

# Annual Report



**Solid  
foundation**



**Strong  
partnerships**



**Teamwork**



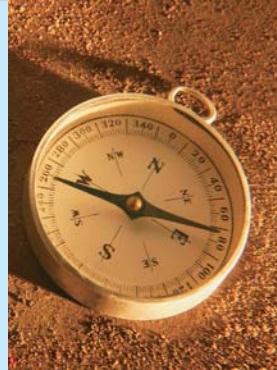
**Multidimensional  
work culture**



**Concerted  
performance**



**Breaking  
new  
grounds**



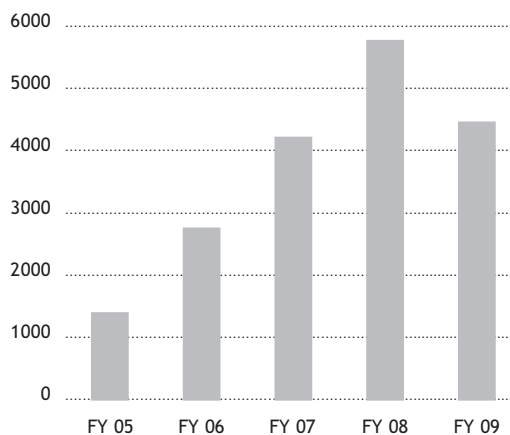
## 2008-09

# Contents

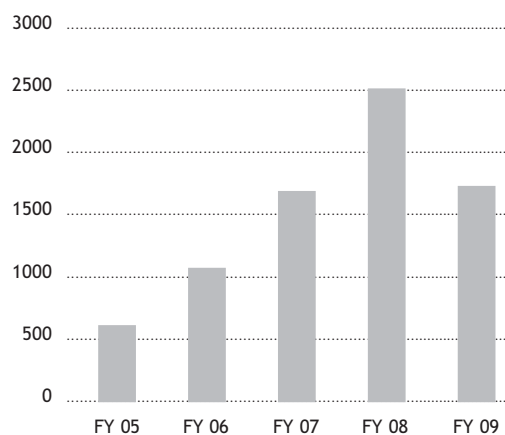
Key Performance Indicators	2
Chairman's Message	3
Management Discussion and Analysis - Background & Risks	4
Auditors' Report on Consolidated Financial Statements	12
Consolidated Balance Sheet	13
Consolidated Profit and Loss Account	14
Notes to Consolidated Financial Statements	15
Consolidated Cash Flow Statement	35
Management Discussion and Analysis - Financial Conditions & Results of Operations	37
Directors' Profile	46
Directors' Report	48
Report on Corporate Governance	52
Auditors' Report of Parent Company	60
Financial Statements of Parent Company	63

## Key Performance Indicators

Revenue

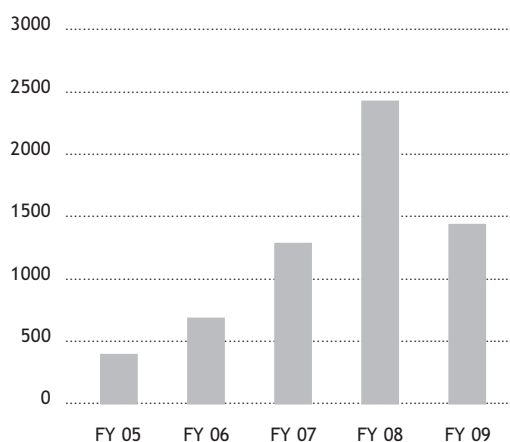


Gross Profit

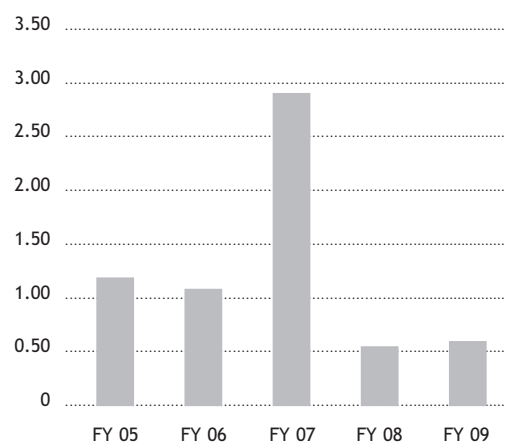


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Profit After Tax



Debt - Equity Ratio



All figures in Rs. Million  
(Except Debt - Equity Ratio)

