

ALACRITY HOUSING LIMITED

Annual Report - 2002



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ALACRITY
No wealth or power greater than our dignity and integrity



‘Tarangini’ - the mini township in Mugappair. Phases I & II in advance stages of completion.

Board of Directors

AMOL KARNAD Chairman
ASHOK KARNAD Managing Director
VIJAY NAGASWAMI Director
KISHORE MENON Director
TOMY MATHEW Director

Top Management Team

NAGESH AROOR President
KRISHNA HATTANGADY Senior Vice President (Finance)
P.K.SUBRAMANIAN Vice President (Technical)

Bankers

ICICI BANK LIMITED

Auditor

RAJAN VERGHESE CHACKO Chartered Accountant, Chennai

Registered Office

'Atandra', 25 Thirumalai Road, T.Nagar, Chennai 600 017. Tel: 825 1771 Fax: 825 9406
Email: shares@alacritymail.com Web: www.alacritygroup.com

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NOTICE

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

NOTICE is hereby given that the TENTH ANNUAL GENERAL MEETING of ALACRITY HOUSING LIMITED will be held at 11.00 A.M. on Monday, the 23rd September, 2002, at the Kamaraj Memorial Hall, New No.492, Anna Salai, Chennai - 600 006 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Profit and Loss Account for the year ended 31st March 2002, 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 being eligible offers himself for re-appointment.
3. To appoint an auditor and fix his remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass, with or without modification the following Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, and in supersession of the resolution passed at the Annual General Meeting of the Company held on 19th September, 1996, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of money from time to time as may be required for the purpose of the business of the Company with or without security and upon such terms and conditions as they may think fit, notwithstanding that monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) provided the total amount so borrowed and outstanding at any time shall not exceed Rs.20 Crores (Rupees Twenty Crores only) over and above the aggregate of the paid-up capital and free reserves of the Company".

5. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that pursuant to Sections 269, 198, 309, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the approval of the Company be and is hereby accorded to the Board of Directors' resolution dated 29th June, 2002 for re-appointment of Mr.Ashok R Karnad as Managing Director of the Company for a further period of 5 years with effect from 17th July 2002, on the same terms and conditions as approved at the Shareholders meeting held on 19th September 1997, with liberty to the Board to vary the terms and conditions of the said appointment within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory or other modifications that may hereafter be made thereto by the Central Government and as may be agreed between the Board of Directors and Mr.Ashok R Karnad."

Chennai
30th July, 2002

By order of the Board
Ashok R Karnad
Managing Director

NOTICE**NOTES:**

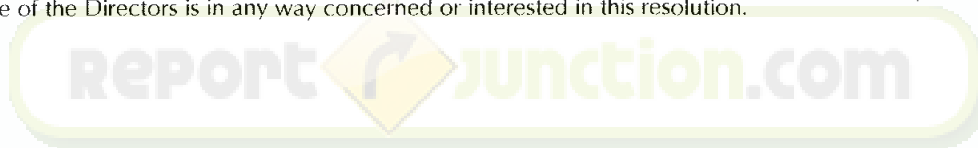
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member.
2. A form of proxy and admission slip is enclosed. The completed proxy forms must be deposited with the Company at its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 17/09/2002 to 23/09/2002 (both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. Members are requested to bring the 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. Consequent upon the amendment to Section 205A of the Companies Act, 1956, and insertion of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years shall henceforth be transferred to the Investor Education and Protection Fund. Accordingly, the unclaimed dividend for the financial years 1995-96, 1996-97 and 2000-01 will be deposited by the Company into the Investor Education and Protection Fund upon expiry of the prescribed period of seven years after which the shareholders will not have any claim over their dividends. Hence shareholders who have not yet claimed their dividend for these years are requested to claim the same before the respective statutory periods are over.
7. Admission restricted to members or proxies only.
8. Anticipating a few questions on the Accounts, explanatory notes for the same are included in the report. Members who have further queries or who require further clarifications on any of the answers are requested to send the same to the Company at the earliest, to enable gathering of data needed for the replies.
9. Members/Proxy holders are requested to produce their admission slips at the entrance of the meeting hall.
10. Members are requested to dematerialise their shares. The ISIN allotted to the Company is INE781D01011.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

