUFACTURING EXPENSES</b>		
Opening stock of project stores	824.04	285.53
Add: Purchase of construction and other materials	13,419.79	9,846.56
Less: Closing stock of project Stores	1,850.34	824.04
Construction and other materials	12,393.49	9,308.05
Sub-contractors' work bills	10,923.20	5,256.70
Masonry and other works	6,506.49	4,192.36
Repairs and Maintenance:		
Construction Machinery	110.37	148.11
Others	233.75	148.74
Electricity and water charges	59.38	34.54
Machinery hire charges	566.98	352.09
Royalty	67.32	37.40
Laboratory testing charges	24.35	19.29
Raw Materials Consumed	112.38	–
(Increase)/Decrease in Finished Goods and WIP	(32.59) 79.79	–
	<u>30,965.12</u>	<u>19,497.28</u>

## SCHEDULES forming part of the Profit and Loss Account

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>SCHEDULE – 17</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Salaries, Wages and Bonus	841.00	480.21
Contribution to Provident, Superannuation and Other Funds	69.48	46.15
Staff Welfare Expenses including Gratuity accruals	289.55	182.17
Employee compensation expense under ESOP	85.37	41.86
Managerial Remuneration	156.61	103.12
Travelling and Conveyance	87.34	49.00
Printing and Stationery	38.53	28.97
Communication Expenses	45.02	34.18
Rates and Taxes	26.34	12.40
Tender Expenses	15.12	12.80
Business Promotion	5.87	5.14
Office Maintenance	79.58	43.68
Rent	63.49	33.89
Advertisement and Publicity	21.31	10.65
Auditors' Remuneration		
Audit Fees	7.00	6.10
Tax Audit Fee	0.35	0.35
Other Service	0.80	0.92
Reimbursement of expenses	0.33	0.30
	8.48	7.67
Director's sitting fees	0.86	0.15
Legal and Professional Charges	78.00	52.80
Insurance	68.75	58.37
Miscellaneous Expenses	29.47	15.92
Loss on Assets sold / discarded (net)	2.16	6.37
Provision for doubtful debts, advances and deposits	14.09	18.17
	<b>2,026.42</b>	<b>1,243.67</b>
<b>SCHEDULE –18</b>		
<b>FINANCIAL CHARGES</b>		
Interest on Fixed Loans	207.87	101.98
Foreign Exchange Loss	70.84	16.47
Other Interest:		
Interest on other Credit Facilities	699.54	375.68
Bank and Financing Charges	186.52	83.20
	1,164.77	577.33
Less: Interest from Banks and Others - Gross	686.55	252.46
{(Including interest on Long Term Investments Rs. 0.20 million (Rs. 0.05 million) and Tax Deducted at Source Rs. 125.34 million (Rs. 38.81 million))}	<b>478.22</b>	<b>324.87</b>

## NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### SCHEDULE – 19

#### Significant Accounting Policies and Notes

##### Company overview

The Company, IVRCL Infrastructures & Projects Limited, is engaged in the business of development and execution of Engineering Procurement, Construction and Commissioning (EPCC) and Lump Sum Turn Key (LSTK) facilities in various Infrastructure projects like Water Supply, Roads and Bridges, Townships and Industrial Structures, Power Transmission, etc. for Central/State Governments, other local bodies and private sector in the country.

#### A. Significant Accounting Policies

##### 1. Method of Accounting

The financial statements are based on historical cost convention (except for revaluation of certain Fixed Assets) and prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) and in compliance with the Accounting Standards specified in Section 211 (3C) of the Companies Act, 1956.

##### 2. Use of Accounting Estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Examples of such estimates include contract costs expected to be incurred to complete construction contracts, provision for doubtful debts, income taxes and future obligations under employee retirement benefit plans. Management periodically assesses whether there is an indication that an asset may be impaired and makes provision in the accounts for any impairment losses estimated. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

##### 3. Recognition of contract revenue and expenses

- 3.1** Contract Revenue is recognised by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method.
- 3.2** The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.
- 3.3** An expected loss on construction contract is recognised as an expense immediately when it is certain that the total contract costs will exceed the total contract revenue.
- 3.4** Price escalation and other claims and /or variation in the contract work are included in contract revenue only when:
  - (a) Negotiations have reached at an advanced stage such that it is probable that customer will accept the claim; and
  - (b) The amount that is probable will be accepted by the customer can be measured reliably.
- 3.5** Incentive payments, as per customer-specified performance standards, are included in contract revenue only when:
  - (a) The contract is sufficiently advanced that it is probable that the specified performance standards will be met; and
  - (b) The amount of the incentive payment can be measured reliably.

#### **4. Revenue receipts on joint venture contracts**

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

#### **5. Revenue from sale of manufactured goods**

Revenue from sale of manufactured goods is recognized when substantial risks and rewards of ownership are transferred to the buyer under terms of the contract.

#### **6. Employee Benefits**

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 (Revised) "Employee Benefits" notified in Section 211 (3C) of the Companies Act, 1956.

##### **6.1 Gratuity**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. Contributions to Gratuity fund are made to recognized funds managed by the Life Insurance Corporation of India. The Company accounts for the liability for future gratuity benefits on the basis of an independent actuarial valuation.

##### **6.2 Liability for Leave**

Liability for leave is treated as a short term liability and is accounted for as and when earned by the employee.

##### **6.3 Superannuation**

The Company has a superannuation plan, which is a defined contribution plan. Under the plan, the Company contributes up to 15% of the eligible employees' salary to the fund each year. Contributions are made to recognized funds managed by the Life Insurance Corporation of India. The Company recognizes such contributions as an expense when incurred. The Company has no further obligation beyond this contribution.

##### **6.4 Provident Fund**

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

#### **7. Fixed Assets**

Fixed Assets are stated at cost/valuation less accumulated depreciation and amortisation. Direct costs inclusive of inward freight, duties and taxes, incidental expenses including interest relating to acquisition and cost of improvements thereon are capitalised until fixed assets are ready for use. Capital Work in Progress comprises advances paid to acquire fixed assets and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

## **8. Depreciation and amortization**

- 8.1** Depreciation on fixed assets is provided on the straight-line method as per rates prescribed in Schedule XIV to the Companies Act, 1956 except the following which are depreciated based on useful life determined by the Company.
- Steel Shuttering 10%
  - Wood Shuttering 33 1/3 %
- 8.2** Pucca sheds and land acquired for quarrying are amortised over the period of the project on project-to-project basis.

## **9. Foreign currency transactions**

Monetary assets and current liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Gains/Losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss Account in the period in which they arise.

## **10. Investments**

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost less provision for permanent diminution in value of such investments. Dividend Income is accounted when the right to receive dividend is established.

## **11. Inventories**

Inventories are valued at cost. Cost is determined on first-in-first-out method. Inventory of manufactured goods and raw materials are valued at lower of cost and net realizable value. Cost of manufactured goods includes related overheads and excise duty paid/payable on such goods.

## **12. Borrowing costs**

Borrowing costs that are attributable to the acquisition and construction of qualifying assets are capitalised as part of cost of such assets till such time the asset is ready for its intended use. A qualifying asset is one that requires substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss Account as period costs.

## **13. Income tax**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

Deferred tax assets and liabilities are recognised, subject to prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and quantified using the tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## **14. Earnings Per Share (EPS)**

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

## B. NOTES ON ACCOUNTS

1. All amounts in the financial statements are presented in Rupees in million except per share data and as otherwise stated. Figures in brackets represent corresponding previous year figures in respect of Profit & Loss items, and in respect of Balance Sheet items as on the Balance Sheet date of the previous year. Figures for the previous year have been regrouped/rearranged wherever considered necessary to conform to the figures presented in the current year.
2. a) During the year, some of the Foreign Currency Convertible Bond holders exercised their option of converting their bonds into equity shares. During the year US \$ 18.10 million worth of bonds were converted into 3,545,284 equity shares of the face value of Rs. 2 each.
- b) Rs. 70.84 million has been debited to the Profit and Loss Account during the year towards foreign exchange translation difference on Foreign Currency Convertible Bonds and deposits in foreign currency.

### 3. Components of Deferred Tax Assets and Liabilities:

(Rs. in million)

	As at 31.03.2008	As at 31.03.2007
<b>DEFERRED TAX LIABILITY:</b>		
Difference between book and tax depreciation	177.79	121.66
<b>TOTAL DEFERRED TAX LIABILITY</b>	<b>177.79</b>	<b>121.66</b>
<b>DEFERRED TAX ASSET:</b>		
Provision for Gratuity	6.50	6.92
Provision for Leave encashment	19.32	8.24
Provision for doubtful debts, advances, deposits and bonus	37.92	33.13
Public Issue Expenses	6.17	12.35
Others	1.04	5.13
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>70.95</b>	<b>65.77</b>
<b>DEFERRED TAX LIABILITY</b>	<b>106.84</b>	<b>55.89</b>
Less : Deferred Tax Asset on transitional provision as per As-15	(3.75)	—
<b>NET DEFERRED TAX LIABILITY</b>	<b>103.09</b>	<b>55.89</b>

4. In terms of the disclosures required to be made under the Accounting Standard (AS) 7 (revised 2002) as notified in Section 211 (3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the Balance Sheet date are as follows:

(Rs. in million)

	As at 31.03.2008	As at 31.03.2007
Contract Revenue recognised as revenue during the year	36,718.26	23,348.80
Contract costs incurred and recognised profits, less losses	36,552.17	23,159.23
Advances received, net of recoveries from progressive bills	2,693.40	2,539.50
Gross amount due from customers for contract works	6,584.88	6,332.10
Retention Money	2,908.19	2,141.92

5. The Company has claimed deduction under Section 80 IA of the Income Tax Act, 1961 in respect of profits and gains derived from the development of infrastructure facilities. The claim of the Company has been disputed by the Tax Authorities and the matter was pending before Income Tax Appellate Tribunal (ITAT). Further, The ITAT had constituted a Special Bench to dispose of the entire appeal of the Company. The Honorable Special Bench of ITAT vide its order dated

25.04.2008 has remanded back the case for the AY 2001-02 to the Assessing Officer with a direction to consider the allowability of the deduction under Section 80 IA of the Act on the basis of material information already on record and additional evidences submitted/to be submitted by the Company. The Company, being a developer of infrastructure facilities, has been advised that its claims are tenable. Accordingly the tax provision for the year has been determined on the basis that the claim under Section 80 IA of the Act is available to the Company and the tax effect amounting to Rs. 1,035.52 million (Rs. 765.52 million up to 31.03.2007) in respect of claim of the Company (including disallowances) up to March 31, 2008 has not been provided. However, the Company, as a measure of abundant precaution has appropriated and set aside an amount of Rs. 1,036 million, (Rs.766 milliion) including Rs. 270 million for the year to a Special Reserve.

#### 6. Reconciliation of Basic and Diluted shares used in computing Earnings Per Share:

	As at 31.03.2008	As at 31.03.2007
Profit After Tax for calculation of Basic EPS	2,104.77	1,414.63
Profit After Tax for calculation of Diluted EPS	2,087.89	1,394.76
Number of shares considered as weighted average shares for calculation of Basic Earnings Per Share(EPS)	130,859,471	114,245,429
Add: Dilutive effect of potential shares out of stock Options / FCCB etc., outstanding	1,502,833	5,303,914
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	132,362,304	119,549,343
Basic EPS (Rs.)	16.08	12.38
Diluted EPS (Rs.)	15.77	11.67

#### 7. Contingent Liabilities (not provided for):

*(Rs. in million)*

	As at 31.03.2008	As at 31.03.2007
<b>7.1</b> Bank Guarantees / Letters of Credit issued by the banks on behalf of the Company	16,999.23	14,374.68
Corporate Guarantees issued by the Company on behalf of its subsidiaries and others	2,087.44	697.60
Claims against the Company not acknowledged as debts	18.50	18.50
Income Tax demand contested in appeal	14.13	24.39
Disputed Sales tax (on appeal) Gross	8.30	3.68

**7.2** The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2001-02 to 2006-07 has been disallowed by the Income tax authorities in respect of which the company had preferred an appeal. The claim of the Company has been disputed by the Tax Authorities and the matter was referred to the special bench of the Income Tax Appellate Tribunal (ITAT). The Honorable Special Bench of ITAT vide its order dated 25.04.2008 has remanded back the case for the AY 2001-02 to the Assessing Officer with a direction to consider the allowability of the deduction under Section 80 IA of the Act on the basis of materials already on record and additional evidences submitted/to be submitted by the Company. Based on professional advice, management is of the view that the provisions made for taxation are adequate. Hence the tax effect amounting to Rs. 1,035.52 million (Rs. 765.52 million up to 31.03.2007) in respect of claim of the Company (including disallowances) up to March 31, 2008 have not been provided.

