

ALACRITY

HOUSING LIMITED

Home is Key.



ANNUAL REPORT '98

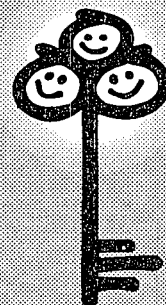
Tough times do not last Good relationships do

Trust and perseverance of customers even through times of recession. Principles and commitment of a purposeful business house in an uncertain environment. Faith and unconditional support of long lasting business associates.

No wonder then, the best bet against market uncertainty continues to be Alacrity.

Despite the depressed market conditions, the value of Alacrity flats in the suburbs has maintained a steady appreciation during 1996-98. Confirming the truth that in the area of a basic need like housing, quality products and services are always in demand.

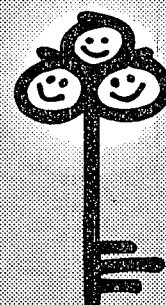
Book your Alacrity flat now and begin a lasting relationship for a better quality of life.



Home is
Key.

Whether the market is depressed or looking up, Alacrity changes neither its price nor its quality and commitment

Depressed or not, asleep or awake - the real estate market is essentially speculative. In a speculative market, while you wait for prices to go down, they could actually go up. Those who know the value of a lifetime's investment, do not wait. They act here and now. They go for a builder who, whatever the market situation, holds his price, his quality and his commitment. They go for Alacrity.



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Choose the Alacrity flat that best suits your needs.

Board of Directors

AMOL KARNAD Chairman

ASHOK R. KARNAD Managing Director

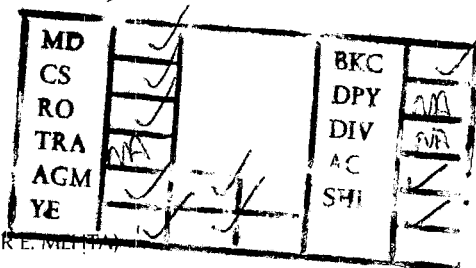
VIJAY NAGASWAMI Director

ARNAVAZ R. AGA Director

KISHORE M. MENON Director

BARJOR E. MEHTA Director

RAVI KUMAR NAIR Director (Alternate to BARJOR E. MEHTA)

**Top Management Team**

NAGESH AROOR President

KRISHNA HATTANGADY Senior Vice President (Sales)

P. K. SUBRAMANIAN Vice President (Technical)

TOMY MATHEW Vice President (Marketing & Communications)

DURGANAND BALSAYER Vice President (Planning)

Company Secretary

A. MOHAN KUMAR

Bankers

UNION BANK OF INDIA

CITIBANK N.A.

TIMESBANK LTD.

BANK OF MADURA LTD.

Auditor

RAJAN VERGHESE CHACKO Chartered Accountant, Chennai

Registered Office

'ATANDRA', 15 Thirumalai Road, T.Nagar, Chennai 600 017.

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NOTICE

ALACRITY HOUSING LIMITED
15 Thirumalai Road, T.Nagar, Chennai 600 017

NOTICE is hereby given that the SIXTH ANNUAL GENERAL MEETING of ALACRITY HOUSING LIMITED will be held at 11.00 A.M on Monday the 14th SEPTEMBER 1998, at the MUSIC ACADEMY, 306 T.T.K.Road, Chennai -14 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 1998, the Balance Sheet as at that date, together with the reports of the Directors and the Auditor.
2. To appoint a Director in place of Mr.Amol Karnad who retires by rotation and offers himself for reappointment.
3. To appoint a Director in place of Mr.Barjor E Mehta who retires by rotation and offers himself for reappointment.
4. To appoint an auditor and fix his remuneration.

