

25th
Annual Report
2008-09



KAMANWALA HOUSING CONSTRUCTION LIMITED



“MANAVSTHAL”- Malad (W), Mumbai.



KAMANWALA HOUSING CONSTRUCTION LIMITED

BOARD OF DIRECTORS

| | |
|--------------------------|-------------------------------------|
| Mr. B. R. Maheshwari | : Chairman |
| Mr. M. L. Gupta | : Vice-Chairman & Managing Director |
| Mr. Jaipal Jain | : Whole-time Director |
| Mr. Atul Jain | : Whole-time Director |
| Mr. Tarun Jain | : Whole-time Director |
| Mr. Amit Jain | : Whole-time Director |
| Mrs. Pushpa Jain | : Whole-time Director |
| Mr. S. V. Shanbhag | : Director |
| Mr. Bhanwarlal D. Jogani | : Director |
| Mr. Ramesh J. Patel | : Director |
| Mrs. Shobha Jain | : Director |
| Mr. Sorabh Gupta | : Director |

AUDITORS

M/s. Vimal Punmiya & Co.,
Chartered Accountants,
Mumbai.

ADVOCATES

Mr. Mukesh Jain, Mumbai,
Mrs. S. S. Ayyar, Mumbai.

BANKERS

Indian Overseas Bank,
Oriental Bank of Commerce,
Punjab National Bank,
Corporation Bank.

SHARE TRANSFER AGENTS

M/s. Sharex Dynamic (India) Pvt. Ltd.,
Unit No.1,
Luthra Industrial Premises,
Andheri-Kurla Road,
Safed Pool, Andheri (East),
Mumbai - 400 072.

REGISTERED OFFICE

405/406, New Udyog Mandir-2, Mogul
Lane, Mahim (West),
Mumbai-400 016.

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KAMANWALA HOUSING CONSTRUCTION LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth Annual General Meeting of KAMANWALA HOUSING CONSTRUCTION LIMITED will be held on Tuesday, the 29th September, 2009, at 11.30 A.M., at Tendulkar Hall, Saraswat Bhavan, Chhatrapati Shivaji Maharaj Marg, Mogul Lane, Mahim (West), Mumbai-400 016, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. B.R. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Atul Jain who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bhanwarlal D. Jogani who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. S.V. Shanbhag who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors and to fix their remuneration.
4. Pursuant to Section 154 of the Companies Act, 1956, the Register of Beneficial Owners, the Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2009 to 29th September, 2009 (both days inclusive).
5. If the dividend on Equity Shares as recommended by the Directors is declared at the Meeting, payment of such dividend will be made on or after 4th, October 2009 to the Beneficial Owners of Equity Shares whose names appear in the statement of beneficial ownership furnished by the Depositories as at the end of business hours on 22nd September, 2009. In case of Shares held in physical form, the dividend shall be paid to those Members whose names appear in the Register of Members as on 29th September, 2009.
6. The Corporate Members intending to send their duly authorized representative(s) are requested to send a duly certified copy of the Board resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
7. The Members intending to seek any information/clarification on the Annual Accounts are requested to write to the Company at its Registered Office at least Ten days before the date of Annual General Meeting so that the same may be complied within time.
8. Members are hereby requested to notify change in their addresses, make correspondence and send documents of share transfers, etc. either directly to the Company at the Registered Office or to the Office of Share Transfer Agents of the Company, M/s Sharex Dynamic (India) Pvt. Ltd., at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072.
9. The Members who hold shares in electronic form are requested to bring their numbers of DP ID/Client ID for the purpose of proper identification at the Meeting.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, must be deposited at the Company's Registered Office not less than 48 hours before the time of the Meeting.
3. Details of Directors' appointment/re-appointment pursuant to Clause "49" of the Listing Agreement with the Stock Exchange are annexed hereto.

By Order of the Board
M. L. GUPTA

Vice Chairman & Managing Director

Registered Office:
405/406, New Udyog Mandir-2,
Mogul Lane, Mahim (West),
Mumbai - 400 016.
Dated: 31st July, 2009.

