



## Annual Report 2008 - 09

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## Board of Directors

HEMANT M. SHAH, *Executive Chairman*

D. R. KAARTHIKEYAN

SHAILESH V. HARIBHAKTI

P. H. RAVIKUMAR

SHAILESH H. BATHIYA

VYOMESH M. SHAH, *Managing Director*  
(VIMAL M. SHAH)

MADHUKAR B. CHOBE, *Wholetime Director*

### Statutory Auditors

DALAL & SHAH, CHARTERED ACCOUNTANTS

DOSHI DOSHI & ASSOCIATES, CHARTERED ACCOUNTANTS

### Internal Auditors

ANEJA ASSOCIATES, CHARTERED ACCOUNTANTS

### Registered Office

AKRUTI TRADE CENTRE  
ROAD NO.7, MAROL MIDC  
ANDHERI (EAST), MUMBAI 400 093

## Committees of the Board

### Audit and Compliance Committee

SHAILESH V. HARIBHAKTI, *Chairman*

P. H. RAVIKUMAR

SHAILESH H. BATHIYA

VYOMESH M. SHAH

### Remuneration Committee

SHAILESH V. HARIBHAKTI, *Chairman*

D. R. KAARTHIKEYAN

P. H. RAVIKUMAR

### Shareholders'/ Investors' Grievances Committee

SHAILESH H. BATHIYA, *Chairman*

HEMANT M. SHAH

VYOMESH M. SHAH

### Company Secretary

CHETAN S. MODY

### Registrar & Transfer Agents

LINK INTIME INDIA PRIVATE LIMITED  
(formerly INTIME SPECTRUM REGISTRY LIMITED)  
C-13, PANNALAL SILK MILLS COMPOUND,  
LAL BAHADUR SHASTRI MARG,  
BHANDUP (WEST), MUMBAI 400 078

### Bankers

CANARA BANK

CORPORATION BANK

HDFC BANK

IDBI BANK

INDIAN OVERSEAS BANK

PUNJAB NATIONAL BANK

STATE BANK OF INDIA

STATE BANK OF PATIALA

UNION BANK OF INDIA



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF ACKRUTI CITY LIMITED (FORMERLY ACRUTI CITY LIMITED) WILL BE HELD ON THURSDAY, AUGUST 27, 2009 AT 11.30 A.M. AT WALCHAND HIRACHAND HALL, 4<sup>TH</sup> FLOOR, INDIAN MERCHANTS' CHAMBER BUILDING, INDIAN MERCHANTS' CHAMBER MARG, CHURCHGATE, MUMBAI 400 020 TO TRANSACT THE FOLLOWING BUSINESS :

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Statement of Accounts together with Directors' Report as also the Auditors' Report thereon for the year ended March 31, 2009.
2. To declare dividend.
3. To appoint a Director in place of Mr. P. H. Ravikumar who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Shailesh H. Bathiya, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint M/s. Dalal & Shah, Chartered Accountants and M/s. Doshi Doshi & Associates, Chartered Accountants as Joint Statutory Auditors on a remuneration to be fixed by the Board of Directors of the Company, based on the recommendation of the Audit and Compliance Committee, in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Company for the year ending March 31, 2010.

### SPECIAL BUSINESS :

To consider and, if thought fit, to pass the following resolution as an ordinary resolution :

6. "RESOLVED THAT Mr. Vyomesh M. Shah, Managing Director is removed from the place of director pursuant to Section 284 and other applicable sections of the Companies Act, 1956."

Registered Office :  
Akruti Trade Centre, 6<sup>th</sup> floor  
Road No.7, Marol MIDC,  
Andheri (East), Mumbai 400 093

By Order of the Board  
For **Ackruti City Limited**

**Chetan S. Mody**  
Company Secretary

June 30, 2009

### Notes :

1. A PERSON ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the Meeting.
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Item of special business is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, August 17, 2009 to Thursday, August 27, 2009 (both days inclusive) in connection with the Annual General Meeting.
5. The dividend as recommended by the Board, if sanctioned at the meeting, will be paid on or after August 28, 2009 to those members whose names appear on the Company's Register of Members on August 27, 2009. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. Members having any questions on accounts are requested to send them ten days in advance to the Secretarial Department so as to enable the Company to compile the relevant information.
7. Members are requested to notify immediately any change in their address / bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, Lal Bahadur Shastri Marg, Bhandup (West), Mumbai 400 078 in respect of their physical share folios, if any.

