



## **BOARD OF DIRECTORS**

### **Chairman & Managing Director**

Mr. G R K Reddy

### **Directors**

Mrs. V P Rajini Reddy  
Mr. G Raghava Reddy  
Mr. Ramani Ramaswamy  
Mr. R Rangarajan  
Mr. P M Shivaraman

### **Company Secretary**

Mr. Gouri Shanker Mishra

### **Auditors**

M/s. K. Ramkumar & Co  
Chartered Accountants  
E-7, III Floor, Gemini Parsn Apartments  
Cathedral Garden Road  
Chennai - 600 006

### **Bankers**

ING Vysya Bank Ltd  
Corporation Bank

### **Registered Office**

'Marg Axis'  
4/318, Old Mahabalipuram Road  
Kottivakkam  
Chennai – 600 041  
Telephone: 91-44-24541111  
Fax: 91-44-24541123  
Website: [www.MargConstructions.com](http://www.MargConstructions.com)

### **Registrar and Share Transfer Agents**

Cameo Corporate Services Ltd  
"Subramanian Building"  
V Floor, No.1 Club House Road  
Chennai – 600 002  
Telephone: 91-44-28460390  
Telefax : 91-44-28460129  
Email: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)



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## DIRECTORS' REPORT

### Dear Stakeholders

Your Directors have great pleasure in presenting the Eleventh Annual Report together with the Audited Accounts of your Company for the financial year ended 31st March 2006. Members would be happy to note that your Company has had a flourishing year of operation, which has resulted in after tax profit of Rs. 818 Lacs.

### Operations

The financial results of the Company for the year ended 31st March 2006 is summarized below:

(Rs in Lacs)

Particulars	Year ended 31st March 2006	Year ended 31st March 2005
Income from Operations	5763	1586
Non-operating Income	26	9
Total Expenditure	4428	1129
Interest	378	190
Gross Profit (after Interest but before depreciation and taxation)	1220	277
Depreciation	187	106
Profit before Tax	1033	171
Provision for Current Taxes	126	13
Provision for Deferred Taxes	88	24
Profit after Tax	819	134
Prior Period Expenses	1	5
Profit available for Appropriation	818	129

Earning per share (Equity Shares of Face Value of Rs. 10/-) is Rs. 11.68 during the year.

Year 2005-06 has again proved to be a good year and has contributed excellent results for the Company. Your Company has achieved turnover of Rs. 5763 Lacs for the financial year 2005-06 as compared to Rs. 1586 Lacs in the previous year 2004-05, thereby registering an increase of 263% over last year turnover.

### Projects

Your Company continues to play a leading role in the Infrastructure and Constructions Industry. Your directors are pleased to inform that during the year under review, the Company has the following Projects in hand:



#### Marg Square

Your Company is developing 'Marg Square' IT Park on Old Mahabalipuram Road spread over 1.76 acres of land with built up area of 2.4 Lacs sq ft. for Marg Realities Limited who have leased it out to Satyam Computers Services Limited. Work for finishing and installation of equipment is in progress and is expected to be over by October 2006.

#### Digital Zone - II

An IT park of international standards 'Digital Zone – II' under completion stage in the same IT Corridor, Karapakkam with a built up area of 2.16 Lacs sq ft. for Marg Digital Infrastructure Private Limited and others. Company expects that the constructions would be over by October 2006.

#### Port

Your Company has been successful in signing a concession agreement with Government of Pondicherry for development and operation of a Port at Karikkal on BOT Basis. As per the conditions of the concession agreement Karikkal Port Private Limited has been incorporated as a Special Purpose Vehicle for the said development and the operation of the Port

#### Special Economic Zone

Development of SEZ unit over an area of 600 acres of land at Seekkinankuppam near Chennai is on the anvil. This will be a combination of two SEZ's, a light engineering & auto ancillaries and another a multiservices SEZ.

#### Mall

Riverside Mall at Karapakkam is proposed to be set up on land measuring 7.30 acres. The Riverside Mall will consist of retails, food court, anchor shops, multiplex, entertainment zone, gymnasium and play area for children.

#### Residential Apartments

The Company is also planning Residential Projects at Alathur and Thandalam on the OMR, focusing on premium and luxury condominiums spread over an area of 53 & 30 acres respectively.

#### Oakwood Service Apartments

A service apartment at Kazhipathur on IT corridor to cater the needs of growing IT population in Chennai over an area of 3.84 acres has been planned. Of international standards, it will cater to the needs of executives who want quality at affordable rates.

#### New Initiatives

The Company recognizes that developing and implementing projects aimed at growth and meeting market requirements in a cost effective and time bound manner is of importance. The Company has entered into various agreements in the areas of Infrastructure Development and Constructions Business. While benefits from such contracts will accrue in the future years, their progress is periodically monitored.

#### Dividend

Your Company is in the mode of expansion for which abundant resources are required. In view of this, the Board considered conserving resources and building up reserves and is constrained not to recommend payment of dividend for the year.

#### Future Prospects

We maintain our positive outlook. Going forward and anticipate maintaining the growth momentum in the year 2006-07. Infrastructure and Constructions sectors cemented its path and witnessed significant growth. Your Company is pursuing growth opportunities, which are strategic to its intents and operations.

#### Challenges

Your Company has set vision to be a trusted market leader in providing infrastructure solutions. With this vision your Company is all set for exponential growth and geared up to take the challenges.

The Company is facing normal market competition from Indian and International Companies. Marg Constructions Limited has successfully maintained its operating efficiencies and constantly improved its financial performance.

### Joint Venture Agreement

The Board of Directors of the Company is planning to engage in diversified activities in different sectors and identifying new businesses and investing in businesses that can scale rapidly and generate superior returns over an extendable period of time.

After considering the various opportunities, the Directors of the Company have entered into a Joint Venture Agreement with Housing and Urban Development Corporation Limited (HUDCO) for formation of a Joint Venture Company on the basis of Share holding ratio of 76:24 to take up larger projects in Infrastructure Development. Your Directors feel that it would give an upper hand to the Company to bid for larger projects.

### Listing of Shares

Your Company's shares are listed in Bombay Stock Exchange Limited and Madras Stock Exchange Limited. It has complied with all the clauses of the Listing Agreements. The Annual listing fees have been duly paid to these Stock Exchanges.

### Dematerialization of Equity Shares

As on 31st March 2006 the Company has a paid up capital of Rs. 10 Crores, consisting of 1 Crore Equity Shares of Rs. 10/- each fully paid. The shares allotted on a preferential basis on 3rd October 2005 were issued in physical form as per the condition imposed by Bombay Stock Exchange Limited in their in-principle approval. Out of balance 40 Lacs shares, 28.48 Lacs shares are held in demat form as on 31st March 2006. The Register of Members is updated accordingly.

The details of Shares held in physical and dematerialisation form as on 31st March, 2006 is given below:

Mode of Holding		No. of holders	% of No. of Holders	No. of Shares	% of No. of Shares
Physical (under instruction of BSE)		9	0.30	6000000	60.00
Balance	Physical	1602	59.00	1152400	11.53
	Demat	1103	40.70	2847600	28.47
<b>Total</b>		<b>2714</b>	<b>100.00</b>	<b>10000000</b>	<b>100.00</b>

### Fixed Deposits

The company has not invited or accepted any Fixed Deposits from the public.


### Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. G Raghava Reddy and Mr. Ramani Ramaswamy Directors of the Company retire by rotation at the forth coming Annual General Meeting and being eligible offer themselves for re-appointment.

### Directors Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

- In the preparation of the Annual Accounts for the financial year ended 31st March, 2006 the applicable Accounting Standards have been followed and there are no material departures;
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss account of the company for that period;

- 
- iii) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - iv) They have prepared annual accounts on a going concern basis.

#### **Auditors**

M/s K Ramkumar & Co, Chartered Accountants, Auditors of the Company, retire at ensuing Annual General Meeting and have furnished a certificate regarding their eligibility for reappointment as the Company's Auditors for the year 2006 - 07.

#### **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.

The Company is in the process of implementing Employee Stock Option Scheme for attracting and retaining qualified, talented and competent personnel. It would foster a sense of ownership and belonging among the employees.

#### **Particulars of Employees**

None of the employees of the Company were in receipt of remuneration, which in aggregate exceeded the limits fixed under Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules 1975.

#### **Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo**

As the company is not an industrial undertaking, particulars with regard to conservation of energy and technology absorption and adaptation required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

The information on Foreign Exchanges Earnings and Outgo is contained in the note 12 of Schedule 18, forming part of the accounts.

#### **Subsidiaries**

The details about subsidiaries are provided in Report on Corporate Governance. Accounts and other details of subsidiaries as required under Section 212 of the Companies Act, 1956 are attached separately providing all the requisite details.

#### **Management Discussion & Analysis Report**

The Management Discussion & Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of the Directors' Report.

#### **Corporate Governance**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities Exchange Board of India's Corporate Governance Practices and have implemented all the stipulations prescribed. Report on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is presented in a separate section forming part of the Directors' Report.

#### **Issue of Equity Shares on Preferential basis**

Subsequent to the consent of the Shareholders by way of Special Resolution at the last Annual General Meeting held on 1<sup>st</sup> September 2005, the Board of Directors of the Company has allotted 60,00,000 (Sixty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each at a premium of Rs. 5/- (Rupees Five) aggregating to Rs. 15/- (Rupees Fifteen) per share on preferential basis as fully paid on 3<sup>rd</sup> October 2005.

The above mentioned equity shares issued and allotted ranks pari passu with the existing equity shares of the Company in all respects including payment of dividend. Company has complied all laws, rules, regulations for time being in force in this behalf. These Shares have been listed at Bombay Stock Exchange Limited and Madras Stock Exchange Limited.



**Acknowledgement**

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers and Members during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for committed and dedicated services of the workers, staff, and officers of the Company.

**For and on behalf of the Board of Directors,**

**G R K Reddy**

**Chairman & Managing Director.**

Place: Chennai

Date: 23rd May, 2006.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Development

Marg Constructions Limited is a premier infrastructure developer building a reputation of quality, craftsmanship and expertise. We have the knowledge and resources to meet the needs of current market situation. Marg Construction utilizes state of the art technology to maximize project management efficiency for every project.

Marg Constructions Limited put together another outstanding performance in the fiscal year 2005-06. The Company achieved a higher trajectory growth with revenues and profits posting significant increases and continues addition to the pipeline new Infrastructure and Constructions Projects.

The company has a well earned reputation of completing projects with a total commitment to the highest work ethics and standard. Marg will continue its business strategy of building and creating value for all its stakeholders in both its existing and new business.

Robust growth in the economic activity in various sectors of the economy as well as all segments of Infrastructure and Constructions Industry turned in an impressive performance in recent time. International Outsource Phenomenon has given boost to the real estate business especially in Chennai due to the enable infrastructure support by the Government.

### Opportunities, Threats, Risks and Concerns

All key functions and divisions are independently responsible for monitoring risk associated within their prospective areas of operations. Infrastructure and construction projects are subjected to international market forces of demand and supply.

The significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the constructions sectors, changes in government regulations, tax regimes and other statutes.

These are the following factors affecting infrastructure and constructions sectors:

- Increasing the competition in the construction industry.
- High increase in the property prices, labour costs and raw materials prices in India.
- Increases in prices of plant & machineries and insurance premium.
- Changes in laws and regulations having implications on infrastructure and constructions industry.

### Segmentwise / Productwise Performance

The Company has identified two business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are (i) Projects Division and (ii) Leasing Division. Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. The table below gives the audited financial results of these segments.





<b>SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED</b>			
		Rs. Lacs	
	<b>Particulars</b>	<b>Year ended 31st March 2006 (Audited)</b>	<b>Year ended 31st March 2005 (Audited)</b>
<b>Segment Revenue</b>			
1	Projects Division	<b>4,932</b>	1,130
2	Leasing Division	<b>831</b>	456
	<b>Total</b>	<b>5,763</b>	1,586
<b>Segment Results</b>			
Profit / (Loss) before tax and interest			
1	Projects Division	<b>901</b>	142
2	Leasing Division	<b>650</b>	324
	<b>Total</b>	<b>1,551</b>	466
Less:			
1	Interest	<b>378</b>	190
2	Other un-allocable Expenditure net of un-allocable income	<b>140</b>	106
	Profit before tax	<b>1,033</b>	170
Capital Employed			
(Segment Assets less Segment Liabilities)			
1	Projects Division	<b>1,157</b>	466
2	Leasing Division	<b>301</b>	(56)
	<b>Total</b>	<b>1,458</b>	410
	Add: Un-allocable assets less un-allocable liabilities	<b>945</b>	787
	<b>Total Capital Employed</b>	<b>2,403</b>	1,197

### Outlook

India is among one of the most sought outsourcing destinations. With more contracts of infrastructure and constructions projects expected in the future, the Company has undertaken a number of projects i.e port at Karaikal, Mall, SEZ, Residential, etc. and is expected to have a good outcome from the above projects. MARG has ambitious plans to emerge as an integrated infrastructure and constructions solutions hub. The consistency of performance, the stability of our operations and the clarity of vision will continue to make MARG among leading infrastructure developer. The initiatives taken by the Company will also continue to enhance stakeholder's wealth over the years.

### Internal Control System and Adequacy

The Company has adequate system of internal control in place. This is to ensure that assets are safeguarded and all transactions are authorized, recorded and correctly reported. The internal audit function is empowered to examine the adequacy, relevance and effective control system, compliance with policies, plans and statutory requirements. The top management and the Audit Committee of the Board review the findings and recommend to the Board improvement on the same.



### **Financial Performance**

During the year the Company scaled new heights and several new benchmark in its financial performance in terms of sales, profits, net worth and assets. During the year under review your Company achieved yet another milestone and the turnover touched all time high of Rs. 5763 Lacs and profit after tax went up to Rs. 819 Lacs as against Rs.134 Lacs in the previous year.

The financial performance of the Company has been given separately in the Directors' Report.

### **Material Developments in Human Resources**

The Company believes, thinks and performs in a manner that is in line with global best of breed practices. Your company attaches significant importance to continuous upgradation of Human Resources for achieving higher levels of efficiency, customer satisfaction and growth. Company has gone for recruitment drive and has attracted best people from industry in various departments in various positions. As part of the overall HR strategy, training programmes has been organized for employees at all levels through internal and external resources. Industrial relations, during the period under review, continued to remain cordial.

### **Cautionary Statement**

Statements of Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements". As forward looking statements are based on certain assumptions and expectations of future events over which the Company exercises no control. The Company assumes no responsibility to publicity, amend, modify or revise any forward looking statements on the basis of any statements, development, information or events.



## REPORT ON CORPORATE GOVERNANCE

### 1. Philosophy on Code of Governance

The Company right from its inception has been committed to the highest standards of Corporate Governance Practices and to attain the highest levels of transparency, accountability and equity in all facets of its operations and in its all interactions with its Stakeholders including Shareholders, Employees, Lenders, Customers and the Government. Marg Constructions Limited believes that all its actions must serve the underlying goal of enhancing overall Stakeholders' wealth over a period of time.

### 2. Board of Directors

The Board consists of six Directors comprising the Managing Director and five Non-Executive Directors out of which three are Independent Directors.

Composition of the Board and category of Directors as on 31st March 2006 is as follows:

S.No	Name(s) of Director (s)	Executive/ Non-executive/ Independent	Number of Directorships held in other Indian Companies (Excluding Private Limited Company)	Number of other Committees held in other Companies.
1	Mr. G R K Reddy	ED	7	Nil
2	Mr. G Raghava Reddy	NED	3	Nil
3	Mrs. V P Rajini Reddy	NED	6	Nil
4	Mr. Ramani Ramaswamy	NED/ID	Nil	Nil
5	Mr. R Rangarajan	NED/ID	Nil	Nil
6	Mr. P M Shivaraman	NED/ID	3	Nil

ED - Executive Director; NED - Non Executive Director; ID – Independent Director

### Directors' Profile

Brief Resume of all the Directors are given below:

**Mr. G R K Reddy, Chairman & Managing Director (Executive)** aged 46 years, is a post-graduate in commerce. He started his career in 1985 with merchant banking industry and gained in rich experience in advising and structuring financial closures. Later in 1994, he moved to the constructions and infrastructural industry and promoted the Marg Constructions Limited. He made it one of the prominent groups operating in South India providing infrastructure, real estate, power, civil, electrical, residential and commercial projects.

**Mrs. V P Rajini Reddy, Director (Non-Executive)** aged 39 years, is a B.Tech with over seven years experience in the areas of Investment Consultancy and Capital Market Operations. She has over 11 years experience in the area of CAD/CAM systems, software development and training. She runs a BPO organization in Chennai, catering international clients back office activities. She has been instrumental guiding technology inflow in the Company.



