



AKRUTI CITY
LIFE TIME VALUE

scaling new heights...

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Board of Directors

HEMANT M. SHAH	<i>Executive Chairman</i>
D. R. KAARTHIKEYAN	
SHAILESH V. HARIBHAKTI	
P. H. RAVIKUMAR	
SHAILESH H. BATHIYA	
VYOMESH M. SHAH (VIMAL M. SHAH)	<i>Managing Director</i>
MADHUKAR B. CHOBE	<i>Wholetime Director</i>

Committees of the Board

Audit Committee

SHAILESH V. HARIBHAKTI, Chairman
SHAILESH H. BATHIYA
P. H. RAVIKUMAR
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

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

Registrar & Transfer Agents

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

Bankers

CANARA BANK
BANK OF INDIA
BANK OF BARODA
CORPORATION BANK
HDFC BANK
ICICI BANK
IDBI BANK
INDIAN OVERSEAS BANK
KOTAK MAHINDRA BANK
PUNJAB NATIONAL BANK
STATE BANK OF INDIA
STATE BANK OF PATIALA
UNION BANK OF INDIA



Theme

Scaling new heights...

At **Akruti City** we are leveraging our rich past to create projects for the present and with an objective to build the India of tomorrow.

The real estate industry has undergone a transformation during the year. Increasing corporatisation, higher levels of transparency, access to capital markets and an increase in the scale of projects were some key developments during the past year. The year saw foreign capital flowing into the sector, making it a watershed year for the Indian real estate industry.

As the property sector has a strong correlation with the overall economic growth, the growth prospects for the real estate sector in India seem to be positive in the foreseeable future.

As a leading real estate developer, Akruti is well-poised to benefit from the unprecedented growth in the real estate sector in the country. We have scaled up our internal and external resources for efficient and timely execution of large projects.

The current economic uncertainty has posed the risk of a global economic slowdown, which has started impacting the realty sector in India. The current slowdown in demand, high interest rates, rising input costs and meltdown of realty stocks have also added to the problems. The slowdown has been precipitated further due to a falling stock market, which has prevented wealth creation, thereby creating capital deficiency for real estate projects.

The Company has already factored in all these dynamics. Not only we have strengthened our knowledge repository and invested constantly in the direct ownership of equipment, but also reinforced customer relationships and entered into collaborative participation with various stakeholders. It is the balanced combination of these initiatives that is now translating into an attractive profitability mix for the Company even in such economic slowdown.

Today, external factors present one of the greatest risks to businesses. There is no alternative but to adapt to them. A sudden spurt in inflation, combined with high international prices of crude and petroleum, is threatening to upset the country's economic equilibrium. But at Akruti, our well-defined strategic plan and business strategy articulate the direction for the Company towards a stable growth path.

The Company strategy is adaptable to different scenarios and emphasises on growth and success across different points in the real estate cycle. Efficiency and customer satisfaction strategies, too, have been accentuated to maintain profitability, thus ensuring the Company has the necessary capital and personnel to take advantage of growth opportunities at all possible times.

The Company's communication and promotion plan will continue to focus on building relationships. Our increasing geographic spread provides the Company with the dual advantage of working as a hedge against the cyclicity in the industry while enabling us to maintain margins.

Over the past few years, we have observed that growth does not come by just increasing capacity or bettering our financial performance. With the changing dynamics in the world of business, the Company has to look at every way of growing and adding value through organic and inorganic growth. We will leverage our local presence and customer proximity in various markets to work closely with our customers and jointly identify and address growth opportunities. This approach will provide bright, long term prospects for Akruti and also translate into a win-win situation for our customers.

At the global level, returns from real estate investment in India have traditionally been higher than in other Asian countries. The near future may see an increasing number of Real Estate Investment Trusts being set up and a new avenue for investments and growth being tapped into.

An inherent inspiration to scale new heights has always been one of Akruti's strengths. This is reflected in our decision making process and our approach towards creating value for our customers and projects. Using skilled human resources and exploiting our expertise of technology, Akruti is preparing to create real estate, which will be used as a benchmark for the future.

Our culture of learning, coupled with a zeal and desire to generate and implement new ideas, is the driving force within the organisation. This driving force is also representative of our operating system in which diverse businesses lead to a common goal. It is this force and enthusiasm which drives us to lead on the path forward. As we look into the near future, we know our greatest days lie ahead.

The past is behind, learn from it.
The future is ahead, prepare for it.
The present is here, live it.

– Thomas S. Monson

Chairman's Letter to Shareholders



We at Akruti have always focused on processes and systems to ensure accountability, transparency, quality.