## NOTICE (CONTD.)

8. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company / Link Intime India Private Limited will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company / Link Intime India Private Limited will not entertain any direct request from such members for deletion of / change in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants.
9. Brief note on the background and the functional expertise of the Directors proposed for appointment pursuant to Clause 49 (VI) (A) of the Listing Agreement relating to the Code of Corporate Governance is given in the Section on Corporate Governance.

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By Order of the Board  
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**Chetan S. Mody**  
 Company Secretary

June 30, 2009

### ANNEXURE TO THE NOTICE

#### Explanatory Statement pursuant to Section 173 (1) of the Companies Act, 1956 (the Act).

##### Item No. 6

Mr. Tapan Chakraborty, a shareholder of the Company has sent a notice under Section 284 of the Act for removal of Mr. Vyomesh M. Shah as Director of the Company alleging that Mr. Vyomesh M. Shah, Managing Director is unable to reply to the letters of shareholders and is managing the Company in a manner which is against the interest of the shareholders and the Company is being run with malpractices, malfunctioning, mismanagement and manipulation by the Directors with consent of the Managing Director.

#### The Company has received the following representation from the Managing Director, which is reproduced below :

*"During the quarter January 2009 to March 2009, there was high volatility in the market price of the Company's shares. As a result, Mr. Tapan Chakraborty claims that he suffered heavy losses for which he holds the management of the Company responsible.*

*Mr. Tapan Chakraborty had also forwarded copies of publication namely 'Hamra Kam' being published at Kolkata carrying series of derogatory articles using highly abusive language and containing wild and baseless allegations against the Directors of the Company as well as the Chairman of SEBI and NSE and wanted replies to the published allegations from the management of the Company. The rise and fall in the market price of the Company's scrip was largely due to operation of market forces for which neither the promoters nor the management of the Company were responsible. It has been the management's policy not to comment on press reports and accordingly, Mr. Tapan Chakraborty's letters were not replied to by the management. Further, no irregularity or illegality has been committed by the Directors in conducting the affairs of the Company as can be seen from the financial results of the Company for the year ended March 31, 2009 and also the Auditors' Report does not contain any qualifications or adverse remarks against the management of the Company. The resolution proposed pursuant to the notice sent by Mr. Tapan Chakraborty, therefore, deserves to be defeated."*

The Board of Directors, however, does not support the resolution for the removal of Mr. Vyomesh M. Shah as Director of the Company.

Mr. Vyomesh M. Shah and Mr. Hemant M. Shah may be deemed to be concerned or interested in the motion.

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By Order of the Board  
 For **Akruti City Limited**

**Chetan S. Mody**  
 Company Secretary

June 30, 2009





## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

TO

### THE MEMBERS

Your Directors have pleasure in presenting their Twenty First Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2009.

### FINANCIAL RESULTS :

The salient features of the Company's standalone and consolidated financial results for the year under review are as follows:

(Rs. in lacs)

	STANDALONE		CONSOLIDATED	
	2008-09	2007-08	2008-09	2007-08
Net Sales / Income from Operations	43719.47	44050.06	43476.68	43975.37
Share of Profit from Joint Ventures and Partnership Firms	2.20	12.37	0.23	529.12
Other Income	3355.16	3316.40	2001.34	3070.20
Total Income	47076.83	47378.83	45478.25	47574.69
Operating Profit (before interest, depreciation and tax)	40611.02	39703.91	42952.00	40980.43
Less : Interest and Finance Charges	10872.35	5474.65	14022.45	6153.74
Profit before depreciation and tax	29738.67	34229.26	28929.55	34826.69
Less : Depreciation and amortization	405.15	639.29	571.33	693.07
Profit before tax	29333.52	33589.97	28358.22	34133.62
Less : Provision for taxation	2308.74	4075.64	2323.10	4190.31
Profit after tax	27024.78	29514.33	26035.12	29943.31
Add / (Less) : Short provision for taxation in respect of earlier years and Prior period adjustments	(646.81)	(43.66)	(514.60)	10.46
Add / (Less) : Share of profit / loss from associate companies/ minority interest / pre-acquisition loss/loss on disposal of associates / goodwill on acquisition written off/reversal of excess profit booked in earlier year	—	—	952.63	(26.85)
Profit for the year	26377.97	29470.67	26473.15	29926.92
Profit brought forward	25234.45	714.71	25857.56	881.56
Profit available for appropriation	51612.42	30185.38	52330.71	30808.48
<b>APPROPRIATIONS</b>				
General Reserves	—	3000.00	1.21	3000.00
Interim Dividend	—	1200.64	—	1200.64
Proposed Dividend (proposed final dividend for 2007-2008)	667.00	466.90	667.00	466.90
Dividend Distribution Tax	113.36	283.39	171.14	283.39
Balance carried to Balance Sheet	50832.06	25234.45	51491.36	25857.55