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APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

Information pursuant to Clause 49 of the Listing Agreement with the Stock Exchange:

| Name of Director | Date of Birth | Date of Appointment | Special Expertise/ Occupation | Qualification | Directors in other Companies incorporated in India | Chairman/Member of Committee of Companies |
|--------------------------|---------------|---------------------|---------------------------------|------------------------|--|--|
| Mr. B.R. Maheshwari | 27.11.1930 | 12.04.1984 | Practicing Chartered Accountant | B. Com. F.C.A. | M/s. B. R. M. Leasing & Credit Pvt. Ltd. M/s. B. R. Maheshwari Consultants Pvt. Ltd. | 1) Chairman of the Audit Committee of M/s. Kamanwala Housing Construction Ltd. 2) Member of Share Allotment Committee of M/s. Kamanwala Housing Construction Ltd. |
| Mr. Atul Jain | 14.02.1957 | 01.08.1985 | Business | B.A. (Hons.) | M/s. Attar Construction Co. Pvt. Ltd. M/s. Avoir Finance & Investments Pvt Ltd. M/s. Kerry Packagings Pvt. Ltd. | As Member of : 1) Shareholders' Grievance Committee of M/s. Kamanwala Housing Construction Ltd. |
| Mr. Bhanwarlal D. Jogani | 04.10.1940 | 12.04.1984 | Business | S. S. C | M/s. Premji Sales Pvt. Ltd. M/s. Four Seasons Pvt. Ltd. | As Member of : 1) Audit Committee of M/s. Kamanwala Housing Construction Ltd. 2) Share Allotment Committee of M/s. Kamanwala Housing Construction Ltd. |
| Mr. S.V. Shanbhag | 06.08.1923 | 12.04.1984 | Legal & Finance | M.Com., L.L.B., A.C.S. | M/s. Godfrey Philips India Ltd., M/s. Chase Investments Ltd. M/s. Manhattan Credits & Finance Ltd. M/s. City Leasing & Finance Co. Ltd. | As Member of : 1) Audit Committee of M/s. Kamanwala Housing Construction Ltd. 2) Shareholders' Grievance Committee of M/s. Kamanwala Housing Construction Ltd. 3) Share Allotment Committee of M/s. Kamanwala Housing Construction Ltd. 4) Shareholders / Investors Grievance Committee of M/s. Godfrey Philips India Ltd. |

By Order of the Board

M.L. GUPTA

Vice Chairman & Managing Director

Place: Mumbai

Dated: 31st July, 2009.



KAMANWALA HOUSING CONSTRUCTION LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their Twenty Fifth Annual Report on the business and operations of the Company along with the audited Financial Statements of Account for the year ended 31st March, 2009.

FINANCIAL HIGHLIGHTS:

The summarized Financial Highlights of the Company are as follows:

| | For the Year ended 31.03.2009 (Rs. in Lacs) | For the Year ended 31.03.2008 (Rs. in Lacs) |
|---|---|---|
| Sales and Other Income | 5904.27 | 9723.92 |
| Gross Profit | 471.65 | 3278.20 |
| Less: Depreciation | 15.36 | 17.39 |
| Miscellaneous Expenditure written off | 1.40 | 1.40 |
| Profit before Taxation | 454.89 | 3259.41 |
| Provision for Taxation | 154.62 | 810.00 |
| Provision for Fringe Benefit Tax | 7.77 | 6.60 |
| Provision for Deferred Tax | 2.29 | 0.65 |
| Net Profit/(Loss) for the year | 290.21 | 2442.16 |
| Balance brought forward from Previous Year | 3258.20 | 1245.83 |
| Add: Income-tax Refund for earlier Years | 1.48 | — |
| Less: Provision for Income Tax for earlier years | — | 0.38 |
| Less: Provision for Dividend and Tax thereon for earlier year | 20.92 | — |
| Profits available for Appropriations | 3528.97 | 3687.61 |
| Appropriations: | | |
| General Reserve | — | 244.22 |
| Proposed Dividend | 140.93 | 158.29 |
| Dividend Tax | 23.95 | 26.90 |
| Balance carried to Balance Sheet | 3364.09 | 3258.20 |

DIVIDEND:

In spite of slump in sales turnover and profitability during the year under review, your Directors have recommended a Dividend of Re.1.00 (10%) per Share of Rs.10/- each on the enhanced capital resulting out of 1:1 Bonus Issue, which works out 20% on the old capital as against Rs. 2.50 (25%) per Share in the previous year. The total outgoing on account of Dividend payment will be Rs.1,64,88,293/- inclusive of Dividend Tax as against Rs. 2,06,10,781/- in the previous year. The Dividend if declared, will be free of tax in the hands of the Members of the Company.