7.3 Estimated amount of contracts to be executed on capital account Rs. 352.63 million (Rs. 156.24 million).

## 8. Computation of Net Profits in accordance with Sec. 309(5) of the Companies Act, 1956

### 8.1 Managerial Remuneration

(Rs. in million)

	2007-08	2006-07
Salary and allowances	10.42	6.78
Commission	145.30	95.68
Contribution to Provident and other Funds	0.89	0.66
<b>Total</b>	<b>156.61</b>	<b>103.12</b>

### 8.2 Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956.

(Rs. in million)

PARTICULARS	2007-08	2006-07
Profit Before Tax	2,853.30	1,850.96
<b>Add:</b> 1. Commission to Managing Director	145.30	95.68
2. Sitting Fees	0.86	0.15
3. Salary and allowances to Directors	10.42	6.78
4. Contribution to Provident and other Fund to Directors	0.89	0.66
5. Provision for diminution in the value of Investments	–	–
6. Provision for Doubtful Debts, Advances & Other Deposits	3.12	12.08
7. Loss on Sale of Assets	2.16	6.37
<b>Sub Total</b>	<b>3,016.05</b>	<b>1,972.68</b>
<b>Less:</b> 1. Profit on sale of Investment	0.37	–
2. Capital Profit on sale of assets	1.21	1.27
<b>Sub Total</b>	<b>1.58</b>	<b>1.27</b>
Net Profit as per Sec. 309(5) for the year	3,014.47	1,971.41
Maximum Commission/Remuneration payable to Managing Director	150.72	98.57
Less: Remuneration charged to Profit and Loss Account	5.42	2.89
Commission payable to Managing Director	145.30	95.68

## 9. CIF Value of imports:

(Rs. in million)

	As at 31.03.2008	As at 31.03.2007
Capital Goods	104.63	126.79
Construction materials	8.56	19.66

#### 10. Expenditure / (Income) in foreign currency:

(Rs. in million)

	As at 31.03.2008	As at 31.03.2007
Traveling Expenses	1.45	1.00
Interest on Loan	–	0.27
Listing fees	–	0.03
QIP/FCCB Issue Expenses	–	11.76
Professional / Consultancy Charges	3.05	1.80
Interest Earned	(23.91)	(52.30)

#### 11. Construction material and stores consumed:

(Rs. in million)

	2007-08		2006-2007	
	Value	%	Value	%
Indigenous	12,384.93	99.93	9,288.39	99.79
Imported	8.56	0.07	19.66	0.21
<b>Total</b>	<b>12,393.49</b>	<b>100.00</b>	<b>9,308.05</b>	<b>100.00</b>

#### 12. Dues to Micro and Small Enterprises:

Information relating to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

(Rs. in million)

	2007-08	2006-07
Principal amount remaining unpaid as on March, 31	12.90	–
Interest due thereon as on March, 31	–	–
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	–	–
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	–	–
Interest accrued and remaining unpaid as at March, 31	–	–
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	–	–

### 13. RELATED PARTY DISCLOSURE

Information regarding Related Party Transactions as per Accounting Standard 18 notified in Section 211 (3C) of the Companies Act, 1956 is given below:

#### 13.1 List of Related Parties and Relationships:

Party	Relationship
IVRCL PSC Pipes Private Limited	Subsidiary
IVR Enviro Projects Private Limited	Subsidiary
IVR Prime Urban Developers Limited	Subsidiary
Hindusthan Dorr-Oliver Limited	Subsidiary
IVRCL Road Toll Holdings Limited	Subsidiary
IVRCL Water Infrastructures Limited	Subsidiary
Alkor Petroo Limited	Subsidiary
IVRCL Steel Constructions & Services Limited	Subsidiary
GEO – IVRCL Engineering Limited	Subsidiary
Jalandhar Amritsar Tollways Limited	Fellow Subsidiary
Salem Tollways Limited	
Kumarapalyam Tollways Limited	
Chennai Water Desalination Limited	
First STP Private Limited	
IVRCL Building Products Limited	
IVR Hotels & Resorts Limited	
IVR Mega Malls Limited	
HDO Technologies Limited	
Agaram Developers Private Limited	
Papankuzhi Developers Private Limited	
Mummididi Developers Private Limited	
Samatteri Developers Private Limited	
Velursantha Developers Private Limited	
Annupampattu Developers Private Limited	
Kunnam Developers Private Limited	
Tirumani Developers Private Limited	
M.M.Kuppam Developers Private Limited	
Ilavampedu Developers Private Limited	
Haripuram Developers Private Limited	
Chodavaram Developers Private Limited	
Vedurwada Developers Private Limited	
Lamda Developers Private Limited	
Rudravaram Developers Private Limited	
Kappa Developers Private Limited	
Eta Developers Private Limited	
Iota Developers Private Limited	
Annavaram Developers Private Limited	
Gajuwaka Developers Private Limited	
Geo Prime Developers Private Limited	
Theata Developers Private Limited	
Duvvda Developers Private Limited	
Gamaa Developers Private Limited	
Simhachalam Prime Developers Private Limited	
Siripuram Developers Private Limited	

<b>Party</b>	<b>Relationship</b>
Kasibugga Developers Private Limited Vijayawada Developers Private Limited Kalyug Developers Private Limited Eluru Developers Private Limited IVR Prime Developers (Nellore) Private Limited IVR Prime Developers (Amalapuram) Private Limited IVR Prime Developers (Erode) Private Limited IVR Prime Developers (Guntur) Private Limited IVR Prime Developers (Kakinada) Private Limited IVR Prime Developers (Araku) Private Limited IVR Prime Developers (Pudukkottai) Private Limited Absorption Aircon Engineer Private Limited IVR Prime Developers (Vanaprastha) Private Limited IVR PUDL Resorts & Clubs Private Limited IVR Prime Developers (Palakkad) Private Limited IVR Prime Developers (Guindy) Private Limited	Fellow Subsidiary
Viva Infrastructure Pvt. Limited Paresh Infrastructures Private Limited	Associate Associate
Bhanu – IVRCL Associates IVRCL – Tantia IVRCL, Sew & Prasad IVRCL, Navayuga & Sew Navayuga, IVRCL & Sew IVRCL Harsha SPCL – IVRCL IVRCL JL UAN Raju IVRCL IVRCL KBL IVRCL KBL MEIL IVRCL CR18G	Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture Joint Venture
<b>Entities where control exists</b> S.V. Equities Limited Palladium Infrastructures & Projects Limited Soma Hotels & Resorts Limited Eragam Holdings Limited Eragam Finlease Limited Indus Palms Hotels & Resorts Limited	
<b>Key Management Personnel</b> Mr. E. Sudhir Reddy Mr. R. Balarami Reddy Mr. K. Ashok Reddy	
	Chairman & Managing Director Executive Director - Finance & Group CFO Executive Director - Resources

Party	Relationship
<b>Relatives of Key Management Personnel</b>	
Mr. E. Ella Reddy	Relative of Chairman & Managing Director
Mrs. E. Sujatha Reddy	Relative of Chairman & Managing Director
Mrs. E. Indira Reddy	Relative of Chairman & Managing Director
Mr. E. Siddhanth Reddy	Relative of Chairman & Managing Director
Mr. E. Sanjeeth Reddy	Relative of Chairman & Managing Director
Ms. E. Suha Reddy	Relative of Chairman & Managing Director
Mr. E. Sunil Reddy	Relative of Chairman & Managing Director
Mrs. R. Vani	Relative of Executive Director - Finance & Group CFO

**13.2 DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31<sup>st</sup> March 2008. (Previous Year figures are given in brackets below the current year figures)**

(Rs. in million)

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Income</b>			
IVR Prime Urban Developers Limited	213.41 (449.40)		
Salem Tollways Limited	989.75 (290.28)		
Kumarapalyam Tollways Limited	908.36 (370.59)		
Jalandhar Amritsar Tollways Limited	1,051.72 (108.14)		
Paresh Infrastructures Private Limited			— (13.80)
IVRCL Sew & Prasad JV		3,080.93 (2,605.75)	
IVRCL Navayuga Sew		1,713.47 (1,835.44)	
IVRCL JL JV		1,504.97 (—)	
IVRCL KBL		1,371.28 (—)	
IVRCL KBL MEIL		2,088.54 (—)	
Others	9.50 (10.87)	892.42 (965.58)	
<b>Total</b>	<b>3,172.74</b> <b>(1,229.28)</b>	<b>10,651.61</b> <b>(5,406.77)</b>	<b>—</b> <b>(13.80)</b>
<b>Interest Received</b>			
IVR Prime Urban Developers Limited	482.18 (105.77)		
Chennai Water Desalination Limited	26.53 (1.52)		

*(Rs. in million)*

	Subsidiary Companies	Joint Venture	Associate Companies & Others
First STP Private Limited	1.43		
	(2.17)		
UAN Raju - IVRCL JV		8.33	
		(2.11)	
Others	28.06		
	(-)		
<b>Total</b>	<b>538.20</b>	<b>8.33</b>	-
	<b>(109.46)</b>	<b>(2.11)</b>	<b>(-)</b>
<b><i>Rent Received</i></b>			
Hindustan Dorr Oliver Limited	2.13		
	(-)		
IVR Prime Urban Developers Limited	0.90		
	(-)		
<b>Total</b>	<b>3.03</b>	-	-
	<b>(-)</b>	<b>(-)</b>	<b>(-)</b>
<b><i>Construction materials purchased</i></b>			
Salem Tollways Limited	-		
	(146.14)		
Kumarapalyam Tollways Limited	-		
	(120.58)		
<b>Total</b>	<b>-</b>	-	-
	<b>(266.72)</b>	<b>(-)</b>	<b>(-)</b>
<b><i>Interest paid</i></b>			
Hindustan Dorr Oliver Limited	14.95		
	(7.94)		
UAN Raju - IVRCL JV		-	
		(3.17)	
<b>Total</b>	<b>14.95</b>	-	-
	<b>(7.94)</b>	<b>(3.17)</b>	<b>(-)</b>
<b><i>Sub contractors Expenses</i></b>			
Hindustan Dorr Oliver Limited	380.32		
	(465.00)		
UAN Raju - IVRCL JV		123.91	
		(136.74)	
IVRCL Sew & Prasad JV		1,106.13	
		(946.94)	
IVRCL Harsha		51.46	
		(214.52)	
Navayuga IVRCL Sew		268.58	
		(273.05)	
IVRCL KBL MEIL JV		1,984.11	
		(-)	
IVRCL CR18G JV		380.87	
		(-)	
Palladium Infrastructures & Projects Ltd.,			282.90
			(168.65)
<b>Total</b>	<b>380.32</b>	<b>3,915.06</b>	<b>282.90</b>
	<b>(465.00)</b>	<b>(1,571.25)</b>	<b>(168.65)</b>

(Rs. in million)

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Rent Paid</b>			
Palladium Infrastructures & Projects Ltd.,			1.96
			(-)
Indus Palms Hotels & Resorts Limited			5.86
			(-)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7.82</b>
	(-)	(-)	(-)
<b>Expenses Paid</b>			
Salem Tollways Limited	20.26		
	(5.49)		
Kumarapalyam Tollways Limited	7.10		
	(4.37)		
Jalandhar Amritsar Tollways Limited	3.98		
	(3.98)		
<b>Total</b>	<b>31.34</b>	<b>-</b>	<b>-</b>
	<b>(13.84)</b>	<b>(-)</b>	<b>(-)</b>
<b>Advances</b>			
IVR Prime Urban Developers Limited	-		
	(5,429.73)		
IVRCL Road Toll Holdings Limited	33.81		
	(27.58)		
IVRCL Water Infrastructures Limited	8.44		
	(191.32)		
Alkor Petroo Limited	167.37		
	(-)		
IVRCL Building Products Limited	126.51		
	(-)		
Telcon Ecoroad Resurfaces Private Ltd.,			-
			(0.09)
Bhanu IVRCL Associates		36.06	
		(35.99)	
SPCL - IVRCL JV		18.54	
		(18.38)	
UAN Raju - IVRCL JV		100.49	
		(78.75)	
IVRCL Sew & Prasad JV		151.66	
		(95.38)	
IVRCL Navayuga Sew		46.32	
		(49.82)	
IVRCL Harsha		68.74	
		(70.77)	
Palladium Infrastructure & Projects Ltd.,			36.24
			(-)
Others	102.17	32.53	
	(70.08)	(8.09)	
<b>Total</b>	<b>438.30</b>	<b>454.34</b>	<b>36.24</b>
	<b>(5,718.71)</b>	<b>(357.18)</b>	<b>(0.09)</b>