**Mr. G Raghava Reddy, Director (Non-Executive)** aged 74 years, is a B.E MIE, with over 40 years of experience in infrastructure & construction industry having worked for Nagarjuna Sagar Dam Diversion Tunnel, Nagarjuna Sagar Dam Right Canal at Gundlakamma River, Krishna Delta Regulation System, Godavari Barrage, Water Supply Canal to Visakapatnam steel plant, Spilway works for Yellashwaram Reservoir and Multistory Commercial and Residential Complex in Vijayawada. He has been pallet guiding for Marg Constructions Limited.

**Mr. Ramani Ramaswamy, Director (Non-Executive, Independent)** aged 47 years, is a mechanical Engineer from IIT and MBA (AIM), Manila, Philippines. He has 15 years of project development experience in diverse areas and has pioneered the identification and development of Coated Paper Board. He has vast experience in integrating shipping of bulk commodities and BOT opportunities in the areas of Ports and Social Infrastructure. He has sharpened his business acumen by being executive assistant to the Chairman of a very diversified group in Thailand with interests in Trading, Shipping, Manufacturing, Hotels and Gems & Jewellery. He has been a key coordinator for the private sector initiatives in the Port sector in India.

**Mr. R Rangarajan, Director (Non-Executive, Independent)** aged 51 years, is a B. Tech (Civil) from IIT and MBA (IIMB) having 14 years of project development experience. Pioneered the identification and development of BOT opportunities in the areas of Roads, Bridges, Ports and Social Infrastructure. He has led BOT projects in the infrastructure sector for Larsen & Toubro such as the Coimbatore Bypass and the Narmada Bridge.

**Mr. P M Shivaraman, Director (Non-Executive, Independent)** aged 51 years, is a qualified Cost Accountant & Company Secretary. Mr. Shivaraman has held senior position in Credit and Merchant Banking in Allahabad Bank. He has got over 26 years of experience in project preparation and appraisal of various infrastructure projects. He has represented many companies in various forums. He is also well connected with Foreign Banks, Mutual Funds and Industrial Investors.

Attendance of Directors at Board Meetings and at Annual General Meeting

S.No	Name(s) of Director (s)	No.of Board Meetings Held	Board Meetings Attended	Attendance at previous AGM
1	Mr. G R K Reddy	12	12	Yes
2	Mr. G Raghava Reddy	12	8	Yes
3	Mrs. V P Rajini Reddy	12	12	Yes
4	Mr. Ramani Ramaswamy	12	8	Yes
5	Mr. R Rangarajan	12	12	Yes
6	Mr. P M Shivaraman	12	7	Yes

During the financial year 2005 - 06, twelve Board Meetings were held on following dates:

14th April 2005, 30th June 2005, 21st July 2005, 8th August 2005, 12th September 2005, 27th September 2005, 3rd October 2005, 29th October 2005, 23rd November 2005, 30th January 2006, 31st January 2006 and 3rd March 2006.

### 3. Audit Committee

Pursuant to provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement, Board has constituted an Audit Committee comprising of four Non-Executive Directors out of which three Directors are Independent. All the members of the Committee are financially literate and Mr. P. M. Shivaraman has accounting expertise.

Composition of the Audit Committee and Attendance of each member of the Committee are given below.

S.No	Names	Category	Meetings Held	Meetings Attended
1	Mr. R. Rangarajan	NED/ID	4	4
2	Mr. P M Shivaraman	NED/ID	4	3
3	Mrs. V P Rajini Reddy	NED	4	4
4	Mr. Ramani Ramaswamy	NED/ID	4	3

During the year Audit Committee met four times on: 30th June 2005, 27th July 2005, 25th October 2005 and 23rd January 2006.

#### Terms of reference

Following are the terms of reference given by Board of Directors:

- a) To review the results, announcement and the report and accounts / review at the end of the quarter, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - i) Any changes in accounting policies.
  - ii) Significant adjustments made in the financial statements arising out of audit findings.
  - iii) Compliance with listing and other legal requirements relating financial statements.
  - iv) The going concern assumption.
  - v) Compliance with applicable accounting standards.
- b) To recommend to the Board the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixing of audit fees.
- c) To discuss with the statutory auditor before the audit commences, the nature and scope of the audit.
- d) To review the statutory auditors report and presentations and managements response.
- e) To review the adequacy of internal audit programme and the major findings of any internal investigation.
- f) To review management discussion and analysis of financial condition and results of operations.
- g) To review the related party transactions submitted by management.
- h) To consider other matters, as may be referred to by the Board of Directors from time to time.

#### 4. Remuneration Committee

The Remuneration Committee constituted of three Non-Executive Directors out of which two are Independent Directors. The Committee determines and recommends to the Board of Directors, the remuneration payable to the Executive Directors. The resolution for the appointment and remuneration payable to the Executive Directors including commission to Managing Director are approved by the shareholders of the Company.

Composition of the Remuneration Committee and Attendance of each member of the Committee are given below.

Sl.No	Name(s) of Director (s)	Chairman / Member	Meetings Held	Meetings Attended
1	Mr. G Raghava Reddy	Chairman	2	2
2	Mr. Ramani Ramaswamy	Member	2	2
3	Mr. R Rangarajan	Member	2	2

During the year two meetings were held on 12th July 2005 and 21st October 2005.

The remuneration and packages paid to the Executive Directors consists of fixed salary and other perquisites. The leave travel allowances, provident fund and superannuation are provided as per the Company's rule and policies.

Details of Remuneration paid to Managing Director in the last year are as below:

Name(s) of Director (s)	Salary	HRA/ Commission / Bonus / Incentives	Siting Fee	Rs. in Lacs
				Total
Mr. G R K Reddy	8.00	12.91	Nil	20.91

#### 5. Investors Relations Committee

The Board has constituted Investors Relation Committee consisting of three Non-Executive Directors out of which two are Independent Directors. Committee approves issue of duplicate share certificates and oversees and reviews all matters connected with transfer of securities, non receipt of balance sheet and attending the grievances of the shareholders. The Committee oversees performance of Registrars and Transfer Agents of the Company and recommends measures for overall improvements in the quality of investor services.

The composition of the Committee and attendance of each Committee member is given under:

Sl.No	Names	Chairman / Member	Meetings Held	Meetings Attended
1	Mr. G Raghava Reddy	Chairman	2	2
2	Mr. Ramani Ramaswamy	Member	2	2
3	Mr. R Rangarajan	Member	2	2

Mr. Gouri Shankar Mishra – Company Secretary of the Company is dealing with and responding to all correspondence and complaints from the investors.

#### Investors' Grievance Redressal

The complaints received has been resolved to the satisfaction of investors. There were no outstanding complaints as on 31st March 2006. All queries from investors in general have been satisfactorily replied.



## 6. Banking and Legal Matters Committee

The Board has constituted a Banking and Legal Matters Committee consisting of one Executive and two Non-Executive Directors out of which two are Independent Directors.

The composition of the Committee and Attendance of each Committee member is given under:

Sl.No	Names	Chairman / Member	Meetings Held	Meetings Attended
1	Mr. G R K Reddy	Chairman	2	2
2	Mr. P M Shivaraman	Member	2	2
3	Mr. Ramani Ramaswamy	Member	2	2

## 7. Subsidiaries

The Company has following four subsidiary companies as on 31st March 2006:

### a) Karaikal Port Private Limited

Karaikal Port Private Limited was incorporated on 16th February 2006, with an object to carry on and engage in the business of development and operation of the Port along with Provisions of Facilities such as Navigation Channels, Harbour Basins, Breakwaters, Aids to Navigation, Docks, etc. It has been incorporated as wholly owned subsidiary for execution of project of development and operation of Port at Karaikal on BOT basis in terms of concession agreement entered with Government of Pondicherry.

### b) Riverside Infrastructure (India) Private Limited

Riverside Infrastructure (India) Private Limited was incorporated on 17th February 2006 with an object of taking up Infrastructure and Constructions Projects. This is also wholly owned subsidiary. The Company has identified and started a project of Riverside Mall and the project is expected to create good business for the Company.

### c) OMR Developers Private Limited

OMR Developers Private Limited was incorporated on 27th March 2006 with a view to take up Infrastructure and Constructions Projects. This Company is a wholly owned subsidiary. The Company is in process of putting of project under subsidiary.

### d) New Chennai Township Private Limited

New Chennai Township Private Limited was incorporated on 24th March 2006 with a view to take up all types of Infrastructure and Constructions Projects. To begin, it has been planned to take up SEZ project. It is also a wholly owned subsidiary.

The Company has complied with Clause 49 of the Listing Agreement and the Audit Committee has reviewed the financial statements of all four subsidiaries. The Minutes of Board Meeting of subsidiary companies are placed before the Board of Marg Constructions Limited to bring notice to all significant transactions and arrangement entered into by the Subsidiary Companies.

## 8. General Body Meeting

Date, time and location for the General Meetings of the Company, held in last three years.

Year	Date	Time	Venue	No.of Special Resolutions passed	Type of Meeting
2005-2006	22.02.2006	4:00 P.M.	Hotel Maathus 7 East Coast Road Kottivakkam Chennai – 600 041	5	EGM
2004-2005	01.09.2005	11.00 A.M.	Narada Gana Sabha Trust, 254, TTK Road, Chennai-600 018.	6	AGM
2003-2004	31.12.2004	10.00 A.M.	Sri Sai Subhodaya, 57/2B, Muttukadu Road, Thiruvanmiyur, Chennai-600 041	Nil	AGM
2002-2003	31.12.2003	10.30 A.M.	Sri Sai Subhodaya, 57/2B, Muttukadu Road, Thiruvanmiyur, Chennai-600 041	Nil	AGM

## 9. Postal Ballot

During the previous year 2005-06 a Special Resolution was passed through postal ballot in connection with providing Guarantee for term loan granted pursuant to Sec. 372A of the Companies Act, 1956. Mr. T. Murgan, Practicing Company Secretary, acted as Scrutinizer, who conducted and exercised the postal ballot resolution as per the procedure laid down in section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

The Company proposes to obtain approval of shareholder through Postal Ballot in relation to Corporate Guarantee given in connection with term loan and en-bloc approval of Rs. 250 Crores of Corporate Guarantee for one financial year and total limit of Rs. 500 Crores of Corporate Guarantee outstanding at any time.

## 10. Disclosures

There are no materially significant transactions with the related parties viz., Promoters, Directors or the Senior Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosures as required by the Accounting Standard (AS - 18) relating to Related Party Transactions have been made separately in the Annual Report.

Company has complied with all requirements of the listing agreement entered with Stock Exchanges as well as regulation and guidelines of SEBI.

## 11. Means of Communication

The un-audited Financial Results on quarterly basis along with Limited Review by the Auditors of the Company, are taken on record by the Board of Directors at its meeting within one month of the close of every quarter / half year respectively and the same are furnished to all the Stock Exchanges where the Company's Shares are listed. The results are also published within 48 hours in two newspapers, one in English daily and one in Regional (Tamil) Language. Notices relating to Annual General Meeting and Extraordinary General Meeting and disclosure of Directors interest in respect of Contracts appointing Director(s) are sent to the members to their registered addresses.





## 12. Compliance

The Company has submitted its all quarterly reports to the Stock Exchange within due time and has obtained a certificate from its auditors regarding compliance of conditions of corporate governance and annex the certificate to the Directors' Report of the Company which has been sent to share holders and Stock Exchanges with the Annual Report of the Company.

## 13. General Shareholder Information:

### Eleventh Annual General Meeting

- **Date and Time** : 30th September, 2006 at 4.00 P.M.
- **Venue** : Hotel Maathus, 7 East Coast Road, Kottivakkam, Chennai – 600 041
- **Date of Book Closure** : 26th September to 30th September 2006  
(Inclusive of Both Days)
- **Financial Calendar (Tentative):**

First Quarter June 30, 2006	: on or before July 31, 2006
Second Quarter Sep. 30, 2006	: on or before Oct 31, 2006
Third Quarter Dec. 31, 2006	: on or before Jan 31, 2007
Fourth Quarter Mar. 31, 2007	: on or before June 30, 2007

- **Share Capital Details:**

The Share Capital of the Company as on 31st March 2006 as follows:

Authorized Capital of Rs.50,00,00,000 Comprising of 5,00,00,000 equity shares of Rs.10/ each  
Paid up Capital Rs. 10,00,00,000 Comprising of 1,00,00,000 Equity shares of Rs.10/- each

- **Listing of Company's Shares.**

- i) Bombay Stock Exchange Limited  
25 P J Towers  
Dalal Street, Mumbai-400 001  
Stock Code: 530543
- ii) Madras Stock Exchange Limited  
No. 11, Second Line Beach  
Chennai-600 001  
Stock Code: MARGCONST

In compliance to SEBI (Delisting of Securities) Guideline, 2003 and the approval of shareholders in last Annual General Meeting Held on 1st September 2005, the Company has opted for voluntary delisting from Delhi Stock Exchange Association Limited and Hyderabad Stock Exchange Limited.



• **Share Price Movements**

Monthly High / Low Price & Trading Volume of Share at Bombay Stock Exchange Limited is given below:

Year	Month	High(Rs.)	Low(Rs.)	Monthly Volume
2005	August*	29.28	6.60	14500
2005	September	64.95	32.20	153100
2005	October	59.15	41.30	113800
2005	November	63.90	47.35	80600
2005	December	69.60	45.00	144100
2005	January	123.00	57.10	496600
2005	February	109.95	85.00	270800
2005	March	105.00	84.25	340600

\* The shares of the Company resumed trading w.e.f. 11th August 2005

• **Registrar and Share Transfer Agents and Share Transfer System**

The Company has appointed M/s Cameo Corporate Services Limited as Registrar and Share Transfer Agent.

Share Transfers in physical form have to be lodged with the Registrar and Transfer Agents at the following address.

M/s. CAMEO CORPORATE SERVICES LTD.

Subramanian Building,

1, Club House Road,

Chennai – 600 002.

Ph: 044 28460390

Fax: 044 28460129

Email: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)

The transfers are normally processed within 15-20 days from the date of receipt of the documents complete in all respect.

• **Dematerialization of Equity Shares**

DEMAT ISIN in NSDL and CDSL for equity shares is INE941E01019.

The Company has 1 Crore shares of Rs. 10 each fully paid up outstanding as on 31st March 2006. Out of it 60 Lacs shares have been allotted on preferential basis on 3rd October 2005 for which BSE has instructed it not to dematerialise till its further instructions. 71.19% of 40 Lacs shares, aggregating to 28,47,600 Shares representing 28.47 % of total paid up capital have been dematerialized as on 31st March 2006.



• **Categories of Shareholding as at 31st March 2006**

Promoters Holding	Category	No. of Shares held	% of Shareholding
a	Indian Promoters	4560000	45.60
b	Persons acting in concert	40000	0.40
	Sub Total	4600000	46.00
<b>Non- Promoters Holding</b>			
a	FII's	1241400	12.41
b	Bodies Corporate	1603600	16.04
c	Indian public	2388400	23.88
d	NRI / OCB	117500	1.18
e	Others	49100	0.49
	Sub Total	5400000	54.00
	Grand Total	10000000	100.00

• **Distribution of shareholding as at 31st March 2006**

No. of Shares held	No. of shareholders	% of shareholding	No. of Shares	%
Upto 500	1670	61.53	516851	5.17
501 to 1000	660	24.32	600100	6.00
1001 to 2000	217	8.00	334500	3.35
2001 to 3000	54	1.99	139750	1.40
3001 to 4000	24	0.88	87600	0.88
4001 to 5000	22	0.81	100700	1.01
5001 to 10000	35	1.29	261868	2.62
10001 & above	32	1.18	7958632	79.59
TOTAL	2714	100.00	10000000	100.00

• **Outstanding GDR / ADR / Warrants or any Convertible Instruments**

There is no outstanding GDR /ADR / Warrants or any other Convertible Instruments as at 31st March 2006 which is likely to have impact on equity shares.



- **Insider Trading**

Pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 the Company has prescribed a Code of Conduct for prevention of Insider Trading.