Dear Shareholders,

It gives me great pleasure in presenting the Twentieth Annual Report for the year 2007-2008 in which your Company recorded commendable performance both in terms of revenue and profits. The salient features are:

- Total Income of Rs. 47378.83 lacs against Rs. 18652.65 lacs in the previous year
- Operating Profit of Rs. 39703.91 lacs against Rs. 11104.72 lacs in the previous year
- Net Profit of Rs. 29514.33 lacs against Rs. 7547.78 lacs in the previous year

Against a backdrop of the economic slowdown, shareholders globally are worried about the return on their investments. They are growing more concerned about issues like governance and transparency. It is during such tough times when companies with a culture of accountability and transparency are valued. We at Akruti have always focused on processes and systems to ensure accountability, transparency and quality. The financial year 2007-2008 has been a landmark year in this respect. Your Company has successfully set up new processes and systems in various departments across the company to create a more efficient, productive and responsible organisation.

While the country's economy is on a strong growth path, inflation is threatening to slow down the overall growth rate. A tighter monetary policy and higher interest rates present a challenge to India Inc., including the realty sector, to complete projects within stipulated costs and time.

Your Company has, in the short term, focused more on execution of projects rather than building land bank. All the projects of your Company are on schedule and steps have been initiated for completion well ahead of schedule.

The coming few months will see your Company strengthen its presence in Gujarat and Karnataka. We have also received clearance certificates for most projects, and your Company's growth prospects are bright.

The medium term picture looks stable. In the medium term we expect land to be available at realistic prices which would enable the Company to build a larger, reasonably priced land bank.

To ensure that Akruti stays on its growth path, we are investing in intellectual and human capital and constantly upgrading our systems and processes. Simultaneously, we are also identifying and foraying into newer geographies and growth areas to give stable and consistent returns on investments.

To sum it up, I would say that 2007-2008 has been an important year which has seen Akruti embark upon several new ventures, enter into new territories and acquire new customers.

The current fiscal year is full of challenges – runaway inflation, spiralling global crude prices, higher interest rates, liquidity crunch and falling demand. Let us take the challenge and work together to take the Company to newer heights. Our efforts to conduct our business as cost effectively as possible will continue, and I look forward to another year of good performance.

I take this opportunity to express my gratitude to various stakeholders for their wholehearted co-operation and look forward to your continued support and patronage in the future.

Best Wishes,

Hemant M. Shah
Executive Chairman

Managing Director's Message to Shareholders



Akruti is uniquely positioned to deliver projects for a wide stratum of the economy – right from lower income groups to large multinationals.

Dear Shareholders,

At the outset, I would like to share with you a few performance highlights. Your Company registered good revenue and profit growth despite extreme cost pressures on account of inflation and rising interest rates. While net sales / income from operations increased by 147% and rose to Rs. 44050.06 lacs, the Profit before Tax stood at Rs. 33589.97, a rise of 295% over the previous year. The Net Profit stood at Rs. 29514.33 lacs, a rise of 291% over the previous year.

In consideration of the good results, your Board has recommended a final dividend of 7%, in addition to the interim dividend of 18% already paid. The total dividend for the year 2007-2008 aggregates 25% as against 15% for the previous year.

The year proved to be a challenging one for the economy in general and a few sectors like real estate in particular. The world is in throes of an economic slowdown, yet we are happy to see India swim against the tide and remain one of the few growth regions in the world. This phase presents both challenges and opportunities, and I am sure that given our strong fundamentals, we will capitalise on these opportunities and successfully tackle the challenges.

Akruti is uniquely positioned to deliver projects for a wide stratum of the economy – right from lower income groups to large multinationals. With an eye on the future, your Company has evolved an intelligent product mix to counter the various cyclical movements of the economy. Our capability to procure land through different sources, and our ability to execute projects on time with an unwavering focus on quality, will always safeguard the

stakeholders' interest.

Going ahead, your Company plans to expand its footprint into Gujarat and Karnataka, and consolidate its position in Maharashtra. Your Company has initiated forays into new real estate segments – Biotech Park, Infotech Park, SEZs, Robotic Car Park and Warehousing.

It has been over two decades since we began to pursue our dreams and strived to be more than just a real estate company. With each project, we have endeavoured to enrich people's lives. We have leveraged our close linkages with the industry and the society to build a sustainable India of tomorrow.

In our endeavour to deliver consistent value to all our stakeholders, your Company aspires to be one of the most valued companies in the Indian real estate industry. It would be a dream come true only with your unstinted support and co-operation.

We have a promising and fulfilling journey ahead of us for achieving greater heights. Looking forward to another successful year ahead.