(Rs. in million)

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Advance Received</b>			
Chennai Water Desalination Limited	2.84 (93.13)		
Hindustan Dorr Oliver Limited	0.79 (-)		
IVRCL JL JV		- (1.75)	
IVRCL KBL JV		23.75 (-)	
IVRCL KBL MEIL		24.18 (-)	
<b>Total</b>	<b>3.63</b> <b>(93.13)</b>	<b>47.93</b> <b>(1.75)</b>	- (-)
<b>Creditors for Construction Expenses</b>			
Hindustan Dorr Oliver Limited	- (378.63)		
IVRCL Sew & Prasad JV		130.01 (51.15)	
IVRCL Harsha		- (18.87)	
Navayuga IVRCL Sew		25.28 (60.26)	
Palladium Infrastructures & Projects Ltd			- (86.70)
<b>Total</b>	<b>-</b> <b>(378.63)</b>	<b>155.29</b> <b>(130.28)</b>	- <b>(86.70)</b>
<b>Provision for Advance</b>			
Bhanu IVRCL Associates		36.06 (35.99)	
<b>Total</b>	<b>-</b> <b>(-)</b>	<b>36.06</b> <b>(35.99)</b>	- (-)
<b>Debtors</b>			
IVR Prime Urban Developers Limited	8.81 (48.66)		
Chennai Water Desalination Limited	6.73 (6.73)		
SPCL – IVRCL JV		- (89.83)	
UAN Raju – IVRCL JV		21.40 (4.63)	
IVRCL Sew & Prasad JV		86.07 (83.59)	
IVRCL Navayuga Sew		326.49 (-)	
IVRCL Harsha		16.43 (33.19)	
IVRCL JL JV		108.44 (86.71)	
Paresh Infrastructures Private Limited			- (13.55)
Others		116.39 (-)	
<b>Total</b>	<b>15.54</b> <b>(55.39)</b>	<b>675.22</b> <b>(297.95)</b>	- <b>(13.55)</b>

*(Rs. in million)*

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Mobilisation Advance</b>			
Jalandhar Amritsar Tollways Limited	91.82 (318.00)		
Salem Tollways Limited	353.66 (542.99)		
Kumarapalyam Tollways Limited	312.57 (622.86)		
IVRCL Sew & Prasad		221.53 (139.75)	
IVRCL Navayuga Sew		– (18.22)	
Others	46.01 (–)		
<b>Total</b>	<b>804.06</b> <b>(1,483.85)</b>	<b>221.53</b> <b>(157.97)</b>	– (–)
<b>Retention Money</b>			
IVR Enviro Projects Private Limited	– (2.07)		
IVR Prime Urban Developers Limited	34.79 (16.30)		
IVRCL Sew & Prasad		103.70 (39.77)	
IVRCL Navayuga Sew		84.25 (83.24)	
IVRCL JL		116.87 (–)	
IVRCL KBL		63.69 (–)	
IVRCL KBL MEIL		86.70 (–)	
Others		0.86 (7.71)	
<b>Total</b>	<b>34.79</b> <b>(18.37)</b>	<b>456.07</b> <b>(130.72)</b>	– (–)
<b>Retention Money Payable</b>			
Hindustan Dorr Oliver Limited	– (6.03)		
IVRCL Sew & Prasad		64.01 (–)	
IVRCL KBL MEIL		83.04 (–)	
Palladium Infrastructures & Projects Ltd.			18.61 (11.37)
Others		4.44 (–)	
<b>Total</b>	– <b>(6.03)</b>	<b>151.49</b> <b>(–)</b>	<b>18.61</b> <b>(11.37)</b>

(Rs. in million)

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Corporate Guarantee</b>			
IVR Prime Urban Developers Limited	– (624.70)		
Kumarapalyam Tollways Limited	17.90 (17.90)		
Salem Tollways Limited	55.00 (55.00)		
Alkor Petroo Limited	2,000.00 (–)		
<b>Total</b>	<b>2,072.90</b> <b>(697.60)</b>	– (–)	– (–)
<b>Interest paid on mobilisation advance</b>			
IVRCL Sew & Prasad		13.75 (6.73)	
IVRCL Navayuga Sew		11.95 (18.94)	
IVRCL JL JV		22.51 (3.82)	
IVRCL KBL JV		8.63 (–)	
<b>Total</b>	– (–)	<b>56.84</b> <b>(29.49)</b>	– (–)
<b>Loan taken</b>			
Hindustan Dorr Oliver Limited	77.50 (147.50)		
<b>Total</b>	<b>77.50</b> <b>(147.50)</b>	– (–)	– (–)
<b>Capital Advance</b>			
IVR Prime Urban Developers Limited	– (248.32)		
<b>Total</b>	– <b>(248.32)</b>	– (–)	– (–)
<b>Capital Expenditure</b>			
IVR Prime Urban Developers Limited	– (33.20)		
<b>Total</b>	– <b>(33.20)</b>	– (–)	– (–)
<b>Loan given</b>			
IVR Prime Urban Developers Limited	2,850.00 (2,054.96)		
Chennai Water Desalination Limited	316.00 (180.60)		
Salem Tollways Limited	320.00 (–)		
<b>Total</b>	<b>3,486.00</b> <b>(2,235.56)</b>	– (–)	– (–)

(Rs. in million)

	Subsidiary Companies	Joint Venture	Associate Companies & Others
<b>Bank Guarantee Given</b>			
Jalandhar Amritsar Tollways Limited	78.90 (78.90)		
<b>Total</b>	<b>78.90</b> <b>(78.90)</b>	- (-)	- (-)
<b>Investment in Equity Shares</b>			
IVRCL Water Infrastructures Limited	500.00 (-)		
Alkor Petroo Limited	70.10 (-)		
Hindustan Dorr Oliver Limited	10.54 (57.60)		
Others	0.22 (-)		
<b>Total</b>	<b>580.86</b> <b>(57.60)</b>	- (-)	- (-)

(Rs. in million)

Key Management Personnel / Relatives	Designation	Remuneration	Dividend	Office Rent
i) Mr. E. Sudhir Reddy	Chairman and Managing Director	150.72 (98.57)	4.03 (4.23)	0.30 (0.30)
ii) Mr. E. Sunil Reddy	Director	- (-)	1.26 (1.26)	0.30 (0.30)
iii) Mr. R. Balarami Reddy	Executive Director - Finance & Group CFO	2.96 (2.28)	0.03 (0.05)	- (-)
iv) Mr. K. Ashok Reddy	Executive Director - Resources & Chairman COC	2.93 (2.27)	0.02 (0.02)	- (-)
v) Mr. E. Ella Reddy	Director	- (-)	- (-)	1.24 (1.17)
vi) Relatives		- (-)	2.75 (3.31)	1.24 (1.17)
<b>Total</b>		<b>156.61</b> <b>(103.12)</b>	<b>8.09</b> <b>(8.87)</b>	<b>3.08</b> <b>(2.94)</b>

**14. Disclosure as per Clause 32 of the Listing Agreement**

Loans and Advances in the nature of Loans given to Subsidiaries and Joint Ventures:

*(Rs. in million)*

<b>Name of the company</b>	<b>Relationship</b>	<b>Amount Outstanding as on 31.03.2008</b>	<b>Maximum Balance Outstanding during the Year</b>
IVRCL PSC Pipes Private Limited	Subsidiary	8.37	9.00
IVR Enviro Projects Private Limited	Subsidiary	30.07	30.07
IVR Prime Urban Developers Limited	Subsidiary	2,850.00	3,730.97
IVRCL Road Toll Holdings Limited	Subsidiary	33.81	33.81
IVRCL Water Infrastructures Limited	Subsidiary	8.44	508.44
IVRCL Steel Construction & Services Limited	Subsidiary	0.08	0.08
Geo-IVRCL Engineering Limited	Subsidiary	0.22	0.22
Alkor Petroo Limited	Subsidiary	167.37	185.16
Jalandhar Amritsar Tollways Limited	Fellow Subsidiary	2.90	5.29
Salem Tollways Limited	Fellow Subsidiary	26.94	75.73
Kumarapalyam Tollways Limited	Fellow Subsidiary	12.10	19.88
IVRCL Building Products Limited	Fellow Subsidiary	126.51	126.51
First STP Private Limited	Fellow Subsidiary	7.61	15.95
Paresh Infrastructures Private Limited	Associates	13.55	13.55
Bhanu IVRCL Associates	Joint venture	36.06	36.06
SPCL - IVRCL JV	Joint venture	18.54	18.54
IVRCL - Tantia JV	Joint venture	0.62	0.62
UAN Raju-IVRCL JV	Joint venture	118.70	118.70
IVRCL,Sew & Prasad JV	Joint venture	151.65	151.65
IVRCL Navayuga Sew	Joint venture	46.32	78.85
IVRCL Harsha	Joint venture	68.74	88.75
Navayuga IVRCL Sew	Joint venture	13.74	13.74
IVRCL JL JV	Joint venture	11.43	13.56
IVRCL CR18G JV	Joint venture	6.73	17.02

## 15. Employee Benefit Plan:

### (a) Gratuity Plan

(Rs. in million)

Particulars	As at 31 <sup>st</sup> March, 2008	As at 31 <sup>st</sup> March, 2007
<b>15.1 Components of Employer Expenses</b>		
Current service cost	8.89	5.03
Interest cost	2.00	1.13
Expected return on plan assets	(0.37)	–
Net Actuarial (gain)/loss to be recognized	10.76	3.75
Total expense recognized in the Statement of Profit & Loss Account	21.28	9.91
<b>15.2 Actual Contribution &amp; Benefit Payments</b>		
Actual Benefit Payments	(1.41)	(1.06)
Actual Contribution	8.89	5.62
<b>15.3 Net Asset / (Liability) recognized in Balance Sheet</b>		
Liability at the end of the year	45.21	24.97
Fair value of plan assets at the end of the year	24.33	4.61
(Net Asset) / Liability recognized in the Balance Sheet	20.88	20.36
<b>15.4 Change in Defined Benefit Obligations (DBO)</b>		
Present Value of DBO at Beginning of Year	24.97	16.06
Interest Cost	2.00	1.13
Current Service Cost	8.89	5.03
Benefits Paid	(1.41)	(1.06)
Actuarial (Gain)/ Losses on obligations	10.76	3.81
Present Value of DBO at the end of Year	45.21	24.97
<b>15.5 Change in Fair Value of Plan Assets during the year</b>		
Planned assets at beginning of the year	4.62	–
Expected return on planned assets	0.37	–
Contributions	20.75	5.62
Benefit paid	(1.41)	(1.06)
Actuarial gain/(loss) on plan assets	0.01	0.06
Fair value of plan assets at the end of the year	24.34	4.62
<b>Defined benefit plan – Gratuity Assumptions</b>		
Discount rate	8.00%	8.00%
Salary Escalation Rate	5.00%	5.00%
Rate of return on plan assets	8.00%	8.00%

## 16. Segment Reporting:

Business Segment: The Company has considered “Engineering & Construction” as one business segment for disclosure in the context of Accounting Standard 17 notified in Section 211 (3C) of the Companies Act, 1956. The Company is engaged in the business of Engineering & Construction segment only for the year under report.

Geographical Segment:

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.

## 17. Employee Share based Plan

### 1. Method used for accounting for share based plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options granted during the year is recognised as deferred compensation expense with a corresponding liability as Stock Options.

Deferred employee compensation expense is amortised on a straight line basis over a vesting period of the option granted.

### 2. The Company has granted:

Under ESOP 2004 Scheme, the members had approved 400,000 options of face value Rs. 10 each (2,000,000 options of Rs. 2 each) to the permanent employees of the Company and its subsidiaries. During the previous year, 282,660 fresh options were granted to certain employees of the Company at a single exercise price of Rs. 20.00 per stock option with a vesting period of 1 year. Out of the grant, 282,255 option holders exercised their options during the years and consequently 282,255 equity shares were allotted to them.

During the year, 15,000 options relating to ESOP 2000 Scheme were granted to certain executives of the company at a single exercise price of Rs. 2 per stock option with a vesting period of one year.

An amount of Rs. 85.37 million (Rs. 41.86 Million) is charged as Employee compensation expense.