REVIEW OF OPERATIONS:

During the year under review, the Company recorded the turnover of Rs. 5,904.27 Lacs as compared to Rs. 9,723.92 Lacs for the previous year. The Company earned profit after tax of Rs. 290.21 Lacs for the year as compared Rs. 2,442.16 Lacs in the previous year.

During the year, the Company's financial performance was adversely affected by the world-wide severe economic downturn and financial crisis. Year 2008-09 began with continuing global inflation and ended with the sharpest decline in trade and GDP that the world has

ever seen since the Great Depression of the 1930s. In this era of globalization, the economies of all countries are interlinked to the extent that if one economy sneezes, other economies catch a cold. This time the US markets were diagnosed with a severe sub-prime chill and other markets around the globe started shivering which caused a severe liquidity problem.

The epicentre of economic earth-quake was in the United States and developed economies of Western Europe and Japan, but the tremors were felt in India and other parts of the world. The sub-prime crisis that has smashed wealth worth trillions of dollars of investors across the world came in the wake of the bursting of the real estate bubble in the United States. Wealthy countries are officially facing severe economic recession and emerging economies including China and India have also been hit hard by the ongoing crisis. All of a sudden, India's real estate sector was caught up in this economic tornado. Almost all the real estate developers thought that ongoing boom in the real estate sector would continue for a long time and as a result they acquired and accumulated land bank at very high cost by heavily borrowing funds from banks and financial institutions at high interest rates. Nobody realized that financial and economic crisis was lurking in the dark. Suddenly, real estate bubble burst brought about slump in demand and decline in sales price. These phenomena eroded the profit margin of all the real estate developers and cash flows came under heavy strain which caused acute liquidity problems. In such turbulent times, many developers have come under heavy debt burden and many of them have been forced to exercise restructuring thereof. All these events have disrupted plans and performance schedules laid down by your Directors to a great extent.

The economic and financial crisis narrated as above, not only had adverse effect on operational performance of real estate sector but all the sectors of the Indian economy and your Company was not an exception. History does not end here. Your Company and entire Indian economy has a long way to go to regain the lost ground.

Economic conditions all over the world remained subdued and GDP growth rates declined. But, it is expected that economic recovery will start faster in India and China than any other economies of the world. India and China, the two giant emerging economies of Asia are considered engine and prime movers of growth and will dominate

the economic scenario of the world economy. For this, a clear and coherent fiscal and monetary policies should be there for well balanced and robust growth of all the sectors of the country's economy.

CORPORATE GOVERNANCE:

The Company has complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance with soul and spirit.

A report on the Corporate Governance practice being followed by the Company along with a Certificate from the Practicing Company Secretary, Mr. Upendra C. Shukla, on compliance of mandatory requirements thereof, Managing Director's Certification and Management Discussion & Analysis are given as Annexures to this Report.

DIRECTORS:

Pursuant to the provisions of the Companies Act, 1956 and relevant Article of the Articles of Association of the Company, Mr. B.R. Maheshwari, Mr. Atul Jain, Mr. Bhanwarlal D. Jogani and Mr. S.V. Shanbhag retire by rotation at the forthcoming Annual General Meeting and being eligible they offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act 1956, your Directors, based on the representations received from operating management and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and those have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken 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; and
- (iv) the annual accounts have been prepared on a going concern basis.



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PREFERENTIAL ISSUE:

As approved by the Members in their Extra-Ordinary General Meeting held on 15th December, 2006, the Company had issued 19,95,000 Optionally Fully Convertible Warrants (OFCWs) @ Rs.98/- each on Preferential Basis. At the beginning of the year under review 8,15,000 OFCWs were pending for conversion into equal number of Equity Shares of Rs.10/- each. During the year, 7,15,000 OFCWs were converted into 7,15,000 Equity Shares and these Equity Shares have already been listed on the Bombay Stock Exchange Limited. The remaining 1,00,000 OFCWs were forfeited due to non-exercise of right of conversion on or before 22nd June, 2008. The funds generated, by such conversion of OFCWs aggregating to Rs. 6,30,63,000/-, were utilized in the construction of the Projects.

