

ALACRITY HOUSING LIMITED

Annual Report - 2003



Home is Key.

ALACRITY

No wealth or power greater than our dignity and integrity

Board of Directors

AMOL KARNAD Chairman

ASHOK KARNAD Managing Director

VIJAY NAGASWAMI Director

TOMY MATHEW Director

NAGESH AROOR Additional Director

KRISHNA HATTANGADY Additional Director

Top Management Team

P.K.SUBRAMANIAN Vice President (Technical)

Bankers

ICICI BANK LIMITED

UNION BANK OF INDIA

Auditor

RAJAN VERGHESE CHACKO Chartered Accountant, Chennai

Registered Office

`Atandra', 25 Thirumalai Road, T.Nagar, Chennai 600 017. Tel: 5212 3432, 35, 36
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NOTICE

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

NOTICE is hereby given that the Eleventh Annual General Meeting of ALACRITY HOUSING LIMITED will be held at 11.00 A.M. on Monday, the 22nd September, 2003, at Sri Thyaga Brahma Gana Sabha (Vani Mahal), 103 G.N.Chetty Road, T.Nagar, Chennai 600 017 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 2003, 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. Vijay Nagaswami 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 Mr. Krishna Hattangady who was appointed as an Additional Director of the Company and who ceases to hold office under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, liable to retire by rotation”.

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

“Resolved that Mr. Nagesh Aroor who was appointed as an Additional Director of the Company and who ceases to hold office under Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company”.

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

“Resolved that in accordance with the provisions of Section 198, 269 and 309 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 3rd October 2002 appointing Mr. Nagesh Aroor as Whole-time Director with effect from 3rd October 2002, on the terms and conditions including the remuneration as set out hereunder.

The terms and conditions governing Mr. Nagesh Aroor’s appointment are as follows:

1. Period : Five years with effect from 3rd October 2002
2. Remuneration :
 - Salary : Rs.12, 000/- (Rupees twelve thousand only) per month
- b) Perquisites:
 - ♦ 10% of salary as House Rent Allowance.
 - ♦ Reimbursement of medical expenses actually incurred by him and his family, inclusive of Accident cum Hospitalisation Insurance, in accordance with the rules of the Company, which shall not exceed Rs.4,500/- per annum.
 - ♦ Leave Travel concession for him and his family once in a year in accordance with the Leave Travel Rules of the Company, which shall not exceed one month’s salary per annum.

NOTICE

- ◆ Company's contribution to Provident Fund at 12% of the salary.
- ◆ Company's contribution to Superannuation Fund at 10% of the salary.
- ◆ Gratuity payable at half a month's salary for each completed year of service, computed in accordance with the provisions of the Payment of Gratuity Act, 1972.

By order of the Board

Chennai - 17
30th July 2003

Ashok R Karnad
Managing Director

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 16/09/2003 to 22/09/2003 (both days inclusive).
4. Members are requested to notify any change in their address to the Company/Depository Participant as the case may be.
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 and 1996-97 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.

NOTICE

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

Item no. 4:

The resolution for appointment of Mr. Krishna Hattangady, who has served Alacrity in various capacities for the last 15 years and has been the Senior Vice President of the Company since 1998, as an additional director of the Company was placed before the meeting of your Board of Directors held on 3rd October 2002 and recorded. According to the provisions of the Companies Act, 1956 he holds office as a Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose Mr. Krishna Hattangady's appointment as a Director along with a deposit of Rs.500/-. The Board considers it desirable that the Company should continue to avail itself of his services.

The Board of Directors commends this resolution to the Members for their approval.

Except Mr. Krishna Hattangady, no other Director is interested in the resolution.

Item no. 5:

At their meeting held on 3rd October 2002 the Board appointed Mr. Nagesh Aroor, who has served Alacrity in various capacities for the last 17 years and has been the President of the Company since 1998, as an additional (whole-time) director of the Company in terms of the provisions of the Companies Act, 1956 with effect from 3rd October 2002. According to the provisions of the Companies Act, 1956 he holds office as a Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose Mr. Nagesh Aroor's appointment as a Director along with a deposit of Rs.500/-. The Board considers it desirable that the Company should continue to avail itself of his services.