### 3. Movement in the options during the year :

#### ESOP 2004 Scheme

Particulars	ESOP : 2004 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	282,660	20.00
Granted during the year	–	–
Exercised during the year	282,255	20.00
Lapsed during the year	405	20.00
Options outstanding during the year	–	–
Options exercisable at the end of the year	–	–

**ESOP 2000 Scheme**

Particulars	ESOP : 2000 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	–	–
Granted during the year	15,000	2.00
Exercised during the year	–	–
Lapsed during the year	–	–
Options outstanding during the year	15,000	2.00
Options exercisable at the end of the year	–	–

**4. Fair value Methodology:**

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of granting using Black-Scholes model. The key assumptions used in Black-Scholes model for computing the fair value are: (a) Risk free interest rate of 6.91% p.a. (b) Expected life of 1 year and (c) Expected volatility of share price of 15.34%. The weighted average fair value of the option works out to Rs. 352.17.

Had compensation cost for the stock options granted under ESOP 2004 been determined based on fair value approach, the Company's net profit and earning per share would have been as per the pro forma amounts indicated below:

Particulars	<i>(Rs. in million)</i>
Net Profit (as reported)	2,104.77
Add: Employee compensation expense included in net income, based on intrinsic value	85.37
Less: Employee compensation expense determined under fair value based method	85.10
Net profit ( pro forma)	2,105.04
	<b>(Rs.)</b>
Basic Earnings per share (as reported)	16.08
Basic Earnings per share (pro forma)	16.08
Diluted Earnings per share (as reported)	15.77
Diluted Earnings per share (pro forma)	15.77

**18. Derivative Instruments:**

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

<b>Particulars</b>	<b>US Dollar Equivalent (million) 2007-08</b>	<b>INR Equivalent (million) 2007-08</b>	<b>US Dollar Equivalent (million) 2006-07</b>	<b>INR Equivalent (million) 2006-07</b>
Amount receivable in foreign currency :				
Deposits with Bank	3.69	147.92	17.83	775.00
Balance with Bank	–	–	–	–
Amount payable in foreign currency:				
Foreign Currency Convertible Bonds	7.60	304.77	25.70	1,117.06

**19.** The opening pending utilization of fund raised through QIP issue and FPO of Rs.552.00 million up to March 31, 2008 are as under:

*(Rs. in million)*

<b>Particulars</b>	<b>Actual utilisation upto March 31, 2008</b>	<b>Actual utilisation upt o March 31, 2007</b>
Loan to Subsidiary	–	895.00
Repayment of Debt / Loan	550.50	4,387.61
Issue Expenses	1.45	115.39
Balance – Fixed Deposit in bank	–	550.50
Balance – in Bank	0.05	1.50
<b>Total</b>	<b>552.00</b>	<b>5,950.00</b>

**20.** Details of capacities & production, sales, raw materials consumed and finished goods.

**CAPACITIES & PRODUCTION**

<b>Class of Goods</b>	<b>Unit</b>	<b>Licensed capacity</b>	<b>Installed capacity</b>	<b>Actual Production</b>
Galvanised steel structures	MT	24,000	24,000	2,784.92

**SALES**

Class of Goods	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Galvanised steel structures	MT	2,482.02	137.94	–	–
Other Services			4.14	–	–
<b>Total</b>			<b>142.08</b>	–	–

**RAW MATERIALS CONSUMED**

Class of Goods	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Steel	MT	2,938.23	80.75		
Zinc	MT	188.78	24.99		
Chemicals / Consumable Stores		–	6.64		
<b>Total</b>			<b>112.38</b>		

**RAW MATERIALS CONSUMED**

Particulars	2007-08	2006-07
Imported	–	–
Indigenous	112.38	–
<b>Total</b>	<b>112.38</b>	–

**INVENTORIES**

Class of Goods	Unit	2007-08		2006-07	
		Quantity	Value	Quantity	Value
Galvanised steel structures	MT	303.13	14.68	–	–

Signatures to Schedules '1' to '19' forming part of the financial statements.

**E. SUDHIR REDDY**  
 Chairman &  
 Managing Director

**R. BALARAMI REDDY**  
 Executive Director – Finance  
 & Group CFO

**B. SUBRAHMANYAM**  
 Company Secretary

Place : Hyderabad  
 Date : May 28, 2008

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS IVRCL INFRASTRUCTURES & PROJECTS LIMITED

1. We have audited the attached Consolidated Balance Sheet of IVRCL Infrastructures & Projects Limited (the Company, its subsidiaries, its associates and joint ventures constitute 'the Group') as at March 31, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets of Rs. 9,103.07 million as at March 31, 2008, total revenue of Rs. 16.83 million, Group's share of profit of Rs. (20.07) million and net cash flows amounting to Rs. 540.40 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
4. (a) As stated in B – Note 3.4 of Schedule 19, in case of certain associates, the financial statements as at March 31, 2008 are not available. The investment in these associates valued at Rs. 0.55 million in the Financial Statements of the Company, have not been adjusted in the Consolidated Financial Statements in the absence of their financial statements as at March 31, 2008.
- (b) As stated in B – Note 3.4 of Schedule 19, in case of certain Joint Venture Entities, the financial statements as at March 31, 2008 are not available. The investment in these Joint Venture Entities valued at Rs. 0.21 million in the Financial Statements of the Company, have not been adjusted in the Consolidated Financial Statements in the absence of their financial statements as at March 31, 2008.
- (c) In the case of Hindustan Dorr-Oliver Limited (HDO), a subsidiary of the Company, the auditors of HDO have reported that they are unable to

express an opinion regarding the extent to which overdue debtors aggregating to Rs. 58.84 million would be realized (Refer Note B-16 of Schedule 19).

5. Attention is invited to note B-6 of schedule 19 forming part of the Financial Statements regarding the Company's claim of Rs. 1,035.52 million which are in appeal and for which no provision is made for reasons explained in the note. In the event the matter is decided against the Company, the reserves and surplus and net current assets would be lower by Rs. 1,035.52 million.
6. Subject to the matters referred to in paragraph 4 above:
  - (a) we report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard – 21, Consolidated Financial Statements, Accounting Standard – 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard-27, Financial Reporting of Interest in

Joint Ventures, notified by Companies (Accounting Standards) Rules, 2006;

- (b) based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

**For Chaturvedi & Partners**  
Chartered Accountants

**R. N. Chaturvedi**  
Partner  
Membership No. 092087

Place : Hyderabad  
Date : May 28, 2008

**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Ramesh**  
Partner  
Membership No. 70928

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008**
*(Rs. in million)*

	SCHEDULES/ NOTES	As At 31.03.2008		As At 31.03.2007	
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS' FUNDS</b>					
Share Capital	1	266.98		259.32	
Stock Options	Note-B-11 of Sch-19	9.90		40.34	
Reserves and Surplus					
Minority Interest	2	<u>24,525.84</u>	<u>24,802.72</u>	<u>15,677.22</u>	<u>15,976.88</u>
			<u>5,733.77</u>		<u>877.47</u>
<b>LOAN FUNDS</b>					
Secured Loans	3	12,435.62		5,810.42	
Unsecured Loans	4	<u>4,813.05</u>		<u>2,095.00</u>	
			<u>17,248.67</u>		<u>7,905.42</u>
Deferred Tax Liability (Net)	Note-B-8 of Sch-19		–		<u>46.34</u>
			<u><b>47,785.16</b></u>		<u><b>24,806.11</b></u>
<b>APPLICATION OF FUNDS</b>					
GOODWILL ON CONSOLIDATION			3,510.81		2,453.92
FIXED ASSETS:	5				
Gross Block		5,282.31		3,445.78	
Less: Depreciation		<u>1,272.54</u>		<u>902.97</u>	
Net Block		<u>4,009.77</u>		<u>2,542.81</u>	
Capital work-in-progress (Including Capital Advances aggregating to Rs. 516.50 million (Rs. 291.32 million))		<u>7,930.59</u>		<u>1,607.68</u>	
			<u>11,940.36</u>		<u>4,150.49</u>
INVESTMENTS	6		60.88		20.88
Deferred Tax Asset (Net)	Note-B-8 of Sch-19		32.79		–
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>					
Inventories	7	14,852.89		9,759.78	
Sundry Debtors	8	7,907.40		7,618.35	
Cash and Bank Balances	9	6,591.17		2,976.96	
Other Current Assets	10	12,022.83		6,987.19	
Loans and Advances	11	<u>6,491.59</u>		<u>4,436.85</u>	
		<u>47,865.88</u>		<u>31,779.13</u>	
Less: CURRENT LIABILITIES AND PROVISIONS:					
Current Liabilities	12	15,378.49		13,432.67	
Provisions	13	<u>247.07</u>		<u>177.80</u>	
		<u>15,625.56</u>		<u>13,610.47</u>	
NET CURRENT ASSETS			32,240.32		18,168.66
MISCELLANEOUS EXPENDITURE			–		12.16
<b>TOTAL</b>			<u><b>47,785.16</b></u>		<u><b>24,806.11</b></u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	19				
The schedules referred to above form an integral part of the Balance Sheet.					

As per our report of even date attached

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

**R. N. CHATURVEDI**  
Partner

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

**P. R. RAMESH**  
Partner

**FOR AND ON BEHALF OF THE BOARD**
**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

Place : Hyderabad  
Date : May 28, 2008

**B. SUBRAHMANYAM**  
Company Secretary

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(Rs. in million)

PARTICULARS	SCHEDULES / NOTES	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>INCOME</b>			
Income from Operations	14	38,925.29	25,428.92
Less : Indirect Tax		429.11	467.27
Net Income from Operations		<b>38,496.18</b>	<b>24,961.65</b>
Other Income	15	177.96	97.31
		<b>38,674.14</b>	<b>25,058.96</b>
<b>EXPENDITURE</b>			
Construction Expenses	16	30,430.63	20,540.11
Administration and Other Expenses	17	2,526.29	1,534.30
Interest and Financial Charges	18	480.51	361.45
Depreciation / Amortisation		374.77	250.58
Less: Transferred to Revaluation Reserve		3.55	3.69
Prior Period Adjustments		0.48	-
		<b>33,809.13</b>	<b>22,682.75</b>
<b>Profit Before Tax</b>		<b>4,865.01</b>	<b>2,376.21</b>
<b>(Add)/ Less : unrealised profit/ (loss) from intra group transactions</b>		16.09	11.52
Provision for Taxation:			
Current Tax		1,424.73	579.29
Deferred Tax		78.09	16.73
Fringe Benefit Tax		19.32	10.89
Income Tax Provision of earlier years written back		1.65	(2.27)
<b>Profit After Tax Before Minority Interest</b>		<b>3,325.13</b>	<b>1,760.05</b>
Share of loss from Associate		-	16.31
<b>(Add) / Less Minority Interest</b>		490.73	113.16
<b>Profit After Tax and Minority Interest</b>		<b>2,834.40</b>	<b>1,630.58</b>
Balance brought forward from Previous Year		1,208.78	815.90
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>4,043.18</b>	<b>2,446.48</b>
APPROPRIATIONS:			
Proposed Dividend		186.89	129.66
Corporate Dividend Tax		31.76	22.04
Transfer to General Reserve		673.21	320.00
Transfer to Special Reserve		270.00	766.00
Balance carried to Balance Sheet		<b>2,881.32</b>	<b>1,208.78</b>
Earnings per share of Face Value Rs.2 each			
- Basic (Rs.)	Note-B-9 of	21.66	14.27
- Diluted (Rs.)	Sch-19	21.29	13.35
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	19		
The schedules referred to above form an integral part of the Profit and Loss account			

As per our report of even date attached

**For CHATURVEDI & PARTNERS**

Chartered Accountants

**R. N. CHATURVEDI**

Partner

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

**P. R. RAMESH**

Partner

**FOR AND ON BEHALF OF THE BOARD**

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

**B. SUBRAHMANYAM**  
Company Secretary

Place : Hyderabad  
Date : May 28, 2008

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	<b>4,358.19</b>	<b>2,235.23</b>
Adjustment for:		
Depreciation	371.22	246.89
(Profit) /Loss on sale of fixed assets	0.83	0.11
(Profit) / Loss on Sale of Investments	0.37	-
Employees Compensation under ESOP	91.08	41.86
Provision for diminution in value of investment	1.04	18.21
Provision for doubtful Amounts & Bad Debts Written Off	3.65	25.70
(Gain)/ Loss on Foreign exchange translation	70.84	(10.87)
Interest paid (net)	<u>409.67</u>	<u>344.99</u>
	948.70	666.89
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<b>5,306.89</b>	<b>2,902.12</b>
(Increase)/ Decrease in Inventories	(5,093.11)	(244.55)
(Increase)/ Decrease in Debtors	(301.68)	(2,112.93)
(Increase)/ Decrease in Other Current Assets	(5,035.21)	(2,282.58)
(Increase)/ Decrease in Loans and Advances	(1,589.57)	(2,135.03)
Increase/ (Decrease) in Current Liabilities	<u>1,995.91</u>	<u>6,760.77</u>
	(10,023.66)	(14.32)
CASH GENERATED FROM OPERATIONS	(4,716.77)	2,887.80
Direct taxes paid	(1,913.20)	(758.39)
NET CASH (USED IN) /GENERATED FROM OPERATIONS	(6,629.97)	2,129.41
Purchase of Fixed Assets	(9,281.55)	(10,527.80)
Sale of Fixed Assets	20.30	54.69
Purchase of Investments	(19.61)	(2.22)
Sale of Investments	1.19	-
Interest Received	<u>280.62</u>	<u>200.89</u>
NET CASH USED IN INVESTING ACTIVITIES	<b>(8,999.05)</b>	<b>(10,274.44)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	0.56	30.05
Proceeds from Minority Interest	4,824.18	304.78
Proceeds from Share Premium	5,158.44	5,357.40
Proceeds from Long Term Borrowings (net of repayments)	6,625.20	895.03
Proceeds from Short Term Borrowings (net of repayments)	3,530.35	981.95
Unrealised Foreign Exchange	(51.76)	29.68
Miscellaneous Expenditure	-	(12.16)

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008 (Contd...)