BONUS ISSUE OF EQUITY SHARES:

As approved by the Members at the 24th Annual General Meeting held on 5th September, 2008, 70,46,580 Bonus Shares of Rs.10/- each were issued during the year in the proportion of 1:1 to the then existing Shareholders of the Company and these Bonus Equity Shares have already been listed on the Bombay Stock Exchange Ltd.

AMALGAMATION OF SUBSIDIARY COMPANY:

During the year, the Scheme of Amalgamation of M/s. Doongursee Diamond Tools Ltd. with the Company was approved by the Hon'ble High Court, Bombay, vide its Order dated 22nd August, 2008. Hence, M/s. Doongursee Diamond Tools Ltd. stands amalgamated with the Company.

DEPOSITS AND LOANS/ADVANCES:

Your Company has not accepted any Deposits from the public or its employees during the year under review and accordingly, there were no outstanding Deposits repayable as on 31st March, 2009.

PARTICULARS OF EMPLOYEES:

The Company did not have any employee who was in receipt of remuneration of Rs. 24,00,000/- or more per annum and/or if employed for a part of the year receiving remuneration at the rate which in aggregate was Rs. 2,00,000/- or more per month.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

In view of the nature of activities which are being carried on by the Company, the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption respectively, are not applicable to the Company.

There were no foreign exchange earnings and outgo during the year under review.

AUDITORS:

M/s. Vimal Punmiya & Co., Chartered Accountants, the Auditors of your Company retire at the forthcoming Annual General Meeting. They are being eligible for re-appointment, the Members are requested to appoint them as the Auditors of the Company for the current year and fix their remuneration.

As required under the provisions of Section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

ACKNOWLEDGEMENTS:

Your Directors would like to express their grateful appreciation for unstinted support and co-operation received during the year from Shareholders, Customers, Suppliers, Indian Overseas Bank, Oriental Bank of Commerce, Punjab National Bank, Corporation Bank, Legal & other Professionals, Mumbai Municipal Corporation and other Local Authorities.

The Directors would also like to place on record their appreciation for the dedicated efforts and services put in by the employees of the Company.

For and on behalf of the Board
B.R. Maheshwari
Chairman

Place: Mumbai
Dated: 31st July, 2009.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS :

I. Overall Review:

The real estate is considered to be the best avenues for investment since the risk involved is much less as compared to the investment in stock market, mutual funds, debenture funds, etc. In the case of other investments, one has to act with great caution looking into various parameters affecting the return as well as the safety of capital invested. Investment in real estate gives decent return, if the basic principles on which it works are observed. Till last year, real estate was one of the fastest growing sectors in India. It was growing at an average annual rate of 12% as a result of tremendous upsurge in demand for commercial and residential properties due to Business Process Outsourcing (BPO) boom. The foreign investments in India increased the employment opportunities and consequently the disposable income in the hands of middle class which fuelled the growth of the housing sector.

In a country like India with a population of more than one billion and that too consisting of a large middle class, the demand for real estate would continue to grow. Since the land available for the real estate development is limited, the prices would continue to increase in the long run. Therefore, investment in real estate is likely to fetch good returns in the long term. The real estate sector plays a significant role in India's economy. Almost 5% of the country's gross domestic product (GDP) is contributed by housing alone and a unit increase in expenditure in this sector has a multiplier effect and the capacity to generate income as high as five times the increase in expenditure. The total value of real estate development in India was estimated to be around \$ 14 billion (Rs. 67480 Crores) growing at an annual pace of 30%. This growth is fuelled by the growth in realty development in organized retail, followed by housing and information technology enabled services. Real estate in India has been characterized by an increasing presence of a large number of public companies along with the opening up of this sector to foreign direct investment (FDI) and private equity firms. This has increased the discipline and accountability of business undertaking large-scale real estate developments.

However, the rising interest rates in India, the problems in the economy of the United States of America due to sub-prime mortgage crisis and consequent global financial crisis and the deepest economic recession since great depression of 1930s,

are creating tremendous pressure on the India's real estate sector causing significant slump in demand and considerable price reduction. Now, therefore, it is an opportunity for everyone to own a roof over his head as the world economy has bottomed out of the current economic crisis and recovery being around the corner, the prevailing scenario is a grand opportunity to realize the gains by making investment in the real estate sector.

