

**SANATHNAGAR ENTERPRISES LIMITED**  
(Formerly known as Bakelite Hylam Limited)

**Annual Report**  
**2011 - 2012**

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## **BOARD OF DIRECTORS**

<b>DIRECTORS</b>	<b>CATEGORY</b>
Mr. Surendra Shah Mr. Bhaskar Kamat	} Non- Independent Non Executive Director
Mr. Deependra Gupta Mr. Somanathan Koranchirath	
Mr. Sagar Gawade Mr. Sanjay Ambre	} Independent Non-Executive Directors
Mr. Deepak Chitnis	
	Manager

### **Registered Office**

Lodha Bellezza, East Block,  
Eden Square, Off Kukatpally  
Housing Board Road (KPHB),  
Hyderabad – 500072,  
Andhra Pradesh

### **Auditors**

M/s. Lodha & Company  
Chartered Accountants  
6, Karim Chambers,  
40, A. Doshi Marg, (Harman Street),  
Mumbai – 400 001

### **Bankers**

HDFC Bank  
Kotak Mahindra Bank  
State Bank of Hyderabad  
State Bank of India

### **Share Transfer Agent**

CIL Securities Limited  
214, Raghava Ratna Towers,  
Chirag Ali Lane,  
Abids, Hyderabad – 500 001

## Notice

Notice is hereby given that the **Sixty Fifth Annual General Meeting of the Company will be held on Wednesday, 26<sup>th</sup> September, 2012 at 12.30 p.m. at Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad – 500 078.**

### Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of, Mr. Bhaskar Kamat, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of, Mr. Sagar Gawde, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** M/s. Lodha & Co., Chartered Accountants (Firm Registration No. 301051E), be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

### Special Business:

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:  
**“RESOLVED THAT** pursuant to Section 31 of the Companies Act, 1956, the new set of regulations contained in the draft Articles of Association as placed before the meeting and for the purpose of identification duly initialed by the Chairman, be and are hereby approved and adopted in substitution for and to the exclusion of the existing Articles with immediate effect;  
**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**By Order of the Board of Directors**

**Place : Mumbai**  
**Date : 29<sup>th</sup> August, 2012**

**Surendra Shah**  
**Director**

**Registered Office:**  
Lodha Bellezza, East Block,  
Eden Square, Off Kukatpally Housing Board Road (KPHB),  
Hyderabad, Andhra Pradesh-500072.

### Notes:

1. **A Member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxy to attend and vote on a poll instead of himself and the proxy need not be a Member of the Company. The Instrument appointing the Proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
2. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. Mr. Bhaskar Kamat and Mr. Sagar Gawde Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Brief resume of the said Directors, nature of his expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors *inter-se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company recommends their reappointment.
4. Members are requested to bring their Attendance Slip along with their copy of the Annual Report to the Meeting.

5. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
6. The Register of Members and Transfer Books will remain close from Monday, 24<sup>th</sup> September, 2012 to Wednesday, 26<sup>th</sup> September, 2012 (both days inclusive) for the purpose of the Annual General Meeting of the Company.
7. Members holding shares in identical orders of names in more than one folio are requested to write to the Company's Registrar and Share Transfer Agent, M/s CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001, enclosing their original share certificates to enable them to consolidate the holdings into one folio.
8. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.

**Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, by writing a letter to/sending email CIL Securities Limited to this effect.

## **EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item 5**

In view of various amendments in the Companies Act, 1956 since incorporation of Company and for administrative and operational convenience, the Board propose to substitute existing set of the Articles of Association of the Company with new set of Articles.

Pursuant to the provisions of Section 31 of the Companies Act, 1956, alteration of Articles of Association requires approval of the members of the Company by way of a Special Resolution at a general meeting.

A copy of the new set of Articles of Association to be adopted, as referred to in the notice / explanatory statement hereto, is available at the Registered Office of the Company between 11.00 a.m. to 1 p.m. on any working day, except Saturday, till the date of this meeting.

The Board of Directors recommends passing of the resolution for adoption of new set of Articles of Association as set out in the resolution under Item no. 5 of the Notice.

None of the Directors of the Company, in any way, concerned or interested in the said resolution.

**By Order of the Board of Directors**

**Place : Mumbai**  
**Date : 29<sup>th</sup> August, 2012**

**Surendra Shah**  
**Director**

## DIRECTORS' REPORT

### DEAR SHAREHOLDERS,

The Directors are pleased to present the Sixty Fifth Annual Report and Audited Accounts of the Company for the year ended March 31, 2012.

### FINANCIAL RESULTS

The financial performance of the Company, for the year ended March 31, 2012 is summarized as under:

(Amount in ₹)

Particulars	For the year ended 31-March-12	For the year ended 31-March-11
Income	719,157,281	-
Less: Expenditure	341,823,678	33,958,117
Profit / (Loss) Before Tax	377,333,603	(33,958,117)
Less: Tax	(163,509,704)	284,769,325
Profit After Tax	213,823,899	250,811,208

### BUSINESS OVERVIEW & OPERATIONS

The Company has launched Casa Paradiso project, being residential project in October, 2010. There are no employee as at the end of year.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Indian Economy

The outlook for India's economy changed substantially during the course of 2011-12. The tone at the beginning of the year was that India has emerged unscathed from the global financial crisis of 2008. But as the year progressed, pressure points emerged on the domestic front due to stubborn inflation and a policy logjam, and on global front due to Euro zone debt crisis. Consequently, market sentiments and economic growth took a beating and as per CSO's estimate, the GDP growth in FY12 is 6.9%. As per CMIE projections for FY 2013, the growth is likely to recover to 7.6% on account of easing supply constraints, coupled with a fall in inflation and a gradual easing in interest rates. The fiscal deficit in 2011-12 as per revised estimates stands at 5.9 per cent of the GDP, as against the budgeted figure of 4.6 per cent of GDP.

#### Industry Overview

The Hyderabad residential market has improved in FY12 after it saw the lows following Satyam scam, State level political crisis and Telangana issue. The political scenario has improved without much sign of a stir for the statehood of Telangana though the situation is far from stable due the ongoing political rivalry. The Hyderabad real estate market continues to consolidate with prices still at three years low. There has been a gradual increase in end user residential demand and absorption though the market is still a long way from 2007-08 levels. The residential prices are likely to firm up across segments in FY13 in wake of the increasing input costs. The commercial real estate sector has been consistently absorbing space in the range of 4.5-5.0 million square feet year on year over the past few years which indicates that the political scenario has not had a major impact on expansion plans of corporate clients in Hyderabad.

#### Internal Control Systems and Their Adequacy

The Company has a proper and adequate system of Internal Controls which commensurate with the size and nature of business, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposal and commercial transactions are authorized, recorded and reported correctly. The internal control is supplemented by an extensive programme of internal and external audits. The Company accords great importance to the security of its information assets and has the requisite security controls and checks. Adequate storage and backup system is in place to ensure security and availability of data at all times.

#### Opportunities and Threats

The improvement in the global economic and liquidity situation coupled with more stable commodity prices, the stimulus packages by the Indian Government and various Governments globally provides an opportunity for growth for the infrastructure sector. At the same time, the real estate market has been affected by depressed prices, high cost of borrowing and less finances during the year and there could be a spill-over effect.

To meet the housing shortage in major cities, several announcements were made in the Union Budget, which are likely to create further demand in the mid-income housing sector. These include:

- Allowing External Commercial Borrowing (ECB) for affordable housing projects.

- Setting up a Credit Guarantee Trust Fund to ensure improved flow of institutional credit for housing loans.
- Enhancing allocation for Rural Housing Fund from Rs. 3,000 Crores to Rs. 4,000 Crores.
- Increasing the limit of indirect finance under the priority sector from Rs. 5 lakh to Rs. 10 lakh.

High borrowing costs coupled with rising price levels due to rapid inflation in input costs impacted affordability for buyers across markets. As inflationary pressures soften, RBI's impending rate cut and the resulting moderation in home loan rates is expected to be a sentiment booster for property buyers. The lower cost of borrowing would also help improve developer profitability. The growth of the real estate sector has been impacted on account of several adverse regulatory/ political developments. Real estate in India, over the last decade, has seen tremendous growth and transformation. A wider participation of institutional private equity (PE) in the capital intensive business in addition to traditional debt finance has played a critical part in this change.

#### 1. Economic Environment

The real estate sector will be significantly affected if there is a slowdown in India's economic growth. The sector's demand is inversely proportional to high interest rates.

#### 2. Regularity Hurdles

Unfavourable changes in government policies and the regulatory environment can adversely impact the performance of the sector. There are substantial procedural delays with regards to land acquisition, land use, project launches and construction approvals. Retrospective policy changes and regulatory bottlenecks may impact profitability and affect the attractiveness of the sector and companies operating within the sector.

#### 3. Liquidity Concerns

Tighter lending norms, longer approval processes, and lower absorption have resulted in a liquidity crunch for the sector as a whole. Managing liquidity is an important challenge in FY13 given huge scheduled loan repayment for developers over the next 3-4 years. Cash flow management will continue to be a challenging task for developers with falling operating cash flows, rising interest costs and impending debt repayment schedules.

#### 4. Intensifying Construction Spends

The domestic construction industry has been impacted with a steep rise in prices of inputs including cement, steel, and bricks, the cost of which has risen by over 30% since 2009. Labour costs have also increased by more than 30% over the past two years due to increasing locally generated employment opportunities through government welfare schemes. The increased costs and a labour crunch has been a major hurdle for developers.

### **Risks and Concerns**

The Company is exposed to different types of risks viz., credit risk, market risk (including liquidity risk), operational risk and legal risk. The Company at regular interval monitors credit and market risk. Legal risk is subject to the review by the legal department. The Company is exposed to specific risks in connection with the management of investments and the environment within which it operates. The Company aims to understand measure and monitor the various risks to which it is exposed and to ensure that it adheres, as far as reasonably and practically possible, to the policies and procedures established by it to mitigate these risks.

### **Cautionary Statement**

This report may contain forward looking statements. All statements are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate and will materialize in the said order or manner or realized. The Company's performance and results or achievements could thus differ from those projected in any forward looking statements. The Company assumes no responsibility to publicly amend modify or revise such statements based on subsequent events or developments.

### **DIVIDEND**

Your Directors have not recommended any dividend for the year under review.

### **DIRECTORS**

In terms of Articles of Association, Mr. Bhaskar Kamat and Mr. Sagar Gawde retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:-

- I. in the preparation of the accounts for the financial year ended 31st March, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956 have been followed and that there are no material departures from the same;



- II. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended on that date;
- III. the Directors have 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 have prepared the accounts for the financial year ended 31st March, 2012 on a “going concern” basis.

#### **STATUTORY AUDITORS**

M/s Lodha & Company, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s Lodha & Company, the 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.

A proposal seeking their re-appointment is provided as part of the Notice of the Annual General Meeting.

As regards Auditors' observations, they are self-explanatory and do not call for any further comments.

#### **LISTING FEE PAYMENT**

Listing fees payment is under dispute.

#### **PARTICULARS OF EMPLOYEES**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 there were no employees whose particulars are required to be furnished.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are annexed to this Report as **Annexure -1**

#### **COMPLIANCE CERTIFICATE**

The Compliance Certificate in terms of Section 383A(1) of the Companies Act, 1956 read with rule 3(2) of the Companies (Compliance Certificate) Rules, 2001, is attached herewith as an **Annexure - 2** to this report.

#### **CORPORATE GOVERNANCE**

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges forms part of the Annual Report. Certificate confirming compliance of the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report as **Annexure - 3**.

#### **ACKNOWLEDGEMENTS**

The Board also records its appreciation for the support and cooperation received from various stakeholders, during the year under review.

**For and on behalf of the Board of Directors**

**Place : Mumbai**  
**Date : 28<sup>th</sup> May, 2012**

**Surendra Shah**  
**Chairman**

## **ANNEXURE – 1**

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

#### **A. Energy conservation :-**

Your Management continues to stand fully committed to reduce, replace, reuse & replenish scarce natural resources for energy and water conservation, environment protection and the Company's philosophy is reflected in all its projects from concept design stage through implementation.

Some of the initiatives taken in this direction have given encouraging results.

The measures taken were :-

- (a) Reduction in distribution losses using latest State of Art distribution such as bus risers system increasing power factor by using capacitor banks.
- (b) Use of CLF lamps for the offices.
- (c) High efficiency water cooled chillers for centralised air conditionings and star rated split units in the residential premises.
- (d) Use of roof top insulation.
- (e) Use of heat recovery wheels.
- (f) Sensor based lighting

In addition to above, following measures are now being implemented for the ongoing project:-

- (a) Use of solar energy for water heating in residential apartments.
- (b) Adoption of latest technologies such as ;-
  - MBR technology for treating sewage / waste water to get clean water that can be used for construction / irrigation etc.
  - Use of soil conservation by providing gabions, geogrids & gravilock walls.
  - Extensive plantation of trees.
  - Protection of hill side slopes with geogrids.
  - Rain water harvesting for conservation of water and recycling of waste water for reuse in airconditioning.
  - Use of chemical curing compounds to conserve water otherwise used for curing.
  - Use of light weight blocks and artificial wood in many projects for conservation of agricultural soil used in manufacture of bricks & trees.

The Management is taking focussed efforts towards e-governance by electronic documents control for its major projects so that use of paper is reduced to minimum. Similarly e-governance measures are being adopted for different functions within the organisation.

#### **B. Technology Absorption :-**

The Company has successfully adopted following new technologies in the areas mentioned against each.

- Bio reactor membrane technology for sewage treatment.
- Use of solar power
- Chilled beams airconditioning for the commercial building at New Cuffe Parade
- Use of pre-fabricated wall panels instead of conventional block work.

Adoption of these capital intensive technologies is an important step in the management's commitment for reduced energy consumption, environment protection and conservation of natural resources like water, soil and trees..

#### **C. Foreign Exchange Earnings and Outgo:-**

There was no foreign exchange earnings or outgo during the year under review.

## ANNEXURE – 2

**Ashish Kumar Gaggar**  
Company Secretary in Practice

# 205 Raghava Ratna Towers,  
Chirag Ali Lane, Abids  
Hyderabad  
M: 98492 23007 ☎ 040-64557764  
Email : ashishgaggar.pcs@gmail.com

Company Regn.No. : **01-000675**  
Nominal Capital : **Rs.15.00.00,000/-**

To,

The Members  
**SANATHNAGAR ENTERPRISES LIMITED**  
(Formerly Bakelite Hylam Limited)

Regd.Off: Lodha Bellezza, East Block, Eden Square,  
Opp: Kukatpally Housing Board Road (KPHB),  
Hyderabad - 500072 (A.P).

I have examined the registers, records, books and papers of **SANATHNAGAR ENTERPRISES LIMITED (Formerly Bakelite Hylam Limited)** (“**the Company**”) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31<sup>st</sup> March, 2012. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure “A” to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded;
2. The Company has duly filed the forms and returns as stated in Annexure “B” to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under; or with a delay after paying the additional fees, if any.
3. The Company, being a public limited company, the restriction clauses as provided in Section 3(l)(iii) of the Companies Act, 1956 is not applicable;
4. The Board of Directors duly met 10 times on 5<sup>th</sup> April,2011, 5<sup>th</sup> May,2011, 15<sup>th</sup> May,2011,7<sup>th</sup> June, 2011, 12<sup>th</sup> August,2011, 20<sup>th</sup> August,2011, 5<sup>th</sup> September,2011, 22<sup>nd</sup> September,2011, 11<sup>th</sup> November,2011, 10<sup>th</sup> February,2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 26<sup>th</sup> Sept, 2011 to 29<sup>th</sup> Sept, 2011 (both days inclusive) and necessary compliance of Section 154 of the Act has been made;
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March,2011 was held on 29<sup>th</sup> September, 2011 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;
7. No Extraordinary meeting was held during the financial year 2011-12.
8. The Company has not advanced loan to its directors and/or persons or firms or companies referred in Section 295 of the Act;
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section;
10. The Company has made necessary entries in the register maintained under Section 301 of the Act;
11. The Company was not required to obtain approvals from the Board of Directors, Members and previous approval of the Central Government pursuant to Section 314 of the Act,
12. The Company was not required to issue of duplicate share certificates during the year.

13. The Company -
  - (i) Has delivered all the certificates on allotment of securities and on lodgments thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act;
  - (ii) Has not deposited any amount in a separate Bank account as no dividend was declared during the financial year;
  - (iii) Was not required to post warrants to any member of the company as no dividend was declared during the financial year;
  - (iv) Does not have amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest thereon which have remained unpaid/unclaimed/unpaid for a period of seven years and hence transferring of the same to the Investor Education and Protection Fund does not arise;
  - (v) Has complied with the requirements of Section 217 of the Act;
14. The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors have been duly made;
15. The appointment of Manager has been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act.
16. The Company has not appointed any Sole-selling agents during the financial year;
17. The Company has obtained approvals of Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under various provisions of the Act.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under;
19. The Company has not issued any shares/debentures/other securities during the financial year;
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares/debentures during the financial year;
22. There were no transaction necessitating the Company to keep up in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares;
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31<sup>st</sup> March, 2012 is within the borrowing limits of the Company.
25. The Company has made loans and investments or given guarantees or provided securities to other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office during the year under scrutiny;
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny;
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny;
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year;
30. The Company has not altered its articles of association during the financial year;
31. There was no prosecution initiated against or show cause notices received by the Company and no fines and penalties or any other punishment was imposed on the Company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted any Provident Fund and accordingly the provisions of the Section 418 of the Act are not applicable.

**Ashish Kumar Gaggar**  
**Company Secretary in Practice**

FCS: 6687  
CPNo.: 7321

Place: Mumbai

Date: 28<sup>th</sup> May, 2012

## **ANNEXURE-"A" (FORMING PART OF COMPLIANCE CERTIFICATE)**

### **STATUTORY REGISTERS / RETURNS AS MAINTAINED BY THE COMPANY:**

1. Register of Charges under Section 143
2. Register of Members under Section 150
3. Copies of Annual Returns prepared under Section 159 & 160
4. Minutes Book of Meetings of Board of Directors u/s.193
5. Minutes Book of Proceedings of General Meetings u/s.193
6. Books of Accounts and other Records under Section 209
7. Register of particulars Contracts in which Directors are interested under Section 301
8. Register of Managing Director, Directors, Manager and Secretary under Section 303
9. Register of Director's shareholding under Section 307

### **OTHER REGISTERS**

1. Register of Director's Attendance
2. Register of Shareholder's Attendance
3. Register of Transfers

**Ashish Kumar Gaggar**  
**Company Secretary in Practice**

FCS: 6687  
CP No.: 7321

Place: Mumbai  
Date: 28<sup>th</sup> May, 2012

## **ANNEXURE-"B" (FORMING PART OF COMPLIANCE CERTIFICATE)**

<b>Sr. No</b>	<b>Form No/ Return</b>	<b>Filed u/s</b>	<b>Date of Filing</b>	<b>Whether filed within the prescribed time (Yes/No)</b>	<b>If delay in filing whether requisite fee paid (Yes/No)</b>
1.	Form 17	138	14/12/2011	Yes	Not Applicable
2.	Form 8	135	27/01/2012	No	Yes
3.	Form 23AA	209	18/08/2011	Yes	Not Applicable
4.	Form 62	210	25/08/2011	Yes	Not Applicable
5.	Form 62	210	08/09/2011	Yes	Not Applicable
6.	Form 23	192	05/10/2011	Yes	Not Applicable
7.	Form 23B	224(1A)	01/12/2011	Yes	Not Applicable
8.	Form 66	383A	07/11/2011	No	Yes
9.	Form 20B	159	24/11/2011	Yes	Not Applicable
10.	Form 23AC	220	16/12/2011	Yes	Not Applicable
11.	Form 23ACA	220	16/12/2011	Yes	Not Applicable

**Ashish Kumar Gaggar**  
**Company Secretary in Practice**

FCS: 6687  
CPNo.: 7321

Place: Mumbai  
Date: 28<sup>th</sup> May,2012

## **ANNEXURE – 3**

**Ashish Kumar Gaggar**  
**Company Secretary in Practice**

# 205 Raghava Ratna Towers,  
Chirag Ali Lane, Abids Hyderabad  
M: 98492 23007 ☎ 040-64557764  
Email: [ashishgaggar.pcs@gmail.com](mailto:ashishgaggar.pcs@gmail.com)

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### **Certificate on Corporate Governance**

The Members

Sanathnagar Enterprises Limited

I have examined the compliance of conditions of Corporate Governance by Sanathnagar Enterprises Limited for the year ended 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India. The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the Compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above-referred Listing Agreement. I am informed that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Ashish Kumar Gaggar**  
**Company Secretary in Practice**

FCS: 6687

CP No.: 7321

Place: Mumbai

Date: 28<sup>th</sup> May, 2012

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on Code of Corporate Governance

The Company's philosophy on Corporate Governance envisages transparency, accountability and equity for its operations, and for interactions with its Stakeholders.