- **Secretarial Audit**

Secretarial Audit as required in terms of Circular No. D&CC/FITTC/CIR – 16/2002 dated 30th June 2002 is being done by a Practising Company Secretary on quarterly basis for reconciling total admitted capital with NSDL and CDSL and total issued and listed capital. The Company has obtained Secretarial Audit Report for all the four quarter during the year ended 31st March 2006 and same has been forwarded to Stock Exchanges. The audit confirms that the total issued/ paid up Capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

- **Code of Conduct**

The Board of Marg Constructions Limited has laid down a code of conduct for all the Board members and the Senior Management Personnel. All the Board Members and Senior Management Personnel comply to the code of conduct. The code of conduct has been posted on the Company's web site ([www.MargConstructions.com](http://www.MargConstructions.com)) and a declaration has been made to give effect to the code signed by the Managing Director.

- **CEO / CFO Certification**

As required under the Clause 49 of the Listing Agreement a certificate duly signed by Mr. G R K Reddy, Managing Director and Mr. B Bhushan Chief Financial Officer of the Company was placed at the meeting of the Board of Directors.

- **Address for Correspondence**

Correspondence for all matters relating to shares may be addressed to the Company's Registrars and Share Transfer Agents at the below mentioned address:

*Cameo Corporate Services Limited  
Subramanian Building  
1, Club House Road  
Chennai – 600 002*

Further all correspondence with the Company can be done at following address:

*The Company Secretary  
Marg Constructions Limited  
'Marg Axis'  
4/318, Old Mahabalipuram Road  
Kottivakkam  
Chennai – 600 041*

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

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted the Code of Conduct for its Non-Executive Directors. The Code of Conduct is available on the Company's website.

I confirm that the Company has in respect of the financial year ended 31st March 2006 received from the Senior Management Personnel of the Company and the Members of the Board a declaration of compliance with the code of conduct as applicable to them.

For the Purpose of this declaration, Senior Management personnel mean Chief Executive Officer, Chief Financial Officer, Company Secretary and employees in the General Manager cadre and above on 31st March 2006.

**For and on behalf of the Board of Directors,**

**G R K Reddy,  
Chairman & Managing Director.**

Place: Chennai

Date: 3rd July, 2006.



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

**The Members of MARG Constructions Limited**

1. We have examined the compliance of conditions of Corporate Governance of Marg Constructions Limited, for the year ended 31st March 2006, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.
2. The Compliance of Conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. 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 the Corporate Governance as stipulated in the above-mentioned Listing Agreement.
4. We state that no investor grievances are pending for a period exceeding one month against the Company as on 31st March 2006 as per the records maintained by the Investors Relation Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For K RAMKUMAR & CO.,**

Chartered Accountants

**R M V BALAJI**

Partner

Place : Chennai

Date : 23rd May, 2006.



## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MARG Constructions Limited

1. We have audited the attached Balance Sheet of M/s MARG Constructions Limited as on 31st March 2006 and the annexed Profit & Loss Account of the said Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent they are applicable to this Company.
4. Further to the comments in the Annexure referred to above, audit report enclosed along with the Company's Balance Sheet, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge were necessary for the purpose of our Audit.
  - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - c. The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the Books of Account of the Company.
  - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in Section 211(3C) of The Companies Act 1956, in so far as they are applicable to the Company.
  - e. On the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director U/s 274(1)(g) of the Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes give the information required by the Companies Act, 1956 in the manner required and give a true and fair view,
    - i. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2006.
    - ii. In the case of Profit and Loss Account, of the profit for the year ended 31st March 2006; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended 31st March 2006.

**For K RAMKUMAR & CO.,**  
Chartered Accountants  
**R M V BALAJI**  
Partner

Place: Chennai  
Date : 23rd May, 2006.



## ANNEXURE TO AUDITORS' REPORT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b) According to the information and explanation given to us the fixed assets have been physically verified by the management at the end of the financial year. No Material discrepancies were noticed on such verification.  
c) No substantial part of fixed assets has been disposed off during the year.
2. a) As explained to us, physical verification of inventory has been conducted by the management, at the end of the year.  
b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.  
c) The Company is maintaining proper records of inventory and the material discrepancies noticed on verification between physical stocks and book stocks were not material.
3. The Company has not taken/granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.
4. In our opinion and according to the explanation given to us there is an adequate internal control procedure 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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b) In our opinion and according to the information and explanations given to us the transaction in pursuance of contracts or arrangements entered in the register maintained U/s 301 of The Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at rates or value which are reasonable having regard to the prevailing market rates or values at the relevant time.
6. The Company has not accepted any deposits from the public in terms of provisions of sections 58A & 58AA and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
8. We have been informed that the Central Government has not prescribed the maintenance of Cost Records under the provisions of Section 209(1)(d) of the Companies Act, 1956.
9. a) According to the records of the Company, apart from certain instances of delays, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Wealth Tax, Custom Duty, Cess, Sales Tax, Service Tax, and other material statutory dues applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty and cess were in arrears as at 31st March 2006, for a period of more than six months from the date they became payable.  
c) According to the records of the Company and the information and explanation given to us, the dues of Income Tax/Sales Tax/Customs Duty/Cess, which have not been deposited on account of any dispute are as follows.

Asst. Year	Nature of Tax	I T Dept. Demand	Amount paid under protest	Forum where Dispute is pending
2001-02	Tax on Income	16,785,003	10,639,719	Madras High Court
2002-03	Tax on Income	8,926,848	8,926,848	CIT (A)
1996-97	T D S	21,503	4,931	ITAT & CIT (A)
1997-98	T D S	2,368,619	778,901	ITAT & CIT (A)
1998-99	T D S	1,628,830	122,473	ITAT & CIT (A)
1999-00	T D S	1,857,640	316,379	ITAT & CIT (A)
2000-01	T D S	442,820	202,228	CIT (A)

10. The Company has no accumulated losses and has no cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given guarantees aggregating to Rs 64.60 Crores for loans raised by others from Banks.
16. In our opinion and according to information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations and on an overall examination of the Balance Sheet of the Company we report that no funds raised on short-term basis have been used for Long Term investment. No long-term funds have been used to finance short-term assets.
18. The Company has made preferential allotment of shares to parties and companies covered in the register maintained U/s 301 of the Act. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
19. During the year, the Company has not issued any debentures and therefore the question of creating security or charge in respect thereof does not arise.
20. The Company has not raised any money by public issue during the period covered under audit.
21. Based on the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company noticed or reported during the year.

For **K RAMKUMAR & CO.,**  
Chartered Accountants  
**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May, 2006.





## BALANCE SHEET

PARTICULARS	Schedule	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	100,000,000	40,000,000
Share Application Money			48,860,000
Reserves & Surplus	2	142,569,848	30,802,522
<b>LOAN FUNDS</b>			
Secured Loans	3	516,618,435	472,129,960
Unsecured Loans	4	3,600,000	3,900,000
<b>DEFERRED TAX LIABILITY ( Net )</b>	5	13,890,381	5,113,012
		776,678,664	600,805,494
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	585,537,151	566,954,045
Less : Depreciation		49,973,005	31,416,037
Net Block		535,564,146	535,538,008
<b>INVESTMENTS</b>	7	23,300,000	15,780,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	8	83,092,505	9,177,189
Sundry Debtors		185,011,602	24,071,729
Cash & Bank Balances		17,633,456	4,589,995
Loans & Advances		210,765,004	177,839,508
		496,502,567	215,678,421
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	9	223,089,288	115,038,190
Lease Deposits/ Rental Advances		45,248,761	49,814,870
Provisions		12,600,000	1,337,875
		280,938,049	166,190,935
<b>NET CURRENT ASSETS</b>		215,564,518	49,487,486
<b>MISCELLANEOUS EXPENSES</b>			
(To the extent not written off or adjusted )			
Preliminary Expenses	10	2,250,000	-
		776,678,664	600,805,494
<b>NOTES ON ACCOUNTS</b>	18		

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
 Chartered Accountants

For and on behalf of Board of Directors

**R M V BALAJI**  
 Partner

**GOURI SHANKER MISHRA**  
 Company Secretary

**V P RAJINI REDDY**  
 Director

**G R K REDDY**  
 Managing Director

Place : Chennai  
 Date : 23rd May, 2006.



## PROFIT & LOSS ACCOUNT

PARTICULARS	Schedule	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>INCOME</b>			
Income from Operations	11	576,268,127	158,622,986
Other Income	12	26,323,421	911,961
		602,591,548	159,534,947
<b>EXPENDITURE</b>			
Cost of Projects/Other Operating Expenses	13	405,182,668	97,932,435
Personnel Expenses	14	16,231,303	4,327,385
Administrative Expenses	15	21,427,235	10,599,883
		442,841,206	112,859,703
<b>PROFIT BEFORE DEPRECIATION, INTEREST &amp; TAX</b>		159,750,342	46,675,244
Depreciation	6	18,727,050	10,652,963
<b>PROFIT BEFORE INTEREST &amp; TAX</b>		141,023,292	36,022,281
Interest & Finance Charges	16	37,774,678	18,960,267
<b>PROFIT BEFORE TAX</b>		103,248,614	17,062,014
<b>TAX EXPENSE</b>			
Provision for Income Tax		12,600,000	1,337,875
Deferred Tax Expense (Income)	17	8,777,369	2,346,036
<b>PROFIT AFTER TAX</b>		81,871,245	13,378,103
Prior Period Expenses		103,919	530,983
<b>SURPLUS CARRIED FORWARD TO RESERVES</b>		81,767,326	12,847,120
Earnings Per Share		11.68	3.21
<b>NOTES ON ACCOUNTS</b>		18	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

For and on behalf of Board of Directors

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
5,00,00,000 Equity Shares of Rs.10 each (Previous year 50,00,000 Equity Shares of Rs.10 each)	500,000,000	50,000,000
<b>Issued, Subscribed and Paid up Capital</b>		
1,00,00,000 Equity Shares of Rs.10 each (Previous year 40,00,000 Equity Shares of Rs.10 each)	100,000,000	40,000,000
	100,000,000	40,000,000
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Share premium reserve</b>	30,000,000	-
<b>Profit &amp; Loss Account</b>		
Opening Balance	30,802,522	17,955,402
Add: Surplus in Profit & Loss Account (Current Year)	81,767,326	12,847,120
	112,569,848	30,802,522
	142,569,848	30,802,522
<b>SCHEDULE 3 : SECURED LOANS</b>		
IREDA - Term Loan	1,115,000	6,752,426
ICICI Bank Limited	570,163	2,925,675
ING Vysya Bank Limited - Rental Loan	207,422,672	224,310,944
Indian Overseas Bank - Rental Loan	1,549,172	2,261,337
ING Vysya Bank Limited - Medium Term Loan	49,379,370	-
Indian Overseas Bank - Term Loan	27,803,728	-
Corporation Bank - Rental Loan	225,551,875	234,602,076
Vehicle Loans	3,226,455	1,277,502
	516,618,435	472,129,960
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Loans From Others	3,600,000	3,900,000
	3,600,000	3,900,000
<b>SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liability	13,890,381	9,078,344
Less : Deferred Tax Asset	-	3,965,332
	13,890,381	5,113,012

**SCHEDULE 6 : FIXED ASSETS**

In Rs.

Particulars	Gross Block			Depreciation			Net Block		
	As At 01-Apr-05	Additions	Deductions/ Transfers	As At 31-Mar-06	As At 01-Apr-05	For the Year	Deductions/ Transfers	As At 31-Mar-06	As At 31-Mar-05
<b>1 Digital Zone - I</b>									
Land	52,344,597	1,366,019	-	53,710,616	-	-	-	53,710,616	52,344,597
<b>Phase I</b>									
Building	109,436,953	-	-	109,436,953	1,337,866	1,783,822	-	106,315,265	108,099,087
Plant & Machinery	23,292,047	-	-	23,292,047	829,779	1,106,374	-	21,355,894	22,462,268
Electrical Equipment & Fittings	62,917,668	-	-	62,917,668	2,241,442	2,988,589	-	57,687,637	60,676,226
Furniture & Fixtures	43,082,052	-	-	43,082,052	2,045,320	2,727,094	-	38,309,638	41,036,732
<b>Phase II</b>									
Building	83,829,258	31,093,511	-	114,922,769	265,692	1,641,352	-	113,015,725	83,563,566
Plant & Machinery	21,968,289	10,201,187	-	32,169,476	202,902	1,304,951	-	30,661,623	21,765,387
Electrical Equipment & Fittings	24,827,626	19,504,886	-	44,332,512	229,311	1,531,737	-	42,571,464	24,598,315
Furniture & Fixtures	29,971,261	19,843,174	-	49,814,435	368,896	2,262,491	-	47,183,048	29,602,365
<b>2 Other Assets</b>									
Land & Building	30,818,904	182,345	26,538,749	4,462,500	-	-	-	4,462,500	30,818,904
Plant & Machinery	1,049,412	34,490	-	1,083,902	309,369	50,842	-	723,691	740,043
Computers	4,525,674	1,201,673	-	5,727,347	4,048,413	525,085	-	1,153,049	477,261
Office Equipment	994,571	389,889	-	1,384,460	163,882	75,367	-	1,145,211	830,689
Motor Vehicles	1,890,724	3,314,293	298,389	4,906,628	284,185	305,985	170,082	4,486,540	1,606,539
Furniture & Fittings	1,153,768	256,345	-	1,410,113	27,909	184,432	-	1,197,772	1,125,859
SPV Lanterns	21,300,000	-	-	21,300,000	19,061,071	2,238,929	-	-	2,238,929
Agricultural Land	-	13,638,077	2,054,404	11,583,673	-	-	-	11,583,673	-
<b>3 Capital Work in Progress</b>									
Digital Zone - II	53,551,241	-	53,551,241	-	-	-	-	-	53,551,241
<b>Total</b>	<b>566,954,045</b>	<b>101,025,889</b>	<b>82,442,783</b>	<b>565,537,151</b>	<b>31,416,037</b>	<b>18,727,050</b>	<b>170,082</b>	<b>535,564,146</b>	<b>535,538,008</b>
<b>Previous Year</b>	<b>319,193,970</b>	<b>517,672,989</b>	<b>269,912,914</b>	<b>566,954,045</b>	<b>20,763,074</b>	<b>10,652,983</b>	<b>-</b>	<b>535,538,008</b>	<b>298,430,896</b>

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 7 : INVESTMENTS</b>		
<b>Investments in Shares ( Long Term, Non-Quoted, Stated at Cost )</b>		
Karaikal Port Pvt Ltd (10,000 Equity Shares of Rs. 10 each fully paid up)	100,000	-
Marg Digital Infrastructure Private Limited (595,000 Equity Shares of Rs. 10 each fully paid up)	5,950,000	30,000
Marg Realities Limited (995,000 Equity Shares of Rs. 10 each fully paid up)	9,950,000	8,750,000
New Chennai Township Pvt Ltd (10,000 Equity Shares of Rs. 10 each fully paid up)	100,000	-
OMR Developers Pvt Ltd (10,000 Equity Shares of Rs. 10 each fully paid up)	100,000	-
Riverside Infrastructure (India) Pvt Ltd (10,000 Equity Shares of Rs. 10 each fully paid up)	100,000	-
RR Infotech Limited (700,000 Equity Shares of Rs. 10 each fully paid up)	7,000,000	7,000,000
	23,300,000	15,780,000
<b>SCHEDULE 8 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	74,296,171	-
Stock of Materials at Site	435,590	816,445
	83,092,505	9,177,189
<b>Sundry Debtors</b>		
(Unsecured and considered good )		
Outstanding for more than 6 months	17,147,076	3,377,709
Others	167,864,526	20,694,020
	185,011,602	24,071,729
<b>Cash and Bank Balances</b>		
Cash Balance	239,928	17,662
Balances with Scheduled Banks		
in Current Accounts	12,824,897	2,390,892
in Deposit Accounts	1,867,989	1,836,841
in Margin Money Accounts	2,700,642	344,600
	17,633,456	4,589,995
<b>Loans &amp; Advances</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	142,692,215	163,046,399
Advances to Suppliers	26,161,512	3,679,460
Staff Advances	114,617	94,913
Prepaid Income Taxes	40,240,986	8,860,138
Security Deposits	1,555,674	2,158,598
	210,765,004	177,839,508
	496,502,567	215,678,421



**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 9 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	44,624,656	47,907,253
Advances from Customers		
Advances from Customers	600,266,175	150,807,540
Less Value of Work Executed	425,640,031	89,471,054
	174,626,144	61,336,486
Expenses Payable	1,718,044	1,753,013
Statutory Dues	1,174,800	3,821,639
Due to Directors	945,644	219,799
	223,089,288	115,038,190
<b>Lease Deposits / Rental Advances</b>	45,248,761	49,814,870
<b>PROVISIONS</b>		
Provision for Tax	12,600,000	1,337,875
	280,938,049	166,190,935
<b>SCHEDULE 10 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted )		
Preliminary Expenses	2,250,000	-
	2,250,000	-