Thanking You,

Vyomesh M. Shah
Managing Director

Education Initiative



Prof. K. N. Vaid
Director General
Akruti City Foundation

Our mandate is to conduct programmes of education, training and research, create knowledge and develop managers/entrepreneurs of the new generation, who will change the future of cities and their communities, drive growth and make India a world leader.



Akruti Education Initiative took a concrete shape during the past year. Three main projects have been taken up for implementation. First is a University in the Metropolitan Mumbai Region named Akruti Citygold Institute, it functions from our Town Centre located at Akruti Centre Point, Andheri (E). The land for the campus has been procured and an American architecture firm, a specialist in University Planning, is on the job. The focus of this Institute currently will be on infrastructure, real estate, construction and environment.

The second project is setting up an Institute of Technology at Ahmedabad in Gujarat, which will focus on science & technology, health & life sciences, trade & services, food & agriculture and natural sciences.

The third project involves "Vocational and Technical Training" to produce skilled tradesmen, supervisors and foremen for various enterprises. The Akruti Centre for Vocational and Technical Education (ACTIVE) has been set up for the purpose. ACTIVE has taken over 4 Industrial Technical Institutes (ITIs) from the Government on private - public participation model and is upgrading them. It has also set up its own Technical & Vocational Centres at Pune and Mumbai.

Currently, we function out of the Town Centre in Andheri (E), Mumbai. It is a modern premises with top-of-the line infrastructure, Wi-fi environment, a rapidly growing library and computer labs, classrooms and faculty offices.

Two post-graduate diploma courses were completed this academic year. All graduated students found placement with leading property development enterprises. Two research projects completed by faculty members have been published.

The Institute brings out a quarterly research journal targeted at international academicians clientele. In-service training courses for working executives and organising seminars are a regular activity.

Going ahead, we plan to be big, better and different.



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

TO

THE MEMBERS

Your Directors have pleasure in presenting their Twentieth Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2008.

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	
	2007-2008	2006-2007	2007-2008	2006-2007
Net Sales / Income from Operations	44050.06	17788.77	43975.37	18947.60
Share of Profit / (Loss) from Joint Ventures and Partnership Firms	12.37	(135.46)	529.12	—
Other Income	3316.40	999.34	3070.20	910.82
Total Income	47378.83	18652.65	47574.69	19858.42
Operating Profit (before interest, depreciation and tax)	39703.91	11104.72	40980.43	11445.85
Less : Interest and Finance Charges	5474.65	1997.76	6153.74	1998.98
Profit before depreciation and tax	34229.26	9106.96	34826.69	9446.87
Less : Depreciation and amortization	639.29	613.76	693.07	621.06
Profit before tax	33589.97	8493.20	34133.62	8825.81
Less : Provision for income tax, fringe benefit tax, deferred tax and wealth tax	4075.64	945.42	4190.31	1066.21
Profit after tax	29514.33	7547.78	29943.31	7759.60
Add / (Less) : Prior period adjustments	(43.66)	38.94	10.46	37.43
Add / (Less) : Share of profit / loss from associate companies/ minority interest / pre-acquisition profit/goodwill on acquisition written off/reversal of excess profit booked in earlier year			(26.85)	(74.82)
Profit for the year	29470.67	7586.72	29926.92	7722.21
Profit brought forward	714.71	4678.52	881.56	4709.89
Profit available for appropriation	30185.38	12265.24	30808.48	12432.09
APPROPRIATIONS				
General Reserves	3000.00	380.00	3000.00	380.00
Debenture Redemption Reserve	-	10000.00	-	10000.00
Interim Dividend	1200.64	-	1200.64	-
Dividend Distribution Tax on above	204.04	-	204.04	-
Proposed Final Dividend	466.90	1000.50	466.90	1000.50
Dividend Distribution Tax on above	79.35	170.03	79.35	170.03
Balance carried to Balance Sheet	25234.45	714.71	25857.55	881.56

PERFORMANCE REVIEW :

During the year under review, net sales/income from operations increased by 147.6 % to Rs. 44050.06 lacs from Rs. 17788.77 lacs in the previous year. The Company achieved operating profit (PBITD) of Rs. 39703.91 lacs as against Rs. 11104.72 lacs in the previous year. After providing for interest of Rs. 5474.65 lacs, depreciation of Rs. 639.29 lacs and taxation of Rs. 4075.64 lacs, the net profit stood at Rs. 29514.33 lacs which is higher by 291.03 % as against Rs. 7547.78 lacs in the previous year.

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

APPROPRIATIONS :

An amount of Rs. 3000 lacs (Rs.380 lacs) is credited to General Reserves. Out of the amount available for appropriation, your Directors have recommended a final dividend of Rs.0.70 (7%) per equity share of the face value of Rs.10 each for the year ended March 31, 2008, amounting to Rs.466.90 lacs. The Company had earlier during the year declared an interim dividend of Rs.1.80 (18%) per share which was paid on February 12, 2008.

The total dividend for the year ended March 31, 2008 including the proposed final dividend is Rs.2.50 (25%) per share and amounts to Rs. 1667.54 lacs. The dividend distribution tax amounts to Rs. 283.39 lacs.

The dividend policy for the year under review has been formulated keeping in view the fund requirements of the Company, its business plans and strategy and intent to utilize internal accruals to the maximum. Your Directors believe that this will lead to an increase in shareholders' value in the long term.

ECONOMIC OVERVIEW :

The India growth story remained intact with GDP expanding by 9 % for the third year in a row. However, rising inflation triggered by sharp increase in food and fuel prices, has emerged as a serious macroeconomic challenge.

INDUSTRY OVERVIEW :

The real estate sector in the country has been an important contributor to the national exchequer for several decades. It is the second largest employer in the economy next only to agriculture and is linked to about 250 ancillary industries. The year 2007 saw sustained end-user demand in all segments of the industry, fuelled by buoyancy in the economy, favourable demographics, increasing urbanization, and rising income levels, besides an improving regulatory framework. According to a research by Deutsche Bank, the industry is expected to grow from USD 48 billion in 2007 to USD 140 billion by FY12 (CAGR of 21 %).

In the current scenario, the inflationary pressures have led to higher interest rates and difficult borrowing conditions. The liquidity crunch is expected to adversely affect the real estate industry as funding sources may taper off. On the one hand, high interest rates have hurt offtake, on the other hand, input prices have pushed up costs.

Residential Sector :

The residential sector, the backbone of Indian Real Estate Sector has grown by leaps and bounds both in terms of volume, geographic spread and quality in response to growing end users and investment demand.

Commercial Offices :

The genesis of transformation of the real estate sector, lay in the gradual positioning of India as a preferred destination for outsourcing. The boom especially in the IT/ITES Sector, led to a quantum increase in the year-on-year requirement for office space.

Special Economic Zones (SEZs):

SEZs are specifically delineated duty free enclaves deemed to be foreign territories for purposes of Indian custom controls, duties and tariff. SEZs by virtue of their size, are expected to be a significant source of real estate demand and will emerge as key drivers of economic growth.

OPERATIONAL PERFORMANCE :

During the year, several path-breaking steps were initiated to enhance geographic spread. The Company with its unique business model is in a high growth area of real estate development which offers huge opportunities.

The Company currently operates in the Residential, Commercial, SEZs, Infotech Park, Biotech Park, Robotic Car Park, Township and Warehousing segments of the Real Estate business.



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

SEGMENT WISE DISCUSSIONS :

Residential : The Company is developing residential projects in Mumbai, Thane and Pune.

Commercial : All the completed commercial properties of the Company have 100 % occupancy rate.

Integrated Township : The Company is in the process of acquiring land for projects which have tremendous growth potential.

Robotic Car Park : The automated car park at Mahalakshmi, Mumbai is nearing completion. The car park is expected to become operational shortly after undergoing mandatory safety tests.

Biotech Park : The Company has embarked upon the development of 700 acres Biotech Park at Savli, near Vadodara in the State of Gujarat in joint venture with Gujarat State Biotech Mission and the TCG Group.

Warehousing : During the year under review, the Company entered into the business of warehousing through its wholly owned subsidiary namely Akruti Warehousing Limited.

OTHER OPPORTUNITIES :

The Company has been allotted Letter of Intent for development of bus terminals of Gujarat State Road Transport Corporation on Build-Operate-Transfer (BOT) basis.

The Company is also on the look out for strategic acquisitions in order to achieve inorganic growth.

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

Steps have also been taken to strengthen the organization to enable it to cope with the challenges ahead. Tools of innovation are employed for any new project / marketing initiative, the purpose being to constantly stay ahead in terms of ideas.

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 these business initiatives are expected over a period of time to create a robust organization where growth is a way of life.

OPPORTUNITIES AND THREATS :

The real estate industry is going through a transformation, becoming more structured and corporatized, thereby throwing up new challenges and opportunities in its wake.

Some of these opportunities which is expected to further drive the demand for the real estate development are :

- Logistics and Warehousing Infrastructure
- Hospitality
- Low-cost Housing

Inflation is at thirteen years high prompting Reserve Bank of India to reduce liquidity which in turn will increase borrowing costs. Any further hike in interest rate by banks combined with temporary reduced buying power due to stock market fluctuations will add to the already negative sentiment.

A tightening of global financial markets has made private equity fund raising for the real estate and infrastructure sectors difficult with many funds expected to reduce the corpus target.