## Chairman's Message

Dear fellow Shareholders,

A global economic recession that created the most difficult business environment made fiscal 2009 a challenging year for your Company. The real estate industry across the globe witnessed the most adverse conditions to sustain and grow. However, amidst these conditions the Indian economy continued to grow with rapid urbanisation bringing exciting growth opportunities in both residential and commercial sectors.

For your Company, the fiscal year 2009 proved to be another good year in the light of recessionary conditions coupled with the credit crunch. In fiscal 2009, we were able to recognise income from sale of seven completed projects and ten from our ongoing projects. The average percentage of completion was 64% in fiscal 2009 as compared to 43% from ten projects in fiscal 2008. This resulted in construction area of 4.41 million square feet during the year. The financial leverage and gearing had been within control and the debt equity ratio had been maintained at a reasonable level between 0.55 to 0.58.

During the year, your Company has forayed into affordable housing with its 100% subsidiary Provident Housing Limited. Provident Housing has launched its projects 'Provident CosmoCity' in Chennai and 'Provident WelWorth City' in Bangalore. The response to both the projects has been most encouraging. Your Company has also ventured into the infrastructure space through a 100% subsidiary Starworth Infrastructure & Construction Limited to develop and construct infrastructure and construction projects. We have prequalified for several large construction projects.

I am pleased to inform you that your Company has been acknowledged for the quality of its Accounting Policies by The Institute of Chartered Accountants of India (ICAI) and has been awarded a Plaque for excellence in financial reporting for the year ended 31 March 2008.

I would like to thank our management team, who played critical roles in executing the comprehensive growth strategy. I would also like to express my sincere appreciation to our employees whose dedication and hard work are an invaluable contribution to the Company's performance.

We are committed to the maximisation of value for all of you, our dear shareholders. The existing scale of operations, our demonstrated project execution and management capabilities, strong cash flows and highly skilled human capital backed by sophisticated world class technology has created an unparalleled platform to pursue future development. We at all times are committed to enhancing the scale, competitiveness, efficiency and productivity of our business in line with contemporary international standards. We are confident that we will achieve greater scale in the pursuit of being the best in every activity we venture into.

I would like to thank each one of you for your confidence in us at Puravankara and your continued support.

**Ravi Puravankara**  
**Chairman and Managing Director**

# Management Discussion and Analysis - Background and Risks

## 1. Industry Structure and Developments

Indian economy has experienced the GDP growth of 9% in 2007-08 after recording 9.4% in 2005-06 and 9.6% in 2006-07. The nine per cent growth of the Indian economy was slightly higher than our expectations. After clocking the annual growth of 8.9 per cent on an average over the last five years (2003-08), India headed for a cyclical downturn in 2008-09 with the GDP growth for 2008-09 at 7.4 per cent (this is considering the fact of slowdown in the global economy).

India continues to be the second fastest growing economy in the world for the last couple of years inspite of the Global downturns and is maintaining its steady path to prosperity alongside economic development, although there has been some negative inertia in the rate of growth in the past year. The foreign direct investment into India has slowed down relatively but India continues to be the favoured destination as the valuation is still attractive due to the reasonably good economic performance. After the collapse of large financial Institutions in the US and some European countries immediately after the Sub-Prime losses incurred by most of them, the real estate market also collapsed in these countries. However, in India we were relatively insulated from the effect of this, primarily because of our robust banking system and conservative policies. Consequently, the impact on the real estate market was not significant other than for some physiological influence due to the negative news flows and the general gloom. Construction continues to be the second largest industry after agriculture in India and accounts for 11% of India's GDP.