### PERFORMANCE REVIEW :

During the year under review, the standalone revenue of your Company was marginally lower at Rs. 47076.83 lac as against Rs. 47378.83 lac in the previous year. The standalone operating profit before interest, depreciation and tax increased to Rs. 40611.02 lac in the current year from Rs. 39703.91 lac in the previous year. The standalone net profit was lower at Rs. 27024.78 lac as against Rs. 29514.33 lac in the previous year.

## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

The consolidated revenue of the Company was lower at Rs. 45478.25 lac as against Rs. 47574.69 lac in the previous year. The consolidated operating profit before interest, depreciation and tax increased to Rs. 42952.00 lac in the current year from Rs. 40980.43 lac in the previous year. The consolidated net profit was lower at Rs. 26035.12 lac as against Rs. 29943.31 lac in the previous year.

### APPROPRIATIONS :

No amount (Previous Year : Rs.3000 lac) is credited to General Reserves. Out of the amount available for appropriation, your Directors have recommended a dividend of Re. 1/- (10 %) (Previous Year : Rs.2.50 per share – 25 %) per equity share of the face value of Rs.10 each for the year ended March 31, 2009, aggregating Rs. 667 lac (Previous Year : Rs.1667.54 lac). The dividend distribution tax amounts to Rs. 113.36 lac (Previous Year : Rs. 283.39 lac).

The dividend payout for the year under review has been formulated in accordance with the Company's policy of striving to maintain a stable dividend linked to performance and keeping in view the Company's need for capital to finance its growth plans through internal accruals to the maximum. Your Directors believe that this will lead to an increase in shareholders' value in the long term.

### ECONOMIC AND INDUSTRY OVERVIEW :

The global financial crisis which began in 2007 took a turn for the worse in September 2008 with the collapse of several international financial institutions, including investment banks, mortgage lenders and insurance companies. There has been a severe choking of credit since then and a global crash in stock markets. The slowdown intensified with the US, Europe and Japan sliding into recession. Current indications of the global situation are not encouraging. Forecasts indicate that the World economy in 2009 may fare worse than in 2008. A crisis of such magnitude in developed countries is bound to have an impact around the world. Most emerging market economies have slowed down significantly. India too has been affected. For the first nine months of the year under review, the growth rate of exports has come down to 17.1 per cent. According to the latest figures available, the industrial production has fallen by 2 per cent year-on-year basis in December 2008. In these difficult times, when most economies are struggling to stay afloat, a healthy 7.1 per cent rate of GDP growth driven by combined forces of booming economy, favourable demographics and liberalized Foreign Direct Investment (FDI) regime, still makes India the second fastest growing economy in the world.

### GOVERNMENT INITIATIVES :

The Government of India announced stimulus package which, coupled with the Reserve Bank of India's move allowing banks to provide special treatment to the real estate sector, is likely to impact the Indian real estate sector in a positive way.

Foreign Investment Promotion Board (FIPB) announced new foreign direct investment policy (FDI) during the current year aimed at simplifying existing norms to attract foreign investment into India.

Besides the above measures, the government also announced an economic stimulus package keeping in mind the impact of the global slowdown on the Indian real estate sector. Public sector banks and private sector banks announced a package for home loan borrowers in various categories. This is expected to increase borrowing for homes and in turn give a boost to the realty sector. Moreover, excise duty cuts on cement and steel are expected to bring down construction cost.

### COMPANY'S SUSTAINABILITY INITIATIVES FOR RE-ENGINEERING :

The year 2008-2009 has been a year of total re-engineering for the Company. In the midst of the economic and liquidity crisis, the Company was able to sustain tougher times largely due to the following initiatives undertaken :

- adopted the concept of Nano apartment in the residential segment;
- shifted focus to mid-segment housing and affordable housing segments which are perceived to have maximum demand;
- prioritized projects in terms of 'revenue generation';
- deferred development activities in respect of new township and project having long gestation period;
- process of disposal of long gestation period land and exit from long duration projects;
- substituted high cost loans by low cost loans;
- desisted from acquiring land bank by bidding at astronomical / exorbitant prices. This ensured that the Company did not overrun its budget.
- exploring newer construction techniques that would result in substantial savings over conventional techniques.