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
Interest and Finance Charges Paid	(690.53)	(520.61)
Dividends paid (including dividend distribution tax paid)	(151.55)	(124.20)
NET CASH FROM FINANCING ACTIVITIES	19,244.89	6,941.92
Effects of exchange differences on translation of foreign currency cash and cash equivalents	(1.66)	(2.34)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,614.21	(1,205.45)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,976.96	4,182.41
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>6,591.17</b>	<b>2,976.96</b>

### Notes :

- Cash and Cash equivalents includes :
  - Rs. 147.92 million (Rs. 775.00 million) being fixed deposits in foreign currency made out of proceeds received from the issue of Foreign Currency Convertible Bonds.
  - Rs. 39.81 million (Rs. 76.84 million) margin money in fixed deposits account – Refer Schedule-9.
  - Bank balance includes restricted amount of Rs. 2.23 million (Rs. 2.09 million) towards unclaimed dividend.
- The Cash flow statement is prepared under 'indirect method' as set out in Accounting Standard -3 on Cash Flow Statements notified in Section 211 (3C) of the Companies Act, 1956.
- Previous year's figures have been regrouped, wherever necessary.

As per our report of even date attached

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD**

**R. N. CHATURVEDI**  
Partner

**P. R. RAMESH**  
Partner

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director -  
Finance & Group CFO

Place : Hyderabad  
Date : May 28, 2008

**B. SUBRAHMANYAM**  
Company Secretary

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
175,000,000 (175,000,000) Equity shares of Rs. 2 each	350.00	350.00
25,000,000 (25,000,000) Preference shares of Rs.2 each	50.00	50.00
	<u>400.00</u>	<u>400.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
133,489,929 (129,662,390 ) Equity shares of Rs. 2 each	266.98	259.32
– Refer Note - B 5(a) of Schedule – 19	<u>266.98</u>	<u>259.32</u>
<b>SCHEDULE – 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Capital Reserve – At the commencement of the year	1.80	1.80
Add / (Less) : Subsidy received during the year	<u>(0.58)</u>	<u>(0.58)</u>
	1.22	1.22
Security Premium Account – At the commencement of the year	12,028.03	4,859.85
Add : Additions during the year on account of conversion of FCCB of US \$18.10 million into Equity Shares , QIP Issue, exercise of options and conversion of warrants	6,280.44	7,335.27
Less : Provision towards redemption premium on FCCB of US \$ 7.60 million, and Expenses relating to issue of Qualified Institutional Placement.	<u>5.10</u>	<u>167.09</u>
	18,303.37	12,028.03
Revaluation Reserve – At the commencement of the year	140.68	144.06
Add: Additions during the year	0.47	0.31
Less : Depreciation on revalued portion of assets	<u>3.55</u>	<u>3.69</u>
	137.60	140.68
General Reserve – At the commencement of the year	1,532.51	1,274.06
Less : Adjustment on account of Consolidation during the year	32.12	16.96
Add : Transfer from Profit and Loss Account	673.21	320.00
Less : Adjustment towards employee benefits (net of deferred tax of Rs. 3.75 million) in accordance with the transitional provisions of AS - 15 notified under Section 211 (3C) of the Companies Act, 1956	<u>7.27</u>	<u>44.59</u>
	2,166.33	1,532.51
Special Reserve - At the commencement of the year	766.00	–
Add : Transfer from Profit and Loss Account	<u>270.00</u>	<u>766.00</u>
	1,036.00	766.00
Profit and Loss Account	<u>2,881.32</u>	<u>1,208.78</u>
	<b><u>24,525.84</u></b>	<b><u>15,677.22</u></b>

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 3</b>		
<b>SECURED LOANS</b>		
<b>TERM LOANS</b>		
From Banks	6,090.71	1,704.57
From Others	581.02	81.03
Project -Specific Term Loans from Banks	54.71	742.90
Earth Moving Equipment and Vehicle Loans from Banks	41.05	314.97
Earth Moving Equipment and Vehicle Loans from Others	45.83	102.93
	<b>6,813.32</b>	<b>2,946.40</b>
<b>WORKING CAPITAL LOANS</b>		
Working Capital Demand Loans from consortium of Banks	4,800.02	2,073.86
Project-Specific Working Capital Loans from Banks	822.28	790.16
	<b>5,622.30</b>	<b>2,864.02</b>
	<b>12,435.62</b>	<b>5,810.42</b>
<b>SCHEDULE – 4</b>		
<b>UNSECURED LOANS</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
– From Banks	4,508.28	977.94
– Foreign Currency Convertible Bonds	304.77	1,117.06
	<b>4,813.05</b>	<b>2,095.00</b>

**Note:** Amounts repayable within one year Rs. 4,508.28 million (Rs. 977.94 million).

**SCHEDULE – 5**  
**Schedule of Fixed Assets (Consolidated)**

(Rs. in million)

Particulars	Gross Block at Cost / Revaluation				Depreciation				Net Block	
	As at 01.04.2007	Additions	Adjustments	As at 31.03.2008	Up to 01.04.2007	For the Year	Adjustments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land – Freehold	267.72	156.56	8.53	415.75	–	–	–	–	415.75	267.72
Land – Leasehold	34.01	30.04	–	64.05	5.41	2.83	–	8.24	55.81	28.60
Buildings	340.48	249.00	–	589.48	113.94	68.47	–	182.41	407.07	226.54
Roads	0.55	–	–	0.55	0.17	0.08	–	0.25	0.30	0.38
Plant & Machinery	2,077.38	1,068.45	7.38	3,138.45	492.40	203.25	0.64	695.01	2,443.44	1,584.98
Motor Vehicles	415.44	235.24	8.12	642.56	133.02	52.16	3.84	181.34	461.22	282.42
Furniture	69.32	33.39	1.64	101.07	41.64	13.68	0.30	55.02	46.05	27.68
Office Equipment	224.17	90.17	0.65	313.69	105.57	32.34	0.42	137.49	176.20	118.60
Technical know-how	9.81	–	–	9.81	3.92	1.96	–	5.88	3.93	5.89
Goodwill	6.90	–	–	6.90	6.90	–	–	6.90	–	–
<b>GRAND TOTAL</b>	<b>3,445.78</b>	<b>1,862.85</b>	<b>26.32</b>	<b>5,282.31</b>	<b>902.97</b>	<b>374.77</b>	<b>5.20</b>	<b>1,272.54</b>	<b>4,009.77</b>	<b>2,542.81</b>
	<b>(2,187.71)</b>	<b>(1,341.61)</b>	<b>(83.54)</b>	<b>(3,445.78)</b>	<b>(679.93)</b>	<b>(250.58)</b>	<b>(27.54)</b>	<b>(902.97)</b>	<b>(2,542.81)</b>	

**SCHEDULES (Consolidated Accounts)**

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 6</b>		
<b>INVESTMENTS :</b>		
<b>LONG TERM INVESTMENTS</b>		
IN PARTNERSHIP FIRMS	0.21	0.21
IN ASSOCIATE BODIES CORPORATE – UNQUOTED	24.55	24.55
Less : Goodwill on Investment	–	1.90
Less : Share of loss from Associate	–	21.09
	<u>24.55</u>	<u>21.09</u>
<b>OTHERS</b>		
Shares – QUOTED	–	0.34
Shares – UNQUOTED	2.21	2.21
Less : Provision for diminution in value of Investments	0.53	0.63
	<u>1.68</u>	<u>1.92</u>
<b>CURRENT INVESTMENTS</b>		
Shares – QUOTED	16.55	17.19
<b>INVESTMENT IN MUTUAL FUNDS</b>	19.02	–
Less : Provision for diminution in value of Investments	1.13	–
	<u>17.89</u>	<u>–</u>
	<u><b>60.88</b></u>	<u><b>20.88</b></u>
<b>SCHEDULE – 7</b>		
<b>INVENTORIES</b>		
<i>At Projects sites - (at cost)</i>		
- Stores and Spares	2,239.03	949.70
<i>At Factory - (at lower of cost and net realisable value)</i>		
- Stores and Spares	65.96	–
- Finished Goods	15.32	–
- Work-in-Progress	701.09	–
Stock-in-trade	–	2.80
Inventories of properties, semi finished materials, etc.	78.02	504.50
Freehold Land	3,052.05	89.40
Property Development Rights	6,709.68	6,220.99
EMD with Group Companies	1,991.74	1,992.39
	<u><b>14,852.89</b></u>	<u><b>9,759.78</b></u>
<b>SCHEDULE – 8</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	1,811.16	1,417.10
Other debts	6,117.72	6,210.96
	<u><b>7,928.88</b></u>	<u><b>7,628.06</b></u>
Less: Provision for Doubtful Debts	21.48	9.71
	<u><b>7,907.40</b></u>	<u><b>7,618.35</b></u>
<b>Of the above</b>		
Considered good	7,907.40	7,618.35
Considered doubtful	21.48	9.71
	<u><b>7,928.88</b></u>	<u><b>7,628.06</b></u>

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	As At 31.03.2008	As At 31.03.2007
<b>SCHEDULE – 9</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash and Cheques on Hand	62.59	33.85
b) Balances with Scheduled Banks		
1. In Current Accounts	1,361.95	1,136.03
2. In Fixed Deposit Accounts		
– Margin Money	39.81	76.84
– Fixed Deposit in Foreign Currency	147.92	775.00
– Others	4,978.90	955.24
	<b><u>6,591.17</u></b>	<b><u>2,976.96</u></b>
<b>SCHEDULE – 10</b>		
<b>OTHER CURRENT ASSETS (Unsecured)</b>		
Interest Accrued other than on Investments	21.25	20.83
Retention Money	3,698.60	2,578.03
Other Deposits	1,473.93	876.35
Unbilled Revenue	6,673.64	3,414.17
Other Receivables	159.50	101.90
	<b><u>12,026.92</u></b>	<b><u>6,991.28</u></b>
Less: Provision for Doubtful Deposits	4.09	4.09
	<b><u>12,022.83</u></b>	<b><u>6,987.19</u></b>
<b>Of the above</b>		
Considered good	12,022.83	6,987.19
Considered doubtful	4.09	4.09
	<b><u>12,026.92</u></b>	<b><u>6,991.28</u></b>
<b>SCHEDULE – 11</b>		
<b>LOANS AND ADVANCES (Unsecured, unless otherwise stated)</b>		
(Unsecured, unless otherwise stated)		
Advance to Joint Venture partnership firms in which the company is a partner	454.34	357.18
Advances recoverable in cash or in kind or for value to be received:-		
– Secured	8.67	8.67
– Unsecured	4,998.37	3,515.27
Tax deducted at Source and Advance Tax (net of provisions)	1,099.13	631.64
Balance with Post Office (held in the names of employees)	0.36	0.36
Balances with Central Excise Department	16.71	7.40
	<b><u>6,577.58</u></b>	<b><u>4,520.52</u></b>
Less: Provision for Doubtful Advances	85.99	83.67
	<b><u>6,491.59</u></b>	<b><u>4,436.85</u></b>
<b>Of the above</b>		
Considered good	6,491.59	4,436.85
Considered doubtful	85.99	83.67
	<b><u>6,577.58</u></b>	<b><u>4,520.52</u></b>