**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>SCHEDULE 11 : INCOME FROM OPERATIONS</b>		
Income from Projects	355,857,034	112,976,872
Lease Rent Income	80,110,627	42,586,114
Lease Rent from Equipment (SPV Lanterns)	3,002,466	3,060,000
Sale of Project Lands	137,298,000	-
	576,268,127	158,622,986
<b>SCHEDULE 12 : OTHER INCOME</b>		
Interest Received	533,042	469,320
Profit on Sale of Assets	1,693	-
Profit on Sale of Agricultural Land	24,332,096	-
Miscellaneous Income	1,212,690	442,641
Agricultural Income	243,900	-
	26,323,421	911,961
<b>SCHEDULE 13 : COST OF PROJECTS/OPERATING EXPENSES</b>		
<b>COST OF PROJECTS</b>		
<b>Opening Stock</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	-	-
Stock of Materials at Site	816,445	-
	9,177,189	8,360,744
<b>Expenditure During the year</b>		
Cost of Projects	478,615,039	98,748,880
Less Service Tax Credit Received	60,788	-
	478,554,251	98,748,880
<b>Closing Stock</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	74,296,171	-
Stock of Materials at Site	435,590	816,445
	83,092,505	9,177,189
<b>Cost of Projects</b>		
	404,638,935	97,932,435
Repairs & Maintenance-Leased Properties	543,733	-
	405,182,668	97,932,435
<b>SCHEDULE 14 : PERSONNEL EXPENSES</b>		
Salaries & Allowances	10,340,096	3,847,385
Directors Remuneration	2,091,018	480,000
Rent Staff	153,700	-
Contribution to Funds	948,408	-
Recruitment & Training Expenses	1,231,232	-
Staff Welfare Expenses	780,869	-
Retirement Benefits	278,154	-
Fringe Benefit Tax	407,826	-
	16,231,303	4,327,385



**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>SCHEDULE 15 : ADMINISTRATIVE EXPENSES</b>		
Rent, Rates & Taxes	553,365	766,371
Communication Costs	1,329,800	826,073
Electricity Charges	558,357	498,299
Traveling and Conveyance	4,734,776	1,503,653
Repairs & Maintenance	822,115	2,432,884
Secretarial Expenses	959,730	123,906
Advertisement & Business Promotion	2,330,068	209,688
Printing & Stationery	1,119,531	268,982
Postage and Courier	102,151	8,763
Payment to Auditors		
- Statutory Audit Fee	112,240	55,100
- Other Services	55,100	-
- Reimbursement of Expenses	1,961	32,700
Insurance Premium	388,421	2,001,357
Professional & Consultancy Charges	6,331,830	281,538
General Expenses	1,230,599	941,517
Office Maintenance	269,128	314,818
Donation	287,002	-
Vehicle Maintenance	241,061	151,975
Preliminary Expenses Written Off	-	182,259
	<hr/>	<hr/>
	21,427,235	10,599,883
<b>SCHEDULE 16 : INTEREST &amp; FINANCE CHARGES</b>		
Interest on Loans	37,074,160	18,615,059
Bank & Finance Charges	700,518	345,208
	<hr/>	<hr/>
	37,774,678	18,960,267
<b>SCHEDULE 17 : DEFERRED TAX EXPENSE (INCOME)</b>		
Deferred Tax Liability for the year	4,812,037	6,311,368
Less : Deferred Tax Asset	(3,965,332)	3,965,332
	<hr/>	<hr/>
	8,777,369	2,346,036





## SCHEDULE 18

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2006

#### SIGNIFICANT ACCOUNTING POLICIES

##### A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
2. Method of Accounting - The Company maintains its accounts on accrual basis.
3. The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

##### B. REVENUE RECOGNITION

1. In respect of property development and / or Construction contracts, the Company follows percentage completion method as per Accounting Standard 7 issued by the Institute of Chartered Accountants of India. The percentage of completion is stated on the basis of physical measurement of work actually completed at the balance sheet date, taking into account the contractual price and revision thereto. Losses on contracts are fully accounted for as and when incurred. Foreseeable losses are accounted for when they are determined except to the extent they are expected to be recovered through claims presented or to be presented to the customer or in arbitration. Expenditure incurred in respect of additional costs / delays are accounted in the year in which they are incurred. Claims made in respect thereof are accounted as income in the year of receipt of arbitration award or acceptance by client or evidence of acceptance received from the client. Project Development Income is the fee charged to the customers on transfer of property in consideration of various services rendered by the company for promoting the respective projects.
2. In respect of other incomes, accrual system of accounting is followed.

##### C. FIXED ASSETS, DEPRECIATION & IMPAIRMENT

1. The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon less depreciation.
2. In respect of construction of assets forming part of expansion project, directly attributable costs including financing costs relating to specific borrowings are also capitalised.
3. Depreciation is provided on fixed assets, on straight-line method, on pro-rata basis as per the rates specified in Schedule XIV of the Companies Act, 1956, except solar lanterns where useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The written down value of the Solar Lanterns as on 1st April 2005 have been fully depreciated in the current financial year.
4. Advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end are shown under Capital Work - in - Progress.
5. If an asset is carried of a value more than the recoverable amount through use or sale of the asset, such impairment of asset is recognized as expenditure of the year. If such impairment ceases to exist then the same is recognised as income of that year.

##### D. VALUATION OF CLOSING STOCK

- a. Raw material: Raw material, Stores and Spares are valued at Cost. Cost comprises of all costs of purchase.
- b. Work-in-progress: It is valued at cost or the contract rates whichever is lower. Completed properties are valued at cost or net realizable value, whichever is less.

##### E. PRELIMINARY EXPENSES

Share Issue Expenses and Preliminary Expenses incurred for the ongoing capital expansions and related expenses will be written off over a period of five years commencing from the year when the envisaged capital is invested.

## F. INVESTMENTS

Investments are classified as long-term and current investments. Long-term investments are shown at cost or written down value (in case of other than temporary diminution) and current Investments are shown at cost or market value whichever is lower.

## G. RETIREMENT BENEFITS

Contribution of Provident Fund is being accounted on actual liability basis and the Gratuity and Leave Encashment benefits are being accounted on actuarial valuation basis.

## H. TAX ON INCOME

- Tax on income for the current period is determined on the basis of Taxable Income computed in accordance with the provisions of the Income Tax Act 1961.
- Deferred Tax on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

## NOTES ON ACCOUNTS:

### 1. CONTINGENT LIABILITIES:

- Estimated amount of liability on capital contracts as on 31st March 2006 and not provided for is Nil (Previous year : Rs. 100 lakhs).
- Corporate Guarantees given to Banks in respect of loans taken by other companies : Rs.64.60 Crores.
- Corporate Guarantees given to Bank in respect of performance bank guarantees issued by them : Rs.0.75 Crore.
- (i) Unfulfilled Export obligation of Rs. 114.40 lakhs to be performed on or before 18th February 2012 given by the company for import of capital goods.  
(ii) Company has availed concessional import duty of Rs 65 lacs for which the STP Unit (Tenant) is required to perform export obligation as stipulated.
- Claims not acknowledged as debts by the Company: Rs 69.38 lakhs
- Income Tax Demand:

Assessment Year	Nature of Tax	Income Tax Department Demand	Amount Paid Under Protest	Forum Where Dispute is Pending
2001-02	Tax on Income	16,785,003	10,639,719	Madras High Court
2002-03	Tax on Income	8,926,848	8,926,848	CIT (A)
1996-97	T D S	21,503	4,931	ITAT & CIT (A)
1997-98	T D S	2,368,619	778,901	ITAT & CIT (A)
1998-99	T D S	1,628,830	122,473	ITAT & CIT (A)
1999-00	T D S	1,857,640	316,379	ITAT & CIT (A)
2000-01	T D S	442,820	202,228	CIT (A)

Other pending items under dispute: NIL

## 2. SECURED LOANS

- ING Vysya Bank - Rent Loan - The loan (Limit Rs 22.50 crores) is secured by way of assignment of lease rentals payable by TCS for Digital Zone Phase 1. The loan is further secured by EM of land and building relating to Phase 1 of the said project and plant & machinery erected thereon, including interiors and landscaping and also another piece of land at Karapakkam. Two of the directors also have given personal guarantee.



- b. Corporation Bank Corporate Rental Loan - The loan (Limit Rs. 24 crores) is secured by way of assignment of lease rentals payable by TCS for Digital Zone - Phase 2. The loan is further secured by EM of building along with the undivided share of land relating to Phase 2 of the said project. Two of the directors also have given personal guarantee.
- c. Term loan from IREDA is secured by way of charge on the assets and immovable properties of the Company and personal guarantee of Directors and Corporate Guarantee of another Company.
- d. Indian Overseas Bank - The loan (Limit Rs 30 lakhs) is secured by way of assignment of rentals from the property held by the Company.
- e. ICICI Bank - The loan (Limit Rs. 55.50 lakhs) is secured by the hypothecation of assets acquired out of the loan.
- f. Term Loan from IOB (Limit: Rs 490 lacs) is secured by way of charge on movable and immovable assets of M/s Marg Business Park Pvt Ltd.
- g. Term Loan from ING Vysya Bank (Limit: Rs 5 Crores) is secured by way of charge on the immovable properties of the Company.
- h. Car Loans: Secured by way of hypothecation of car purchased under the scheme in favour of the Lender.

### 3. DEFERRED TAX LIABILITY

As per the Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI), the Company is required to make a provision for deferred tax liability.

During the year an amount of Rs. 87,77,369/- (including reversal of deferred tax asset of Rs.39,65,332/-) has been provided for deferred tax liability from the profits of the current year. The balance deferred tax liability outstanding as on 31st March 2006 is Rs.1,38,90,381/- the details of which are as follows:

	31st March 2006 Rs	31st March 2005 Rs
Timing difference on account of depreciation	48,12,037	63,11,368
Outstanding deferred tax liability	1,38,90,381	90,78,344
Timing difference on account of carry forward losses	-	39,65,332
Outstanding deferred tax asset	-	39,65,332
Outstanding deferred tax liability (net)	1,38,90,381	51,13,012

- 4. Balance confirmations have not been obtained from all Sundry Debtors, Sundry Creditors and other balances.
- 5. None of the suppliers had informed the company that they are Small Scale Industrial undertaking. Hence information regarding dues to such undertaking could not be furnished.
- 6. In the opinion of the Management, Current Assets, Loans & Advances have a value and realization equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
- 7. The company has allotted 60,00,000 equity shares of Rs 10/- each at a premium of Rs 5/- each to the promoters and their associates.

### 8. Segmental Results

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. The following table presents the revenue, profit/(loss), assets and liabilities information relating to the respective Business Segments for the year ended on 31st March 2006.

Information about Primary Business Segment:

Description	Year Ended 31 <sup>st</sup> March 2006			Year Ended 31 <sup>st</sup> March 2005		
	PROJ ECTS In Rs.	LEASING In Rs.	TOTAL In Rs.	PROJ ECTS In Rs.	LEASING In Rs.	TOTAL In Rs.
<b>REVENUE</b>						
External Revenue	493,155,034	83,113,093	576,268,127	112,976,872	45,646,114	158,622,986
Internal Revenue						
<b>Total Revenue</b>	493,155,034	83,113,093	576,268,127	112,976,872	45,646,114	158,622,986
<b>RESULT</b>						
Segment Result before Interest & Tax	90,108,961	64,984,021	155,092,982	14,151,614	32,444,105	46,595,719
Interest Expense	509,370	36,110,986	36,620,356	1,520,347	17,439,920	18,960,267
Net Segment Result	89,599,591	28,873,035	118,472,626	12,631,267	15,004,184	27,635,451
Other unallocated Expenses net of Unallocated Income			15,224,012			10,573,437
Profit before Tax			103,248,614			17,062,014
Income Taxes			21,377,369			3,683,911
Profit After Tax			81,871,245			13,378,103
<b>OTHER INFORMATION</b>						
Segment Assets	411,885,640	510,937,580	922,823,220	160,283,785	507,515,861	667,799,646
Unallocated Corporate Assets			132,543,493			99,196,783
<b>Total Assets</b>			1,055,366,713			766,996,429
Segment Liabilities	296,148,518	480,887,480	777,035,998	110,054,325	516,122,150	626,176,475
Unallocated Corporate Liabilities			38,010,867			21,157,432
<b>Total Liabilities</b>			801,830,043			643,654,447
Capital Expenditure	34,490	55,470,028		-3,615,181	250,971,839	
Depreciation	50,842	17,585,339		892,823	9,760,140	
Non Cash expenses other than Depreciation						

### Business Segment

For Management reporting purposes, the Company is organised into two major operating division's – Projects and Leasing. The divisions are the basis on which the Company reports its primary segment information. The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

### Geographical Segment

The Company's projects are focused mainly on Chennai and hence separate geographical segmental information has not been given in the financial statements

9. The remuneration paid to directors is as follows

	2005-2006	2004-2005
Salary to Managing Director	Rs.12,80,000	Rs.4,80,000
Commission to Managing Director	Rs. 8,11,018	-

10. Statement of computation of net profit under section 349 of the Companies Act, 1956 for the remuneration payable to whole time and other directors for the year ended 31st march 2006

Particulars	Rs. in Lacs
Profit Before Tax as per Profit & Loss Account	1032.49
Add : Depreciation charged as per Profit & Loss account	187.27
Less: Profit on Sales of Assets	243.34
Add : Managerial Remuneration debited to P&L Account	21.87
	998.29
Less : Depreciation as per Sec.350 of the Companies Act, 1956	187.27
<b>Net Profit as per Sec 349 of the Companies Act, 1956</b>	<b>811.02</b>
Maximum amount of Remuneration permissible to Whole Time Directors (@5% of the Net Profits )	40.55

### 11. Related Party Disclosures

The Company had transactions with the following related parties

i) Subsidiaries : The following are subsidiaries of the Company

1. Karaikal Port Private Limited
2. Riverside Infrastructure (India) Private Limited
3. OMR Developers Private Limited
4. New Chennai Township Private Limited

ii) Associates:

- a. There are no companies in which the Company holds more than 20% of the Equity Capital of the Investee Company.
- b. The following are the Companies in which there are common directors
  1. R R Infotech Limited
  2. Marg Digital Infrastructure Private Limited
  3. Marg Business Park Private Limited
  4. Marg Realities Limited
- c. The following Transactions were carried out with the related parties in the ordinary course of the business.

Particulars	Subsidiaries	Associates	Key Management Personnel	Total
Revenue	16,36,84,500	26,77,33,227	-	43,14,17,727
Purchase	-	-	4,75,80,000	47,580,000
Remuneration	-	-	20,91,018	20,91,018
Investments Made	4,00,000	71,20,000	-	75,20,000
Loans & Advances Made	3,74,700	-	-	3,74,700
Advances received	-	36,52,77,251	-	36,52,77,251
Guarantees and collaterals	-	46,60,00,000	-	46,60,00,000
<b>Balances as on 31st March 2006</b>				
Investments	4,00,000	2,29,00,000	-	23,300,000
Sundry Debtors	16,36,84,500	1,71,47,076	-	18,08,31,576
Loans & Advances	3,74,700	2,10,60,000	-	2,14,34,700
Advances received	-	49,65,38,311	-	49,65,38,311
Remuneration	-	-	10,62,355	10,62,355
Creditors	-	-	38,119	38,119
Guarantees	-	64,60,00,000	-	64,60,00,000

12.	A.	Value of Imports calculated on CIF Basis :	2005-06	2004-05
			Rs. In lacs	
		(i) Components, embedded goods and spare-parts	-	-
		(ii) Capital goods	44.14	132.34
	B.	Expenditure in foreign currencies:		
		(i) Traveling expenses	9.75	0.90

13. Earnings per share:				
	A.	Profit computation for both basic and diluted earnings per share of Rs.10/-each		
		Net Profit as per Profit & Loss Account available for equity shareholders (Rs. lacs)	817.67	128.47
	B.	Weighted average number of equity shares for EPS computation (for basic and diluted EPS) (Nos.)	70,00,000	40,00,000
	C.	EPS (weighted average) (Rs.) (basic & diluted)	11.68	3.21



14. Previous year's figures have been regrouped / reclassified / rearranged where ever necessary with the conformity with the current year figures.

Signatories to Schedule 1 to 18

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**For and on behalf of Board of Directors**

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.



