



**BSEL Infrastructure Realty Limited**  
 Building structures... *e*merging landmarks

**15th ANNUAL REPORT 2009-2010**

# BSEL Fayrooz, UAE



## BSEL INFRASTRUCTURE REALTY LIMITED

### BOARD OF DIRECTORS

Kirit R. Kanakiya	Non-Executive Chairman
Dharmendra Raichura	Managing Director
Vijay Jain	Non-Executive Independent Director
Abbas Lakdawalla	Non-Executive Independent Director
Hitesh Vora	Non-Executive Independent Director

### COMPLIANCE OFFICER

Dharmendra Raichura

### REGISTERED OFFICE

G-101, 2<sup>nd</sup> Floor, Tower No.7,  
International Infotech Park,  
Above Vashi Railway Station,  
Vashi, Navi Mumbai-400705

### UAE

Sharjah Airport Int. Zone,  
P.O.Box No.8729,  
Sharjah, UAE

### MALAYSIA

17-03, Susur Dewata,  
Jalan Dewata,  
Larkin Perdana,  
80350 Johor Bahru

### REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Private Limited  
Unit No. 1, Luthra Industrial Premises,  
Safed Pool, Andheri – Kurla Road,  
Andheri (E), Mumbai – 400 072

### AUDITORS

CA. Avinash T. Jain, Partner,  
M/s. Raju and Prasad, Chartered Accountants

### ADVISORS

P.V. Bambolkar & Co.  
Fortress Financial Services Limited

### REGISTRAR & DEPOSITORY FOR GDRs

The Bank of New York,  
New York Branch, 101, Barclay Street,  
21st Floor, New York, NY 10286 USA21

### BANKERS

State Bank of India  
Bank of Baroda, UAE  
Ajman Bank  
AXIS Bank Limited  
Mashreq Bank  
Emirates Islamic Bank

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## CHAIRMAN'S LETTER

Dear Shareholders,

In the very first place, I wholeheartedly acknowledge your ceaseless and stubborn support, which upheld the Company to pass through the dramatic situation placed before by this year. The year 2009-10 can be surely described as "The Economy – A Big Hurt". BSEL's domain, infrastructure and realty, has not shown a pretty picture at all. If we have a little retrospection, it can be noted that, the residential real estate business started slowing in 2006 and then really fell out of bed in 2007. But commercial real estate continued chugging along for a while. That's all changing — and 2009 has been even worse for landlords and investors in commercials, warehousing, office, retail property and related spheres. After more than a year spent in suspended animation of already faded up housing markets, the commercial real estate industry really hit a bottom in 2010.

With the collapse of Lehman Brothers and other Wall Street icons, there was cataclysmic recession which substantially affected the year 2008-09. As the world economy just started taking a breath after absorbing these shocks, UAE debt crisis hit the economy. And once again, the Infrastructure and realty industry is put on a blow.

As Infrastructure and Real Estate is core functional sphere of BSEL and the Company has sizable portion of its project investments in UAE, there was an enforced holiday for BSEL. Even in this state of affairs, management of the Company succeeded in saving the Company from getting into the liquidity crunch. The Company strategically exited from a quite adversely leveraged six projects in Nagpur and one project in Goa and also packed up one of its subsidiaries, in Singapore. Though for a short term, the consequence of this is a downturn in profitability of the Company, which can be attributed to exceptional heavy losses out of exit from joint venture projects and closure of subsidiary. During the year under consideration, Company's consolidated total income is Rs. 3,290 lacs and the consolidated profit stood at Rs.86.87 lacs. The BSEL – India suffered a loss in this year, as real estate developers is one of the worst victims of global melt down and UAE collapse.

Here... all these facts are quite disappointing... but I would like to put a saying of George Patton... "Success is how high you bounce when you hit bottom".

