



RESILIENCE TO RISE

Annual Report 2016-17
Anant Raj Limited

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Indian real estate industry has entered into one of the most defining and evolutionary phase. A phase marked by positive regulatory and macro-economic developments. A phase aimed at ushering in more transparency, accountability and higher-level of compliance across the industry. A phase where proven execution and delivery of projects will be paramount.

**A phase that is poised for
resurgence of the real
estate sector.**



Path defining regulatory measures undertaken by the government during the past two years brings in a renewed perspective to the country's investment prospects and real estate scenario. On one hand, the new Real Estate (Regulation and Development) Act, 2016 (RERA) has brought in more transparency and protection of buyer interest, while on the other hand, the government's determined focus on infrastructure and affordable housing have given a new fillip to the real estate sector. Additionally, the government's bold tax reform in the form of implementation of the Goods and Services Tax (GST) brings the entire nation under one taxation regime for the first time ever, promising new level in efficiency and productivity. The simplification in Real Estate Investment Trusts (REITs) norms will further encourage launch of a new asset-class by providing liquidity.

These transformational changes have been met with resilience. However, at Anant Raj Limited, we firmly believe that these changes will benefit developers with a strong track-record of execution and adherence to quality and values.

At Anant Raj, we have a spotless reputation of delivery - not a single project has been delayed. With an unwavering focus, we continue execution with work in full swing at Anant Raj Estate. We completed and delivered a 111-room hotel at Manesar which is now fully operational and given on lease.

Our fully paid land bank is amongst the lowest-cost, giving us a sharp edge in affordable housing segment.

We have all the right block in the right place. The positive macro and statutory changes put us in the best position to bounce back.

**At Anant Raj, we have the
...RESILIENCE TO
RISE.**



HIGHLIGHTS OF THE YEAR

Financial Highlights*

TOTAL INCOME GROWTH

3.82%

2015-16

2016-17

₹ 476.38 Crores ₹ 494.60 Crores

EBITDA GROWTH

5.13%

2015-16

2016-17

₹ 161.18 Crores ₹ 169.45 Crores

PAT GROWTH

11.13%

2015-16

2016-17

₹ 69.35 Crores ₹ 77.07 Crores

EPS GROWTH

11.49%

2015-16

2016-17

₹ 2.35 ₹ 2.62

NET WORTH GROWTH

3.13%

2015-16

2016-17

₹ 4,116.96 Crores ₹ 4,245.91 Crores

TOTAL ASSETS GROWTH

7.10%

2015-16

2016-17

₹ 6,248.87 Crores ₹ 6,692.33 Crores

*on consolidated financial statement

Ongoing Projects

- 1) **Anant Raj Estate** - Sector 63A, Gurugram, Comprising Plots, Built-up Villas, Independent Floors, Commercial Complex, School, Nursing Homes, Group Housing over an area of 165 Acres
- 2) **Maceo** - Sector 91, Gurugram, approximately 750 units
- 3) **Madelia** - Residential project over a land area of 12.4 Acres



STRATEGIC LAND BANK HOLDING IN NATIONAL CAPITAL REGION (NCR)

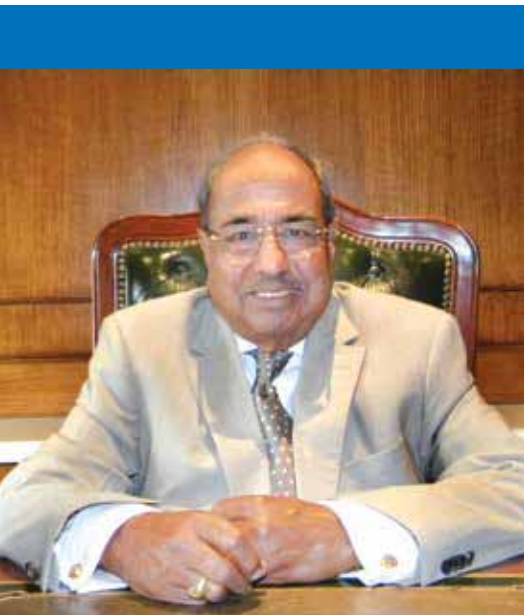
In 2007, when the real estate market slumped, most players shied away from making investments in the sector. We saw an opportunity. We began investing by procuring land parcels across strategic locations in NCR.

This future-focussed approach enabled us to build up a massive land bank that is not only fully-paid up, but is also among the lowest cost. Our land bank has not only appreciated manifold, but also offers superior monetisation opportunities with developable land for projects. Besides, with the rapidly growing population, and massive infrastructure development projects (metro rail and expressways) in the region, these land parcels have significant appreciation potential.

