



Challenging the challenge

PRAJAY

PRAJAY ENGINEERS SYNDICATE LIMITED
Activity Report and Financial Statements 2008-09

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Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Corporate Information

BOARD OF DIRECTORS

D. S. Chandramohan Reddy, *Managing Director*
D. Vijaysen Reddy, *Executive Director*
K. Ravi Kumar, *Technical Director*
Sumit Sen - *Director, Sales and Marketing*
N. Ravinder Reddy, *Whole Time Director and Chief Financial Officer*
Chakradhar Reddy, *Independent Director*
Vijay Kishore Mishra, *Independent Director*
N. Nageshwara Rao, *Independent Director*
Rudresh, *Independent Director*

HEAD - CORPORATE FINANCE

Santosh Rathi

REGISTERED OFFICE

4-1-2/4, Eden Garden Road,
Ramkote, Hyderabad – 500 001

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

BANKERS

Indian Overseas Bank, Alwal Branch, Secunderabad.
The Hong Kong and Shanghai Banking Corporation Limited (HSBC), Somajiguda, Hyderabad.
Punjab National Bank, Mid Corp Branch, B. Hills, Hyderabad.
State Bank of India, Industrial Finance Branch, Somajiguda, Hyderabad.
State Bank of Mysore, Secunderabad.
Tamilnad Mercantile Bank Limited, Secunderabad.
State Bank of Bikaner and Jaipur, Secunderabad.
Tata Capital Limited

REGISTRAR AND SHARE TRANSFER AGENTS

Sathguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar,
B/H Sai Baba Temple,
Punjagutta, Hyderabad – 500 034
Tel: 91-040-23356507, 23350586, 23356975
Fax: 91-40-23354042
Email: info@sathguru.com

LISTING

The Bombay Stock Exchange Limited
National Stock Exchange of India Limited

Profile of the Board of Directors and Senior Management Team



D. S. Chandramohan Reddy, *Managing Director*

A commerce graduate, Mr. Reddy began his career as a civil sub contractor in the year 1974 till 1982 and gained wide experience in this period. He is the guiding force behind Prajay and has led the Company successfully from its humble beginnings to its present stature. He is involved with formulating Prajay's overall vision and shaping its strategy. Alert to every opportunity and ready to accept all the challenges, he has been able to diversify the Company's activities into various fields, branding each with his dynamism.

D. Vijaysen Reddy, *Executive Director*

A qualified Chartered Accountant, Mr. Reddy is a widely respected figure in the construction industry. His rich experience drives the successful completion of projects at Prajay. He is also involved with the expansion strategy of the Company and is entrusted with the responsibility of identifying new ventures. He oversees the entire construction activities while his specialized training and broad vision helps energise the Prajay team.

K. Ravi Kumar, *Technical Director*

A qualified civil engineer, M. Tech and D. Arch., he brings a repository of technical expertise in construction and guides the adoption of progressive building practices to Prajay, steering innovation and quality in the Company.

Sumit Sen, *Director - Sales and Marketing*

A Post Graduate in Commerce and a diploma holder in Marketing and Personnel Management, he has served the Indian Air Force for 15 years and secured a diploma in Mechanical Engineering while in service. He is responsible for creating the sales strategy, identifying consumer trends and creating projects around these. He is also oversees the administrative functions. His expertise lies in appropriate pricing and financial structuring.

N. Ravinder Reddy, *Whole Time Director and Chief Financial Officer*

A Management graduate, he is responsible for the overall operations and also steers the hospitality division of the Company. His knowledge of contemporary management practices and financial systems is of immense help to the Company. He is driving the new initiatives of the Company in identifying and executing hotel projects.

Non-executive directors

Vijay Kishore Mishra, *Independent Director*

A qualified chartered accountant, with 22 years of professional experience in the field of finance and taxation, Mr. Mishra guides the Company in matters of accounting and taxation harnessing his vast experience in these areas.