By order of the Board

Place : Chennai

A. MOHAN KUMAR

Date : 20th July, 1998

Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member.
2. A form of proxy and admission slip is enclosed. The completed proxy forms must be deposited with the Company at its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 1/09/98 to 14/09/98 (both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. Members are requested to bring their copies of the Annual Report to the meeting. In view of the high cost of printing, additional copies of the Annual Report will not be distributed at the meeting.
6. Admission restricted to members or proxies only.
7. Members who have queries on the accounts of the Company are requested to send the same to the Company at the earliest, to enable gathering of data needed for the replies.
8. Members/Proxy holders are requested to produce the admission slips at the entrance of the meeting hall.
9. The unpaid dividend for the financial year 1994-95 is due for transfer to the General Revenue Account of the Central Government on 9.11.98. Those shareholders who have not encashed their dividend warrants for this year, are requested to encash the same before this date after getting them revalidated by the Company. After the said date, dividend claims will have to be made only to the Registrar of Companies.

By order of the Board

Place : Chennai

A. MOHAN KUMAR

Date : 20th July, 1998

Company Secretary

DIRECTORS' REPORT

We take great pleasure in presenting this, our Sixth Annual Report of your Company together with the Audited Accounts for the year ended March 31, 1998.

FINANCIAL RESULTS

Although in our previous report, we had provided for a difficult year ahead, the actual experience turned out to be far worse than expected. While the recessionary industrial trends in general persisted, the slump in the real estate and housing markets revealed itself to be much longer and more lasting than anything we had witnessed in the last twenty years.

As housing finance institutions, unsettled by the poor recovery of loans from developers, cut back on new lending, your Company was forced to turn to NBFCs for bridge support to working capital at higher interest costs. As earlier project specific loans fell due for repayment, your company continued its efforts to raise finance from housing finance institutions, but with these institutions having declared a temporary moratorium on developer loans, these efforts met with only limited success. Added to this was an unusually high incidence of cancellation of flat bookings by customers who had paid one or two instalments because, in most such cases, their own plans for the investment had been hit by the economic crisis and gone awry. In a few other cases, customers were lured away by the offer of flats at distress prices by some other developers. These cancellations placed an additional pressure on working capital in terms of refund commitments, and resulted in delayed payment of Provident Fund dues to the appropriate authorities. As on date, a sum of Rs. 37.32 lacs remains due on this account.

As if this were not challenging your Company's management capabilities enough, the Reserve Bank decided to clamp down heavily on the NBFC's deposit/lending ratio. Suddenly, a source of working capital that was willing to roll over old loans, not only dried up but started demanding penal interest on the delayed repayments that had become unavoidable in the circumstances. With interest costs thus mounting, reduced sales yielding lower Project Promotion Fees (PPF) and reduced efficiency of production not realising the planned income from Value of Construction, your Company still managed to break even, mainly on account of a part profit of about Rs. 177 lacs from the sale of a prime property in Saidapet which commanded a better price as a commercial than residential property.

After providing Rs.3.68 lacs for tax and Rs.30 lacs towards depreciation, the net profit for the year was Rs.31.35 lacs.

| | 1997-98 (Rs.Lacs) | 1996-97 (Rs.Lacs) |
|---|----------------------|----------------------|
| Profit before Depreciation and Tax | 65.22 | 205.09 |
| Less: Depreciation | 30.19 | 25.61 |
| Profit before Tax | 35.03 | 179.48 |
| Less: Provision for Tax | 3.68 | 51.25 |
| Profit after Tax | 31.35 | 128.23 |
| Appropriations | | |
| Transfer to General Reserve | 15.00 | 10.00 |
| Proposed Dividend | 0.00 | 80.00 |
| Provision for Tax on Proposed Dividend | 0.00 | 08.00 |
| Income Tax of earlier years | 6.25 | 0.00 |
| | 10.10 | 30.23 |
| Add: Balance brought forward from previous year | 523.09 | 492.86 |
| Balance carried forward to Balance Sheet | 533.19 | 523.09 |

DIRECTORS' REPORT

OPERATIONS

1. All the seventeen projects worth Rs. 50 crores mentioned in last year's report, stand completed and delivered.
2. Of the Rs. 68 crore worth of projects planned to be completed this year, 35 crores worth of projects have been completed, 24 crores worth of projects have been completed and await service connections; projects worth 9 crores are nearing completion and will be completed by September/October 1998.
3. Projects worth Rs. 70 crores, mentioned in last year's report are progressing well and are expected to be completed by the end of 1998-99.
4. Fresh projects worth Rs. 35 crores are already in progress and more will be taken up for development during the year.