The Board of Directors commends this resolution to the Members for their approval.

Except Mr. Nagesh Aroor, no other Director is interested in the resolution.

Item no. 6:

Mr. Nagesh Aroor was appointed as an additional director and whole-time director of the Company for a period of five years, with effect from 3rd October 2002 at the Board of Directors meeting held on 3rd October 2002. This resolution is placed before the Annual General Meeting for approval as required by the provisions of Section 198 & 269 of the Companies Act, 1956.

The Board of Directors commends this resolution to the Members for their approval.

Except Mr. Nagesh Aroor, no other Director is interested in the resolution.

By order of the Board

Chennai - 17
30th July 2003

Ashok R Karnad
Managing Director

DIRECTORS' REPORT

We take pleasure in presenting this, our Eleventh Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

With the sanction of cash credit limits to replace our term loans with ICICI and Union Bank of India taking far more time than expected, our liquidity position continued to remain extremely tight. As a result, progress in the construction and delivery times remained unpredictable. Even customers who displayed great faith to stay in delayed projects, justifiably, were cautious in paying their instalments.

New bookings from employees of oil companies in the project at Saligramam mainly contributed to sales. The net profit for the year was Rs.63.61 lacs after providing for Rs.11.70 lacs towards tax for current year, Rs.19.95 lacs towards deferred tax in accordance with Accounting Standard 22, "Accounting for taxes on the income" and Rs.7.45 lacs towards depreciation. While the provision for deferred taxes is mandatory, the amount provided is not payable and hence available as part of the reserves of the Company.

	2002-2003 (Rs.Lacs)	2001-2002 (Rs.Lacs)
Profit before Depreciation and Tax	102.71	117.41
Less: Depreciation	7.45	10.02
Profit before Tax	95.26	107.39
Less: Provision for Tax including Deferred Tax	31.65	67.62
Profit after Tax	63.61	39.77
Appropriations		
Proposed Dividend	Nil	Nil
Income Tax of earlier years	0.19	0.17
	63.42	39.60
Add: Balance brought forward from previous year	678.36	638.76
Balance carried forward to Balance Sheet	741.78	678.36

DIVIDEND

Given the continued pressure on liquidity, the Board decided not to recommend a dividend.

OPERATIONS

With construction activity considerably slowed down by liquidity constraints, only 2 projects with 0.58 lacs sq. ft of built-up area worth Rs.8.26 crores could be completed. Another 2 projects with 0.29 lacs sq. ft valued at Rs. 5.84 crores are close to completion. These projects apart, the effective business on hand is worth about Rs. 180 crores.

GOVERNMENT RELATIONS

It is perhaps a measure of uncertainty, which a large business in housing has to take in its stride that when most of the delayed permits have been received, the liquidity crunch has constrained the Company in its efforts to make up for lost time.

DIRECTORS' REPORT

TRENDS FOR THE CURRENT YEAR AND THE FUTURE

A consortium of banks in the State Bank group is presently in the process of providing the Company with the required additional working capital in the form of cash credit.

The effort in the current year will be three folds:

- a. To complete the delayed projects as early as possible.
- b. Negotiations are presently on with a group involved in geriatric care which wishes to acquire residential flats in the large projects at Mogappair (4th, 5th and 6th Phase) and at Saligramam both of which are located close to well-known hospitals.
- c. To explore more opportunities for taking up construction other than housing following the successful completion of the hospital project.

Bearing in mind, the uncertainty of working capital behaviour that the Company has experienced in the last 3 years, it would be prudent to provide for another year or two before the possibility of dividends is considered.

INDUSTRY'S STRUCTURE AND DEVELOPMENT

The Chennai housing market, like its counterpart elsewhere in the country, is still largely in the hands of the unorganised sector. Some years ago, a few well known corporates had entered the market but following the recession of 1997-99, they either scaled down their operations or withdrew.

While the recent boom in home loans reflects a growing market, the corporate world still does not see the opportunity as attractive enough to encourage its strategic entry. The continued predominance of small developers is perhaps also the reason why construction workers do not enjoy the benefits of regular employment, provident fund, medical support etc and why CMDA regulations are not observed.