PAGE NO.3, SPECIAL BUSINESS, ITEM NO.4:

The sanction of the shareholders is sought to permit the Board to borrow moneys in excess of the Company's paid-up capital and free reserves. This is permissible under Section 293(1)(d) of the Companies Act, 1956, if the shareholders approve. As the Company borrows term loans from time to time, as a matter of abundant caution, it is deemed desirable to provide a sufficient margin for such loans to be covered by the borrowing powers of the Board.

None of the Directors is in any way concerned or interested in this resolution.



NOTICE

PAGE NO.3, SPECIAL BUSINESS, ITEM NO.5:

At their meeting held on 29th June 2002, the Board of Directors re-appointed Mr.Ashok R Karnad as the Managing Director of the Company for a further period of 5 years with effect from 17th July 2002. The terms and conditions governing Mr.Ashok R Karnad's re-appointment shall be the same as approved by the shareholders at the Annual General Meeting held on 19th September 1997 which is reproduced hereunder:

Remuneration: Nil

The Company shall reimburse travelling and all other expenses incurred by him for the business of the Company.

Except Mr.Ashok R Karnad and Mr.Amol Karnad, no other Director is interested in this resolution.

The shareholders are requested to treat this as an abstract required under Section 302 of the Companies Act, 1956.

Chennai
30th July, 2002

By order of the Board
Ashok R Karnad
Managing Director



DIRECTORS' REPORT

We take great pleasure in presenting this, our Tenth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

In our last report we had indicated that a leading nationalised bank was about to take over our loan account from ICICI and provide us additional funds. We had also stated therein that the new facility, barring unforeseen market setbacks, would not only ease our liquidity pressure but also pave the way for progressive reduction in our borrowings and interest burden. The unforeseen, however did happen: the bank decided that the time was not right, in terms of market uncertainties, for it to go through with the loan. By then we were already under pressure to repay instalments on our existing borrowings from ICICI. Added to this was the continued delay in the approval and release of planning permits by CMDA for several of our projects. All this resulted in slowing down the pace of our construction activity and extraordinary delays in starting construction in some projects.

With sales remaining reasonably steady the net profit for the year was Rs.39.77 lacs after providing for Rs.30 lacs towards tax for current year, Rs.37.62 lacs towards deferred tax and Rs.10.02 lacs towards depreciation. In accordance with the Accounting Standard 22, "Accounting for taxes on income" we had to provide Rs.37.62 Lacs towards deferred tax. While this is a mandatory provision, this amount is not payable and hence it is available as part of the reserves of the Company.

| | 2001-2002 (Rs.Lacs) | 2000-2001 (Rs.Lacs) |
|---|------------------------|------------------------|
| Profit before Depreciation and Tax | 117.41 | 106.07 |
| Less: Depreciation | 10.02 | 11.20 |
| Profit before Tax | 107.39 | 94.87 |
| Less: Provision for Tax including Deferred Tax | 67.62 | 10.00 |
| Profit after Tax | 39.77 | 84.87 |
| Appropriations | | |
| Proposed Dividend | Nil | 40.00 |
| Provision for Tax on Proposed Dividend | Nil | 4.08 |
| Income Tax of earlier years | 0.17 | (0.05) |
| | 39.60 | 40.84 |
| Add: Balance brought forward from previous year | 638.76 | 597.92 |
| Balance carried forward to Balance Sheet | 678.36 | 638.76 |

DIVIDEND

Given the severe pressure on liquidity the board decided not to recommend a dividend.