India's growing economy, infrastructure growth, booming domestic market, regulatory reforms such as, removal of Urban Land (Ceiling & Regulation) Act, modification in the Rent Control Act, Permission for Foreign Direct Investment (FDI) and setting up of Real Estate Investment Mutual Funds and Real Estate Investment Trust altogether are expected to provide opportunities for building a platform from where real estate developers can draw up robust business plans for the forthcoming boom in the real estate sector in particular and in the overall economy in general.

With a view to put the tottering global economy back on the track, governments all over the world are spending billions of dollars by way of stimulus packages as co-ordinated action. The Central Banks of almost all the countries have cut down interest rates to make money available easily and cheaply. India's Central Bank has also taken the similar steps to safeguard the economy from the global crisis by cutting repo rate from 9% to 4.75%, reverse repo rate from 6% to 3.25%, Cash Reserve Ratio (CRR) from 9% to 5% and Statutory Liquidity Ratio (SLR) from 25% to 24%. All these RBI measures since September, 2008 have collectively released Rs. 5.62 trillions into the banking system which will help to remove the financial problems of the business community in India.

II. Operations Overview:

During the year under review, your Company continued to develop residential and commercial projects. Due to unexpected emergence of global financial and economic crisis, the Company's financial performance was adversely affected on account of which lower volume of sales turnover and net profit have been recorded during the year as compared to previous year. With a view to save the Company from financial troubles and prevailing wait and watch economic scenarios, the Company could not make any addition to its existing portfolio of residential and commercial projects during the year.



KAMANWALA HOUSING CONSTRUCTION LIMITED

The present position of the projects under progress and on hand is as follows:

(i) PROJECT AT MALAD (WEST), MUMBAI:

This is another highly Growth Oriented Middle Class Residential Project situated at Malad (West), Mumbai, having total value of 33.30 Crores for 2,03,000 sq. ft. F.S.I. It is being developed into attractive flats for those who value space and prefer better quality living. The construction work at the project has already commenced. The project will also be a profitable one which will provide the necessary liquidity to your Company for further progress. The suburban area of Malad being an important location in Mumbai as all B.P.O. Centres and big Commercial Complexes are moving into that area. The Project will take three years to complete.

(ii) PROJECT AT SANTACRUZ (WEST), MUMBAI:

The construction work at the project has already commenced and is going on in full swing. The total area of the project to be developed is 60,000 sq. ft. The project is in the prime location of the City of Mumbai and it is being developed into luxurious residential flats. The project being prestigious one, it will generate a good deal of revenue for the Company and will strengthen the financial position of the Company for further progress. The said Project will get over before 31.03.2010.

(iii) JOINT VENTURE PROJECT AT SANTACRUZ (WEST):

The Company has acquired a plot of land at Santacruz (West) having total cost of Rs. 35.00 Crores admeasuring 67,000 sq. ft. The Company has entered into a Partnership Deed with M/s. Lakshachandi Developers Pvt. Ltd. and M/s. Todays Infrastructure and Construction Limited in the name and style of "M/S. KAMANWALA LAKSHACHANDI TODAYS DEVELOPERS" for the development of the project in which the Company has 50% share. The project will be developed into a commercial complex. Architectural plans have been finalized and construction work has already commenced. The Project will take two years to complete.

(iv) PROJECT AT TURBHE – NAVI MUMBAI:

The construction work is expected to commence

within short time at the Company's plot of land admeasuring 10,010 sq. mtrs., at Turbhe, Navi Mumbai having total value of Rs.15.25 Crores. The Project being a Commercial Complex is expected to generate a great deal of revenue for the Company, which in turn will help to strengthen the financial position of the Company, so far the Project has not started, but it will take three years to complete.

(v) JOINT VENTURE PROJECT AT HYDERABAD – ANDHRA PRADESH:

The Company has entered into a Joint Venture Agreement having 20% Share with M/s. Prajay Engineers Syndicate Ltd. and Others for the development of a land admeasuring 35 acres at Hyderabad for which the Company has contributed Rs. 8.87 Crores. The said project will take two/ three years for planning and development. The funds required for the project shall be substantial and will be mobilized in due course of time. The project being large in size is expected to earn a good deal of revenues for the Company.