Alacrity's corporate efforts to usher in industrial standards have had to contend with all these market factors.

OPPORTUNITIES AND THREATS

Opportunity

With competition between various banks and financial institutions reducing interest rates on home loans, the markets for housing are definitely on the upward growth curve. But these markets are notorious for their instability because:

- a. Land price in the city tends to increase to impractical levels in response to rising market demand;
- b. Markets in the suburbs are dependent on the development of infrastructure, the time frames for which have hitherto been unpredictable;
- c. The middle class buyers who usually drive and sustain the markets need more evidence that the quality of life in the suburbs would be the same as in the city before they consider the shift.

Threats

The threats to a large corporate developer like Alacrity as experienced in recent years, are represented by the policies/ structures and functioning of the two key partners in housing development - government agencies and financial institutions which, for the present atleast, are not geared to encourage the emergency and growth of an organised housing industry.

DIRECTORS' REPORT

OUTLOOK

The tight liquidity situation that the company has experienced for over two years has to be overcome before it can take full advantage of its brand equity in a growing market.

With suitable cash credit facilities from banks, the company hopes to complete its present stock of delayed projects, take-up new projects and progressively regain its prominent position in the market. Profits and dividends would then follow naturally.

RISKS AND CONCERNS

The company has realised rather painfully that, at its present size, it can ill afford to lockup money in land, suffer delays in sanctions and thereby constrain its working capital and delay its projects.

The efficiency of the labour force as well as the effectiveness of the rest of the organisation have to be stepped up to counter the market uncertainties.

While the policy of getting sanctions from the government strictly on the merit of adherence to regulations will be continued, greater effort with top departmental officials would be required in order not to lose out on the predictability of time frames for sanctions and clearances.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

While information control at the office has been adequate, there is scope to tighten up systems at the work sites. With mobile phones facilitating better communication between office and sites, both computer and manual controls in terms of work measurement, progress monitoring, materials management and site security are being reviewed and upgraded.

FINANCIAL AND OPERATIONAL PERFORMANCE

During the year under review, lead times for receipt of planning permits and bank sanctions, were extraordinarily extended - the former due to the priority given to regularisations of violated constructions - as a consequence of which operations and constructions, activities were severely constrained. This in turn resulted in considerable slow down in the realisation of receivables.

Bulk sales of flats to employees of some oil companies contributed to the income and profit for the year.

Where cancellations in bookings on delayed projects took place, refunds had to be deferred until the flats were resold or liquidity improved. This was not always to the satisfaction of the canceling customer.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND ON THE INDUSTRIAL RELATIONS FRONT

The liquidity constraints and slowing down of operations did prompt some employees to resign but, despite delays in salaries, the majority demonstrated loyalty and commitment.

The Senior Managers particularly, many of them young in age shouldered operational responsibility during a difficult period admirably and generally carried their subordinate organisations with them.

Many of the members of the labour force who have been with the Alacrity Group for a decade and more also generally displayed maturity and understanding when operational and wage delays took place.

The unfavourable liquidity position did see efficiency standards drop but given the strong identification that people have with the company, this is a phenomenon that will pass with improved working capital conditions.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Audit committee has the following members of the Board:

Mr. Vijay Nagaswami
Mr. Amol Karnad
Mr. Tomy Mathew

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 had been followed along with proper explanation relating to material departures.
2. The directors had 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 had 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 had prepared the annual accounts on a going concern basis.

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.

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 is yet to pay the listing fees to the Stock Exchanges for the year 2003-2004.

DIRECTORS

Mr. Vijay Nagaswami, retires by rotation and being eligible offers himself for re-election.. Mr. Kishore Menon resigned from the board with effect from 23rd April 2003 due to preoccupation of his own business. Mr. Nagesh Aroor and Mr.Krishna Hattangady has been appointed as additional directors of the company with effect from 3rd October 2002.

DIRECTORS' REPORT

SECRETARY

The Company Secretary's post in your Company is vacant.

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, 2003

On behalf of the Board
Amol Karnad
Chairman