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	As At 31-03-2008	As At 31-03-2007
<b>SCHEDULE – 12</b>		
<b>CURRENT LIABILITIES</b>		
Advances received from Contractee-Clients	2,105.43	1,228.71
Trade deposits	51.45	48.02
Sundry Creditors :		
Dues to Small Scale Industrial undertakings	–	11.77
Dues to Micro and Small Enterprises	12.90	–
Joint Ventures	47.93	1.75
Others	12,598.89	10,923.79
Other Liabilities (including employee benefits)	499.13	1,110.03
Share Application Money Refund	0.98	–
Interest accrued but not due on loans	58.88	106.51
Liability towards Investors Education & Protection Fund under Section 205C of the Companies Act,1956		
– Not due – Unclaimed Public Deposit and interest on it	0.67	–
– Not due – Unclaimed Dividends	2.23	2.09
	<b><u>15,378.49</u></b>	<b><u>13,432.67</u></b>
<b>SCHEDULE – 13</b>		
<b>PROVISIONS</b>		
Proposed Dividend	186.89	129.66
Tax on Proposed Dividend	31.76	22.04
Gratuity	28.42	26.10
	<b><u>247.07</u></b>	<b><u>177.80</u></b>

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
<b>SCHEDULE – 14</b>		
<b>INCOME FROM OPERATIONS</b>		
Gross work Bills	33,600.41	21,821.64
Sale of Systems, Equipments, Services and Spares	2,733.21	2,152.66
Income from Sale of Villas & Flats	2,328.79	1,338.85
Share of profit from Joint Ventures	120.80	115.77
Sale of Products	142.08	–
	<u>38,925.29</u>	<u>25,428.92</u>
<b>SCHEDULE – 15</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	63.73	85.04
Dividend Income from Subsidiaries	9.50	–
Dividend Income on long term Investments	91.45	6.18
Profit on sale of Long Term Investments	0.37	–
Profit on sale of Fixed Assets	1.62	–
Liabilities no longer required written back	11.29	6.09
	<u>177.96</u>	<u>97.31</u>
<b>SCHEDULE – 16</b>		
<b>CONSTRUCTION EXPENSES</b>		
Opening stock of project stores/Residential Properties	1,266.02	373.73
Add : Purchase of construction and other materials	16,285.74	11,840.40
Less : Closing stock of project Stores/Residential Properties	<u>2,391.34</u>	<u>1,266.02</u>
	15,160.42	10,948.11
Construction and other materials:		
Sub-contractors' work bills	7,572.90	4,604.23
Masonry and other works	6,506.49	4,192.36
Repairs and maintenance:		
Construction machinery	110.41	153.68
Others	<u>241.19</u>	<u>153.97</u>
	351.60	307.65
Electricity and water charges	62.55	37.33
Machinery hire charges	566.98	352.09
Royalty/ Lease paid	67.34	37.42
Laboratory testing charges	24.35	19.29
Manufacturing Expenses	38.21	41.63
Raw material Consumed	112.38	–
(Increase) / Decrease in Finished Goods and WIP	<u>(32.59)</u>	–
	79.79	–
	<u>30,430.63</u>	<u>20,540.11</u>

## SCHEDULES (Consolidated Accounts)

(Rs. in million)

	For the Year ended 31-03-2008	For the Year ended 31-03-2007
<b>SCHEDULE – 17</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Salaries, wages and bonus	1,029.22	584.75
Contribution to Provident, Superannuation and Other Funds	88.01	64.20
Staff Welfare Expenses including Gratuity accruals	327.95	204.52
Employee compensation expense under ESOP	91.08	41.86
Managerial Remuneration	208.30	121.43
Traveling and Conveyance	141.84	82.30
Printing and Stationery	45.04	32.76
Communication Expenses	52.82	39.77
Rates and Taxes	43.71	17.27
Tender expenses	15.66	13.09
Business Promotion	7.18	6.74
Office maintenance	85.42	47.96
Rent	71.23	36.65
Advertisement and Publicity	26.58	22.89
Auditors' remuneration		
Audit Fees	11.61	8.80
Tax Audit Fee	0.35	0.35
Other Services	0.80	0.92
Reimbursement of expenses	0.34	0.30
	13.10	10.37
Directors' sitting fees	0.91	0.20
Legal and Professional Charges	131.07	67.69
Insurance	72.93	61.45
Miscellaneous expenses	49.83	35.76
Loss on Assets sold / discarded	2.45	6.37
Provision for doubtful debts, advances and deposits	14.95	31.79
Provision for diminution in value of investment	1.13	–
Loss on sale of investments	0.38	–
Marketing Expenses	3.96	4.46
Preliminary Expenses Written Off	1.54	0.02
	<b>2,526.29</b>	<b>1,534.30</b>
<b>SCHEDULE – 18</b>		
<b>FINANCIAL CHARGES</b>		
Interest on Fixed Loans	254.84	114.77
Foreign Exchange Loss	70.84	16.47
Other Interest		
Interest on other Credit Facilities	235.29	318.79
Bank and Financing Charges	191.65	78.28
Interest on Others	8.92	12.46
Less: Interest from Banks and Others	281.03	179.32
	<b>480.51</b>	<b>361.45</b>

## Notes to the Consolidated Financial Statements

### SCHEDULE -19

#### Significant accounting policies and Notes

##### A. Significant accounting policies:

###### 1. Method of Accounting

The financial statements are based on historical cost convention (except for revaluation of certain Fixed assets) and prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) and in compliance with the Accounting Standards notified in Section 211 (3C) of the Companies Act, 1956.

###### 2. Use of Accounting Estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Examples of such estimates include contract costs expected to be incurred to complete construction contracts, provision for doubtful debts, income taxes and future obligations under employee retirement benefit plans. Management periodically assesses whether there is an indication that an asset may be impaired and makes provision in the accounts for any impairment losses estimated. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

###### 3. Recognition of contract revenue and expenses

- 3.1** Contract Revenue is recognised by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method.
- 3.2** The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.
- 3.3** An expected loss on the construction contract is recognised as an expense immediately when it is certain that the total contract costs will exceed the total contract revenue.
- 3.4** Price escalation and other claims and /or variation in contract work are included in revenue only when :
- (a) Negotiations have reached an advanced stage such that it is probable that customer will accept the claim; and
  - (b) The amount that is probable will be accepted by the customer can be measured reliably.
- 3.5** Incentive payments, as per customer-specified performance standards, are included in contract revenue only when:
- (a) The contract is sufficiently advanced that it is probable that the specified performance standards will be met; and
  - (b) The amount of the incentive payment can be measured reliably.
- 3.6** In case of one of the subsidiaries, Revenue on sale of properties is recognized on transferring the significant risk and rewards of ownership and the amount of sale consideration is fixed through agreement for sale or registration of sale deed as per Accounting Standard (AS) 9, Revenue recognition. However, in case where the seller is obliged to perform any substantial acts after the transfer of all significant risks and rewards of ownership, revenue is recognized

on proportionate basis as the acts are progressively performed, by applying the percentage of completion method as explained in Accounting Standard AS-7 (revised 2002), Construction Contracts.

- 3.7** In case of one of the subsidiaries, Income from commission receivable from foreign collaborator is accounted for as and when confirmed by them to the Company.
- 3.8** Revenue from sale of manufactured goods is recognized when substantial risks and rewards of ownership are transferred to the buyer under terms of the contract.

#### **4. Revenue receipts on joint venture contracts**

- 4.1** In work sharing Joint Venture arrangements, revenues, expenses, assets and liabilities are accounted for in the Company's books to the extent work is executed by the Company.
- 4.2** In jointly controlled entities, the share of income and expenses is proportionately taken by way of line addition as per mutual arrangements between the joint venturers.

#### **5. Employees Benefits**

##### **5.1 Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity covering eligible employees on the basis of actuarial valuation as carried out by an Actuary. The liability is unfunded.

##### **5.2 Leave encashment**

Leave encashment liability is provided on the total leave entitlement eligible for encashment, assuming all employees will exercise their right to encash as on the date of Balance Sheet.

##### **5.3 Superannuation**

In terms of the Superannuation Scheme of the Company, certain employees of the Company are covered in the defined contribution plan. Under this plan, the Company makes annual contributions, to an approved Superannuation Fund under a policy with Life Insurance Corporation of India. The Company has no further obligations on this account beyond its yearly contributions.

##### **5.4 Provident Fund**

Provident fund Contributions are made to the Government administered provident fund. The Company has no further obligations beyond these contributions charged in the financial statements.

#### **6. Fixed Assets**

Fixed Assets are stated at cost/valuation less accumulated depreciation and amortisation. Direct costs inclusive of inward freight, duties and taxes, incidental expenses including interest relating to acquisition and cost of improvements thereon are capitalised until fixed assets are ready for use. Capital Work in Progress comprises advances paid to acquire fixed assets, and the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

#### **7. Depreciation and amortisation**

- 7.1** Depreciation on fixed assets is provided on the straight-line method as per rates prescribed in Schedule XIV to the Companies Act, 1956 except the following which are depreciated based on useful life determined by the Company.
- Steel Shuttering            10%
  - Wood Shuttering            33 1/3%
- 7.2** Pucca sheds and land acquired for quarrying are amortized over the period of the Project on project-to-project basis.

In some Subsidiaries and Joint Ventures, the depreciation is calculated on different method by adopting different rates. The depreciation charge in respect of these entities is not significant in the content of the consolidated financial statements.

**8. Foreign currency transactions**

Monetary assets and current liabilities are translated at the exchange rate prevailing on the Balance Sheet date. Gains/Losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss Account in the period in which they arise.

**9. Inventories**

Inventories, are valued at cost. Cost is determined on first-in-first-out method. Finished goods are valued at lower of cost and net realisable value. Work-in-progress, comprising developing long term properties and assets are valued at direct cost of construction including borrowing and other costs incidental thereto incurred up to the state of keeping those qualifying assets ready for sale in compliance with AS 16.

Inventory of manufactured goods and raw materials are valued at lower of cost and net realizable value. Cost of manufactured goods includes related overheads and excise duty paid/payable on such goods.

**10. Investments**

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost less provision for permanent diminution in value of such investments. Dividend Income is accounted when the right to receive dividend is established.

**11. Borrowing Costs**

Borrowing costs that are attributable to the acquisition and construction of qualifying assets are capitalised as part of cost of such assets till such time the asset is ready for its intended use. A qualifying asset is one that requires substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss Account in the period in which they are incurred.

**12. Income Tax**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

Deferred tax assets and liabilities are recognised, subject to prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and quantified using the tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

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

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

## B. NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

1. All amounts in the financial statements are presented in Rupees in million except per share data and as other wise stated. Figures in brackets *or in Italics* represent corresponding previous year figures in respect of Profit & Loss items, and in respect of Balance Sheet items as on the Balance Sheet date of the previous year. Figures for the previous year have been regrouped/rearranged wherever considered necessary to confirm to the figures presented in the current year.
2. **CRITERIA FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:**
  - 2.1 IVRCL Infrastructures & Projects Limited the Company has presented consolidated Financial Statements by consolidating its own financial statements with those of its Subsidiaries and Joint Ventures in accordance with Accounting Standard- 21(Consolidated Financial Statements), Accounting Standard – 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standard-27 (Financial Reporting of Interests in Joint Ventures) notified in Section 211 (3C) of the Companies Act, 1956.
  - 2.2 The Financial statements of each of those Subsidiaries and Joint Ventures are prepared in accordance with the generally accepted accounting principles & accounting policies of the Parent Company. The effects of inter-company transactions between consolidated companies/entities are eliminated in consolidation.
3. **Disclosure of Particulars regarding subsidiaries, Joint Ventures and Associates:**
  - 3.1 **Subsidiaries included in the Consolidated Financial Statements in terms of AS-21 are as follows:-**

Names of Subsidiaries	Controlling Interest with voting power	Country of Incorporation
IVR Enviro Projects Private Limited	89.94%	India
IVRCL PSC Pipes Private Limited	66.43%	India
IVR Prime Urban Developers Limited	62.35%	India
Hindusthan Dorr-Oliver Limited	53.00%	India
Geo-IVRCL Engineering Limited	98.80%	India
IVRCL Road Toll Holdings Limited	100.00%	India
IVRCL Water Infrastructures Limited	100.00%	India
IVRCL Steel Constructions & Services Limited	100.00%	India
Alkor Petroo Limited	84.91%	India
Jalandhar Amritsar Tollways Limited	100.00%	India
Kumarapalyam Tollways Limited	100.00%	India
Salem Tollways Limited	100.00%	India
Chennai Water Desalination Limited	75.00%	India
First STP Private Limited	95.00%	India
IVR Hotels & Resorts Limited	66.88%	India
IVR Mega Malls Limited	100.00%	India
HDO Technologies Limited	53.00%	India
IVRCL Building Products Limited	60.00%	India
Agaram Developers Private Limited	100.00%	India
Papankuzhi Developers Private Limited	100.00%	India
Mummididi Developers Private Limited	100.00%	India