Construction Industry comprising Real Estate & Infrastructure Development is pivotal for the development of Indian economy where substantial portion of investments takes place and the inter-dependence of the other core sector industries such as cement and steel is well established. Besides, this Industry is one of the largest employers of labour and other technical and non technical manpower. Therefore, it is the focus of successive governments to maintain the growth of this Industry and have been periodically announcing and implementing various policies for the sustenance and rapid growth of this Industry.

The Indian construction industry recorded a consistent annual growth rate of 12% over last 10 years and expected to grow at a higher level.

There is a significant demand for quality and affordable housing in India. With the factors like emerging middle class, youth actively showing interest in owning a house earlier in life, greater affordability due to reasonable interest rates on home loans and favourable tax treatment, the demand for residential housing is expected to grow in the near future for affordable housing, especially in below Rs. 20 lakhs segment.

## 2. Brief Organisational Background

The Puravankara Group, headquartered in Bangalore, was established in 1975 and has today grown to become one of the leading real estate developers in India and the largest in South India serving the needs of a discerning clientele in the housing, commercial and retail spaces.

The Group began operations in Mumbai and has established a considerable presence in the real estate industry in the metropolitan cities of Bangalore, Kochi, Chennai, Coimbatore, Hyderabad, Mysore, Kolkata and overseas in Colombo and Dubai. Currently developing projects amounting to about 13.44 million sq.ft. and armed with an extensive and considerable land bank of 125.17 million square feet across India, the Puravankara Group is poised for exponential growth. Puravankara is currently constructing about 9500 homes across South India and Kolkata.

Puravankara has the distinction of being the first to obtain FDI in the Indian real estate industry through its joint venture with Singapore based Keppel Land Limited, the property arm of the 54% government owned conglomerate, Keppel Corporation Limited. The joint venture company, Keppel Puravankara Development Private Limited, has on-going housing projects in India. Elita Promenade, the maiden project in Bangalore of

Keppel Puravankara Development has been awarded the Best Development Project, Asia Pacific Residential Property Award 2009 by CNBC.

The Group has successfully launched its first affordable housing project at Chennai. The initial booking figures were encouraging. The Company had launched 518 units in the 1st phase of which about 420 units have been booked in the first couple of weeks after the launch. The other phases have also been opened for booking since. The first affordable housing project has been launched in Bangalore and similar projects are also envisaged in other cities such as Mysore, Cochin, Coimbatore and Hyderabad.

With a large and experienced team of engineers and technicians the Group has a unique and large in-house technologically advanced project management and construction capability. This together with a host of India's leading architects provides the organisation with an experience, capability and expertise unmatched in the Indian real estate industry. Development activities range from modern designer apartments, through ultra modern and multi-functional integrated bungalow complexes, to plush and very functional commercial complexes along with the capacity to build large township with all modern amenities and other lifestyle facilities.

India's first resident's privileges program, Purva Privileges, was launched in 2004. Purva Privileges entitles all Puravankara home owners to an attractive referral program, concierge services and a host of special offers.

The Puravankara Group has the distinction of being awarded the Finaliste, international Prix d' Excellence for its project "Purva Park" in Bangalore. This was in the group residential category, by FIABCI, Paris, the International Federation of Real Estate. Two prestigious projects, Purva Graces & Purva Heights, received a PA 1 rating by CRISIL.

Puravankara has been acknowledged for the quality of its Accounting Policies by The Institute of Chartered Accountants In India (ICAI) and has been awarded a Plaque for its excellence in financial reporting for the year ended 31 March 2008. These Awards are the most prestigious in the area of financial reporting in India and has won this recognition in its very first attempt.