N. Nageshwar Rao, *Independent Director*

A renowned figure in the hospitality business, Mr. Rao helps the Company in shaping its strategy for the hotels division. It benefits from his rich experience and insight into the hospitality industry in the country.

Rudresh, *Independent Director*

An architect who has executed many widely-acclaimed projects in Bangalore, Mr. Rudresh's presence on the Board enables Prajay to strengthen its design capabilities and explore newer markets in and around Bangalore.

Chakradhar Reddy, Independent Director

A commerce graduate with more than 15 years' experience in Government Contract works and civil works, including road construction, Mr. Reddy's presence enables the Company to strengthen its compliance functions.

Senior Management

Santosh Kumar Rathi, Head-Corporate Finance

A post graduate in commerce and a CAIIB, Mr. Rathi has rich banking experience at senior levels in various nationalised and private banks. He oversees the corporate finance functions of the Company and steers resource mobilisation. He is additionally responsible for maintaining investor relations.

Subid Sen, General Manager (Projects)

A Mechanical Engineer, Mr. Sen was a Wing Commander with the Indian Air Force. He has over 20 years of experience. He is responsible for overseeing the projects activities and ensuring timely execution.

Joseph Reverdo, General Manager (Operations)

With 30 years of experience in the hospitality industry, Mr. Reverdo has been associated with in a number of well-known establishments in the country and abroad, prior to joining Prajay where he is responsible for hospitality services.

Bhaskara Rao, General Manager (Accounts)

A graduate in commerce, member of ICWAI and a LLB degree-holder, Mr. Rao's experience spans 25 years and various industries. He is in charge of a wide range of finance and accounting responsibilities, in addition to serving as a liaison with banks and maintaining statutory compliances.

C.N. Rao, Deputy General Manager (Accounts)

An Honours graduate in Commerce and a member of ICAI, Mr. Rao has wide industrial and banking experience of more than 19 years. He is responsible for liaisoning with banks, institutions and overall co-ordination in finance and accounts department.

Sujatha Rao, Deputy General Manager (Projects)

A diploma holder in architecture with 22 years of experience in construction industry in administering various projects from design to conceptualisation using latest technical methods, Ms. Rao is responsible for coordinating various projects, structural designs and other allied activities.

Madhavi Latha, Company Secretary

A qualified member of institute of company secretaries of India (ICSI) with 4 years of working experience in software and construction industry, Ms.Latha's experience of handling various issues under companies act, SEBI and listing agreement helps the company to have good compliance of corporate governance and other statues.

Directors' Report



To

The Members,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

Your company's performance during the year as compared with that during the previous year is summarized below:

Rs. in Lacs

Particulars	Year ended 31st March 2009		Year ended 31st March 2008	
	Standalone	Consolidated	Standalone	Consolidated
Gross Turnover	8283.60	8285.82	34493.62	34542.62
Profit before interest and Depreciation	2296.12	2133.04	13881.45	13781.98
Depreciation	402.71	408.24	225.24	225.85
Profit before Tax	143.86	(273.64)	12747.52	12647.18
Provision for taxation	242.47	245.33	2460.87	2460.91
Profit after tax	(98.61)	(518.97)	10286.65	10186.27
Transfer to General Reserve	-	-	1030.00	1030.00
Dividend	-	-	1213.62	1213.62
EPS				
Basic	(0.25)	(1.31)	37.46	37.10
Diluted	(0.25)	(1.31)	37.46	37.10

Against all odds viz. Subprime crisis in US, Credit crisis, market crashes, tight credit access, weaker growth and recession in global markets especially in Realty sector in India, your Company could manage to report a gross turnover of Rs. 8283.60 lacs against a turnover of Rs. 34493.62 Lacs for the previous year and made a profit before tax of Rs. 143.86 lacs against profit before tax of Rs. 12747.52 Lacs for the previous year.

For detailed analysis of the performance, please refer Management's Discussion and Analysis section of the Annual Report.