<b>Names of Subsidiaries</b>	<b>Controlling Interest with voting power</b>	<b>Country of Incorporation</b>
Samatteri Developers Private Limited	100.00%	India
Velursantha Developers Private Limited	100.00%	India
Annupampattu Developers Private Limited	100.00%	India
Kunnam Developers Private Limited	100.00%	India
Tirumani Developers Private Limited	100.00%	India
M.M.Kuppam Developers Private Limited	100.00%	India
Ilavampedu Developers Private Limited	100.00%	India
Haripuram Developers Private Limited	100.00%	India
Chodavaram Developers Private Limited	100.00%	India
Vedurwada Developers Private Limited	100.00%	India
Lamda Developers Private Limited	100.00%	India
Rudravaram Developers Private Limited	100.00%	India
Kappa Developers Private Limited	100.00%	India
Eta Developers Private Limited	100.00%	India
Iota Developers Private Limited	100.00%	India
Annavaram Developers Private Limited	100.00%	India
Gajuwaka Developers Private Limited	100.00%	India
Geo Prime Developers Private Limited	100.00%	India
Theata Developers Private Limited	100.00%	India
Duvvda Developers Private Limited	100.00%	India
Gamaa Developers Private Limited	100.00%	India
Simhachalam Prime Developers Private Limited	100.00%	India
Siripuram Developers Private Limited	100.00%	India
Kasibugga Developers Private Limited	100.00%	India
Vijayawada Developers Private Limited	100.00%	India
Kalyug Developers Private Limited	100.00%	India
Eluru Developers Private Limited	100.00%	India
IVR Prime Developers (Nellore) Private Limited	100.00%	India
IVR Prime Developers (Amalapuram) Private Limited	100.00%	India
IVR Prime Developers (Erode) Private Limited	100.00%	India
IVR Prime Developers (Guntur) Private Limited	100.00%	India
IVR Prime Developers (Kakinada) Private Limited	100.00%	India
IVR Prime Developers (Araku) Private Limited	100.00%	India
IVR Prime Developers (Pudukkottai) Private Limited	100.00%	India
Absorption Aircon Engineer Private Limited	100.00%	India
IVR Prime Developers (Vanaprastha) Private Limited	66.67%	India
IVR PUDL Resorts & Clubs Private Limited	66.67%	India
IVR Prime Developers (Palakkad ) Private Limited	100.00%	India
IVR Prime Developers ( Guindy ) Private Limited	100.00%	India

**3.2 Joint Ventures of the Company and the share of interest in Joint Ventures are as follows:-**

<b>Names of the Joint Ventures</b>	<b>Share of Interest</b>	<b>Type of JV</b>
SPCL-IVRCL	49.00%	Jointly Controlled Operations
IVRCL-TANTIA	50.00%	Jointly Controlled Entity
BHANU-IVRCL ASSOCIATES	50.00%	Jointly Controlled Entity
UAN RAJU-IVRCL CONSTRUCTION	51.00%	Jointly Controlled Operations
IVRCL, SEW & Prasad	50.00%	Jointly Controlled Operations
IVRCL-HARSHA	80.00%	Jointly Controlled Operations
IVRCL-NAVAYUGA-SEW	35.75%	Jointly Controlled Operations
IVRCL-NAGARJUNA-SMC	25.00%	Jointly Controlled Operations
NAVAYUGA-IVRCL-SEW	35.75%	Jointly Controlled Operations
IVRCL – JL	90.00%	Jointly Controlled Operations
IVRCL – CR18G	90.00%	Jointly Controlled Operations
IVRCL – KBL	80.00%	Jointly Controlled Operations
IVRCL – KBL – MEIL	65.00%	Jointly Controlled Operations

**3.3 The Associates of the Company and the ownership interest in Associates are as follows:**

<b>Name of The Company</b>	<b>Share of Interest</b>
Paresh Infrastructures Private Limited	49%
VIVA Infrastructures Private Limited	50%

**3.4 Associates & Joint Ventures not included in consolidation**

**Associates:** VIVA Infrastructures Private Limited and Paresh Infrastructures Private Limited have not been included for consolidation as the financial statements as at March 31, 2008 are not available. However due to diminution in value of investment in VIVA Infrastructures Private Limited a provision is made for entire amount.

**Joint Ventures:** Bhanu IVRCL Associates and IVRCL – TANTIA have not been included for consolidation as the financial statements as at March 31, 2008 are not available.

**4. Principles of consolidation:**

The Consolidated Financial Statements relate to IVRCL Infrastructures & Projects Ltd, and its majority owned subsidiary Companies. The Consolidated Financial Statements have been prepared on the following basis:

- 4.1** The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as per Accounting Standard 21 – Consolidated Financial Statements issued by the notified in Section 211 (3C) of the Companies Act, 1956.

- 4.2 The difference between the cost of investments in the subsidiary companies over the net assets is recognised in the financial statements as Goodwill upon consolidation.
- 4.3 The financial statements of the subsidiaries and joint ventures used in the consolidation are drawn up to the same reporting date as that of the parent company i. e., 31<sup>st</sup> March, 2008.
- 4.4 Minority interests' share of net profit/losses of subsidiaries consolidated for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to the shareholders of the Company.
- 4.5 Minority interests' share of net assets of consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and equity of the Company's shareholders.
- 4.6 Interests in Joint Ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures notified in Section 211 (3C) of the Companies Act, 1956.
- 4.7 Investments in Associate are accounted for in consolidated financial statements under equity method as per Accounting Standard 23 – Accounting in Investment in Associates in Consolidated Financial Statements.
5. a) During the year, some of the Foreign Currency Convertible Bond holders have exercised their option of converting their bonds into equity shares. Till the date of the Balance Sheet, amounts aggregating to US \$ 18.10 million worth of bonds were converted into 3,545,284 equity shares of the face value of Rs.2 each.
- b) Rs. 70.84 million has been debited to the Profit and Loss account during the year towards foreign exchange translation difference on Foreign Currency Convertible Bonds and deposits in foreign currency.

**6. Contingent Liabilities (not provided for):**

*(Rs. in million)*

<b>Particulars</b>	<b>As at March 31, 2008</b>	<b>As at March 31, 2007</b>
<b>6.1</b> Bank Guarantees/Letters of Credit issued by the banks on behalf of the Company,	20,370.35	14,379.64
Claims against the Company not acknowledged as debts	52.46	52.57
Tax demands contested in appeal filed by the Company in the Tribunal	25.74	41.25
Disputed Sales Tax (on appeal)	36.36	31.11
Disputed Central excise, customs duty & stamp duty	7.03	6.35
Corporate Guarantees issued by the Company	2,087.44	697.60

- 6.2** The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2001-02 to 2006-07 has been disallowed by the Income tax authorities in respect of which the Company had preferred an appeal. The claim of the Company has been disputed by the Tax Authorities and the matter was referred to the special bench of the Income Tax Appellate Tribunal (ITAT). The Honorable Special Bench of ITAT vide its order dated 25.04.2008 has remanded back the case for the AY 2001-02 to the Assessing Officer with a direction to consider the allowability of the deduction under section 80 IA of the Act on the basis of materials already on record and additional evidences submitted/ to be submitted by the Company. Based on professional advice, management is of the view that the provisions made for taxation are adequate. Hence the tax effect amounting to Rs. 1,035.52 million (Rs. 765.52 million up to 31.03.2007) in respect of claim of the Company (including disallowances) up to March 31, 2008 have not been provided.
- 6.3** Estimated amount of Contracts to be executed on capital account Rs. 7,414.58 million (Rs.11,959.12 million).
- 7.** The Company has claimed deduction under Section 80 IA of the Income Tax Act, 1961 in respect of profits and gains derived from the development of infrastructure facilities. The claim of the Company has been disputed by the Tax Authorities and the matter was pending before Income Tax Appellate Tribunal (ITAT). Further, The ITAT had constituted a Special Bench to dispose of the entire appeal of the Company. The Honorable Special Bench of ITAT vide its order dated 25.04.2008 has remanded back the case for the AY 2001-02 to the Assessing Officer with a direction to consider the allowability of the deduction under section 80 IA of the Act on the basis of materials already on record and additional evidences submitted/to be submitted by the Company. The Company, being a developer of infrastructure facilities, has been advised that its claims are tenable. Accordingly the tax provision for the year has been determined on the basis that the claim under Section 80 IA of the Act is available to the Company and the tax effect amounting to Rs 1,035.52 million (Rs. 765.52 million up to 31.03.2007) in respect of claim of the Company (including disallowances) up to March 31, 2008 has not been provided. However, the Company, as a measure of abundant precaution has appropriated and set aside an amount of Rs. 1036 million including Rs. 270 million for the year to a Special Reserve.

**8. Components of Deferred Tax Assets and Liabilities:**

*(Rs. in million)*

	<b>As at 31.03.2008</b>	<b>As at 31.03.2007</b>
<b>DEFERRED TAX LIABILITY</b>		
Difference between book and tax depreciation	(197.64)	(136.74)
<b>TOTAL DEFERRED TAX LIABILITY</b>	<b>(197.64)</b>	<b>(136.74)</b>
<b>DEFERRED TAX ASSET</b>		
Provision for Gratuity	9.43	7.32
Provision for Leave Encashment	29.85	9.17
Provision for Doubtful Debts, Advances, Deposits and Bonus	39.46	33.37
Public Issue Expenses	118.02	12.35
Carry Forward Losses	28.92	12.35
Others	4.75	15.84
<b>TOTAL DEFERRED TAX ASSET</b>	<b>230.43</b>	<b>90.40</b>
<b>NET DEFERRED TAX ASSET ( LIABILITY )</b>	<b>32.79</b>	<b>( 46.34)</b>

## 9. Reconciliation of Basic and Diluted shares used in computing Earnings Per Share:

	As at 31.03.2008	As at 31.03.2007
Profit After Tax for calculation of Basic EPS	2,834.40	1,630.58
Profit After Tax for calculation of Diluted EPS	2,817.52	1,596.52
Number of shares considered as weighted average shares for calculation of Basic Earnings Per Share(EPS)	130,859,471	114,245,429
Add: Dilutive effect of potential shares out of stock Options / FCCB etc., outstanding	1,502,833	5,303,914
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	132,362,304	119,549,343
Basic EPS (Rs.)	21.66	14.27
Diluted EPS (Rs.)	21.29	13.35

## 10. RELATED PARTY DISCLOSURE

Information regarding Related Parties and Transactions, if any, with them as per Accounting Standard 18 notified in Section 211 (3C) of the Companies Act, 1956 is given below:

### LIST OF RELATED PARTIES

#### RELATED PARTIES WITH WHOM COMPANY HAD TRANSACTIONS

##### I) Associates & Joint Ventures

Viva Infrastructure Pvt. Limited	Associate Company
Paresh Infrastructures Pvt. Limited	Associate Company
SPCL-IVRCL JV	Joint Venture
IVRCL-Tantia JV	Joint Venture
Bhanu-IVRCL Associates	Joint Venture
UAN Raju-IVRCL Construction JV	Joint Venture
IVRCL, SEW & PRASAD JV	Joint Venture
IVRCL-HARSHA JV	Joint Venture
IVRCL-NAVYUGA-SEW JV	Joint Venture
IVRCL-NAGARJUNA-SMC JV	Joint Venture
NAVYUGA-IVRCL-SEW JV	Joint Venture
IVRCL – JL JV	Joint Venture
IVRCL – CR18G JV	Joint Venture
IVRCL – KBL JV	Joint Venture
IVRCL – KBL – MEIL JV	Joint Venture

##### II) Entities where control exists

S.V. Equities Limited
Palladium Infrastructures & Projects Limited
Soma Hotels & Resorts Limited
Eragam Holdings Limited
Eragam Finlease Limited
Indus Palms Hotels & Resorts Limited

##### III) Key Management Personnel

Mr. E. Sudhir Reddy
Mr. E. Sunil Reddy
Mr. R. Balarami Reddy
Mr. K. Ashok Reddy
Mr. S. C. Sekaran
Mr. S. V. Ramkumar