## CASH FLOW STATEMENT

Sl No	Particulars	Year Ended 31 - Mar - 2006	Year Ended 31 - Mar - 2005
<b>A</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
	Net Profit before Taxation and extraordinary Item	103,144,695	16,531,031
	Adjustment for:		
	Depreciation	18,727,050	10,652,963
	Preliminary & Public issue expenses Written off	-	182,259
	Profit on Sale of Fixed Assets	(24,333,789)	-
	<b>Operating Profit before Working Capital Changes</b>	<b>97,537,956</b>	<b>27,366,253</b>
	Increase in Sundry Debtors	(160,939,873)	(18,506,689)
	Increase in Inventories	(73,915,316)	(816,445)
	Increase in Loans & Advances	(32,925,496)	(72,906,794)
	Increase in Current Liabilities	103,484,989	56,888,880
	<b>Cash Generated from Operations</b>	<b>(66,757,740)</b>	<b>(7,974,795)</b>
	Income Taxes Paid	(1,337,875)	(1,860,144)
	<b>Cash Flow before Extraordinary Items</b>	<b>(68,095,615)</b>	<b>(9,834,939)</b>
	Adjustment for Extraordinary Items (Preliminary Exp)	(2,250,000)	-
	<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>(70,345,615)</b>	<b>(9,834,939)</b>
<b>B</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
	Purchase of Fixed Assets	(20,935,899)	(247,760,075)
	Purchase / Sale of Investments	(7,520,000)	5,043,300
	Proceeds from Sale of Fixed Assets	26,516,500	-
	<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(1,939,399)</b>	<b>(242,716,775)</b>
<b>C</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
	Proceeds from Issuance of Share Capital	41,140,000	48,860,000
	Proceeds from Long Term Borrowings	44,488,475	203,916,327
	Repayment of Short Term Borrowings	(300,000)	(13,750,000)
	<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>	<b>85,328,475</b>	<b>239,026,327</b>
	<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>13,043,461</b>	<b>(13,525,387)</b>
	<b>Cash and Cash Equivalents at beginning of Period</b>	<b>4,589,995</b>	<b>18,115,382</b>
	<b>Cash and Cash Equivalents at end of Period</b>	<b>17,633,456</b>	<b>4,589,995</b>

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

For and on behalf of Board of Directors

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.





## AUDITORS' REPORT

We have examined the above Cash Flow Statement of Marg Constructions Limited for the year ended 31st March 2006. The statement has been prepared by the Company in accordance with the requirement of clause 32 of the listing agreement entered with Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of even date to the Members of the Company.

For **K RAMKUMAR & CO.,**  
Chartered Accountants  
**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May, 2006.



## BUSINESS PROFILE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
as per Part IV Schedule VI of the Companies Act, 1956

### I. Registration Details

Registration No. 29561  
Balance Sheet Date: 31st March 2006

State Code: 18

### II. Capital raised during the year (In Thousand Rupees)

a) Public Issue: Nil  
c) Bonus Issue: Nil

b) Rights Issue: Nil  
d) Private Placement: 60000

### III. Position of Mobilization and Deployment of funds (In Thousand Rupees)

a) Total Liabilities: 776678

b) Total Assets: 776678

### IV. Source of Funds (In Thousand Rupees)

a) Paid up capital: 100000  
c) Secured Loans: 516618

b) Reserves & Surplus: 142569  
d) Unsecured Loans: 3600

### V. Application of Funds (In Thousand Rupees)

a) Net Fixed Assets: 535564  
c) Net Current Assets: 215564  
e) Miscellaneous Expenditure: 2250

b) Investments: 23300  
d) Accumulated Losses: Nil

### VI. Performance of Company (In Thousand Rupees)

a) Turnover: 602591  
c) Profit / (Loss) before Tax: 103248  
e) Earning per Share in Rupees: 11.68

b) Total Expenditure: 499343  
d) Profit / (Loss) after Tax: 81871  
f) Dividend rate (%): Nil

### VII. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

a) Item Code No: NA  
b) Product Description: Construction

(Consolidated)

### Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company 1	Financial Year ending of Subsidiary 2	Number of equity shares held 3	Paid up Share Capital (In Rupees) 4	Extent of holding 5
Karaikal Port Private Limited	31-Mar-06	10,000	100,000	100%
Riverside Infrastructure (India) Private Limited	31-Mar-06	10,000	100,000	100%
OMR Developers Private Limited	31-Mar-06	10,000	100,000	100%
New Chennai Township Private Limited	31-Mar-06	10,000	100,000	100%



(Consolidated)

## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MARG CONSTRUCTIONS LIMITED

We have audited the attached consolidated balance sheet of **MARG CONSTRUCTIONS LIMITED** and its subsidiaries (the Group) as at **31st March 2006**, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of **MARG CONSTRUCTIONS LIMITED**'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 consolidated financial statements based on our audit.

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.

The financial statements of **MARG CONSTRUCTIONS LIMITED** incorporate the accounts of Karaikkal Port Private Limited, OMR Developers Private Limited, New Chennai Township Private Limited and Riverside Infrastructure (India) Private Limited for the year ended 31st March, 2006 which have been audited by us and whose reports have been considered by us.

We report that the consolidated financial statements have been prepared by **MARG CONSTRUCTIONS**'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 issued by the Institute of Chartered Accountants of India.

Based on our audit of the financial statements and the other financial information, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of **MARG CONSTRUCTIONS LIMITED** Group as at 31st March, 2006;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date, and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

**For K RAMKUMAR & Co.**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai,  
Date : 23rd May 2006

(Consolidated)  
**BALANCE SHEET**

PARTICULARS	Schedule	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	100,000,000	40,000,000
Share Application Money		-	48,860,000
Reserves & Surplus	2	111,676,516	30,802,522
<b>LOAN FUNDS</b>			
Secured Loans	3	516,618,435	472,129,960
Unsecured Loans	4	3,600,000	3,900,000
<b>DEFERRED TAX LIABILITY ( Net )</b>	5	13,890,381	5,113,012
		<u>745,785,332</u>	<u>600,805,494</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	718,351,555	566,954,045
Less : Depreciation		49,973,005	31,416,037
Net Block		<u>668,378,550</u>	<u>535,538,008</u>
<b>INVESTMENTS</b>	7	22,900,000	15,780,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	8	83,092,505	9,177,189
Sundry Debtors		21,327,102	24,071,729
Cash & Bank Balances		18,062,168	4,589,995
Loans & Advances		210,390,304	177,839,508
		<u>332,872,079</u>	<u>215,678,421</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	9	223,138,936	115,038,190
Lease Deposits/ Rental Advances		45,248,761	49,814,870
Provisions		12,600,000	1,337,875
		<u>280,987,697</u>	<u>166,190,935</u>
<b>NET CURRENT ASSETS</b>		51,884,382	49,487,486
<b>MISCELLANEOUS EXPENSES</b> (To the extent not written off or adjusted )			
Preliminary Expenses	10	2,622,400	-
		<u>745,785,332</u>	<u>600,805,494</u>
<b>NOTES ON ACCOUNTS</b>	18		

As per our Report of even date attached  
For **K RAMKUMAR & CO.,**  
Chartered Accountants

For and on behalf of Board of Directors

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.



(Consolidated)  
**PROFIT & LOSS ACCOUNT**

PARTICULARS	Schedule	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>INCOME</b>			
Income from Operations	11	438,970,127	158,622,986
Other Income	12	1,991,325	911,961
		440,961,452	159,534,947
<b>EXPENDITURE</b>			
Cost of Projects/Other Operating Expenses	13	274,422,668	97,932,435
Personnel Expenses	14	16,231,303	4,327,385
Administrative Expenses	15	21,450,471	10,599,883
		312,104,442	112,859,703
<b>PROFIT BEFORE DEPRECIATION, INTEREST &amp; TAX</b>		128,857,010	46,675,244
Depreciation	6	18,727,050	10,652,963
<b>PROFIT BEFORE INTEREST &amp; TAX</b>		110,129,960	36,022,281
Interest & Finance Charges	16	37,774,678	18,960,267
<b>PROFIT BEFORE TAX</b>		72,355,282	17,062,014
<b>TAX EXPENSE</b>			
Provision for Income Tax		12,600,000	1,337,875
Deferred Tax Expense (Income)	17	8,777,369	2,346,036
<b>PROFIT AFTER TAX</b>		50,977,913	13,378,103
Prior Period Expenses		103,919	530,983
<b>SURPLUS CARRIED FORWARD TO RESERVES</b>		50,873,994	12,847,120
Earnings Per Share		7.27	3.21
<b>NOTES ON ACCOUNTS</b>	18		

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**For and on behalf of Board of Directors**

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.



(Consolidated)

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
5,00,00,000 Equity Shares of Rs.10 each (Previous year 50,00,000 Equity Shares of Rs.10 each)	500,000,000	50,000,000
<b>Issued, Subscribed and Paid up Capital</b>		
1,00,00,000 Equity Shares of Rs.10 each (Previous year 40,00,000 Equity Shares of Rs.10 each)	100,000,000	40,000,000
	100,000,000	40,000,000
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Share Premium Reserve</b>	30,000,000	-
<b>Profit &amp; Loss Account</b>		
Opening Balance	30,802,522	17,955,402
Add: Surplus in Profit & Loss Account (Current Year)	50,873,994	12,847,120
	81,676,516	30,802,522
	111,676,516	30,802,522
<b>SCHEDULE 3 : SECURED LOANS</b>		
IREDA - Term Loan	1,115,000	6,752,426
ICICI Bank Limited	570,163	2,925,675
ING Vysya Bank Limited - Rental Loan	207,422,672	224,310,944
Indian Overseas Bank - Rental Loan	1,549,172	2,261,337
ING Vysya Bank Limited - Medium Term Loan	49,379,370	-
Indian Overseas Bank - Term Loan	27,803,728	-
Corporation Bank - Rental Loan	225,551,875	234,602,076
Vehicle Loans	3,226,455	1,277,502
	516,618,435	472,129,960
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Loans From Others	3,600,000	3,900,000
	3,600,000	3,900,000
<b>SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liability	13,890,381	9,078,344
Less : Deferred Tax Asset	-	3,965,332
	13,890,381	5,113,012

(Consolidated)  
**SCHEDULE 6 : FIXED ASSETS**

Particulars	Gross Block			Depreciation			Net Block		In Rs
	As At 01-Apr-05	Additions	Deductions/ Transfers	As At 31-Mar-06	For the Year	Deductions/ Transfers	As At 31-Mar-06	As At 31-Mar-05	
<b>1 Digital Zone - I</b>									
Land	52,344,597	1,366,019	-	53,710,616	-	-	53,710,616	52,344,597	
<b>Phase I</b>									
Building	109,436,953	-	-	109,436,953	1,783,822	-	106,315,265	108,099,087	
Plant & Machinery	23,292,047	-	-	23,292,047	1,106,374	-	21,355,894	22,462,268	
Electrical Equipment & Fittings	62,917,668	-	-	62,917,668	2,988,589	-	57,687,637	60,676,226	
Furniture & Fixtures	43,082,052	-	-	43,082,052	2,727,094	-	38,309,638	41,036,732	
<b>Phase II</b>									
Building	83,829,258	31,093,511	-	114,922,769	1,641,352	-	113,015,725	83,563,566	
Plant & Machinery	21,968,289	10,201,187	-	32,169,476	1,304,951	-	30,661,623	21,765,387	
Electrical Equipment & Fittings	24,827,626	19,504,886	-	44,332,512	1,531,737	-	42,571,464	24,598,315	
Furniture & Fixtures	29,971,261	19,843,174	-	49,814,435	2,262,491	-	47,183,048	29,602,365	
<b>2 Other Assets</b>									
Land & Building	30,818,904	182,345	26,538,749	4,462,500	-	-	4,462,500	30,818,904	
Plant & Machinery	1,049,412	34,490	-	1,083,902	50,842	-	723,691	740,043	
Computers	4,525,674	1,201,673	-	5,727,347	525,085	-	1,153,849	477,261	
Office Equipment	994,571	389,889	-	1,384,460	75,367	-	1,145,211	830,689	
Motor Vehicles	1,890,724	3,314,293	298,389	4,906,628	305,985	170,082	4,486,540	1,606,539	
Furniture & Fittings	1,153,768	256,345	-	1,410,113	184,432	-	1,197,772	1,125,859	
SPV Lanterns	21,300,000	-	-	21,300,000	19,061,071	-	-	2,238,929	
Agricultural Land	-	144,398,077	-	144,398,077	-	-	144,398,077	-	
<b>3 Capital Work in Progress</b>									
Digital Zone - II	53,551,241	-	53,551,241	-	-	-	-	53,551,241	
<b>Total</b>	<b>566,954,045</b>	<b>231,785,889</b>	<b>80,388,379</b>	<b>718,351,555</b>	<b>18,727,050</b>	<b>170,082</b>	<b>668,378,550</b>	<b>555,538,008</b>	
Previous Year	319,193,970	517,672,989	269,912,914	566,954,045	10,652,963	-	535,538,008	298,430,896	



(Consolidated)  
**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 7 : INVESTMENTS</b>		
<b>Investments in Shares ( Long Term, Non-Quoted, Stated at Cost )</b>		
Marg Digital Infrastructure Private Limited (595,000 Equity Shares of Rs. 10 each fully paid up)	5,950,000	30,000
Marg Realities Limited (995,000 Equity Shares of Rs. 10 each fully paid up)	9,950,000	8,750,000
RR Infotech Limited (700,000 Equity Shares of Rs. 10 each fully paid up)	7,000,000	7,000,000
	22,900,000	15,780,000
<b>SCHEDULE 8 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	74,296,171	-
Stock of Materials at Site	435,590	816,445
	83,092,505	9,177,189
<b>Sundry Debtors</b>		
(Unsecured and considered good )		
Outstanding for more than 6 months	17,147,076	3,377,709
Others	4,180,026	20,694,020
	21,327,102	24,071,729
<b>Cash and Bank Balances</b>		
Cash Balance	448,640	17,662
Balances with Scheduled Banks		
in Current Accounts	13,044,897	2,390,892
in Deposit Accounts	1,867,989	1,836,841
in Margin Money Accounts	2,700,642	344,600
	18,062,168	4,589,995
<b>Loans &amp; Advances</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	142,317,515	163,046,399
Advances to Suppliers	26,161,512	3,679,460
Staff Advances	114,617	94,913
Prepaid Income Taxes	40,240,986	8,860,138
Security Deposits	1,555,674	2,158,598
	210,390,304	177,839,508
	332,872,079	215,678,421



(Consolidated)

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	As At 31-Mar-2006 Rs	As At 31-Mar-2005 Rs
<b>SCHEDULE 9 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	44,651,856	47,907,253
Advances from Customers		
Advances from Customers	600,266,175	150,807,540
Less Value of Work Executed	425,640,031	89,471,054
	174,626,144	61,336,486
Expenses Payable	1,740,492	1,753,013
Statutory Dues	1,174,800	3,821,639
Due to Directors	945,644	219,799
	223,138,936	115,038,190
<b>Lease Deposits / Rental Advances</b>	45,248,761	49,814,870
<b>PROVISIONS</b>		
Provision for Tax	12,600,000	1,337,875
	280,987,697	166,190,935
<b>SCHEDULE 10 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted )		
Preliminary Expenses	2,622,400	-
	2,622,400	-
<b>SCHEDULE 11 : INCOME FROM OPERATIONS</b>		
Income from Projects	355,857,034	112,976,872
Lease Rent Income	80,110,627	42,586,114
Lease Rent from Equipment (SPV Lanterns)	3,002,466	3,060,000
	438,970,127	158,622,986
<b>SCHEDULE 12 : OTHER INCOME</b>		
Interest Received	533,042	469,320
Profit on Sale of Assets	1,693	-
Miscellaneous Income	1,212,690	442,641
Agricultural Income	243,900	-
	1,991,325	911,961



(Consolidated)

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>SCHEDULE 13 : COST OF PROJECTS / OPERATING EXPENSES</b>		
<b>COST OF PROJECTS</b>		
<b>Opening Stock</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	-	-
Stock of Materials at Site	816,445	-
	9,177,189	8,360,744
<b>Expenditure During the year</b>		
Cost of Projects	347,855,039	98,748,880
Less Service Tax Credit Received	60,788	-
	347,794,251	98,748,880
<b>Closing Stock</b>		
Stock of Completed Projects	8,360,744	8,360,744
Projects in Progress	74,296,171	-
Stock of Materials at Site	435,590	816,445
	83,092,505	9,177,189
<b>Cost of Projects</b>	273,878,935	97,932,435
<b>Repairs &amp; Maintenance-Leased Properties</b>	543,733	-
	274,422,668	97,932,435
<b>SCHEDULE 14 : PERSONNEL EXPENSES</b>		
Salaries & Allowances	10,340,096	3,847,385
Directors Remuneration	2,091,018	480,000
Rent Staff	153,700	-
Contribution to Funds	948,408	-
Recruitment & Training Expenses	1,231,232	-
Staff Welfare Expenses	780,869	-
Retirement Benefits	278,154	-
Fringe Benefit Tax	407,826	-
	16,231,303	4,327,385



(Consolidated)

**SCHEDULES FORMING PART OF ACCOUNTS**

PARTICULARS	Year Ended 31-Mar-2006 Rs	Year Ended 31-Mar-2005 Rs
<b>SCHEDULE 15 : ADMINISTRATIVE EXPENSES</b>		
Rent, Rates & Taxes	553,365	766,371
Communication Costs	1,329,800	826,073
Electricity Charges	558,357	498,299
Traveling and Conveyance	4,734,776	1,503,653
Repairs & Maintenance	822,115	2,432,884
Secretarial Expenses	959,730	123,906
Advertisement & Business Promotion	2,330,068	209,688
Printing & Stationery	1,120,319	268,982
Postage and Courier	102,151	8,763
Payment to Auditors		
- Statutory Audit Fee	134,688	55,100
- Other Services	55,100	-
- Reimbursement of Expenses	1,961	32,700
Insurance Premium	388,421	2,001,357
Professional & Consultancy Charges	6,331,830	281,538
General Expenses	1,230,599	941,517
Office Maintenance	269,128	314,818
Donation	287,002	-
Vehicle Maintenance	241,061	151,975
Preliminary Expenses Written Off	-	182,259
	21,450,471	10,599,883
<b>SCHEDULE 16 : INTEREST &amp; FINANCE CHARGES</b>		
Interest on Loans	37,074,160	18,615,059
Bank & Finance Charges	700,518	345,208
	37,774,678	18,960,267
<b>SCHEDULE 17 : DEFERRED TAX EXPENSE (INCOME)</b>		
Deferred Tax Liability for the year	4,812,037	6,311,368
Less : Deferred Tax Asset	(3,965,332)	3,965,332
	8,777,369	2,346,036



(Consolidated)

## SCHEDULE 18

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31st MARCH 2006.