I believe that there is a sure opportunity in any state of affairs. This downtrend caused by global meltdown and UAE debt crisis led to a considerable correction of prices across locations, including some established as well as under developed locations. The debt markets are in a severely compromised position due to the cautious approach of banks and financial institutions with a view of avoiding further debt stress. In this classic timing play, investors and developers with cash should be poised to take advantage of highly attractive buying opportunities. And here, BSEL is in propitious position, as it is a Zero Debt Company having optimum liquidity.

I am confident that, BSEL is devised enough and poised to grab each and every opportunity in this sphere. Your support along with sincere contributions of investors, customers, associates and employees of the Company is a constructive stimulus for BSEL, resting on this I see BSEL as one of the leading real estate developers in India as well as abroad in a very near future.

**Kirit R. Kanakiya**  
Chairman

## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their 15<sup>th</sup> Annual Report, to the members, on the business and operations of BSEL Infrastructure Realty Limited (hereafter referred to as 'BSEL' or 'Company') together with the audited accounts for the financial year ended 31<sup>st</sup> March, 2010.

### FINANCIAL HIGHLIGHTS

#### I Consolidated financial information of BSEL Infrastructure Realty Limited and its subsidiaries.

(Rs. In lacs)

Year ended on March 31	2010	2009
<b>Total Income</b>	<b>3,289.96</b>	<b>12,337.40</b>
Less: Total expenditure (including adjustments)	2,814.16	8,206.49
<b>Profit before tax and extra- ordinary items</b>	<b>475.80</b>	<b>4,130.91</b>
Less: Extra ordinary items	379.90	—
<b>Profit before tax</b>	<b>95.90</b>	<b>4,130.91</b>
Less: Provision for tax (including fringe benefit tax and deferred tax)	9.03	67.40
<b>Consolidated profit for the group</b>	<b>86.87</b>	<b>4,063.51</b>
EPS (basic and diluted) (in Rs.)	0.11	4.92

#### II Standalone financial information of BSEL Infrastructure Realty Limited

(Rs. In lacs)

Year ended on March 31	2010	2009
<b>Total Income</b>	<b>267.77</b>	<b>1,040.58</b>
Less: Total expenditure	475.82	461.75
<b>Profit/(Loss) before tax and extra ordinary items</b>	<b>(208.05)</b>	<b>578.83</b>
Less: Extra ordinary items	296.89	—
<b>Profit/(Loss) before tax</b>	<b>(504.94)</b>	<b>578.83</b>
Less: Provision for tax (including fringe benefit tax and deferred tax)	9.03	67.40
<b>Profit/(Loss) transferred to Balance Sheet</b>	<b>(513.97)</b>	<b>511.43</b>

### Review of Operations

The Economy, in particular, real estate industry is still absorbing the aftershocks of global meltdown. Standalone income for the year under review is Rs. 267.77 lacs and the standalone net loss is Rs. 513.97 lacs. The decline in income of the Company has been noticed due to conservative policy adopted by the Company, so as to maintain its liquidity position intact. Extra-ordinary item, loss due to exit from joint venture projects of the Company, pulled down the Company in further loss for the year.



### Consolidated Results

Total consolidated income of the Company, with its wholly owned subsidiaries and step down subsidiaries, for year under consideration has been recorded at Rs.3,289.96 lacs and the net profit for the same is Rs.86.87 lacs. The loss due to closure of subsidiary at Singapore forced consolidated net profit to go down.

### Dividend

The BSEL - India has suffered a loss for the year under review and consolidated profit has dropped down substantially. Thus keeping in view funds availability for future projects and for saving Company to get into the liquidity crunch, Directors have arrived at conclusion that its not comfortable for the Company to declare any dividend for the financial year 2009-10.

### Share Capital

The share capital of the Company remained unchanged during the year under review. The total Equity Share Capital of the Company is comprised of 82,616,840 Equity Shares of Rs. 10/- each.

### Global Depository Receipts

During this financial year 1,200,000 GDRs have been converted into shares. 1,458,120 GDRs have not been converted till 31<sup>st</sup> March, 2010.