### 3. Management Discussion on Risks and Concerns

Risk management is a structured approach to manage uncertainty related to a threat, through a process of risk identification and management process. In business enterprise, risk management includes the methods and processes used by organisations to manage risks related to the achievement of their objectives. Risk management which typically involves the following process:

- Identifying particular events or circumstances relevant to the organisation's objectives
- Assessing them in terms of magnitude of impact
- Implementing all of the planned methods for mitigating the effect of the risks
- Clear assignment of responsibilities and accountability
- Management reporting
- Prioritise risk with regard to probability of its occurrence magnitude of impact
- Monitoring the progress of risk mitigation and control activities to ensure identified objectives are complete or in process. Monitoring should be ongoing, and the concerned should provide progress reports to management on a periodic basis.

By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society at large.

Management has identified certain areas of risks where the Company is susceptible. Listed below are the various events and the possible impact with action to mitigate and control such probabilities.

## Management Discussion and Analysis - Background and Risks (continued)

### Company Specific Risks

No.	Inherent Risk Description	Business Process	Impact Factors	Mitigation Measures
1.	Uncertainty/irregularity of titles to land acquired / developed by the Company due to inadequate due diligence, forged documents, Joint Development partners not having clear titles to lands, etc.	Land Acquisition	<ul style="list-style-type: none"> <li>Inability to transfer title</li> <li>Exposure to legal disputes and related costs thereto</li> <li>Impact on land valuations</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence by independent and in-house counsel</li> <li>Representations/Encumbrance certificates</li> <li>Advertisements / Public notices in newspapers</li> <li>Suitable monetary compensation to settle disputes</li> <li>Experience of 30 years</li> </ul>
2.	Delays in completion of projects due to shortage of skilled labour, material, contractors and delays by contractors.	Project Execution	<ul style="list-style-type: none"> <li>Higher construction costs</li> <li>Impact on reputation /customer dissatisfaction</li> <li>Payment of penalties to customers</li> </ul>	<ul style="list-style-type: none"> <li>Increased usage of mechanised equipment</li> <li>Supply of labour outsourced to sub-contractors</li> <li>Dedicated Planning Department</li> <li>Penalty clauses for delay in agreements with contractors</li> <li>Extension of working hours on weekdays and Sundays</li> <li>Purchasing in bulk from outside the State</li> <li>Clearance of bills as per defined Turn Around Time</li> </ul>
3.	Inability to attract and retain employees as a result of increased opportunities in the market, higher salaries offered by competitors and employee dissatisfaction with the Company policies / processes.	Human Resource	<ul style="list-style-type: none"> <li>Loss of expertise and continuity</li> <li>Higher recruitment and training costs</li> <li>Delay in project execution</li> </ul>	<ul style="list-style-type: none"> <li>Fast growing Company - opportunities are better</li> <li>Site visits by HR personnel</li> <li>Defined Appraisal system to provide career guidance and feedback</li> <li>Compensation benchmarking survey</li> <li>Deployment of HR personnel at offices outside Bangalore</li> <li>Formal exit interview procedure to be implemented</li> <li>Innovative loyalty building programs being implemented</li> </ul>
4.	Inadequate systems security due to absence of secure transmission lines, inadequate safe system usage mechanisms, inadequate access controls to ERP, etc.	Information Technology	<ul style="list-style-type: none"> <li>Loss/pilferage of confidential data / information</li> </ul>	<ul style="list-style-type: none"> <li>In built security controls in ERP system</li> <li>Plans to host own mail server</li> <li>Implementation of VPN system</li> <li>Creation &amp; rollout of IT policy</li> <li>Anti-virus &amp; anti-spam device control software being implemented</li> </ul>