1. The Consolidated Financial Statement relate to MARG Constructions Limited ("The Company") and its Wholly Owned Subsidiary Companies. The Consolidated Financial Statements have been prepared under following basis.
  - a. The Financial Statement of the Company and its Subsidiary Companies have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, Income & Expenses as per the respective financial statements duly certified by the Auditors of the respective Companies after fully eliminating intragroup balances and also transactions resulting in un realised profits or losses in accordance with accounting standard (AS-21) "Consolidated Financial Statements "issued by the Institute of Chartered Accountants of India
  - b. "The Consolidated Financial Statements", have been prepared using the uniform accounting policies for the like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's individual financial statements
  - c. The details of the Subsidiary Companies considered in the Consolidated in financial statements are as follows

Name of the company	Country of Incorporation	% of Voting Power Held As At 31 <sup>st</sup> March 2006
Karaikal Port Private Limited	India	100%
Riverside Infrastructure (India) Private Limited	India	100%
OMR Developers Private Limited	India	100%
New Chennai Township Private Limited	India	100%

- d. Consolidated financial statement have been prepared for the first time for the financial year ended 31st March 2006. Accordingly, the figures for the financial year ended 31 st March 2005 represent figures for the company only since no subsidiary was in existence as on 31 st March 2005.



## 2. SIGNIFICANT GROUP ACCOUNTING POLICIES

### A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (i) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
- (ii) Method of Accounting - The Company maintains its accounts on accrual basis.
- (iii) The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

### B. REVENUE RECOGNITION

- (i) In respect of property development and / or Construction contracts, the Company follows percentage completion method as per Accounting Standard 7 issued by the Institute of Chartered Accountants of India. The percentage of completion is stated on the basis of physical measurement of work actually completed at the balance sheet date, taking into account the contractual price and revision thereto. Losses on contracts are fully accounted for as and when incurred. Foreseeable losses are accounted for when they are determined except to the extent they are expected to be recovered through claims presented or to be presented to the customer or in arbitration. Expenditure incurred in respect of additional costs / delays are accounted in the year in which they are incurred. Claims made in respect thereof are accounted as income in the year of receipt of arbitration award or acceptance by client or evidence of acceptance received from the client. Project Development Income is the fee charged to the customers on transfer of property in consideration of various services rendered by the company for promoting the respective projects.
- (ii) In respect of other incomes, accrual system of accounting is followed.

### C. FIXED ASSETS, DEPRECIATION & IMPAIRMENT

- (i) The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon less depreciation.
- (ii) In respect of construction of assets forming part of expansion project, directly attributable costs including financing costs relating to specific borrowings are also capitalised.
- (iii) Depreciation is provided on fixed assets, on straight-line method, on pro-rata basis as per the rates specified in Schedule XIV of the Companies Act, 1956, except solar lanterns where useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The written down value of the Solar Lanterns as on 1st April 2005 have been fully depreciated in the current financial year.
- (iv) Advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end are shown under Capital Work - in - Progress.
- (v) If an asset is carried of a value more than the recoverable amount through use or sale of the asset, such impairment of asset is recognized as expenditure of the year. If such impairment ceases to exist then the same is recognised as income of that year.

### D. VALUATION OF CLOSING STOCK

- (i) Raw material: Raw material, Stores and Spares are valued at Cost. Cost comprises of all costs of purchase.
- (ii) Work-in-progress: It is valued at cost or the contract rates whichever is lower. Completed properties are valued at cost or net realizable value, whichever is less.

### E. PRELIMINARY EXPENSES

Share Issue Expenses and Preliminary Expenses incurred for the ongoing capital expansions and related expenses will be written off over a period of five years commencing from the year when the envisaged capital is invested.

### F. INVESTMENTS

Investments are classified as long-term and current investments. Long-term investments are shown at cost or written down value (in case of other than temporary diminution) and current investments are shown at cost or market value whichever is lower.

(Consolidated)

### G. RETIREMENT BENEFITS

Contribution of Provident Fund is being accounted on actual liability basis and the Gratuity and Leave Encashment benefits are being accounted on actuarial valuation basis.

### H. TAX ON INCOME

- (i) Tax on income for the current period is determined on the basis of Taxable Income computed in accordance with the provisions of the Income Tax Act 1961.
- (ii) Deferred Tax on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

### 3. CONTINGENT LIABILITIES:

- a. Estimated amount of liability on capital contracts as on 31st March 2006 and not provided for is Nil (Previous year : Rs. 100 lacs).
- b. Corporate Guarantees given to Banks in respect of loans taken by other companies : Rs.64.60 Crores.
- c. Corporate Guarantees given to Bank in respect of performance bank guarantees issued by them : Rs.0.75 Crore.
- d. (i) Unfulfilled Export obligation of Rs. 114.40 lacs to be performed on or before 18th February 2012 given by the company for import of capital goods.  
(ii) Company has availed concessional import duty of Rs 65 lacs for which the STP Unit (Tenant) is required to perform export obligation as stipulated.
- e. Claims not acknowledged as debts by the Company: Rs 69.38 lacs.
- f. Income Tax Demand:

Assessment Year	Nature of Tax	Income Tax Department Demand	Amount Paid Under Protest	Forum Where Dispute is Pending
2001-02	Tax on Income	16,785,003	10,639,719	Madras High Court
2002-03	Tax on Income	8,926,848	8,926,848	CIT (A)
1996-97	T D S	21,503	4,931	ITAT & CIT (A)
1997-98	T D S	2,368,619	778,901	ITAT & CIT (A)
1998-99	T D S	1,628,830	122,473	ITAT & CIT (A)
1999-00	T D S	1,857,640	316,379	ITAT & CIT (A)
2000-01	T D S	442,820	202,228	CIT (A)

### 4. DEFERRED TAX LIABILITY

As per the Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI), the Company is required to make a provision for deferred tax liability.

During the year an amount of Rs. 87,77,369/- (including reversal of deferred tax asset of Rs.39,65,332/-) has been provided for deferred tax liability from the profits of the current year. The balance deferred tax liability outstanding as on 31st March 2006 is Rs.1,38,90,381/- the details of which are as follows:

(Consolidated)

	31 <sup>st</sup> March 2006 Rs	31 <sup>st</sup> March 2005 Rs
Timing difference on account of depreciation	48,12,037	63,11,368
Outstanding deferred tax liability	1,38,90,381	90,78,344
Timing difference on account of carry forward losses	-	39,65,332
Outstanding deferred tax asset	-	39,65,332
Outstanding deferred tax liability (net)	1,38,90,381	51,13,012

**5. Segmental Results:**

Information about Primary Business Segment:

Description	Year Ended 31 <sup>st</sup> March 2006			Year Ended 31 <sup>st</sup> March 2005		
	PROJ ECTS In Rs.	LEASING In Rs.	TOTAL In Rs.	PROJ ECTS In Rs.	LEASING In Rs.	TOTAL In Rs.
<b>REVENUE</b>						
External Revenue	355,857,034	83,113,093	438,970,127	112,976,872	45,646,114	158,622,986
Internal Revenue						
<b>Total Revenue</b>	355,857,034	83,113,093	438,970,127	112,976,872	45,646,114	158,622,986
<b>RESULT</b>						
Segment Result before Interest & Tax	83,570,961	64,984,021	148,554,982	14,151,614	32,444,105	46,595,719
Interest Expense	509,370	36,110,986	36,620,356	1,520,347	17,439,920	18,960,267
Net Segment Result	83,061,591	28,873,035	111,934,626	12,631,267	15,004,184	27,635,451
Other unallocated Expenses net of Unallocated Income			39,579,344			10,573,437
Profit before Tax			72,355,282			17,062,014
Income Taxes			21,377,369			3,683,911
Profit After Tax			50,977,913			13,378,103
<b>OTHER INFORMATION</b>						
Segment Assets	248,201,140	510,937,580	759,138,720	160,283,785	507,515,861	667,799,646
Unallocated Corporate Assets			265,011,909			99,196,783
<b>Total Assets</b>			1,024,150,629			766,996,429
Segment Liabilities	296,175,718	480,887,480	777,063,198	110,054,325	516,122,150	626,176,475
Unallocated Corporate Liabilities			38,033,315			21,157,432
<b>Total Liabilities</b>			815,096,513			647,333,907
Capital Expenditure	34,490	55,470,028		-3,615,181	250,971,839	
Depreciation	50,842	17,585,339		892,823	9,760,140	
Non Cash expenses other than Depreciation						





(Consolidated)

**Business Segment:**

For Management reporting purposes, the Company is organised into two major operating division's – Projects and Leasing. The divisions are the basis on which the Company reports its primary segment information. The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

**Geographical Segment:**

The Company's projects are focused mainly on Chennai and hence separate geographical segmental information has not been given in the financial statements.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company. The following table presents the revenue, profit/(loss), assets and liabilities information relating to the respective Business Segments for the year ended on 31st March 2006.

**6. Related Party Disclosures:**

The Company had transactions with the following related parties:

a) Associates:

- (i) There are no companies in which the Company holds more than 20% of the Equity Capital of the Investee Company.
- (ii) The following are the Companies in which there are common directors
  - (a) R R Infotech Limited
  - (b) Marg Digital Infrastructure Private Limited
  - (c) Marg Business Park Private Limited
  - (d) Marg Realities Limited
- (iii) The following Transactions were carried out with the related parties in the ordinary course of the business.

Particulars	Associates	Key Management Personnel	Total
Revenue	26,77,33,227	-	26,77,33,227
Purchase	-	4,75,80,000	47,580,000
Remuneration	-	20,91,018	20,91,018
Investments Made	71,20,000	-	71,20,000
Advances received	36,52,77,251	-	36,52,77,251
Guarantees and collaterals	46,60,00,000	-	46,60,00,000
Balance as on 31 <sup>st</sup> March 2006			
Investments	2,29,00,000	-	22900000
Sundry Debtors	1,71,47,076	-	17147076
Loans & Advances	2,10,60,000	-	21060000
Advances received	49,65,38,311	-	49,65,38,311
Remuneration	-	10,62,355	10,62,355
Creditors	-	38,119	38,119
Guarantees	64,60,00,000	-	64,60,00,000

(Consolidated)

**7. Earnings per share:**

A.	Profit computation for both basic and diluted earnings per share of Rs.10/- each Net Profit as per Profit & Loss Account available for equity shareholders (Rs. lacs)	817.67	128.47
B.	Weighted average number of equity shares for EPS computation (for basic and diluted EPS) (Nos.)	70,00,000	40,00,000
C.	EPS (weighted average) (Rs.) (basic & diluted)	7.27	3.21

8. Previous year's figures have been regrouped / reclassified / rearranged where ever necessary with the conformity with the current year figures.

**Signatories to Schedule 1 to 18**

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**For and on behalf of Board of Directors**

**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.

(Consolidated)

**CASH FLOW STATEMENT**

SI No	Particulars	Year Ended 31st March 2006 Rs.
<b>A</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
	<b>Net Profit before Taxation and Extraordinary Item</b>	<b>72,251,363</b>
	<b>Adjustment for:</b>	
	Depreciation	18,727,050
	Profit on sale of Fixed Assets	(1,693)
	<b>Operating Profit before Working Capital Changes</b>	<b>90,976,720</b>
	Increase in Sundry Debtors	2,744,627
	Increase in Inventories	(73,915,316)
	Increase in Loans and Advances	(32,550,796)
	Increase in Current Liabilities	103,534,637
	<b>Cash Generated from Operations</b>	<b>90,789,872</b>
	Income Taxes Paid	(1,337,875)
	<b>Cash Flow before Extraordinary Items</b>	<b>89,451,997</b>
	Adjustment for Extraordinary Items (Preliminary Expenses)	(2,622,400)
	<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>86,829,597</b>
<b>B</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
	Purchase of Fixed Assets	(151,695,899)
	Purchase of Investments	(7,120,000)
	Proceeds from Sale of Assets	130,000
	<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(158,685,899)</b>
<b>C</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
	Proceeds from Issuance of Share Capital	41,140,000
	Proceeds from Long Term Borrowings	44,488,475
	Repayment of Short Term Borrowings	(300,000)
	<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>	<b>85,328,475</b>
	<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>13,472,173</b>
	<b>Cash and Cash Equivalents at beginning of Period</b>	<b>4,589,995</b>
	<b>Cash and Cash Equivalents at end of Period</b>	<b>18,062,168</b>

**Note:** As this the first year of consolidation, Cash Flow Statement has been prepared taking consolidated figures for the current year and figures of Marg Constructions Limited from previous year.

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

For and on behalf of Board of Directors


**R M V BALAJI**  
Partner

**GOURI SHANKER MISHRA**  
Company Secretary

**V P RAJINI REDDY**  
Director

**G R K REDDY**  
Managing Director

Place : Chennai  
Date : 23rd May, 2006.



(Consolidated)

**AUDITORS' REPORT**

We have examined the above Consolidated Cash Flow Statement of Marg Constructions Limited for the year ended 31st March 2006. The statement has been prepared by the Company in accordance with the requirement of clause 32 of the listing agreement entered with Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of even date to the Members of the Company.

**For K RAMKUMAR & Co.**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai,  
Date : 23rd May 2006



**KARAIKAL PORT PRIVATE LIMITED  
PONDICHERRY**

<b>BOARD OF DIRECTORS</b>	Mr G R K Reddy Mrs V P Rajini Reddy
<b>AUDITORS</b>	M/s K Ramkumar & Co Chartered Accountants E-7, III Floor, Gemini Parsn Apartment, Cathedral Garden Road, Chennai - 600 006.
<b>REGISTERED OFFICE</b>	1 <sup>st</sup> Floor, 153 Mission Street, Pondicherry – 605 001.
<b>BANKERS</b>	ING Vysya Bank Ltd.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the First Annual Report on the business and operations of your Company and the audited statement of accounts for the year ended 31st March 2006.

### FINANCIAL RESULTS

Your Company is yet to start commercial operation and hence there is no income for the period.

### SUBSIDIARY STATUS

Your Company is a Wholly Owned Subsidiary of Marg Constructions Limited since its inception.

### OPERATION & FUTURE PLAN

Your company was incorporated on 16th February 2006 with a view to carry on and engage in the business of construction and development of the Port, harbors and related businesses. Your Company is primarily engaged in execution of project of construction & development of Port at Karaikal on BOT in terms of concession agreement entered with Government of Pondicherry dated 25th January 2006.