### Quality Assurance

Your Company is an ISO 9001:2008 Company. The Company firmly believes in the pursuits of excellence in this ever growing infrastructure and realty sector. Our focus has been on providing consistently quality products and services to our clients. We have maintained ISO 9001 status since 2003.

### Subsidiaries

BSEL was having four wholly owned subsidiaries including step down subsidiaries. During the financial year 2009-10 BSEL Infrastructure Realty Pte Ltd., a step down subsidiary of BSEL, has been closed down. The details of closure of this Company are given in the financial statements given in this annual report. Thus, hereonwards, BSEL is a group of BSEL Infrastructure Realty Limited, a parent Company and three wholly owned subsidiaries.

In accordance with the provisions of section 212 of the Companies Act, 1956 your Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of the subsidiaries to its Balance Sheet. As per the requirement of section 212 (8) of the Companies Act, 1956, your Company applied to the Central Government for the necessary exemption from the aforesaid requirements. The Central Government vide its letter no. 47/588/2010-CL-III dated 17/06/2010 has granted exemption to the Company under section 212(8) of the Companies Act, 1956, from attaching copy of the balance sheets, profit & loss accounts, reports of the Directors and auditors of its subsisting subsidiaries / step-down subsidiaries (I) BSEL Infrastructure Realty FZE, (II) BSEL Infrastructure Realty Pte. Ltd., (III) BSEL Infrastructure Realty Sdn. Bhd. and (IV) BSEL Waterfront Sdn. Bhd. Hence, the balance sheets, profit & loss accounts, reports of the Directors and auditors have not been attached with the balance sheet of the Company. These documents will be made available upon request by any member(s) of the Company interested in obtaining the same and will also be kept for inspection at the registered office of your Company. Further, as directed by the Central Government, the financial data of the subsidiaries has been furnished alongwith the statement pursuant to section 212 of the Companies Act, 1956 forming part of the annual report. Also, pursuant to accounting standard (AS-21) issued by the Institute of Chartered Accountants of India and listing agreement, your Company has presented the consolidated financial statements which include the financial information relating to its subsidiaries and forms part of the annual report.

### Joint Ventures and Alliances

The Company has invested in Singapore and Malaysia through its subsidiaries and step down subsidiaries. The Company was having 50:50 joint venture with Unity Infraprojects Ltd. for six shopping malls projects at Nagpur and one technology park project at Goa. In February 2010, BSEL walked out of these joint venture projects. The details of disinvestment are given in schedule 'E' of the balance sheet forming part of this report.

### Depository Systems

The Company continues with its arrangement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of securities in accordance with the provisions of the Depositories Act, 1995 and members may avail of such facilities. With this, the members have an option / discretion to hold demated shares with NSDL and / or CDSL.

**Directors**

Mr. Dharmendra Raichura continues as the Managing Director of the Company after being appointed for a period of three years by the shareholders in the annual general meeting held on 30<sup>th</sup> September, 2008. His tenure ends on 29<sup>th</sup> July, 2011.

Mr. Vijay Jain, Non - Executive and Independent Director, retires at this annual general meeting by rotation and being eligible offers himself for reappointment.

The Board recommends the re-appointment of Mr. Vijay Jain as a Non-Executive and Independent Director of the Company.

**Directors' Responsibility Statement**

As required under section 217 (2AA) of the Companies Act, 1956, your Directors confirm that

1. In the preparation of the annual accounts for the financial year ended on 31<sup>st</sup> March, 2010, the applicable accounting standards have been followed.
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 as on 31<sup>st</sup> March, 2010 and of the Profit & Loss of the Company for the year ended 31<sup>st</sup> March, 2010.
3. The Directors have taken proper and sufficient care 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.
4. The Directors have prepared the annual accounts for the year under review on a going concern basis.

**Corporate Governance**

The Company has been practicing the principles of good corporate governance over the years and it is an ongoing process. A detailed report on corporate governance is part of this annual report.

Certificate of the statutory auditors of the Company regarding compliance with the provisions of corporate governance as stipulated in clause 49 of the listing agreement is also provided in the corporate governance report.

**Electronic Filing**

Pursuant to an amendment in listing agreement, e-filing with [www.sebidifair.nic.in](http://www.sebidifair.nic.in) is hereinafter not required. The corporate governance report, financial results and shareholding pattern are available on [www.corpfiling.com](http://www.corpfiling.com). The financial statements and shareholding pattern is also available on website of BSE and NSE as well as website of the Company - [www.bsel.com](http://www.bsel.com).

**Deposits**

The Company has not invited or accepted from public or its employees any deposits in terms of provisions of section 58A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975 and therefore no amount of principle or interest was outstanding to be paid as of the balance sheet date.

**Auditors**

M/s Raju & Prasad, Chartered Accountants, Mumbai, having membership no. 41689, hold the office of the Statutory Auditors of the Company retire at the conclusion of the annual general meeting and are eligible for reappointment. The Company has received a letter from them consenting to act as Statutory Auditors that, if appointed, their appointment will be in terms with section 224 (1)(b) of the Companies Act, 1956. The audit committee has recommended their appointment for the office of statutory auditors of the Company. The necessary resolution is being placed before the shareholders for approval.

**Comments on Auditors Report**

With reference to the comments given by the auditors on the auditor's report on accounts of the Company, the management's explanations have been suitably made in the notes to accounts of the balance sheet and profit and loss account and are self explanatory.

**Particulars of Employees**

As required by the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, no employee is drawing remuneration at or above the limits mentioned therein.



#### **Human Resource Management and Employee Relation**

BSEL has created favourable work environment that encourages management talent. It always maintained cordial relationship with its employees. The Company consists of professional team that will help out BSEL to deliver quality performance.

#### **Conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo**

Disclosure under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule, 1988 are as follows:

##### **Conservation of Energy**

The operations of the Company are not energy intensive. Adequate measures, have, however been taken to conserve and reduce the energy consumption.

##### **Technology Absorption**

No technology has been developed and / or imported by way of foreign collaboration.

##### **Foreign Exchange Earnings and Outgo**

There are no foreign exchange earnings or outgo during the year under review.

##### **Acknowledgment**

The Directors sincerely appreciate the contributions made by all employees and business associates who have supported the Company to stand firmly in the critical and challenging situations emerged out of economic crisis. The Directors are also thankful for the co-operation, support and assistance received from banks, investors, customers, Central and State Government departments, local authorities, vendors, strategic alliance partners and all other associated with the activities of the Company. The Directors would also like to acknowledge the continued support of the Company's shareholders.

**For and on behalf of the Board**

**Kirit R. Kanakiya**  
Chairman

**Dharmendra Raichura**  
Managing Director

**Place :** Navi Mumbai  
**Date :** 23.08.2010



## CORPORATE GOVERNANCE REPORT

### Concept of Corporate Governance

Corporate governance is concerned with the establishing a system whereby the Directors are entrusted with responsibilities in relation to the direction of corporate affairs. It is concerned with accountability of persons who are managing it towards stakeholders.

Widely, this is a framework, which consists of explicit and implicit contracts between the firm and the stakeholders for distribution of responsibilities, rights and rewards; procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, roles and procedures for proper supervision, control and information-flows to serve as a system of checks-and-balances. It is concerned with the morals, ethics, values, parameters of conduct and behaviour of the Company and its management.

Corporate Governance requires more internal discipline over external accountability.

### BSEL's Philosophy

The BSEL understands and values the principle that this internal discipline implies that the quality of its management has to be of a high order to be able to exercise the discipline in the organisation. By this, one would expect that a good management would lead a Company to being a good corporate citizen.

### Board of Directors

The Board of Directors, an apex body is formed by the shareholders and is entrusted with the responsibility to serve and protect the overall interests of stakeholders. Making allowance for this, BSEL always endeavoured to have righteous Board panel composed of eminent personalities in various fields.

In the statutory sense, the Company is having optimum combination of Directors, as required by Listing Agreement, to keep the transparency of Board affairs intact.

### Information placed before the Board

- Operating and financial plans;
- Quarterly results of the Company;
- Minutes of meetings of audit committee and other committees of the Board;
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment of the Compliance officer;
- Details of any joint venture or collaboration agreement;
- Sale of investments of material nature, subsidiaries, assets which is not a normal course of business;
- Details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Details about dividend data;
- General notices of interest of Directors.

The Board met 7 (seven) times during the year under review and the dates of such meetings are as follows:

(1) 18<sup>th</sup> May, 2009; (2) 30<sup>th</sup> June, 2009; (3) 31<sup>st</sup> July, 2009; (4) 10<sup>th</sup> August, 2009; (5) 30<sup>th</sup> October, 2009; (6) 30<sup>th</sup> January, 2010; and (7) 25<sup>th</sup> March, 2010.



The below given detailed table describes about attendance of Directors at Board Meetings and Annual General Meeting held during the last financial year. Further, it also provides with shareholding in and details of Memberships and Chairmanships of Committees of BSEL and also about the Directorships in other Companies.

Name of Directors	Kirit R. Kanakiya	Dharmendra Raichura	Vijay Jain	Abbas Lakdawalla	Hitesh Vora
Category	Promoter Director Non - Executive Chairman	Managing Director	Non - Executive Independent Director	Non - Executive Independent Director	Non - Executive Independent Director
Date of appointment	1 <sup>st</sup> April 1998	30 <sup>th</sup> June 2006	23 <sup>rd</sup> February 2004	30 <sup>th</sup> June 2006	31 <sup>st</sup> August 2001
Directorship in other Companies	2	0	0	0	0
Chairmanship / Membership in committees of Board of other Companies	0	0	0	0	0
No. of Board meetings attended	3	7	4	4	4
Attendance at last AGM	Yes	Yes	Yes	Yes	Yes
No. of shares held as on 31st March, 2010	4,942,180	NIL	NIL	NIL	6,500
Director Identification Number	00266631	00371160	00594901	00037416	00342768

**Notes:**

1. None of the independent Directors have any pecuniary interest or relationship with the Company apart from sitting fees that they are entitled to receive.
2. The directorship does not include directorship in private companies / foreign companies.
3. None of the Directors is member of more than ten committees and has acted as Chairman in more than five committees at any point of time.

**Audit Committee**

**Brief Description of Terms of Reference**

To oversee and direct the financial reporting system along with the disclosure process of the Company, the Board has constituted Audit committee of three of its Directors and that the committee is Chaired by an Independent Director; thereby the Company is complying with the terms of clause 49 (II) (A) of the listing agreement and section 292A of the Companies Act, 1956.

The role and terms of reference, authority and powers of audit committee are in conformity with the Companies Act, 1956 and listing agreement.

- Ensuring compliances with accounting standards and generally accepted accounting principles (GAAP) adopted for preparation of individual and consolidated financial statements;
- Verifying that internal information gathering and control procedures are properly applied;
- Ensuring the quality and relevance of information provided to the shareholders of the Company ;
- Reviewing drafts of quarterly, half yearly and annual financial statements submitted to it by the Chairman of the Board before they are submitted to the Board of Directors;
- Reviewing drafts of managements reports, activity and income tables and all accounts drawn up for specific purposes;
- Ensuring that the procedures comply adequately with relevant and financial institutions and stock exchanges;
- Meeting with statutory auditors to discuss the compliances by the Company of various accounting standards, recommending their appointment and fixation of their remuneration;
- Discuss and study the working plan of the Company and providing suitable recommendations to the Board and the management;
- Reviewing the utilisation / application of the proceeds of the funds raised through issue of securities;
- Analyse the system and procedures used to prepare the financial statements;