III. Opportunities, Threats, Risks and Concern:

A look at the demographic and economic development indices suggest that demand for residential and commercial properties can be expected to remain high in the years to come. Increasing disposable incomes, home loans, urbanization and emergence of a younger earning age group (aged between 25 – 45 years) as the largest constituent of population will sustain demand for housing. If the year 2006 was marked by some of the country's biggest land deals; the future of India is all set to usher in the gold rush of reality. Despite a correction, real estate investing will provide returns and investors need to have a dynamic strategy as the market matures.

Going by both fundamentals and technical dynamics, it would be wrong to write real estate investing off one's portfolio of investments. The real estate market is fairly nascent. And the opportunities are fairly large and the prices of real estate (depending on locations and other parameters) are high mostly due to heavy land cost and interest burden etc. While they will rationalize in some pockets/areas, the market is still far from being overheated. Industry analysts feel that after consolidation of Indian sky; it becomes significant to consolidate the country's real estate sector. In fact,

taking into account the way dynamics have changed in the sector, the optimism could even be justified, the reason being the presence and emergence of cogent factors in the sector.

And hence, considering such factors, the real estate sector is really poised for solid growth on sustained basis. So even though there might be regional blips once in a while, investors can look forward to overall growth by holding on to property investments in the long run. Overall, therefore, the real estate potential is not surreal. In sum, the real estate sector has several exciting things in store and hence, options and choices for growing one's wealth will increase in years to come.

The real estate sector has been featuring on the Reserve Bank of India's radar for a long time. The Central Bank has been concerned about high prices of properties, both commercial and residential and has been issuing directives aimed at easing them. Rising interest rates, increasing risk weights for banks lending to real estate and clamp down on real estate companies borrowing abroad, all these discouraging measures created adverse market conditions which became a cause of concern for the entire real estate sector and that too at the same time when the US sub-prime mortgage crisis resulting into financial and economic crisis was already on the horizon. The RBI did not realize that entire real estate sector and connected sectors would be affected very badly. This has certainly dealt a heavy blow to the entire economy of the country reducing growth prospects to a great extent. Today, almost all, big or small, real estate developers is feeling severe brunt of adverse market conditions and they are crushed under heavy debt burdens. Their business plans remains disturbed and many projects have been halted due to liquidity and cash flow problems.

In spite of these problems, the real estate sector is expected to come out of such turbulent times with positive outlook, optimism and dynamism. But all will depend on fast and green shoots recovery of entire Indian economy in particular and the entire global economy in general. As per behavioural economics, human nature is unpredictable and economic growth has to run through the boom and bust business cycles. It cannot be expected to run on the smooth path.

Your Company has a robust and well defined risk management policy for risk assessment and

mitigation. We treat risk management as a key value creating function which is responsible for bringing about a culture change and protecting organization from the impact of inadequate controls.

The Board of Directors conducts quarterly reviews of major risks and their mitigation measures. These risks relate to : (i) business; (ii) operations; (iii) finance and financial reporting systems; (iv) systems data security and storage; (v) assets; (vi) quality; and (vii) regulatory matters.

Your Company can also combat risks and threats by quick decision making process to help improve overall efficiency in operations, reducing time in completion and marketing of projects, undertaking a proactive approach towards problems resolutions and by upgrading entire set of business organizational process.

IV. Business Outlook and Prospects:

The real estate sector has been facing a liquidity crunch for some time now, but the situation has improved post the election results. Most of the real estate players were unable to raise liquidity to finance their projects, worse was that they had to slash prices due to low demand. Liquidity at least looks better now and some Companies are considering the QIP route to raise finance for immediate requirements. The real estate developers are trying their best to make up for lost time by introducing mid-income housing which accounts for about 90 per cent of the projects. After a prolonged lull in the property market in 2008, which saw sales declining 70 per cent from their peak, the real estate developers are moving into mid-income segment to generate liquidity. With their apartments selling quicker than expected, liquidity constraints with debt roll-overs, the stock market rally and improved bank credit, realtors are now planning to launch more such projects. Currently, average size of apartment is 700 to 800 sq. ft. as against 1,500 sq. ft. a couple of years ago.

The Industry analysts, however said that developers had taken huge hits on their margins. Mid-income apartments have a margin of 25 to 30 per cent versus 50 to 70 per cent in premium housing. The days of 70 per cent margins are over. The developers have to be happy with 20 to 25 per cent margins now since liquidity is the bigger issue than profits today.

On demand, Indians have an innate propensity to