Marg Constructions Limited Company has already been leased certain portion of land out of total 600 acres to be leased by Govt. of Pondicherry in terms of concession agreement. Your directors expect that after lease of substantial portion, the whole of developments of the port would be taken on expedite basis. Such concession will be assigned to your Company through way of proper deed to take up the project.

### MARKET TREND

Considering the good growth prospects in infrastructure industry output of the project of construction & development of port at Karaikal is expected to create good business for the Company.

### DIRECTORS

Mr G R K Reddy and Mrs V P Rajini Reddy are first directors of the Company liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment as directors of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, the Directors hereby confirmed that:

- i. That in the preparation of the Annual Accounts for the Financial Year 2005-06, the applicable Accounting Standards have been followed and that there are no material departures;
- ii. That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. That they have taken proper and sufficient care to best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the Annual Accounts on going concern basis.

### AUDITORS

M/s. K Ramkumar & Co., Chartered Accountants, Chennai, were appointed as first auditors of the Company and being eligible, offer themselves for re-appointment as Auditors of the Company till the conclusion of the next Annual General Meeting. The Company has received a Certificate from the Auditors to the effect that their appointment if made would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

### DIVIDEND

No dividend is recommended after considering the performance for the first year ended under review.



#### **PERSONNEL**

During the year, no employee whether employed for the whole of the year or part was drawing remuneration exceeding the limits laid down u/s 217 (2A) of the Companies Act, 1956. Therefore, information as required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not given.

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

The provisions of section 217 (1) (e) of the Companies Act, 1956 relating to conservation of energy, technology absorption are not applicable.

Foreign Exchange earnings during the year : Nil

Foreign Exchange outgo during the year : Nil

#### **ACKNOWLEDGEMENT**

The Directors would like to thank all clients and suppliers / associates of your Company for the unstinted support received during the year.

The Board also wishes to thank the Company's bankers for their assistances and co-operation extended from time to time.

**For and on Behalf of the Board**

Place : Chennai  
Date : 23rd May 2006

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF**  
**KARAIKAL PORT PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of **KARAIKAL PORT PRIVATE LIMITED** as on 31st March 2006 and also the Profit & Loss Account for the period ended 31st March 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our 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. The requirements of Companies (Auditor's Report) Order, 2003 is not applicable to this company as it does not satisfy any of the conditions specified in clause 1 (2)(iv) of the said order.
4. We have obtained all the information and explanations, which to the best of our knowledge were necessary for the purpose of our Audit.
  - a. In our opinion, proper Books of Accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - b. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
  - c. According to the best of our information and explanations given to us, the Profit and Loss Account and Balance Sheet dealt with by this report is in accordance with the accounting standards referred to u/s 211(3-C) of the Companies Act, 1956.
  - d. On the basis of the written representations received from the Directors of the Company, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2006 from being appointed as a director in terms of Section (g) of subsection (1) of Section 274 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 accounts read with the notes give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view :
    - i. in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2006; and
    - ii. in the case of Profit and Loss Account, of the Loss for the period ended 31st March 2006;

**For K RAMKUMAR & Co.,**  
Chartered Accountants  
**R M V Balaji**  
Partner

Place : Chennai  
Date : 23rd May 2006





## BALANCE SHEET

PARTICULARS	Schedule	As At 31-Mar-2006 Rs
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS FUNDS</b>		
Share Capital	A	100,000
		100,000
<b>APPLICATION OF FUNDS</b>		
<b>1. CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Bank Balance		110,000
		110,000
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors		168,500
Expenses Payable		5,612
		174,112
<b>NET CURRENT ASSETS</b>		(64,112)
<b>2. MISCELLANEOUS EXPENSES</b>		
(To the extent not written off)		
Preliminary Expenses		158,500
<b>3. PROFIT &amp; LOSS ACCOUNT</b>		
		5,612
	<b>TOTAL</b>	<b>100,000</b>
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
 Chartered Accountants

**R M V BALAJI**  
 Partner

Place : Chennai  
 Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
 Director

**G R K Reddy**  
 Director



## PROFIT & LOSS ACCOUNT

PARTICULARS	Schedule	Period Ended 31-Mar-06 Rs
<b>INCOME</b>		
Nil		-
<b>EXPENDITURE</b>		
Audit Fee		5,612
		5,612
PROFIT / (LOSS) BEFORE TAX		(5,612)
PROVISION FOR TAXATION		-
PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(5,612)
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
 Chartered Accountants

**R M V BALAJI**  
 Partner

Place : Chennai  
 Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
 Director

**G R K Reddy**  
 Director



## SCHEDULES TO ACCOUNTS

PARTICULARS	As At 31-Mar-06 Rs
<b>SCHEDULE A : SHARE CAPITAL</b> Authorised Capital	
1,000,000 Equity Shares of Rs.10 each	10,000,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
10,000 Equity Shares of Rs.10 each	<u>100,000</u>



## SCHEDULE B : NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2006

#### SIGNIFICANT ACCOUNTING POLICIES

##### **A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

1. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
2. Method of Accounting - The Company maintains its accounts on accrual basis.
3. The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

##### **B. REVENUE RECOGNITION**

All Income and Expenses have been recognized on accrual system of accounting.

##### **C. FIXED ASSETS & DEPRECIATION**

The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon.

##### **D. PRELIMINARY EXPENSES**

Preliminary Expenses will be written off on / from the year of revenue generation.

#### **NOTES ON ACCOUNTS**

##### **1. CONTINGENT LIABILITIES**

- a. Estimated amount of liability on capital contracts : Nil
- b. Other Contingent Liabilities : Nil



## 2. DEFERRED TAX LIABILITY

As the Company is still in project implementation stage there is no deferred tax liability as mentioned in Accounting Standard (AS - 22) laid down by the Institute of Chartered Accountants of India (ICAI).

3. In the opinion of the Management, Current Assets, Loans & Advances have a value on realisation equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
4. The Company is a Wholly Owned Subsidiary Company of Marg Constructions Limited.
5. The Company was incorporated on 16th February 2006. The accounts relate to the period from 16th February 2006 to 31st March 2006.
6. The Company is closing its accounts for the first time since incorporation, hence previous year's figures are not available.

Signatories to Schedule A to B

As per our Report attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## BUSINESS PROFILE

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE as per Part IV Schedule VI of the Companies Act, 1956

#### I. Registration Details

Registration No.: 1945

State Code: 59

Balance Sheet Date: 31st March 2006

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

a) Public Issue: Nil

b) Rights Issue: Nil

c) Bonus Issue: Nil

d) Private Placement: Nil

#### III. Position of Mobilization and Deployment of Funds (Amount in Rupees)

a) Total Liabilities: 100000

b) Total Assets: 100000

#### IV. Source of Funds (Amount in Rupees)

a) Paid up capital: 100000

b) Reserves & Surplus: Nil

c) Secured Loans: Nil

d) Unsecured Loans: Nil

#### V. Application of Funds (Amount in Rupees)

a) Net Fixed Assets: Nil

b) Investments: Nil

c) Net Current Assets: (64112)

d) Accumulated Losses: 5612

e) Miscellaneous Expenditure: 158500

#### VI. Performance of Company (Amount in Rupees)

a) Turnover: Nil

b) Total Expenditure: 5612

c) Profit / (Loss) before Tax: (5612)

d) Profit / (Loss) after Tax: (5612)

e) Earning per Share in Rs: (0.56)

f) Dividend rate %: Nil

#### VII. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

a) Item Code No: NA

b) Product Description:



**RIVERSIDE INFRASTRUCTURE (INDIA) PRIVATE LIMITED  
CHENNAI**

<b>BOARD OF DIRECTORS</b>	Mr G R K Reddy Mrs V P Rajini Reddy
<b>AUDITORS</b>	M/s K Ramkumar & Co Chartered Accountants E-7, III Floor, Gemini Parsn Apartment, Cathedral Garden Road, Chennai - 600 006.
<b>REGISTERED OFFICE</b>	"Marg Axis", 4/318, Old Mahabalipuram Road, Kottivakkam, Chennai –600 041.
<b>BANKERS</b>	ING Vysya Bank Ltd.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the First Annual Report on the business and operations of your Company and the audited statement of accounts for the period ended 31st March 2006.

### FINANCIAL RESULTS

Your Company is yet to start commercial operation and hence there is no income for the period.

### SUBSIDIARY STATUS

Upon acquisition of the entire shareholding by Marg Constructions Limited, your Company has become a wholly owned subsidiary of Marg Constructions Limited w.e.f 30th March 2006.

### OPERATION & FUTURE PLAN

Your company was incorporated on 17th February 2006 with a view to take up of all types of Infrastructure Projects. Your company is expected to start up with its first project of construction of mall with multiplexes and food courts, etc. on old Mahabalipuram Road. Considering the good growth prospects in infrastructure industry output of the project of construction & development of Infrastructure and allied projects are expected to create good business for the Company. Your Company has thought to have a Mall on the Old Mahabalipuram Road, which is first of its kind on this road. With the boom in IT and ITES companies, the demand for such type of space has increased. Specially on this high road large number of people engaged in IT & ITES Companies are working and presently there is no shopping mall or multiplex is available on this road. In view of the same your Company expects a very good return in the coming years.

### DIRECTORS

Mr G R K Reddy and Mrs V P Rajini Reddy are first directors of the Company liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment as directors of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirmed

- i. that in the preparation of the Annual Accounts for the Financial Year 2005-06, the applicable Accounting Standards have been followed and that there are no material departures;
- ii. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. that they have taken proper and sufficient care to best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the Annual Accounts on going concern basis.





#### **AUDITORS**

M/s. K Ramkumar & Co., Chartered Accountants, Chennai, were appointed as first auditors of the Company and being eligible, offer themselves for re-appointment as Auditors of the Company till the conclusion of the next Annual General Meeting. The Company has received Certificate from the Auditors to the effect that their appointment if made would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

#### **DIVIDEND**

No dividend is recommended after considering the performance for the first year showing no profits.

#### **PERSONNEL**

There was no employee of the Company during the year. Therefore, information as required u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not given.

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

The provisions of section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy, technology absorption are not applicable.

Foreign Exchange earnings during the year: Nil

Foreign Exchange outgo during the year: Nil

#### **ACKNOWLEDGEMENT**

The Directors would like to thank all clients and suppliers / associates of your Company for the unstinted support received during the year.

The Board also wishes to thank the Company's bankers for their assistances and co-operation extended from time to time.

#### **For and on Behalf of the Board**

Place : Chennai  
Date : 23rd May 2006

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF RIVERSIDE INFRASTRUCTURE (INDIA) PVT LTD

1. We have audited the attached Balance Sheet of **RIVERSIDE INFRASTRUCTURE (INDIA) PVT LTD** as on 31st March 2006 and also the Profit & Loss Account for the period ended 31st March 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our 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. The requirements of Companies (Auditor's Report) Order, 2003 is not applicable to this company as it does not satisfy any of the conditions specified in clause 1 (2)(iv) of the said order.
4. We have obtained all the information and explanations, which to the best of our knowledge were necessary for the purpose of our Audit.
  - a. In our opinion, proper Books of Accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - b. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
  - c. According to the best of our information and explanations given to us, the Profit and Loss Account and Balance Sheet dealt with by this report is in accordance with the accounting standards referred to u/s 211(3-C) of the Companies Act, 1956.
  - d. On the basis of the written representations received from the Directors of the Company, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2006 from being appointed as a director in terms of Section (g) of subsection (1) of Section 274 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 accounts read with the notes give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view :
    - i. in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2006; and
    - ii. in the case of Profit and Loss Account, of the Loss for the period ended 31st March 2006.

**For K RAMKUMAR & Co.,**  
Chartered Accountants

**R M V Balaji**  
Partner

Place : Chennai  
Date : 23rd May 2006



## BALANCE SHEET

PARTICULARS	Schedule	As At 31-Mar-2006 Rs
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS FUNDS</b>		
Share Capital	A	100,000
		<u>100,000</u>
<b>APPLICATION OF FUNDS</b>		
<b>1. CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash in Hand		9,212
Bank Balance		100,000
		<u>109,212</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors		37,700
Expenses Payable		5,612
		<u>43,312</u>
<b>NET CURRENT ASSETS</b>		65,900
<b>2. MISCELLANEOUS EXPENSES</b>		
(To the extent not written off)		
Preliminary Expenses		27,700
<b>3. PROFIT &amp; LOSS ACCOUNT</b>		
		6,400
	<b>TOTAL</b>	<u><u>100,000</u></u>
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## PROFIT & LOSS ACCOUNT

PARTICULARS	Schedule	Period Ended 31-Mar-2006 Rs
<b>INCOME</b>		
Nil		-
		<u>-</u>
<b>EXPENDITURE</b>		
Printing & Stationery		788
Audit Fee		5,612
		<u>6,400</u>
PROFIT / (LOSS) BEFORE TAX		<u>(6,400)</u>
PROVISION FOR TAXATION		-
PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(6,400)
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
**Chartered Accountants**

**R M V BALAJI**  
 Partner

Place : Chennai  
 Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
 Director

**G R K Reddy**  
 Director



## SCHEDULES TO ACCOUNTS

PARTICULARS	As At 31-Mar-2006 Rs
<b>SCHEDULE A : SHARE CAPITAL</b>	
<b>Authorised Capital</b>	
100,000 Equity shares of Rs.10 each	1,000,000
<b>Issued, Subscribed &amp; Paid Up Capital</b>	
10,000 Equity shares of Rs.10 each	<u>100,000</u>



## SCHEDULE B : NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2006

#### SIGNIFICANT ACCOUNTING POLICIES

##### **A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

1. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
2. Method of Accounting - The Company maintains its accounts on accrual basis.
3. The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

##### **B. REVENUE RECOGNITION**

All Income and Expenses have been recognized on accrual system of accounting.

##### **C. FIXED ASSETS & DEPRECIATION**

The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon.

##### **D. PRELIMINARY EXPENSES**

Preliminary Expenses will be written off on / from the year of revenue generation.

#### **NOTES ON ACCOUNTS:**

##### **1. CONTINGENT LIABILITIES:**

- a. Estimated amount of liability on capital contracts : Nil
- b. Other Contingent Liabilities : Nil



## 2. DEFERRED TAX LIABILITY

As the Company is still in project implementation stage there is no deferred tax liability as mentioned in Accounting Standard (AS - 22) laid down by the Institute of Chartered Accountants of India (ICAI).

3. In the opinion of the Management, Current Assets, Loans & Advances have a value on realisation equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
4. The Company is a Wholly Owned Subsidiary Company of Marg Constructions Limited.
5. The Company was incorporated on 17th February 2006. The accounts relate to the period from 17th February 2006 to 31st March 2006.
6. The Company is closing its accounts for the first time since incorporation, hence previous year's figures are not available.

Signatories to Schedule A to B

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## BUSINESS PROFILE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
as per Part IV Schedule VI of the Companies Act, 1956

### I. Registration Details

Registration No.: 58909

State Code: 18

Balance Sheet Date: 31st March 2006

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

a) Public Issue: Nil

b) Rights Issue: Nil

c) Bonus Issue: Nil

d) Private Placement: Nil

### III. Position of Mobilization and Deployment of funds (Amount in Rupees)

a) Total Liabilities: 100000

b) Total Assets: 100000

### IV. Source of Funds (Amount in Rupees)

a) Paid up capital: 100000

b) Reserves & Surplus: Nil

c) Secured Loans: Nil

d) Unsecured Loans: Nil

### V. Application of Funds (Amount in Rupees)

a) Net Fixed Assets: Nil

b) Investments: Nil

c) Net Current Assets: 65900

d) Accumulated Losses: 6400

e) Miscellaneous Expenditure: 27700

### VI. Performance of Company (Amount in Rupees)

a) Turnover: Nil

b) Total Expenditure: 6400

c) Profit / (Loss) before Tax: (6400)

d) Profit / (Loss) after Tax: (6400)

e) Earning per Share in Rs: (0.64)

f) Dividend rate %: Nil

### VII. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

a) Item Code No: NA

b) Product Description :





**OMR DEVELOPERS PRIVATE LIMITED  
CHENNAI**

<b>BOARD OF DIRECTORS</b>	Mr G R K Reddy Mrs V P Rajini Reddy
<b>AUDITORS</b>	M/s K Ramkumar & Co Chartered Accountants E-7, III Floor, Gemini Parsn Apartment, Cathedral Garden Road, Chennai - 600 006.
<b>REGISTERED OFFICE</b>	"Marg Axis", 4/318, Old Mahabalipuram Road, Kottivakkam, Chennai -600 041.
<b>BANKERS</b>	ING Vysya Bank Ltd.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the First Annual Report on the business and operations of your Company and the audited statement of accounts for the period ended 31st March 2006.