OPERATIONS

Of the Rs.185 crores worth of business on hand reported in the last report, projects comprising 2.68 lacs sq.ft and valued at Rs.30.5 crores have been completed as of date. Projects worth a further value of Rs. 44 crores relating to Rs. 3.8 lacs sq.ft in a large property at Saligramam (referred to in our earlier reports) and 0.7 lacs sq.ft in the fourth phase of 'Tarangini' Mogappair have been taken up for development. The effective business on hand is thus worth Rs. 194 crores.

DIRECTORS' REPORT**GOVERNMENT RELATIONS**

Planning permits in several projects have been extraordinarily delayed. In one case, even a court order issued four months ago directing CMDA to issue the permit has not yet produced a result. While this has meant delays, unhappy customers and even some erosion of market goodwill, we stand by what we had stated in our last report:

"We see all these as environmental constraints with an inherent cost to the business, which nevertheless have to be taken in our stride as part of our corporate responsibility, particularly when both the Indian economy and polity are experiencing severe pangs of growth and development."

TRENDS FOR THE CURRENT YEAR AND THE FUTURE

While home finance companies and banks are reporting impressive growth in home loans, our own assessment is that the housing markets are still too unstable and volatile and the competition in home loans too cut throat to guarantee business comfort. We have also to admit that our own prolonged tight liquidity position has affected our market standing. But we believe that the top and senior managers are deeply committed and our organisation has the depth to regain our reputation for timely delivery while reinforcing our reputation for product quality and service. It would be wise to provide for at least another year of market uncertainties before we are able to control the factors of uncertainty and achieve sufficient liquidity and profit comfort to declare dividends.

AUDIT COMMITTEE

The Audit committee has the following members of the Board:

Mr. Tomy Mathew
Mr. Vijay Nagaswami
Mr. Ashok Karnad

The composition of this Audit committee is subject to alteration depending on the applicability of various provisions under Corporate Governance as per the Listing Agreements entered into with the Stock Exchanges.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period.
3. The directors have taken proper and sufficient care 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.
4. The directors have prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS

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

DIRECTORS' REPORT

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.

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 OTCEI and the Company has paid the listing fees to all the Stock Exchanges for the year 2001-2002.

DIRECTORS

Mr. Amol Karnad, retires by rotation and being eligible offers himself for re-election.

SECRETARY

The Company Secretary's post in your Company has become vacant and efforts are on to fill the vacancy.

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 our employees, customers, bankers, suppliers, the various departments/agencies of the Central and Tamil Nadu Governments and not the least, you - the members - for the cooperation and support extended to us.

Chennai
30th July, 2002

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On behalf of the Board
Amol Karnad
Chairman

STATISTICAL HIGHLIGHTS

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
|--|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| | (In Lacs) | | | | | | | | |
| Share Capital | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| Reserves & Surplus | 156 | 349 | 568 | 608 | 633 | 680 | 718 | 759 | 737 |
| Networth | 956 | 1149 | 1368 | 1408 | 1433 | 1480 | 1518 | 1559 | # 1575 |
| Sales Turnover (Value) * | 5989 | 7211 | 8158 | 5756 | 4432 | 5226 | 5884 | 7047 | 7995 |
| Sales Turnover (Area in Lacs Sq.ft) | 6.32 | 5.62 | 4.70 | 3.01 | 1.90 | 2.69 | 2.88 | 3.69 | 3.90 |
| Profit before Interest and Tax | 399 | 533 | 599 | 260 | 376 | 384 | 345 | 497 | 516 |
| Interest | 129 | 45 | 60 | 81 | 341 | 331 | 296 | 402 | 409 |
| Operating Profit | 270 | 487 | 539 | 179 | 35 | 53 | 49 | 95 | 107 |
| * This value includes land cost realisations which are directly passed on to Vendors of the land as contra and so do not form part of 'Income from Operations'. # Including deferred tax. | | | | | | | | | |