**Relatives of Key Management Personnel**

Mr. E. Ella Reddy  
 Mrs. E. Sujatha Reddy  
 Mrs. E. Indira Reddy  
 Mr. E. Sidhanth Reddy  
 Mr. E. Sanjeeth Reddy  
 Ms. E. Suha Reddy  
 Ms. E. Soma Reddy  
 Mrs. R. Vani

**DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31ST MARCH 2008.**

(Rs. in million)

	Joint Ventures	Associate Companies & Others
Income	10,651.61 (5,406.76)	– ( – )
Interest Received	8.33 (2.11 )	– ( – )
Interest Paid	– ( 3.17 )	– ( – )
Sub contractor Expenses	3,915.06 ( 1,571.25 )	282.90 ( 168.65)
Rent Paid		7.82 ( – )
Advances Paid	454.34 (357.18)	36.24 (13.64)
Advances Received	47.93 ( 1.75 )	– ( – )
Creditors for steel, Construction Expenses	155.29 (130.28)	– ( 86.70)
Provision for Advance	36.06 (35.99)	– ( – )
Debtor	675.22 (297.95)	– ( – )
Mobilisation Advance	221.53 (157.97)	– ( – )
Retention Money received	456.07 (130.72)	– ( – )
Retention Money payable	151.49 ( – )	18.61 (11.37)
Interest paid on Mobilisation Advance	56.84 (29.49)	– ( – )

(Rs. in million)

Key Management Personnel / Relatives	Designation	Remuneration	Dividend	Office Rent
i) Mr. E. Sudhir Reddy	Chairman & Managing Director	150.72 (98.57)	4.03 (4.23)	0.90 (0.60)
ii) Mr. E. Sunil Reddy	Managing Director (Subsidiary)	47.54 (16.57)	1.26 (1.26)	0.90 (0.60)
iii) Mr. R. Balarami Reddy	Director – Finance & Group CFO	2.96 (2.28)	0.03 (0.05)	– (–)
iv) Mr. K. Ashok Reddy	Director – Resources & Chairman COC	2.93 (2.27)	0.02 (0.02)	– (–)
v) Mr. Ella Reddy	Director	– (–)	– (–)	1.24 (1.17)
vi) Mr. S. C. Sekaran	Executive Director (Subsidiary)	2.99 (1.74)	–	(–)
vii) Mr. S.V. Ramkumar	Manager (Subsidiary)	1.16 (–)	– (–)	– (–)
viii) Relatives		– (–)	2.75 (3.31)	1.24 (1.17)
<b>Total</b>		<b>208.30</b> <b>(121.43)</b>	<b>8.09</b> <b>(8.87)</b>	<b>4.28</b> <b>(3.54)</b>

## 11. Employee Share based Plan

### 1. *Method used for accounting for share based plan:*

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options granted during the year is recognised as deferred compensation expense with a corresponding liability as Stock Options.

Deferred employee compensation expense is amortised on a straight line basis over a vesting period of the option granted.

### 2. *The Company has granted:*

Under ESOP 2004 Scheme, the members had approved 400,000 options of face value Rs. 10 each (2,000,000 options of Rs. 2 each) to the permanent employees of the Company and its subsidiaries. During the previous year, 282,660 fresh options were granted to certain employees of the Company at a single exercise price of Rs. 20.00 per stock option with a vesting period of 1 year. Out of the grant, 282,255 option holders exercised their options during the year and consequently 282,255 equity shares were allotted to them.

During the year, 15,000 options relating to ESOP 2000 Scheme were granted to certain executives of the company at a single exercise price of Rs. 2 per stock option with a vesting period of one year.

An amount of Rs. 85.37 Million (Rs. 41.86 Million) is charged as Employee compensation expense.

3. **Movement in the options during the year:**

**ESOP 2004 Scheme**

Particulars	ESOP 2004 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	282,660	20.00
Granted during the year	–	–
Exercised during the year	282,255	20.00
Lapsed during the year	405	20.00
Options outstanding during the year	–	–
Options exercisable at the end of the year	–	–

**ESOP 2000 Scheme**

Particulars	ESOP 2000 Scheme	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year	–	–
Granted during the year	15,000	2.00
Exercised during the year	–	–
Lapsed during the year	–	–
Options outstanding during the year	15,000	2.00
Options exercisable at the end of the year	–	–

4. **During the year one of the subsidiary company (HDO) has granted:**

Employees Stock Options Scheme 2005

**4.1. Method used for accounting for share based plan:**

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options granted during the year is recognised as deferred compensation expense with a corresponding liability as Stock Options.

Deferred employee compensation expense is amortised on a straight line basis over a vesting period of the option granted.

**4.2. The Company has granted:**

Under ESOP 2005 Scheme, the members had approved 500,000 options of face value Rs. 2 each to the permanent employees of the Company. During the previous year, 143,750 options were granted to certain employees of the Company at a single exercise price of Rs. 48.00 per stock option with a vesting period of 1 year.

**4.3. Movement in the options during the year:**

<b>ESOP 2005 Scheme</b>		
<b>Particulars</b>	<b>ESOP : 2005 Scheme</b>	<b>Weighted average exercise price per stock option (Rs.)</b>
Options outstanding at the beginning of the year	500,000	48.00
Granted during the year	143,750	–
Exercised during the year	–	–
Lapsed during the year	–	–
Options outstanding during the year	356,250	48.00
Options exercisable at the end of the year	143,750	48.00

**5. Fair value Methodology:**

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of granting using Black-Scholes model. The key assumptions used in Black-Scholes model for computing the fair value are; (a) Risk free interest rate of 6.91% p.a. (b) Expected life of 1 year and (c) Expected volatility of share price of 15.34%. The weighted average fair value of the option works out to Rs. 352.17.

Had compensation cost for the stock options granted under ESOP 2004 been determined based on fair value approach, the Company's net profit and earning per share would have been as per the pro forma amounts indicated below:

<b>Particulars</b>	<i>(Rs. in million)</i>	
Net Profit (as reported)		2,834.40
Add: Employee compensation expense included in net income, based on intrinsic value		91.08
Less: Employee compensation expense determined under fair value based method		90.79
Net profit ( pro forma)		2,834.69
	(Rs.)	
Basic Earnings per share (as reported)	21.66	
Basic Earnings per share (pro forma)	21.66	
Diluted Earnings per share (as reported)	21.29	
Diluted Earnings per share (pro forma)	21.29	

## 12. Derivative Instruments:

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

Particulars	US Dollar	INR	US Dollar	INR
	Equivalent (million)	Equivalent (million)	Equivalent (million)	Equivalent (million)
	2007-08	2007-08	2006-07	2006-07
Amount receivable in foreign currency:				
Deposits with Bank	3.69	147.92	17.83	775.00
Balance with Bank	–	–	–	–
Amount payable in foreign currency:				
Foreign Currency Convertible Bonds	7.60	304.77	25.70	1,117.06

## 13. Segment Reporting:

Primary Segment disclosure:

Business segment:

Information about primary business segments:

(Rs. in million)

Particulars	Engineering & Construction	Real Estate & Others	Eliminations	Total
<b>Revenue :</b>				
Total External Sales	36,551.12	2,374.17	–	38,925.29
	23,933.83	1,495.09		25,428.92
Add : Internal Segment Sales	380.32	213.41	–	593.73
	465.00	449.40		914.40
Total Revenue	36,931.44	2,587.58	–	39,519.02
	24,398.83	1,944.49		26,343.43
Segment results before interest, exceptional items and tax				5,329.43
Less : Interest				2,726.14
				480.51
				361.45
Profit before Exceptional items and tax				4,848.92
				2,364.69
Exceptional items :				–
				–
Profit Before Tax				4,848.92
				2,364.69
Tax				1,523.79
				604.64
Profit After Tax				3,325.13
				1,760.05
Segment Assets	36,654.66	28,797.03	(5,645.45)	59,806.24
	31,444.10	14,351.98	(9,866.46)	35,929.62
Segment Liabilities	11,422.03	9,090.67	(4,887.14)	15,625.56
	14,332.95	8,918.07	(9,640.55)	13,610.47
Segment Depreciation	356.16	15.06	–	371.22
	235.47	11.42	–	246.89
Non-Cash Expenses other than depreciation				167.81
				75.00

Secondary Segment disclosure:

Geographical Segment:

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

**14. Managerial Remuneration:**

	<i>(Rs. in million)</i>	
	<b>2007-08</b>	<b>2006-07</b>
Salary and allowances	17.61	9.81
Commission	189.50	110.34
Contribution to Provident and other Funds	1.19	1.28
<b>Total</b>	<b>208.30</b>	<b>121.43</b>

**15. The financial position and results of the Companies which became subsidiaries during the year are as follows:**

	<i>(Rs. in million)</i>	
	<b>Alkor Petroo Limited</b>	<b>IVRCL Building Products Limited</b>
Sources of Funds		
Share Holder's Funds	68.80	10.00
Loan Funds	167.37	126.50
Application of Funds		
Fixed Assets	140.64	131.80
Investments	-	0.20
Net Current Assets	36.15	4.33
Net Deferred Tax Assets / (Liability)	16.66	
Miscellaneous Expenditure	2.54	0.17
Profit & Loss Account	40.18	-
Income	-	-
Income from Operations	-	-
Other Income	-	-
Expense		
Operation and Other expenses	40.30	-
Depreciation	-	-

16. In the case of Hindustan Dorr-Oliver Limited, a subsidiary of the Company, Sundry Debtors and retention money of Rs. 58.84 million (Rs. 73.10 million) are overdue from the parties concerned. The Company is making efforts to recover the said dues including filing of legal cases whenever considered appropriate. Accordingly the Management is hopeful of recovery in due course of time and therefore, no provision is considered necessary.

17. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the company's financial statements.

Signatures to Schedules 1 to 19 forming part of the financial statements as on 31<sup>st</sup> March, 2008.

**E. SUDHIR REDDY**  
Chairman &  
Managing Director

**R. BALARAMI REDDY**  
Executive Director  
- Finance & Group CFO

**B. SUBRAHMANYAM**  
Company Secretary

Place : Hyderabad  
Date : 28 May, 2008

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.  State Code

Balance Sheet Date

### II. Capital Raised during the year

(Rs. in Millions)

Public Issue  Rights Issue

Bonus Issue  Private Placement  
i.e., ESOPs and  
FCCB Conversion

### III. Position of Mobilisation & Deployment of Funds

(Rs. in Millions)

Total Liabilities  Total Assets

#### Sources of Funds

Paid-up Capital  Reserves  
& Surplus

Secured Loans  Unsecured Loans

Deferred Tax  
Liability

#### Application of Funds

Net Fixed Assets  Investments

Net Current Assets  Mis Expenditure

Accumulated Losses

### IV. Performance of Company

(Rs. in Millions)

Turnover  Total Expenditure

Profit/(Loss)  
before Tax  Profit/(Loss)  
after Tax

Earnings Per  
Share in Rs.  Dividend Rate (%)

### V. Generic Names of two Principal Products / Services of the Company (As per monetary terms)

Item Code (ITC Code) Not allotted

Product Description Construction & Engineering



# IVRCL INFRASTRUCTURES & PROJECTS LTD

Registered Office : M-22/3RT, Vijayanagar Colony, Hyderabad – 500 057, A.P.,India.

## PROXY FORM 21<sup>st</sup> ANNUAL GENERAL MEETING

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

I/We .....of.....in the district of .....being a member/members of the above named company, hereby appoint Mr / Ms / Kum.....in the district of .....as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held at Prime Club House, Hill Ridge Springs, Survey No. 25, ISB Road, Gachibowli, Hyderabad - 500 032. on Monday, the 15<sup>th</sup> day of September, 2008 at 4.00 P.M. and at any adjournment thereof.

Signed this .....day of ..... 2008

Address .....

Signature .....

Affix  
Re.1  
Revenue  
Stamp

**Note: The proxy form duly completed must be deposited at Regd.Office:M-22/3RT, Vijayanagar Colony, Hyderabad – 500 057, A.P., India, not less than 48 hours before the time for commencement of the meeting. A proxy need not be a member.**



# IVRCL INFRASTRUCTURES & PROJECTS LTD

Registered Office : M-22/3RT, Vijayanagar Colony, Hyderabad – 500 057, A.P.,India.

## ATTENDANCE SLIP

I hereby record my presence at the Twenty First Annual General Meeting of the Company to be held at Prime Club House, Hill Ridge Springs, Survey No. 25, ISB Road, Gachibowli, Hyderabad - 500 032. on Monday, the 15<sup>th</sup> day of September, 2008 at 4.00 P.M.

.....  
Full Name of the Shareholder  
(in block Letters)

.....  
Signature

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

.....  
Signature

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