No.	Inherent Risk Description	Business Process	Impact Factors	Mitigation Measures
5.	Non-compliance with requirements of labour laws and other relevant rules and regulations due to inadequate knowledge of requirements, absence of a mechanism to obtain assurance, unorganised nature of labour market, expansion into new geographies, etc.	Compliance	<ul style="list-style-type: none"> <li>Fines/Penalties/ Imprisonment for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Use of external consultants</li> <li>Periodic monitoring of checklists that list requirements of VAT, Service Tax, Companies Act &amp; Income Tax</li> <li>System controls for tax compliance</li> <li>IA Function</li> <li>Dedicated persons to track compliance with labour laws</li> <li>Distribution of detailed checklists to all relevant departments</li> <li>Proof of compliance prior to making contractor payments</li> <li>Periodical internal training</li> <li>Directors &amp; Officers Liability Insurance</li> </ul>
6.	Customer dissatisfaction with the sales processes due to over commitments /incorrect information provided by sales personnel, customization requirements not being adequately addressed, delays in processing agreements etc.	Sales and Marketing	<ul style="list-style-type: none"> <li>Customer dissatisfaction</li> <li>Loss of potential customers</li> <li>Growth</li> <li>Margins</li> </ul>	<ul style="list-style-type: none"> <li>Mock flats with standard specifications</li> <li>Adequate redressal system for property complaints</li> <li>Updates on progress of the project through website/emails</li> <li>Minimal customisation</li> <li>Projects are launched only after receipt of requisite sanctions</li> <li>Process of generating / executing agreements being streamlined</li> <li>Decentralisation of cheque encashing</li> </ul>
7.	Customer dissatisfaction with after sales processes due to lack of a well defined customer redressal system, disputes over cancellation charges, inadequate property management post sale	Sales and Marketing	<ul style="list-style-type: none"> <li>Customer dissatisfaction</li> <li>Loss of potential customers</li> <li>Growth</li> <li>Margins</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated Customer Care Department. Target of 24 hours for acknowledging customer queries / complaints</li> <li>Cancellation charges clearly mentioned in the application forms and sale agreements</li> <li>The Company handles Property Management for 6 months</li> </ul>
8.	Inability to obtain financing/financing on favorable terms, due to downgrading of debt rating, liquidity crunch, etc.	Business Development	<ul style="list-style-type: none"> <li>Higher financing costs</li> </ul>	<ul style="list-style-type: none"> <li>In house Quality Control Department</li> <li>Dedicated Planning Department</li> <li>Increased Use of technology</li> <li>Low outstanding on land payment</li> <li>To also use one of the leading nationalised banks going forward</li> </ul>



## Management Discussion and Analysis - Background and Risks (continued)

No.	Inherent Risk Description	Business Process	Impact Factors	Mitigation Measures
9.	Sub-standard construction quality due to dependence on third parties, absence of adequate number of quality structural consultants, sub-standard quality of raw material, etc.	Project Execution	<ul style="list-style-type: none"> <li>• Delay in project completion</li> <li>• Impact on reputation</li> <li>• Abortive costs</li> </ul>	<ul style="list-style-type: none"> <li>• In-house construction &amp; quality team</li> <li>• Use of snagging checklists</li> <li>• Structure certified by Govt authorised consultants</li> <li>• Defects liability insurance taken</li> <li>• Expert opinion from local consultants</li> </ul>
10.	New territory risks arising from uncertainty in the natural parameters, inadequate knowledge of local regulations, dilution of control, etc.	Project Execution	<ul style="list-style-type: none"> <li>• Delay in project completion</li> <li>• Impact on reputation</li> <li>• Abortive costs</li> <li>• Stay order by the court due to PIL's</li> <li>• Project costs incorrectly estimated</li> </ul>	<ul style="list-style-type: none"> <li>• Expert opinion from local consultants sought</li> <li>• Location audits on process implementation effectiveness</li> </ul>
11.	Reduced margins due to significant escalation in material, labour costs, post project commencement / ineffective planning, etc.	Project Execution	<ul style="list-style-type: none"> <li>• Reduced Margins</li> </ul>	<ul style="list-style-type: none"> <li>• Selling strategy - only a certain percentage of apartments are sold upfront</li> <li>• 5% contingency margin in initial estimates</li> <li>• Implementation of newer technology to reduce construction time</li> <li>• Dedicated Planning department</li> </ul>
12.	Inability to anticipate and respond to consumer requirements due to inadequate market research and analysis.	Business Development	<ul style="list-style-type: none"> <li>• Lower demand for Puravankara properties</li> </ul>	<ul style="list-style-type: none"> <li>• Direct sales</li> <li>• 'Know Your Customer's Requirements' ('KYCR') initiatives</li> <li>• Analysis of buying patterns / size of loan disbursements</li> </ul>
13.	Loss due to theft, accidents at site, defects, etc.	Project Execution	<ul style="list-style-type: none"> <li>• Financial Loss</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate insurance policies</li> <li>• Security guards</li> <li>• Separate stores management team</li> <li>• Rotation of stores personnel</li> <li>• Asset Management System to be implemented</li> </ul>
14.	High network downtime resulting in unavailability of data.	Information Technology	<ul style="list-style-type: none"> <li>• Unavailability of data</li> <li>• Delays in payments that could result in delay in Project time lines</li> <li>• Delay in providing information to customers/potential customers</li> </ul>	<ul style="list-style-type: none"> <li>• Rollout of backup lines</li> </ul>