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

- exploring the use of new construction materials, better mechanization and technology for green and environment friendly approach or accreditation;
- slashing overheads and improving cost efficiencies;
- redefining bids for contracts with various State and Central Government agencies;
- boosting confidence of contractors, suppliers and creditors by furnishing appropriate guarantees on their behalf and initiating other confidence building measures;
- reviewing of Government policies with regard to SEZs and accordingly redefined timelines of the Company's SEZ projects.
- revisiting effectiveness of internal and external audit mechanism in order to ensure greater transparency for regulators and other statutory authorities.

### THE BUSINESS :

The Company currently operates either on its own or through its subsidiaries / joint ventures / associate companies / partnership firms in the Residential, Commercial, SEZs, Infotech Park, Biotech Park and Robotic Car Park segments of the Real Estate business, and has planned forays into Warehousing segment. Operations of the Company include identification and acquisition of land / development rights, obtaining necessary approvals, planning, execution and marketing of the projects.

### SEGMENT WISE DISCUSSIONS :

#### Residential :

Realising the huge demand potential in the low cost housing segment ('affordable housing'), the Company has launched the 'Just Perfect Home' series of residential apartments : '**Ackruti Gardenia**' at Mira Road, '**Ackruti Greenwoods**' at Thane and '**Ackruti Countrywoods**' at Kondhwa, Pune for middle income group. These apartment series are compact and are priced relatively lower without compromising on quality or basic amenities. The Company's low land acquisition cost and execution expertise will ensure profitability in these projects. Initial response of customers in booking flats in these projects has been encouraging.

#### Commercial :

The Company is developing through a joint venture company / subsidiary select commercial projects in Mumbai. The Company has received positive response from leading IT/ITES companies in the country at the time of launching various marketing activities.

#### INFO Park – Pune :

The Company has, through its associate company namely DLF Akruti Info Parks (Pune) Limited, in which DLF Limited is the other partner, set up SEZ at Hinjewadi, Pune which will be completed in two phases.

#### Robotic Car Park :

The construction of the automated car park at Mahalakshmi, Mumbai has been completed.

#### Biotech Park :

The Company has through its subsidiary namely Gujarat Akruti-TCG Biotech Limited embarked upon the development of approx. 708 acres Biotech Park at Savli, near Vadodara in the State of Gujarat in joint venture with Gujarat State Biotech Mission and the TCG Group. The Park is to be developed in three phases : Phase I - 90 acres (fully developed); Phase II - 124 acres (currently under development) and Phase III - 494 acres.

#### Saiwadi Project – Andheri (East) :

The Company is developing commercial and residential project at Saiwadi, Andheri (East) in joint venture with DLF Limited. The project, is expected to be completed within two years.

#### Ackruti SMC :

This a joint venture entity between Arnav Gruh Limited, a wholly owned subsidiary of the Company and SMC Infrastructure Private Limited, which has been awarded the contract to develop the bus depot at Thane owned by Maharashtra State Road Transport Corporation. The first phase of the project has been completed.



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### Ackruti Corporate Park – Kanjur Marg :

The Phase I of the project has been fully completed and approx. 90 % of the saleable area has been leased out.

### Mumbai SEZ :

The Company in joint venture with DLF and Muttha Group plans to undertake development of IT SEZ project located between Mulund and Thane, off Eastern Express Highway.

The Company has embarked upon the development of real estate project on Ghatkopar-Mankhurd Link Road, Mumbai through an associate company on public private partnership basis with the Government of Maharashtra. IL & FS Limited, a leading private equity fund has agreed to make substantial investment for the development of the aforesaid project.

### OTHER OPPORTUNITIES :

The Company has also entered into strategic joint venture arrangements with other real estate development companies for some of its projects on a profit sharing basis. Collaborating strategically with other firms reduces the capital investment requirement and helps leverage development capabilities. It also allows the Company to benefit from an enhanced pool of construction and marketing expertise and experience, and facilitates expansion into additional geographies and business lines.

All the aforesaid business initiatives would enable the Company to enhance long term shareholder value.

Steps have been initiated to manage the downturn by way of strong and sustainable cost reduction initiatives across all areas of operations. Tools of innovation are employed for any new project / marketing initiative, the purpose being to constantly stay ahead in terms of ideas.

### OPPORTUNITIES AND THREATS :

With the downturn in the housing market caused by the global economic slowdown, there is an opportunity of creating portfolios in the affordable housing market and to grow the largely untapped mid-market segment. There is tremendous potential in the mid-housing segment which is seen as having maximum demand in the near future.