### FINANCIAL RESULTS

Your Company is yet to start commercial operation and hence there is no income for the period.

### SUBSIDIARY STATUS

Your company is a wholly owned subsidiary of Marg Constructions Limited since its inception.

### OPERATION & FUTURE PLAN

Your company was incorporated on 27th March, 2006 with a view to set up all types of infrastructure projects. Considering the good growth prospects in infrastructure, industry output of the projects of constructions and development of infrastructure projects is expected to create good business for the company. Your company is conceptualizing and developing premium residential apartments in Chennai.

### DIRECTORS

Mr G R K Reddy and Mrs V P Rajini Reddy are first directors of the Company liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment as directors of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirmed

- i. that in the preparation of the Annual Accounts for the Financial Year 2005-06, the applicable Accounting Standards have been followed and that there are no material departures;
- ii. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. that they have taken proper and sufficient care to best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the Annual Accounts on going concern basis.



#### **AUDITORS**

M/s. K Ramkumar & Co., Chartered Accountants, Chennai, were appointed as first auditors of the Company and being eligible, offer themselves for re-appointment as Auditors of the Company till the conclusion of the next Annual General Meeting. The Company has received Certificate from the Auditors to the effect that their appointment if made would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

#### **DIVIDEND**

No dividend is recommended after considering the performance for the first year showing no profits.

#### **PERSONNEL**

There was no employee of the Company during the year. Therefore, information as required u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not given.

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

The provisions of section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy, technology absorption are not applicable.

Foreign Exchange earnings during the year: Nil

Foreign Exchange outgo during the year: Nil

#### **ACKNOWLEDGEMENT**

The Directors would like to thank all clients and suppliers / associates of your Company for the unstinted support received during the year. The Board also wishes to thank the Company's bankers for their assistances and co-operation extended from time to time.

#### **For and on Behalf of the Board**

Place : Chennai  
Date : 23rd May 2006

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF**  
**OMR DEVELOPERS PRIVATE LTD**

1. We have audited the attached Balance Sheet of **OMR DEVELOPERS PRIVATE LTD** as on 31st March 2006 and also the Profit & Loss Account for the period ended 31st March 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our 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. The requirements of Companies (Auditor's Report) Order, 2003 is not applicable to this company as it does not satisfy any of the conditions specified in clause 1 (2)(iv) of the said order.
4. We have obtained all the information and explanations, which to the best of our knowledge were necessary for the purpose of our Audit.
  - a. In our opinion, proper Books of Accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - b. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
  - c. According to the best of our information and explanations given to us, the Profit and Loss Account and Balance Sheet dealt with by this report is in accordance with the accounting standards referred to u/s 211(3-C) of the Companies Act, 1956.
  - d. On the basis of the written representations received from the Directors of the Company, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2006 from being appointed as a director in terms of Section (g) of subsection (1) of Section 274 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 accounts read with the notes give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view :
    - i. in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2006; and
    - ii. in the case of Profit and Loss Account, of the Loss for the period ended 31st March 2006.

**For K RAMKUMAR & Co.,**  
Chartered Accountants

**R M V Balaji**  
Partner

Place : Chennai  
Date : 23rd May 2006.



## BALANCE SHEET

PARTICULARS	Schedule	As At 31-Mar-2006 Rs
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS FUNDS</b>		
Share Capital	A	100,000
		<u>100,000</u>
<b>APPLICATION OF FUNDS</b>		
<b>1. CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash in Hand		99,500
		<u>99,500</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors		27,200
Expenses Payable		5,612
		<u>32,812</u>
<b>NET CURRENT ASSETS</b>		
<b>2. MISCELLANEOUS EXPENSES</b>		
(To the extent not written off)		
Preliminary Expenses		27,700
<b>3. PROFIT &amp; LOSS ACCOUNT</b>		
		5,612
		<u>100,000</u>
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**

Partner

Place : Chennai

Date : 23rd May 2006

For and on Behalf of the Board

**V P Rajini Reddy**

Director

**G R K Reddy**

Director



## PROFIT & LOSS ACCOUNT

PARTICULARS	Schedule	Period Ended 31-Mar-2006 Rs
<b>INCOME</b>		
Nil		-
		-
<b>EXPENDITURE</b>		
Audit Fee		5,612
		5,612
PROFIT / (LOSS) BEFORE TAX		(5,612)
PROVISION FOR TAXATION		-
PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(5,612)
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
 Chartered Accountants

**R M V BALAJI**  
 Partner  
 Place : Chennai  
 Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
 Director

**G R K Reddy**  
 Director



## SCHEDULES TO ACCOUNTS

PARTICULARS	As At 31-Mar-2006 Rs
<b>SCHEDULE A : SHARE CAPITAL</b>	
<b>Authorised Capital</b>	
100,000 Equity shares of Rs.10 each	1,000,000
<b>Issued, Subscribed &amp; Paid Up Capital</b>	
10,000 Equity shares of Rs.10 each	<u>100,000</u>



## SCHEDULE B : NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2006

#### SIGNIFICANT ACCOUNTING POLICIES

##### **A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

1. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
2. Method of Accounting - The Company maintains its accounts on accrual basis.
3. The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

##### **B. REVENUE RECOGNITION**

All Income and Expenses have been recognized on accrual system of accounting.

##### **C. FIXED ASSETS & DEPRECIATION**

The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon.

##### **D. PRELIMINARY EXPENSES**

Preliminary Expenses will be written off on/from the year of revenue generation.

#### **NOTES ON ACCOUNTS:**

##### **1. CONTINGENT LIABILITIES:**

- a. Estimated amount of liability on capital contracts : Nil
- b. Other Contingent Liabilities : Nil





## 2. DEFERRED TAX LIABILITY

As the Company is still in project implementation stage there is no deferred tax liability as mentioned in Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI).

3. In the opinion of the Management, Current Assets, Loans & Advances have a value on realisation equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
4. The Company is a Wholly Owned Subsidiary Company of Marg Constructions Limited.
5. The Company was incorporated on 27th March 2006. The accounts relate to the period from 27th March 2006 to 31st March 2006.
6. The Company is closing its accounts for the first time since incorporation, hence previous year's figures are not available.

Signatories to Schedule A to B

As per our Report attached  
For **K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## BUSINESS PROFILE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
as per Part IV Schedule VI of the Companies Act, 1956

### I. Registration Details

Registration No. 59308

State Code: 18

Balance Sheet Date: 31st March 2006

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

a) Public Issue: Nil

b) Rights Issue: Nil

c) Bonus Issue: Nil

d) Private Placement: Nil

### III. Position of Mobilization and Deployment of funds (Amount in Rupees)

a) Total Liabilities: 100000

b) Total Assets: 100000

### IV. Source of Funds (Amount in Rupees)

a) Paid up capital: 100000

b) Reserves & Surplus: Nil

c) Secured Loans: Nil

d) Unsecured Loans: Nil

### V. Application of Funds (Amount in Rupees)

a) Net Fixed Assets: Nil

b) Investments: Nil

c) Net Current Assets: 66688

d) Accumulated Losses: 5612

e) Miscellaneous Expenditure: 27700

### VI. Performance of Company (Amount in Rupees)

a) Turnover: Nil

b) Total Expenditure: 5612

c) Profit / (Loss) before Tax: (5612)

d) Profit / (Loss) after Tax: (5612)

e) Earning per Share in Rs: (0.56)

f) Dividend rate %: Nil

### VII. Generic Names of Three Principal Products / Services of Company (as per Monetary terms)

a) Item Code No: NA

b) Product Description:



**NEW CHENNAI TOWNSHIP PRIVATE LIMITED  
CHENNAI**

<b>BOARD OF DIRECTORS</b>	Mr G R K Reddy Mrs V P Rajini Reddy
<b>AUDITORS</b>	M/s K Ramkumar & Co Chartered Accountants E-7, III Floor, Gemini Parsn Apartment, Cathedral Garden Road, Chennai - 600 006.
<b>REGISTERED OFFICE</b>	“Marg Axis”, 4/318, Old Mahabalipuram Road, Kottivakkam, Chennai –600 041.
<b>BANKERS</b>	ING Vysya Bank Ltd.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting their First Annual Report on the business and operations of your Company and the audited statement of accounts for the year ended 31st March 2006.

### FINANCIAL RESULTS

Your Company is yet to start commercial operation and hence there is no income for the period.

### SUBSIDIARY STATUS

Your Company is a wholly owned subsidiary of Marg Constructions Limited.

### OPERATION & FUTURE PLAN

Your company was incorporated on 24th March 2006 with a view to set up all Infrastructure Projects, Industrial/Agricultural Parks, Economic Zones, Special Economic Zones, Export Promotion Zones, Export Oriented Units, Electronic Hardware Technology Parks etc.

Considering the good growth prospects in infrastructure industry output of the project of construction & development of Infrastructure Projects is expected to create good business for the Company. Currently your Company is in the process of establishing two Special Economic Zones (SEZs) in Old Mahabalipuram Road, Chennai. The soon will be filing with the Ministry of Commerce, Government of India the application for licence for setting up the SEZs.

### DIRECTORS

Mr G R K Reddy and Mrs V P Rajini Reddy are first directors of the Company liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment as directors of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, the Directors hereby confirmed

- i. that in the preparation of the Annual Accounts for the Financial Year 2005-06, the applicable Accounting Standards have been followed and that there are no material departures;
- ii. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. that they have taken proper and sufficient care to best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the Annual Accounts on going concern basis.

### AUDITORS

M/s. K Ramkumar & Co., Chartered Accountants, Chennai, were appointed as first auditors of the Company and being eligible, offer themselves for re-appointment as Auditors of the Company till the conclusion of the next Annual General Meeting. The Company has received Certificate from the Auditors to the effect that their appointment if made would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.



#### **DIVIDEND**

No dividend is recommended after considering the performance for the first year showing no profits.

#### **PERSONNEL**

There was no employee of the Company during the year. Therefore, information as required u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not given.

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

The provisions of section 217 (1) (e) of the Companies Act, 1956 relating to conservation of energy, technology absorption are not applicable.

Foreign Exchange earnings during the year: Nil

Foreign Exchange outgo during the year: Nil

#### **ACKNOWLEDGEMENT**

The Directors would like to thank all clients and suppliers / associates of your Company for the unstinted support received during the year. The Board also wishes to thank the Company's bankers for their assistances and co-operation extended from time.

**For and on Behalf of the Board**

Place : Chennai  
Date : 23rd May 2006

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF NEW CHENNAI TOWNSHIP PVT LTD

1. We have audited the attached Balance Sheet of **NEW CHENNAI TOWNSHIP PVT LTD** as on 31st March 2006 and also the Profit & Loss Account for the period ended 31st March 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our 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. The requirements of Companies (Auditor's Report) Order, 2003 is not applicable to this company as it does not satisfy any of the conditions specified in clause 1 (2)(iv) of the said order.
4. We have obtained all the information and explanations, which to the best of our knowledge were necessary for the purpose of our Audit.
  - a. In our opinion, proper Books of Accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - b. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
  - c. According to the best of our information and explanations given to us, the Profit and Loss Account and Balance Sheet dealt with by this report is in accordance with the accounting standards referred to u/s 211(3-C) of the Companies Act, 1956.
  - d. On the basis of the written representations received from the Directors of the Company, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2006 from being appointed as a director in terms of Section (g) of subsection (1) of Section 274 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 accounts read with the notes give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view :
    - i. in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2006; and
    - ii. in the case of Profit and Loss Account, of the Loss for the period ended 31st March 2006.

**For K RAMKUMAR & Co.,**  
Chartered Accountants

**R M V Balaji**  
Partner

Place : Chennai  
Date : 23rd May 2006



## BALANCE SHEET

PARTICULARS	Schedule	As At 31-Mar-2006 Rs
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS FUNDS</b>		
Share Capital	A	100,000
		<u>100,000</u>
<b>APPLICATION OF FUNDS</b>		
<b>1. FIXED ASSETS</b>		
Agricultural Land		
Gross Block		163,684,500
Less : Accumalated Depreciation		-
Net Block		<u>163,684,500</u>
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash in Hand	100,000	
Bank Balance	10,000	
	<u>110,000</u>	
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors	163,853,000	
Expenses Payable	5,612	
	<u>163,858,612</u>	
<b>NET CURRENT ASSETS</b>		(163,748,612)
<b>3. MISCELLANEOUS EXPENSES</b>		
(To the extent not written off)		
Preliminary Expenses		158,500
<b>4. PROFIT &amp; LOSS ACCOUNT</b>		
		5,612
		<u>100,000</u>
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## PROFIT & LOSS ACCOUNT

PARTICULARS	Schedule	Period Ended 31-Mar-2006 Rs
<b>INCOME</b>		
Nil		-
		-
<b>EXPENDITURE</b>		
Audit Fee		5,612
		5,612
PROFIT / (LOSS) BEFORE TAX		(5,612)
PROVISION FOR TAXATION		-
PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(5,612)
Notes on Accounts	B	

As per our Report of even date attached  
**For K RAMKUMAR & CO.,**  
 Chartered Accountants

**R M V BALAJI**  
 Partner

Place : Chennai  
 Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
 Director

**G R K Reddy**  
 Director





## SCHEDULES TO ACCOUNTS

PARTICULARS	As At 31-Mar-2006 Rs
<b>SCHEDULE A : SHARE CAPITAL</b> Authorised Capital	
1,000,000 Equity Shares of Rs.10 each <b>Issued, Subscribed &amp; Paid Up Capital</b>	10,000,000
10,000 Equity Shares of Rs.10 each	<u>100,000</u>



## SCHEDULE B : NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2006

#### SIGNIFICANT ACCOUNTING POLICIES

##### **A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

1.The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

2.Method of Accounting - The Company maintains its accounts on accrual basis.

3.The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

##### **B. REVENUE RECOGNITION**

All Income and Expenses have been recognized on accrual system of accounting.

##### **C. FIXED ASSETS & DEPRECIATION**

The Fixed Assets are stated at cost of acquisition including interest paid on specific borrowings up to the date of acquisition / installation of the assets and improvement thereon.

##### **D. PRELIMINARY EXPENSES**

Preliminary Expenses will be written off on / from the year of revenue generation.

#### **NOTES ON ACCOUNTS**

##### **1. CONTINGENT LIABILITIES**

- a. Estimated amount of liability on capital contracts : Nil
- b. Other Contingent Liabilities : Nil



## 2. DEFERRED TAX LIABILITY

As the Company is still in project implementation stage there is no deferred tax liability as mentioned in Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI).

3. In the opinion of the Management, Current Assets, Loans & Advances have a value on realisation equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
4. The Company is a Wholly Owned Subsidiary Company of Marg Constructions Limited.
5. The Company was incorporated on 24th March 2006. The accounts relate to the period from 24th March 2006 to 31st March 2006.
6. The Company is closing its accounts for the first time since incorporation, hence previous year's figures are not available.

Signatories to Schedule A to B

As per our Report attached  
**For K RAMKUMAR & CO.,**  
Chartered Accountants

**R M V BALAJI**  
Partner

Place : Chennai  
Date : 23rd May 2006

**For and on Behalf of the Board**

**V P Rajini Reddy**  
Director

**G R K Reddy**  
Director



## BUSINESS PROFILE

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE as per Part IV Schedule VI of the Companies Act, 1956

#### I. Registration Details

Registration No. 59295

State Code: 18

Balance Sheet Date: 31st March 2006

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

a) Public Issue: Nil

b) Rights Issue: Nil

c) Bonus Issue: Nil

d) Private Placement: Nil

#### III. Position of Mobilization and Deployment of funds (Amount in Rupees)

a) Total Liabilities: 100000

b) Total Assets: 100000

#### IV. Source of Funds (Amount in Rupees)

a) Paid up capital: 100000

b) Reserves & Surplus: Nil

c) Secured Loans: Nil

d) Unsecured Loans: Nil

#### V. Application of Funds (Amount in Rupees)

a) Net Fixed Assets: 163684500

b) Investments: Nil

c) Net Current Assets: (163748612)

d) Accumulated Losses: 5612

e) Miscellaneous Expenditure: 158500

#### VI. Performance of Company (Amount in Rupees)

a) Turnover: Nil

b) Total Expenditure: 5612

c) Profit / (Loss) before Tax: (5612)

d) Profit / (Loss) after Tax: (5612)

e) Earning per Share in Rs : (0.56)

f) Dividend rate %: Nil

#### VII. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

a) Item Code No: NA

b) Product Description: