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Nila Infrastructures Ltd.

20th Annual Report
2009-10



OUR WORDS COUNT



Nila Infrastructures Ltd.
(An ISO 9001:2008 Certified Company)

HERE IS A NATURAL GROWTH STORY

Konosuke Matsushita was born in 1894, in a small farming community in western Japan. By the time he died in 1989 at the age of 94, the company he founded, Matsushita Electric Industrial Co. Ltd. (later rechristened Panasonic Corporation), had become a multinational giant in the field of consumer electronics.

Once, when a young reporter asked him about his success secret, Matsushita replied with a question of his own.

“What would you do if you were caught in a rainstorm?”

The reporter thought about the question and then replied:

“I would take out an umbrella.”

Matsushita said that was his answer to the reporter's question. He followed up with his explanation:

“A natural response to a natural phenomenon – that is the secret of success in business and management. You will always win if you rely on common sense.”

Sustained success arises from natural growth. Like the seed growing into the tree, or the caterpillar metamorphosing into the butterfly.

Viewed so, growth is a natural process, a deep instinct, a positive attitude that takes the rough with the smooth equally well. Such growth takes place in the mind, much before it shows up in the balance sheet.

It is this growth that counts.

This annual report has been organized around our growth formula:

Growth = Inspiration + Execution + Review

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Growth = **Inspiration** + Execution + Review

▲
Inspiration is the imagination, fire and vision. The guiding light that shows the way to the future.
Inspiration is the intangible, emotional capital that gives growth its meaning and reason.

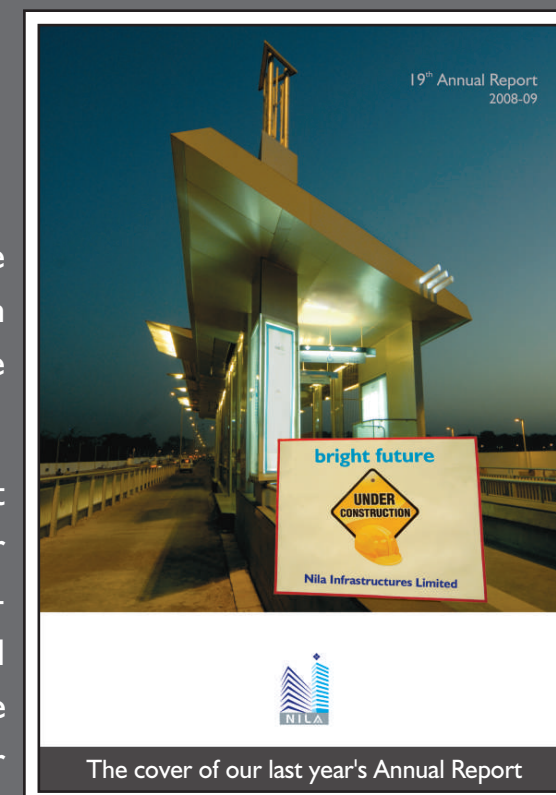
View from the top

Manoj B Vadodaria
CMD, Nila Infrastructures Limited

“I have always believed that others value our words only if we value them ourselves. We should follow up what we say with performance.

Take our last year's annual report. It carried the theme, 'Bright Future Under Construction' at a time when the ill-effects of the 2008 recession were still being felt everywhere. In that report, we assured a 'Bright Future' for our stakeholders, because we felt we were in the relatively 'recession-proof' segments of affordable housing and infrastructure.

However, the more important fact for us was something else. We knew we were giving our best. We were making our words count.”



Vision

To become a key real estate and infrastructure player with excellence at its core

Values

Passion; Reliability; Dedication:

Passion for ideas and innovations

Reliability of processes and practices

Dedication to goals and targets



Growth = Inspiration + **Execution** + Review

▲
If Inspiration is the fire, Execution is the fuel that keeps it burning and makes progress possible. It is the structure that supports growth. And gives it body and substance.

The company – in brief

A Sambhaav Group Company, Ahmedabad-based Nila Infrastructures Ltd. is a real estate and infrastructure player that constructs, or develops on a turnkey basis, private and public assets like houses, buildings and bus shelters. A public limited company incorporated on 20th February 1990, Nila Infrastructures Ltd. is listed on BSE (Bombay Stock Exchange).

With the economy witnessing heightened activity in the residential real estate segment, and emboldened by the success of its housing project of last year, Nila announced a slew of new schemes as sole or joint ventures during the year. On the infrastructure front, the company further consolidated its position with progress on BRTS (Bus Rapid Transit System) and AMTS (Ahmedabad Municipal Transport Service) bus shelters, Textile Park in Surat and Media Utilities in Rajkot.

During the year, a company engaged in the leasing of immovable properties – Pearl Stockholdings Pvt. Ltd., got merged into Nila Infrastructures Ltd. The amalgamation has enhanced Nila's profitability

substantially, improved liquidity, bolstered the company's net assets position by an additional Rs. 37.84 crore and laid a strong foundation for expansion in the future.

Nila's turnover rose spiritedly from Rs. 44.31 crore in 2008-09 to Rs. 62.08 crore in 2009-10. Profit After Tax (and before extraordinary items) zoomed up from Rs. 2.80 crore in FY09 to Rs. 13.74 crore in FY10.



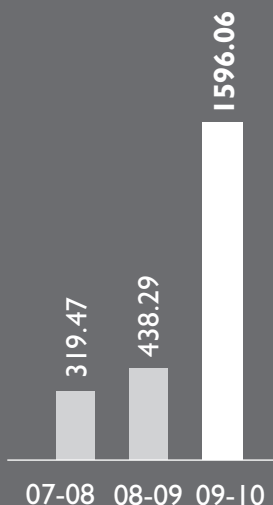
The company has proposed a dividend of 10% on the nominal value of its shares.

Financial highlights

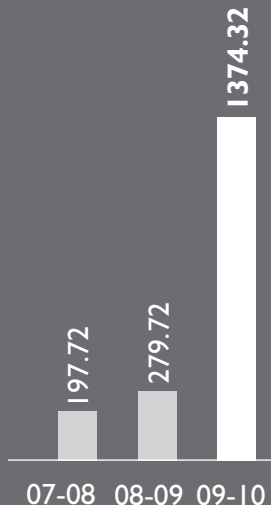
Turnover (Rs. Lac)



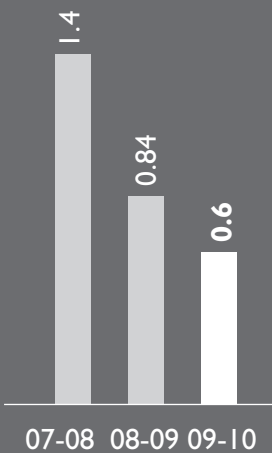
Profit Before Tax (Rs. Lac)



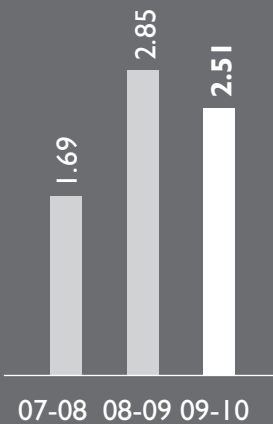
Profit After Tax (Rs. Lac)



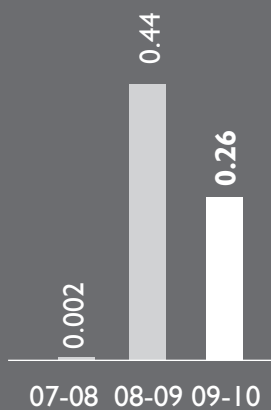
TOL / TNW Ratio



Current Ratio



Debt Equity Ratio



Business highlights

Real Estate

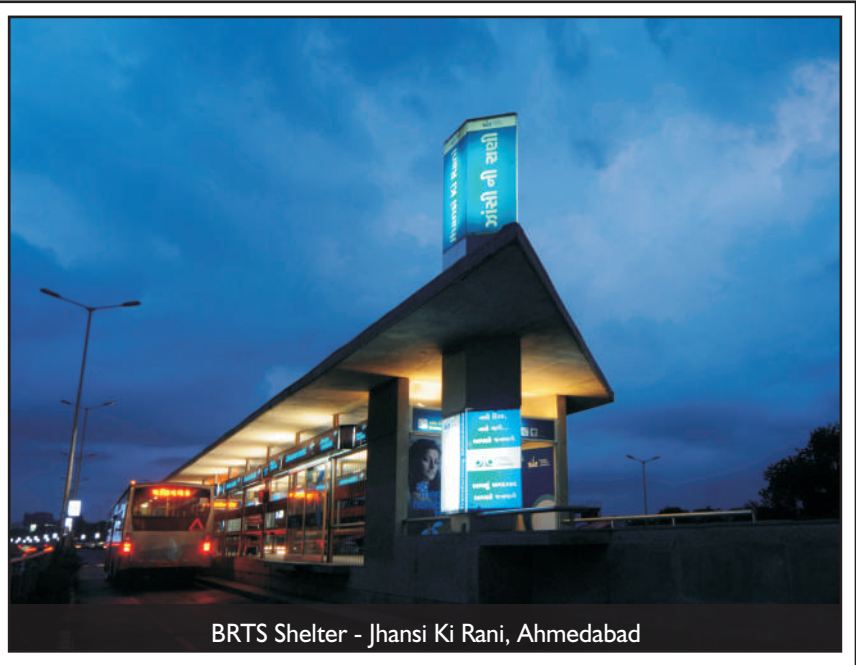
- Work on Asmaakam Phase I housing scheme consisting of 180, 2BHK residential flats completed during the year; process of handing over the flats to buyers started.
- Asmaakam Phase II housing project featuring 120, 2BHK and 10, 3BHK residential flats launched during the year; considerable progress in work completion; 91% of the scheme already sold as on 31 March'10.
- Two new schemes, Anvayaa (44, 3BHK flats) and Anaahata (44, 2BHK flats), launched during the year.
- Joint venture projects announced during the year include Ananya (48, 3BHK) - launched in LLP (Limited Liability Partnership) mode with Shree Matangi Developers, and Springdale Retreat (229, 2BHK, 228, 3BHK, shops, amenities and recreational facilities) - a mini-township project in collaboration with Sandesh Procon.

Infrastructure

- Out of the 28 BRTS (Bus Rapid Transit System) shelters allotted last year, the company has

completed 21 in the current year; of the additional 40 BRTS (Bus Rapid Transit System) shelters assigned, work has started on 16 as on 31 March'10.

- Construction of 120 factory buildings in Surat RJD Textile Park is well underway.
- 150 AMTS (Ahmedabad Municipal Transport Service) bus shelters for Sambhaav completed.



- BRTS work for Roman Tarmat and Media Utilities for Sambhaav is under progress.

Leasing

- Nila has acquired leasing rights over 88,000 sq ft of prime property in Ahmedabad with expected lease rentals of about Rs. 16.25 lac per month.



Growth = Inspiration + Execution + Review

Review is positive introspection. A looking back that helps looking ahead. A healthy examination of what worked and what didn't. Review is preparation for the next growth cycle.

Economy: The good news continues

We are sure a 'glocal' awareness is crucial to business success today. What follows is an understanding of our business environment from global to local levels, with special focus on our business areas – real estate and urban infrastructure.

India and the world

Anoop Singh

IMF Director, Asia and Pacific Department

"Twenty years from now, Asia's economy as a whole will, on these trends, be larger than that of the G-7 [Group of Seven leading economies] and will be half the size of the G-20 [Group of Twenty advanced and emerging market economies.] These are incredible trends taking place."¹

In the latest World Economic Outlook (WEO) of International Monetary Fund (IMF), the updated growth forecast for India (8.8%) is next only to China (10%) among all global economies. This continues last year's trend of India emerging as the world's second fastest growing economy.

At a recent presentation to NCAER, IMF's Asia and

Pacific Department Head, Anoop Singh predicted that China and India will shadow the rapid development of other Asian neighbors, with growth continuing for decades. By 2030, he expected the increasing buying power of the Chinese and Indians to almost match that of consumers in the United States and European Union combined.¹

Harinder Kohli

Former Senior Advisor and Director at The World Bank

"India's footprint in the global economy will go to more than 17% in 2039 from less than 2% in 2007."²

Manmohan Singh

Prime Minister of India

"Global economic recession did not have much impact on us, as it had on other countries. Our target is to bring India to double digit growth path in the next two-three years."³

Growth story on track

The Economic Survey, released just before the Union Budget was tabled in February 2010, posited a growth of 7.2% for the Indian economy in the financial year ended March 2010 (FY10). India actually

grew at a higher than expected rate of 7.4%, spurred by one of the fastest growths of 8.6% in the January-March quarter of FY10. Overall, high government and consumer spending set the pace for the year.