Real estate companies have seized the opportunity to re-classify their products / offerings in order to cater to the high volume affordable housing segment. Other measures include postponing new launches, re-allocating funds and focusing on completion of pre-committed projects, re-orienting product portfolio in favour of mid-income / affordable homes and cutting construction cost via value engineering to survive the ongoing slump.

The present crisis present an opportunity to every real estate company to correctly identify end-user needs and keep affordability in mind before embarking on newer projects.

There is also an urgent need for deregulation of most of the laws pertaining to the real estate sector.

### RISKS AND CONCERNS :

#### Macro risks

- Global geo-political risk, economic shocks and policy reversals
- Economic risks – rising interest rates, inflation and currency risks
- Event risks – riots, natural calamities, etc.
- Rising costs of operation
- Constrained urban and physical infrastructure in cities
- Disparities in regional development within States
- Declining property rates

#### Real Estate Sector Specific Risks

- Oversupply – in few product classes - IT SEZs, luxury end residential.
- Land acquisition – the land acquisition process in India and its entitlement is anything but simple. It is a very long drawn complicated affair.

## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

- Lack of verifiable records – the serious gap in ownership records as well as land titles being unclear, could pose several hurdles.
- Regulatory risk – several regulatory issue remain.
- Transparency risk – Indian real estate market transparency is rated low as compared to international real estate transparency levels. Although market transparency has improved, it is still hard to get reliable and verifiable information.
- Lack of title insurance – The real estate market in India does not have title insurance. There is a risk of latent ownership issue in transactions with individual land owners.
- Property linked infrastructure risks – At major locations, the public infrastructure is under strain. Though development and construction is proceeding at a furious pace, required urban infrastructure is not catching up fast enough.
- Lack of real estate securities legislation.
- Lack of uniform land laws – varying rules, regulations, standards, practices from town to town across India.
- Lack of institutional mechanism to review and regulate the conduct of valuation professionals as well as the qualifications and conduct of bodies certifying their expertise.
- Distress sale by other developers likely to push down prices.
- Demand becoming increasingly price and product sensitive.

The Company is mitigating these risks by way of qualitative market research, faster decision making, and by taking a fresh look at its entire set of processes, apart from undertaking proactive approach towards problem resolution.

Property financing remains largely conducted through conventional mortgages, with the volume of more modern, transparent and liquid products still negligible. This is partly due to high registration charges and transaction costs and structural impediments in the securitization legal framework. Industry database on transaction volumes, structures and prices are also largely undeveloped.

### BUSINESS OUTLOOK :

The organized real estate sector is just crossing the 'infancy' stage in its growth profile and needs all the policy and regulatory support to emerge stronger in the light of the significant demand-supply gaps across real estate asset segments, the multiplier effect on plethora of industries, the employment generation potential of this sector. Policy reforms such as according 'infrastructure' status, updating and maintenance of land records, appointment of real estate regulatory body, reduction and simplification in development rules and regulations would go a long way in helping this sector to grow in an organized manner.

The Real Estate Investment Trusts (REITs) and Real Estate Mutual Funds (REMFs) are expected to transform the ownership pattern of real estate and may lead real estate developers to reinvent their business models and generate new revenue streams.

Opportunities have also begun to emerge in sectors such as healthcare, hospitality, logistics and education. Global slowdown is expected to push relocation of production and research centers to India.

Another sector that promises to emerge as star of the next growth phase is the education sector. The government is focused on the expansion of higher education infrastructure and accessibility of higher education in India. It has made efforts in the public investment sphere like the setting up of new IITs and IIMs. Despite government initiatives, there exists a significant gap in the demand for higher education and the supply of infrastructure facilities. Restrictions have to be liberalized, policies updated and a new strategy has to be implemented to tackle the challenge of providing adequate infrastructure.

Some analysts believe that domestic demand for both consumption and investments is likely to remain subdued in the near term, given the uncertain economic prospects and limited funding options.

Further, the demographics remain favourable for real estate demand – a large and growing population, population pyramid skewed towards a younger population base, shift from joint family to nuclear families and increasing urbanization. Hence the long term story remains intact.

According to Ernst & Young, a consultancy firm, 'the current bearish trend of the real estate sector is a transitory slowdown. However, considering the opportunities present as well as the strong economic fundamental drivers, the outlook for the mid-to-long term is positive. The momentum of the market in the mid-to-long term would be sustained by the emergence of new markets, innovative products, ongoing corporatisation of the sector, integration with global markets, greater transparency