GOVERNMENT RELATIONS

Despite having the planning and building permits in hand for most of its projects, particularly in the case of your Company's large suburban project sites in Velachery and Mogappair, the marketing and financial benefits of efficient construction schedules could not be realised owing to poor sales.

The service connections continued to delay the formal handing over of completed projects. This delay in some of the large projects, due to the non-availability of stock of transformers and electricity meters with the TNEB, turned out to be significantly protracted.

TRENDS FOR THE CURRENT YEAR AND THE FUTURE

The Central Government's proposals to repeal the Urban Land (Ceiling and Regulation) Act and provide tax concessions to the Housing Sector by treating it on par with Infrastructure, though still unclear in terms of operational implications, represent a major commitment to the cause of Housing in the country. With its strong brand equity and market leadership, its sizable stock of landholding in the suburbs and experience of having effectively marketed, developed and serviced large housing complexes, your Company is well placed to take advantage of the new favourable climate over the next five years.

However, the limiting effects of the two-year long crisis by way of increased costs of interest and delays are likely to keep profit levels for a year or two at modest levels. This could change dramatically for the better if the tax and other incentives offered by the Government go to boost the markets appreciably in the immediate future.

PUBLIC DEPOSITS

Your Company has neither invited nor accepted any deposits from the Public.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

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

The company has not incurred any expenditure in foreign currency during the year.

DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

None of the personnel in the Company was in receipt of remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 during the year under review.

LISTING

Your Company's shares are listed at Chennai, Mumbai, Coimbatore, Hyderabad and Ahmedabad Stock Exchanges and the Company has paid the listing fees to all the above Stock Exchanges for the year 1998-99.

DIRECTORS

Mr.Amol Karnad and Mr.Barjor E Mehta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

AUDITOR

Mr.Rajan Verghese Chacko, Chartered Accountant, Auditor of the Company, retires at the ensuing Annual General Meeting and is eligible for re-appointment.

ACKNOWLEDGEMENTS

We thank the Company's employees, customers, bankers, suppliers, various departments/agencies of the Central and Tamilnadu Governments and not the least, you - the members - for the cooperation and support extended to us.



On behalf of the Board

Chennai
Date : 20th July, 1998

AMOL KARNAD
Chairman

AUDITOR'S REPORT**TO****THE MEMBERS OF ALACRITY HOUSING LIMITED**

I have examined the books of accounts of ALACRITY HOUSING LTD., CHENNAI, for the year ended 31st March 1998 and the attached Balance Sheet as at 31st March 1998 and the Profit and Loss Account for the year ended that date annexed thereto and report that:

In my opinion and to the best of my information and according to the explanations given to me, the said accounts read with the notes and accounting policies thereon give the information required by the Companies Act, 1956 in the manner so 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 the end of the year; and
- ii) in the case of the Profit and Loss Account, of the PROFIT for the year.

I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit.

In my opinion, proper books of account as required by law have been kept as far as it appears from my examination of these books.

The Company's Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the aforesaid books of account.

As required under the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Government of India under section 227(4A) of the Companies Act, 1956, I further state that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year and no discrepancies have been noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. Physical verification of stock of construction materials and project work-in-progress has been conducted by the management at the close of the year and no significant discrepancies have been noticed on such verification as compared with the records. Further, the Company has a programme of physical verification of stock of construction materials and project work-in-progress at reasonable intervals.
4. In my opinion, the procedure of physical verification of stock of construction materials and project work-in-progress followed by the management is generally found to be reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material.
6. In my opinion, the valuation of inventory and project work-in-progress is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the registers maintained under section 301 and/or to companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.