Land of opportunity

India's real estate sector is significant in that it is the second largest employer after agriculture. It also presents an increasingly attractive investment opportunity. A report by PricewaterhouseCoopers (PwC) and Urban Land Institute (ULI), Emerging Trends in Real Estate Asia Pacific 2010, which provides an outlook on real estate in the Asia Pacific, lists India among the top real estate investment markets in Asia for the year 2010.

Amongst other survey findings, residential properties were being viewed by those surveyed as more promising than other real estate segments in India.⁴ Such a conclusion is also supported by another survey of global housing prices, by property consultancy firm Knight Frank. According to the study, the price rise in India's residential sector for the year ending March 2010 was the 13th highest in the world.⁵

The Union Budget of 2010-11 has given it importance too. In the Urban Development and Housing category, the allocation for urban development was increased by more than 75%, from Rs. 3,060 crore in



Asmaakam Phase I opened up the category of middle class housing

2009-10 to Rs. 5,400 crore in 2010-11. The allocation for Housing and Urban Poverty Alleviation was raised by about 18%, from Rs. 850 crore last year to Rs. 1,000 crore this year. The scheme of one per cent interest subvention on housing loan up to Rs. 10 lakh, where the cost of the house does not exceed Rs. 20 lakh, was extended up to March 31, 2011. Low-cost housing received a big boost with the allocation for Rajiv Awas Yojana increasing by more than eight times, from Rs. 150 crore to Rs. 1,270 crore.⁶

Getting the basics right

Infrastructure activity is indicated by the six core sectors - crude, petroleum refinery products, coal, electricity, cement and finished steel. For FY10, these core sectors registered a growth 5.5% against 3% in FY09.⁷

The Union Budget 2010-11 has indeed been generous in its allocation for infrastructure. Over 46% of the total plan allocation, amounting to Rs.1,73,552 crore, has been earmarked for infrastructure development. Allocation for road transport increased by over 13% from Rs.17,520 crore to Rs.19,894 crore. Among other key provisions, the disbursements of India Infrastructure

Finance Company Limited (IIFCL) are expected to touch Rs 20,000 crore by March 2011. IIFCL is also expected to refinance bank lending to infrastructure projects to the tune of more than Rs. 6,000 crore during 2010-11. The take-out financing scheme announced in the last Budget is expected to initially provide finance for about Rs. 25,000 crore in the next three years.⁸

The corporate world was in sync with the government's intentions. The first three quarters of 2009 saw private investments in India's infrastructure projects cross the \$ 25 billion mark.⁹

State of everyone's mind

Ratan Tata

Chairman, Tata Group

(remarks at the opening of Vibrant Gujarat Global Investors' Summit 2009 on Tata Motors' decision to shift its Nano project to Gujarat)

"In 2007, I had said if you are not in Gujarat you are stupid. I am very proud that I followed my own advice. The state's ability to execute quickly is commendable."¹⁰

Gujarat has played the lead role in India's growth story. Central Statistical Organization (CSO) data show that Gujarat has grown the highest in India at an average of 11.05% in the five-year period from 2004-05 to 2008-09. According to the state's Socio-Economic Review 2009-2010, even the annual per capita income at current prices has risen by a commendable 8.4%, from Rs. 45,433 in 2007-08 to Rs. 49,251 in 2008-09.¹¹

In an ASSOCHAM (Associated Chambers of Commerce and Industry) survey of 2009, Gujarat was India's top investment destination in 2008-09.¹²

Being higher than the national average of Rs. 40,141, Gujarat's per capita income also indicates the greater purchasing power of its people. So, besides being a manufacturing and industrial hub, Gujarat is also a major market for products and services.¹³

In its State Budget for 2010-11, the Government of Gujarat has allocated over 66% of the budget outlay for various developmental works. The Budget had a surplus of Rs. 68,706 crore.¹⁴ It is to be remembered that most governments are resorting to heavy expenditures and deficit budgets to help their economies come out of the recession of 2008. So, a surplus budget indicates the very positive mindset of Gujarat Government. It underscores Gujarat Government's tremendous faith in private expenditure to take care of recovery and growth. It may be mentioned that the state government is a pioneer in the Private-Public Participation mode of infrastructure development.



Right place; right time

Ahmedabad is one of the largest urban agglomerations in the country. It is also one of the most livable. 'The Liveability Index 2010', a report based on a study conducted by Confederation of Indian Industry (CII) and Institute for Competitiveness (IFC), lists Ahmedabad among the

top ten Indian cities in terms of 'liveability'.¹⁵

In the larger business milieu comprising of the world's second fastest expanding economy, the nation's fastest growing state and one of its best cities, Nila Infrastructures is very confident of creating its own growth destiny.

1: From IMF website www.imf.org under India country info and World Economic Outlook tab
2: From Businessworld article dated 13 April'10 - India can surpass US economy in 3 decades
3: From Businessworld article dated 4 July'10 - Country poised for double-digit growth says PM
4: From Economic Times article dated 10 December'09 - Mumbai, Delhi among best realty investment spots
5: From Economic Times article dated 28 June'10 - India ranked 13th in housing sector price rise list
6 & 8: From Union Budget 2010-11 at <http://indiabudget.nic.in/>
7: From Businessworld article dated 28 May'10 - Core infra sectors grow 5.1% in April
9: From Economic Times article dated 9 June'10 - Private funds flowing swiftly to infrastructure projects
10: From an Indian Express article dated 13 January'09 on MOUs pledged on Day 1 of Vibrant Gujarat Global Investors' Summit 2009
11 & 13: From Socio Economic Review 2009-10, Gujarat State
12: From The Hindu Business Line article dated 29 March'10 - Leading India from the front
14: From the March'10 newsletter of iNDEXTb (Industrial Extension Bureau - investment promotion agency of Gujarat Government) available at www.vibrantgujarat.com
15: From Business Standard news dated 8 March'10 - Delhi offers the best 'Quality of Life': CII-IFC Liveability Index 2010

Company: Consolidating growth

The overarching theme in this financial year (2009-10) has been the consolidation of the company's growth that happened during the last financial year (2008-09). The following write-up is an attempt to trace the reasons and draw lessons.

Kiran B. Vadodaria
Director

“Our company witnessed both organic and inorganic growth in financial year 2009-10. While organic growth came mainly from the development of our housing schemes and construction of BRTS and AMTS bus shelters, inorganic growth happened by merging another company into our own. All this places Nila Infrastructures in a position to expand rapidly in the coming years.”

Response and Initiative

The keywords for this year have been Response and Initiative. This has applied both at the macro as well as our company level.

Let's start with the economy. The Indian government responded swiftly to the economic crisis of 2008 and initiated one of the most successful economic recovery programmes. Marked by a high component of infrastructure spending and a regime of soft interest rates to galvanise private expenditure deep within the economy, the initiative had positive fallout for us.

It generated a huge demand for dwellings from the middle class on the one hand and intense activity in public infrastructure on the other. Seeing the opportunities in both the sectors, we responded

swiftly and initiated well-thought budget housing schemes and pursued BRTS shelter projects aggressively.

Interestingly, our two business areas – Infrastructure and Real Estate, can also broadly be characterised as Response and Initiative respectively. We 'respond' to infrastructure project tenders and build to stipulated specifications. In contrast, we 'initiate' housing projects and build to customer needs.

While infrastructure projects generally have a low risk-return profile, housing projects are generally marked by high risk-return. The fact that we have the right mix of both kinds of business exposure makes our company fundamentally versatile, robust and buoyant.

Efficient project management

Jignesh Patel
Project Head

“A major reason why we could respond swiftly to the opportunities that came our way was faster project turnaround schedules. For instance, we averaged 750 sq ft of housing construction per day. In terms of the average size of Asmaakam Phase I flat (1008 sq ft), we were taking less than one and half day to complete construction of one flat.”

Swifter project turnarounds came about from a high inventory turnover, efficient movement of men and materials around various project sites and tight watch on completion schedules. Such a state of affairs was also to the benefit of suppliers, who by supporting us were themselves generating higher turnovers.

It is indeed a matter of pride for us that Ahmedabad BRTS project, christened Janmarg, has created waves both nationally as well as internationally. The central Ministry of Urban Development bestowed on Ahmedabad BRTS the award of 'Best Mass Transit Project' in December'09. A heartening feature of the award was that all mass transit systems, including Delhi Metro and Delhi BRTS, were in the fray. Janmarg continued its winning run on the

international arena too with the prestigious Sustainable Transport Award for Visionary Achievement in Mass Transport from the UN-backed Institute for Transportation and Development Policy.