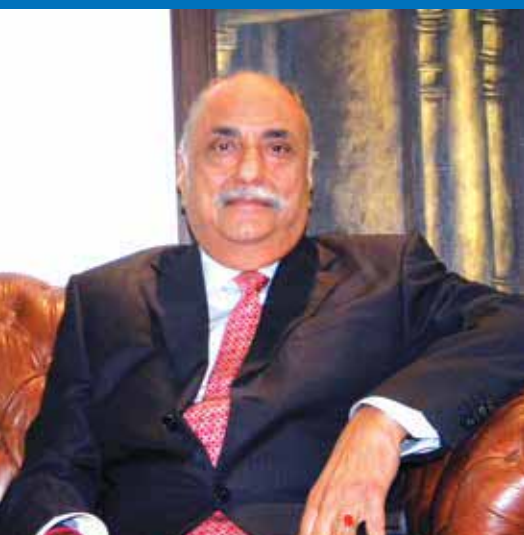
1,050 acres of one of the lowest cost, fully-paid developable land bank in NCR



CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE



ASHOK SARIN Chairman



ANIL SARIN Managing Director

Dear Shareholders,

It is indeed a pleasure to report to you at the end of another interesting year. While we continue to maintain steady performance, what I am more excited about is the interesting developments in the economy and real estate industry. The bold and decisive initiatives undertaken by the government bring in a renewed sense of optimism, improve the country's investment sentiment and shall in all likelihood facilitate it in graduating to the next level of growth.

The year 2016-17 saw the government taking the bold measure of demonetisation and passing the crucial Goods and Services Tax (GST) bill. Demonetisation, a step initiated to curb black money generation and terrorist funding, also facilitated in channelising idle funds back to the formal sector and improving banks' liquidity status. This in turn shall contribute towards reduction in interest rates. In addition to this, the government's strong focus on meeting fiscal targets has also resulted in improving the macro-economic fundamentals. Repo rates have declined to its lowest since 2014 at 6.25%, core CPI inflation remained under 5% for a prolonged period and forex reserves surged over ₹ 24 trillion. Besides, strong focus on Make in India, promoting entrepreneurship, and improving infrastructure and agriculture scenario shall lead to holistic development of the country.

GST is another critical initiative that focusses on bringing the entire nation under one taxation regime. This is intended to remove all hurdles related to multiple taxation structure and at the same time improve logistics movement across the country resulting in improved national productivity. Further, GST

shall also enhance accountability and prevent tax evasion leading to higher government revenues necessary for funding infrastructure projects.

Speaking specifically of the real estate, I believe the sector is entering its golden era with a series of positive developments. RERA is one such move that will completely revitalise the industry. RERA will do the real estate industry, what TRAI (Telecom Regulatory Authority of India) did to the telecom industry. Before TRAI, the industry was highly unregulated, players charged indiscriminately, and there were no laws to protect customer interest. However, with TRAI introducing positive regulations, the industry witnessed a huge surge in subscriber base, creating a win-win situation for both consumers as well as telecom operators.

A similar turnaround is expected in the real estate sector with RERA. With focus on bringing in more transparency, having better regulations and protecting consumer interests, the industry is in for revival. As the investor and buyer confidence in the industry improves, it shall attract more investments and enhance buyer base.

Simplification in REITs' regulations and taxation is another move which is likely to improve liquidity for cash-strapped players. REIT, a type of financial asset, enables investors to directly invest in real estate, while benefiting the asset holder to monetise cash-generating assets. However, non-facilitative norms were preventing REITs to become a reality. With the government undertaking initiatives to make REITs attractive, we can soon expect some developments in it.



“Speaking specifically of the real estate, we believe the sector is entering its golden era with a series of positive developments”

Review of the year 2016-17

During the year, the Company witnessed steady performance in spite of several headwinds in the form of demonetisation and temporary slump due to change in real estate regulations. The total income during the year increased by 3.82% to ₹ 494.60 Crores. EBITDA and PAT recorded a stronger growth at 5.13% and 11.13% respectively to ₹ 169.45 Crores and ₹ 77.07 Crores respectively.

Resilience to Rise

With years of perseverance and future-focussed approach, we have been able to develop strong competencies and business model that provides us long-term business sustainability, revenue visibility and the resilience to rise. While in favourable industry scenario this shall enable us to deliver superior performance, in times of industry distress it shall protect our bottom-line. Some of our initiatives towards this include:

- Consistent investment in land bank to build a portfolio of 1,050 acres, which provides us the option to either monetise for instant cash flows or undertake development to generate superior returns over the longer term. Besides, with most of the land being within 50 km radius of Delhi, it has significant upside potential. These land parcels acquired by at low costs provide us the advantage of undertaking low-cost housing projects, which otherwise is not possible as land accounts for majority of the project cost.

- Our focus on leasing commercial space, hotels, IT parks and retail centres has enabled us to build a robust cash flow generating portfolio. These portfolio generated ₹ 50 Crores rentals in 2016-17 with average rentals of ₹ 60/sq ft. Moreover, with major infrastructure developments in progress and rising demand for commercial spaces in the region, the rentals are expected to rise over time.
- We have acquired land plots at strategic locations that are approved for building 5-star hotels. However, the stringent FSI (floor space index) rules earlier limited the number of rooms that can be built on such plot discouraging international hotel chains to establish presence. With relaxing FSI rules in the past two years, we shall be able to develop hotels with greater number of rooms, making our plots attractive.
- We have steadily invested in building competencies, adding new technologies, and acquiring skilled labour. This has enabled us to undertake all operations in-house right from project conceptualisation to designing to construction to marketing.
- We have a robust portfolio of commercial space, hotels, retail outlets and IT parks, that are of grade 'A' quality and generates steady cash flows, are highly attractive targets for REITs.
- We are ready for new investment opportunities in stressed assets in

the form of on-going and/or stalled projects available at extremely competitive rates.

These competitive advantages along with our market knowledge of the NCR provide us significant edge over competitors. We shall leverage these to capitalise on the upcoming growth opportunities.

I take this opportunity to thank all our stakeholders for having shown faith in us. Your Company is strongly focussed on maximising shareholders' worth and continues to undertake strategic decisions towards this.

We stand at a cusp of exciting opportunities. With proven execution capabilities, deep knowledge of the NCR real-estate market, fully-paid and ready-to-develop land bank and our strong brand equity in NCR, we believe we are poised and prepared for a positive upturn in the years to come as we overcome challenges with a strong **Resilience to Rise.**

Regards,

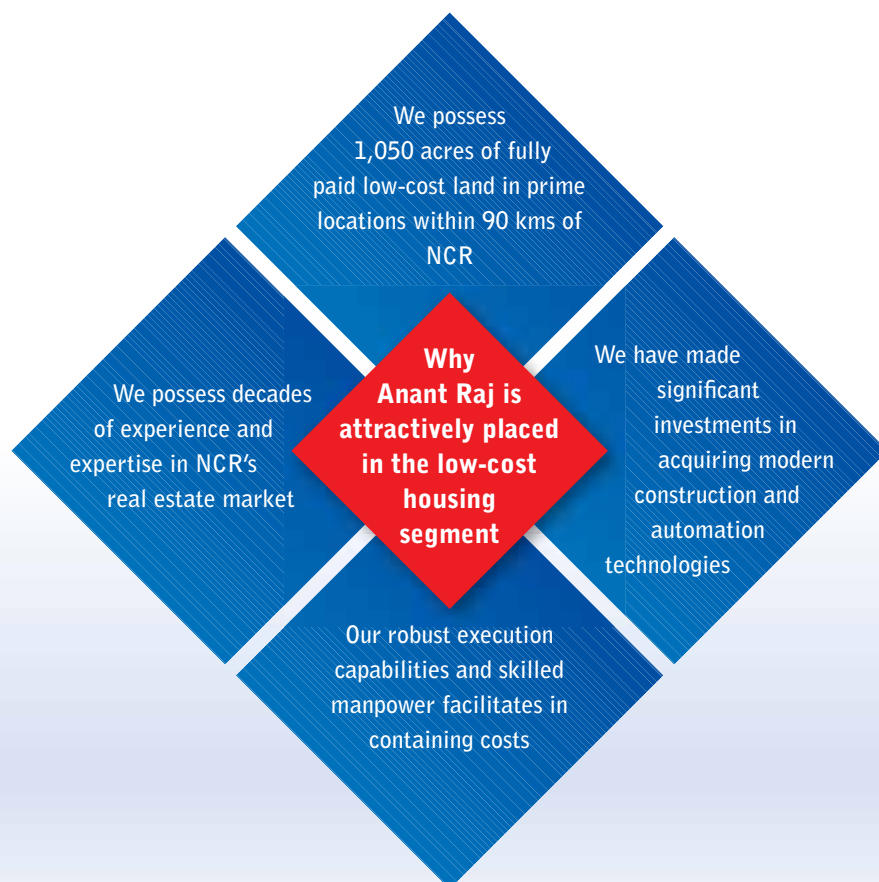
Ashok Sarin
Chairman

Anil Sarin
Managing Director

GOVERNMENT FOCUS ON LOW-COST HOUSING

The Government of India has embarked on one of the most ambitious projects in the world – Housing for All by 2022. This opens up unprecedented opportunities, especially low-cost and affordable housing sub-segments, where Anant Raj has proven its capabilities with successful projects like Anant Raj AASHRAY at Neemrana in Rajasthan.

At Anant Raj, we welcome this move of the government. Driven by the massive opportunity the sector is likely to unfold, we undertook a critical decision of re-entering the residential segment of real estate with focus on low-cost housing. Our unique combination of possessing low-cost land parcels, modern technologies, efficient execution capabilities, skilled manpower and expertise in NCR region places us attractively to capitalise on the opportunity.



Low-cost housing opportunity

Pradhan Mantri Awas Yojana (PMAY)

The PMAY or Housing for All aims at providing eligible families houses with proper water facility, sanitation and electricity. Nearly 50 million houses are targeted to be constructed across urban and rural areas by 2022. The initiative aims at rehabilitating slums across the country through private developers, offering credit-linked subsidies, affordable housing in partnership and subsidy for beneficiary-led individual house construction/enhancement. The massive scale of the project shall generate significant employment opportunities as well as demand for industry players. So far proposals for over 2,600 projects having a total project cost of over ₹ 720 billion across 29 states and 7 Union Territories have been considered.

(Source: India: Transforming through Radical Reforms report by Ernst & Young)

Growth drivers for housing market India

69%

of the country's population of 1.3 billion is in the prime home buying age of 20 to 40 years.

10%

CAGR in per capita income in the past five years leading to 2016.

3.41 CRORE

estimated units of urban housing shortage in India by 2022.

(Source: Bloomberg Intelligence report, CLSA, RNCOS)

Facilitative policies

In its Union Budget 2017-18, the government besides increasing allocation to PMAY from ₹ 15,000 Crores allotted for 2016-17 to ₹ 23,000 Crores for 2017-18, accorded infrastructure status to the affordable housing segment. This shall bring the segment under priority sector lending, reduce cost of financing, open up new financing avenues and enhance speed of approvals. The government has also focussed on making investments in real estate attractive by reducing holding period on immovable properties to be considered a long-term capital gains from 3 years to 2 years.

Advantage Anant Raj

In 2015, Anant Raj became the first developer in the country to successfully deliver 2,600 homes through its AASHRAY project in Neemrana, Rajasthan. Besides, the fact that we could complete the project in record execution time of 36 months and deliver homes costing merely ₹ 8.75 lakhs, reiterate our execution expertise and ability to emerge as a leading player in the low-cost housing segment. We shall continue to bank on our advantage of holding low-cost land parcels and undertake bigger scale low-cost housing projects.



GOVERNMENT FOCUS ON INFRASTRUCTURE DEVELOPMENT

The government is undertaking massive infrastructural projects across the NCR. As the NCR region continues to expand and attract major players in sectors like IT, Telecom, Retail and new-age start-ups, the infrastructure boost by the government is ensuring NCR emerges as a world-class urban destination for business, hospitality and residence.

Infrastructure focus on NCR region

The NCR region with a total population of 57.11 million (Census 2011) is one of the largest urban agglomeration in the world. The Oxford Economics' studies of top 50 metropolitan cities, Delhi Extended Urban Agglomeration (EUA) comprising Delhi, Gurugram, Faridabad, Noida and Ghaziabad, ranks it 30th

globally with a GDP of USD 370 billion for the year 2015. This puts it ahead of Mumbai EUA and making it the economic powerhouse of India. Factors like robust metro rail network, proximity of policy-making and strong focus on infrastructure development has enabled it to gain edge.



The government continues its intent to make NCR world-class agglomerations as it continues to invest in infrastructure developments. Some of the projects underway include:

The KMP (Kundli-Manesar-Palwal) Expressway Project

The project comprising the western peripheral expressway (connecting Kundli, Manesar and Palwal) and the eastern peripheral expressway (connecting Kundli, Ghaziabad and Palwal), each nearly 135 km long, shall form a ring around the NCR. The massive scale surface infrastructure project, while focussed on keeping non-destined

vehicles off the city limits to reduce traffic burden, shall also facilitate in extending boundaries of NCR. This is likely to boost the economies of regions in the vicinity to the expressway and also lead to real estate boom.

Semi-high Speed Train Service

The 245-km Delhi-Chandigarh corridor has been chosen as the first in the country to have semi-high speed train services. The train, making a single stop at Ambala, shall reduce the travel time between the cities by nearly half. This shall facilitate in commercial travel between the two cities and give a boost to their economies.