DIVIDEND

Keeping in view the expansion plans & other significant capital expenditure programmes, your directors have, after due deliberations, decided to plough back the funds available and hence, do not recommend any dividend for the financial year 2008-09.

DEPOSITS

During the year under review, the company has not accepted any fresh deposits as per the provisions of Companies Act, 1956 and Companies (Acceptance of deposits) Rules, 1975. There are no unclaimed or overdue deposits during the year under review.

The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities

DIRECTORS

Sri Kartik Vijay Punjabi has resigned from the Board effective from 31st August 2009 and the board places on record its appreciation for the valuable services rendered by him during his tenure.

In accordance with the provisions of the Companies Act, 1956, Sri D. Chakradhar Reddy, Sri Rudresh Veerabhadrapa, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment and therefore the board recommends their re-appointment at the ensuing Annual General Meeting.

The brief resume/details relating to Directors who are to be appointed / re-appointed are furnished in the Corporate Governance section.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) in the preparation of Annual Accounts for the financial year ended 31st March, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on going concern basis.

PARTICULARS OF SUBSIDIARY COMPANIES – SEC. 212 OF THE COMPANIES ACT, 1956

The company has applied to the Central Government under Sec. 212(8) of the Companies Act, 1956 seeking an exemption from attaching a copy of the Balance sheet, Profit & Loss account, Directors' Report and Auditors' Report of the subsidiary companies and other documents required to be attached under sec. 212(1) of the Act to the balance sheet of the company and the said approval is expected shortly. Accordingly the said documents are not being attached with the balance sheet of the company.

Copies of the annual accounts of the company's subsidiaries can be sought by any investor of the company on making a written request to the company at the registered office of the company in this regard. The annual accounts of the subsidiary companies are also available for inspection to any investor at the company's registered office.

The financial data of the subsidiaries has been furnished along with the Statement pursuant to Sec. 212(1)(e) of the Companies Act, 1956 forming part of Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on consolidated financial statements, the audited consolidated financial statements are attached to this Annual Report.

AUDITORS

The Statutory Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and being eligible, are recommended for re-appointment. A certificate from the



auditors has been received to the effect that the re-appointment, if made, would be within the limits as specified under Sec. 224(1B) of the Companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE

Committed to good corporate governance practices, your company fully conform to the standards set out by various regulatory authorities and has implemented and complied with all of its major stipulations.

The Report on Corporate Governance along with the compliance certificate issued by Sri P. Konda Reddy, Practicing Company Secretary in line with clause 49 of the Listing Agreement, are attached and forms part of this Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Pursuant to clause 49 of the listing agreement, a report on management discussion and analysis (MDA) for the year under review is given in a separate section in this Annual Report.

CEO'S DECLARATION AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

Declaration as required under Clause 49(1)(D)(ii) of the listing agreement with regard to compliance of code of conduct of the company is annexed to this Report.

PARTICULARS OF EMPLOYEES

The details of the employees drawing remuneration exceeding the limits prescribed under the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure forming part of this Report.

EMPLOYEE RELATIONS

Employee relations were cordial during the year and the Board would like to place on record its appreciation to all the employees of the Company for their dedicated services and performance.

CLARIFICATIONS TO THE OBSERVATIONS MADE IN AUDITORS' REPORT:

Point No.4 (a) and (b):

- a) As a result of economic slowdown and recession in realty sector the realizations from customers are slow.
- b) Due to long term investment in such projects, no provision has been considered necessary.

Point no. vi of Annexure to Auditors Report:

The Audit Committee had elaborate discussions on the said point. The company will take all steps to see that the scope and coverage of internal audit is increased to commensurate with the nature and size of the business of the company.

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

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

Conservation of Energy & Technology Absorption:

Since your company does not own any manufacturing facility, the requirements pertaining to disclosure of particulars relating to conservation of energy, research & development and technology absorption, as prescribed under the

Yours directors take this opportunity to thank the Financial Institutions, Banks, regulatory authorities, Stock Exchanges and the stakeholders for their continued co-operation and support to the company.

Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable. However, adequate measures have been taken to conserve and reduce energy consumption.

Foreign Exchange Earnings and Outgo:

Foreign Exchange Earnings: Rs. 11.44 lacs

Foreign Exchange Outgo: Rs. 48.05 lacs

ACKNOWLEDGEMENTS

Yours directors take this opportunity to thank the Financial Institutions, Banks, regulatory authorities, Stock Exchanges and the stakeholders for their continued co-operation and support to the company.

Your Directors also wish to record their appreciation for the continued co-operation and support received from the customers, vendors, employees of the company at various levels.

For and on behalf of the Board

Place : Hyderabad

Date : 31st August, 2009

D.S.Chandra Mohan Reddy
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Statement Pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of employees) Rules 1975, forming part of the Directors' Report for the year ended 31-03-2009

Name	Designation & Nature of Duties	Remuneration (in lacs)	Qualifications	Age (Years)	Experience (Years)	Date of Joining	Particulars of previous Employment
D. S. Chandra Mohan Reddy	Chairman & M.D.	42.46	B.Com.	54	35	April 94	Not Applicable
D Vijay Sen Reddy	Exe. Director	42.57	C.A.	51	27	April 94	Not Applicable
N Ravinder Reddy	Director-Operations	31.50	MBA	36	14	Feb. 2000	Not Applicable

Notes

1. Remuneration includes salary, allowances, commission payable, taxable Value of perquisites, wherever applicable.
2. The above directors at Sl. 1-2 are related to each other.
3. The nature of employment of above directors is contractual.

Management Discussion and Analysis



INDUSTRY OVERVIEW

The real estate sector has witnessed tremendous growth in the last decade, especially during 2005-09. This growth is attributable to the policy and regulatory initiatives of the government. Relaxation in FDI norms as well as rationalization of a few taxes over this period has increased investor interest. Financiers on their part have supported the sector with low interest rates.

The contribution of real estate construction activity to the GDP has increased from 5 per cent in 1996-97 to 6.5 per cent in 2007-08. Further, the contribution of real estate services to the GDP has increased from 5.7 per cent to 7.6 per cent during the same period. According to industry players, housing accounts for 4.5 per cent of the GDP with urban housing accounting for 3.13 per cent.

Estimates suggest that the size of the Indian real estate sector is around \$ 48 billion and is growing at the rate of 30 per cent per annum. The sector is currently the second largest employer in the country after agriculture.

The IT and ITES sector alone is estimated to require 150 million sq ft of office space across urban India by 2010.

Organised retail is also responsible for the growth in commercial office space requirement. The organised retail industry is likely to require an additional 220 million sq ft by 2010. Moreover, growth is not restricted to a few towns and cities but is pan-India, covering nearly all tier-I and tier-II cities.

Almost 80 per cent of real estate developed in India is residential space, the rest comprising of offices, shopping malls, hotels and hospitals. According to the Tenth Five-Year-Plan, there is a shortage of 22.4 million dwelling units. Thus, over the next 10 to 15 years, 80 to 90 million housing dwelling units will have to be constructed with a majority of them catering to middle- and lower-income groups.

Apart from the huge demand, India also scores on the construction front. A McKinsey report reveals that the average profit from construction in India is 18 per cent, which is double the profitability for a construction project undertaken in the US.

COMMERCIAL OFFICE SPACE

a) GROWTH DRIVERS

Significant growth in FDI coupled with growth in IT/ITES sector at 30 percent annually (Source: NASSCOM) has led to the demand in commercial office space.

b) MARKET STRUCTURE

Market is dominated by a few large national developers with pan - India presence. Most of the regional players are currently expanding to achieve a pan-India presence. There has been a shift in the type of operations from Sale Model to lease and maintain model.