No.	Inherent Risk Description	Business Process	Impact Factors	Mitigation Measures
15.	Inability to adopt to new technologies.	Project Execution	<ul style="list-style-type: none"> <li>Impact on quality of construction</li> <li>Delay in project completion</li> <li>Impact on margins</li> </ul>	<ul style="list-style-type: none"> <li>Key management personnel understands and is abreast with the latest technology</li> <li>Sophisticated world class technology is already implemented</li> </ul>
16.	Risk of capturing and / or reporting incorrect / inaccurate financial information.	Financial Reporting	<ul style="list-style-type: none"> <li>Incorrect financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Centralisation of accounting system, procurement, payments</li> <li>Audit of controls</li> </ul>
17.	Death of labourers / construction personnel on site/Accidents on site due to non-adherence to safety procedures, nonenforcement of safety procedures.	Project Execution	<ul style="list-style-type: none"> <li>Delays in the project</li> <li>Compensation / litigation costs</li> <li>Impact on reputation</li> </ul>	<ul style="list-style-type: none"> <li>Safety officers</li> <li>Safety programs</li> <li>Workmen's insurance policy</li> <li>Workers employed through contractors are insured by the contractors</li> <li>Location audits</li> <li>Company proposes to apply for a safety award</li> </ul>
18.	Presence of fly-by-night operators resulting in decreased demand for Puravankara properties.	Business Development	<ul style="list-style-type: none"> <li>Loss of potential customers</li> </ul>	<ul style="list-style-type: none"> <li>High quality of construction</li> <li>Established brand name</li> <li>Experience of 30 years</li> <li>Launch of Provident housing to provide affordable housing</li> </ul>
19.	Issues with Joint Venture partner.	Business Development	<ul style="list-style-type: none"> <li>Impact on types of projects that the Company undertakes</li> <li>Growth</li> </ul>	<ul style="list-style-type: none"> <li>Clearly defined commercial terms</li> <li>Successful relationship for over 4 years</li> </ul>
20.	Significant dependence on few members of management / loss of key management personnel.	Human Resources	<ul style="list-style-type: none"> <li>Loss of experience / expertise</li> <li>Loss of key relationships</li> </ul>	<ul style="list-style-type: none"> <li>Adequate systems and structure for smooth transition</li> <li>Introduction of succession plan for key management personnel</li> </ul>
21.	Inability to use acquired land for intended purpose due to non-compliance with permitted land uses, inability to transfer titles to land etc	Business Development	<ul style="list-style-type: none"> <li>Exposure to legal disputes &amp; related costs</li> <li>Delayed project commencement/ Project abandonment</li> <li>Surrender of excess land held over ceiling</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive Development Plan referred to</li> <li>Land in green zones / land not zoned is not purchased</li> <li>Agreements to sell / power of attorney in Company's favour</li> <li>Due diligence process</li> <li>All land purchases are approved by a special committee headed by the Chairman of the Company</li> </ul>