Recently completed BRTS shelter at Kankaria

Nitin Gupta
Purchase Head

“Purchase decisions have to strike a balance between cost and speed. Prolonged negotiations with suppliers may yield a better deal, but by taking more time than necessary they could be to the detriment of timely project completion; quicker decisions, on the other hand, could increase the cost of purchases.”

Attention to nurturing relationships with suppliers known to deliver, persuasive communication and hard bargaining have resulted in deals that not only take place faster, but also cost lower.

Targeted marketing of housing schemes

Anurag Nagar
Marketing Head

“When the product is a winner, its marketing has to match. Housing schemes were excellently designed to fit needs as well as budgets of the middle-income demographic. To market them, the strategy was not only to provoke a response from the target group, but also to follow through with higher conversions.”

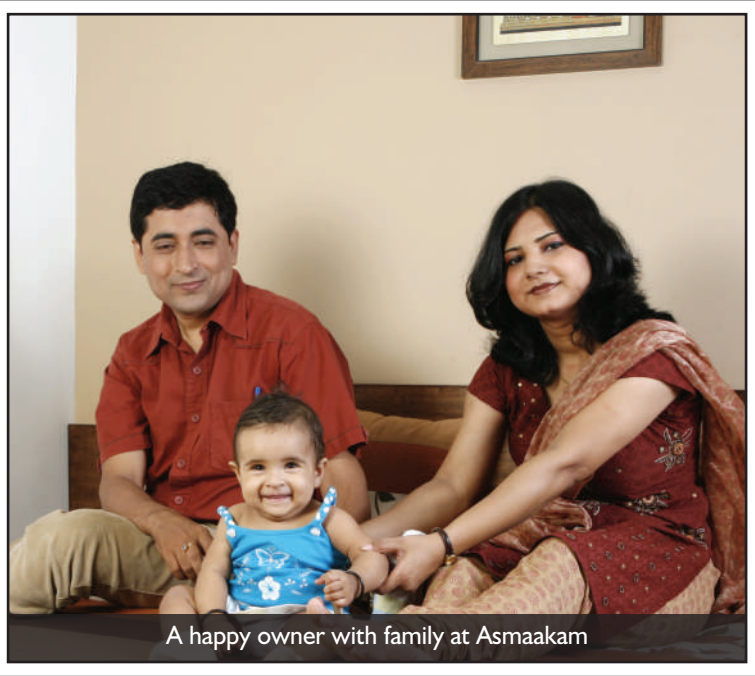
Asmaakam was positioned as 'more than a home' because of the presence of the 3 Cs – Comfort, Culture and Convenience. Comfort indicated the abundance of ready-to-use and inclusive features like piped gas, DTH, telephone, internet connections. Culture connoted a pleasant living environment and neighbourhood created by a young, upwardly mobile middle class. Convenience was the affordability, even with proximity to a high-cost area like Prahlad Nagar, and access to prime work-life locations like offices, schools, malls, cinemas, etc.

Muted advertising with the use of focussed media vehicles created an aura of credibility and a lot of buzz around the scheme. Out of the converted enquiries for Asmaakam Phase I and II, a high 87.63% had responded to the advertisements. Customer responses and site visits were followed up thoroughly by our marketing team for greater conversions.

The fact that Asmaakam was targeted well is revealed by some interesting figures. About 79% of Phase I and II bookings have come from the salaried and middle-income group. Many homeowners were bread earners in reputed corporations like Cadila Pharma, Piramal Pharma, Intaas Pharma, Tata

Teleservices, Airtel, BSNL, Nokia, ISRO, IOC, ONGC, Reliance, Adani, HDFC Bank, ICICI Bank, SBI, Johnson & Johnson, etc.

The two new projects launched in the year were high-rise apartment schemes. They included Anaahata - which is in the 2BHK premium segment



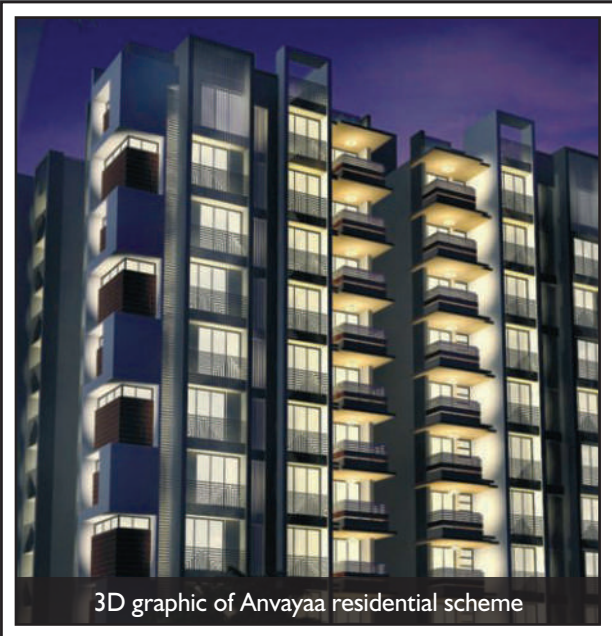
A happy owner with family at Asmaakam

with minimum capital value of Rs. 28 lac per flat, and Anvayaa - which is in the 3BHK luxury segment with minimum capital value of Rs. 42 lac per flat. Both schemes elicited a good response, especially from higher income customers.

Strategic growth vehicles

The two joint venture projects announced during the year - Ananya (48, 3BHK) and Springdale Retreat (229, 2BHK and 228, 3BHK flats, shops, amenities and recreational facilities) – will be executed through the LLP (Limited Liability Partnership) route with Shree Matangi Developers and Sandesh Procon respectively. Such a strategy has been employed to - a) take the advantage of limited liability b) share risk,

knowledge and resources c) enjoy tax benefits d) enlarge our business portfolio to new kinds of projects and e) execute large-scale projects.



3D graphic of Anvayaa residential scheme

Tactical merger

Prashant Sarkhedi
Chief Financial Officer

“The amalgamation of Pearl Stockholdings Pvt. Ltd. with Nila Infrastructures Ltd. has had an all-round impact. Net worth, profitability, liquidity and leverage have all improved. The merger has pushed the company right to the threshold of a new phase of confident expansion.”

Dipen Parikh
Company Secretary

“Besides better balance sheet fundamentals, the merger makes it possible for our company to extend its domain over an allied activity that is relatively low-risk and overheads-free – leasing of prime immovable property in Ahmedabad city.”

Apart from an improvement in net assets for the amalgamated Nila Infrastructures, Pearl Stockholdings (PSPL) has contributed to the company's profit in a big way. Prior to the merger, Pearl enjoyed Profit After Tax (PAT) of Rs. 3.18 crore on an Income Turnover of Rs. 5.61 crore. Post amalgamation, this has increased pre-merger Nila's

PAT figure of Rs. 10.56 crore by 30%.

Bigger cash-flow from regular property rental income augurs well for the company's liquidity position. Higher net assets and a lower debt-equity ratio of 0.26 would make it easier to tap external funds for future growth.



notice

NOTICE is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of the members of Nila Infrastructures Limited will be held on Saturday, 25th September, 2010 at 10 A.M. at the Registered Office of the Company at “Sambhaav House”, Opp. Chief Justice's Bungalow, Bodakdev, Ahmedabad – 380015 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, the Profit & Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri. Hiren G. Pandit, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint auditors to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and to fix their remuneration.
4. To declare dividend on equity share.

SPECIAL BUSINESS:

5. **To appoint Shri Kiran B. Vadodaria as a Director not liable to retire by rotation designated as Non Executive Director and in this regard to consider and if thought fit, to pass, with or without modifications(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, Shri Kiran B. Vadodaria, who was appointed as an Additional Director pursuant to the Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company not liable to retire by rotation."

6. **To appoint Shri Dilip D. Patel as a Director liable to retire by rotation designated as Non Executive Director and in this regard to consider and if thought fit, to pass, with or without modifications(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, Shri Dilip D. Patel, who was appointed as an Additional Director pursuant to the Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. **To appoint Shri Akhilesh C. Mehta as a Director liable to retire by rotation designated as Non Executive Director and in this regard to consider and if thought fit, to pass, with or without modifications(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, Shri Akhilesh C. Mehta, who was appointed as an Additional Director pursuant to the Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."