### 2. Board of Directors - Composition and Particulars of Directors

#### Board Composition:

As on 31<sup>st</sup> March, 2012, the Board of Directors of the Company ("the Board") comprised of 6 Directors, all are Non – Executive Directors out of whom, 4 are Independent Directors. Mr. Surendra Shah is the Chairman of the Board. The details regarding Composition of the Board and category of Directors are enumerated hereunder:

Category	Name of the Director
Non-Independent Non-Executive Directors	Mr. Surendra Shah Mr. Bhaskar Kamat
Independent Non-Executive Directors	Mr. Deependra Gupta Mr. Somanathan Nair Mr. Sagar Gawde Mr. Sanjay Ambre

None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees (as specified in clause 49 of the Listing Agreement) across all Public Limited Companies in which he is a Director.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956.

None of the Directors holds any share in the Company as on 31<sup>st</sup> March, 2012.

#### Directors' Profile:

Brief resume of the Directors proposed to be reappointed at the forthcoming Annual General Meeting, nature of their expertise in specific functional areas, companies in which they hold directorships/chairmanships of the Board Committees and their shareholding in the Company are provided below:

1. Mr. Bhaskar Kamat is a Civil Engineer having nearly 12 years of rich experience in execution and management of civil construction/ real estate projects. He is a keen player and strategist with the distinction of serving reputed business houses and also has successfully executed prestigious projects like construction of five star hotels, corporate commercial buildings etc. He is not related to any director of the Company. Mr. Kamat does not hold any shares in the Company.

He is presently a Director on the Board of the following Companies:

1. Hi-Class Developers Private Limited
2. Sahajanand Hi-Tech Constructions Private Limited
3. Shantinath Designer Construction Private Limited
4. Aasthavinayak Real Estate Private Limited
5. Arihant Premises Pvt Ltd
6. Shri Vardhvinayak Builders Private Limited
7. Lodha Glowing Construction Private Limited
8. Galaxy Premises Private Limited
9. Siddhnath Residential Paradise Private Limited
10. Shripal Realty Private Limited
11. Lodha Healthy Constructions And Developers Private Limited
12. Shri Kailash Properties & Agrofarms Private Limited
13. Lodha Prime Buildfarms Private Limited

He is not a member / chairman of any audit committee or shareholders grievances committee of any public limited company

2. Mr. Sagar Gawde is a commerce graduate and has experience in Accounts and Taxation. He has used his rich experience in day to day functioning and made significant contribution in the overall development of the organization. Mr. Gawde does not hold any shares in the Company. He is not related to any director of the Company.

He is presently a Director on the Board of the following Companies:

1. Roselabs Finance Limited
2. National Standard (India) Limited

He is member of the audit committee of National Standard (India) Ltd. and Roselabs Finance Ltd. He is chairman of the shareholders grievances committee of Roselabs Finance Ltd. and member of the shareholders grievances committee of National Standard (India) Ltd.

3. **Attendance of Directors at Board Meetings, last Annual General Meeting and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies**

The Board met at least once in each quarter and the maximum time gap between two Board Meetings did not exceed the limit prescribed in Clause 49 of the Listing Agreement. The details of participation of directors of the company at Board Meetings and Annual General Meeting during the financial year ended March 31, 2012 are enumerated hereunder:

Name of the Director	Directors' Identification Number	Attendance at meetings during 2011-12		Number of Other Directorship(s) (*)	Number of Membership(s) / Chairmanship(s) of Board Committees of Other Companies (**)
		Board Meetings	Last AGM		
Mr. Deependra Gupta	02087691	10	Yes	2	4 (Including 3 as Chairman)
Mr. Somnathan Nair	01895287	10	No	–	–
Mr. Sagar Gawde	02082205	10	No	2	4 (Including 1 as Chairman)
Mr. Sanjay Ambre	01831558	10	No	–	–
Mr. Bhaskar Kamat	00077457	10	No	13	–
Mr. Surendra Shah	02254080	10	No	15	–

\* The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

\*\* In accordance with Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committees of Indian Public Companies (excluding Sanathnagar Enterprises Limited) have been considered.

4. **Number of Board Meetings held and the dates on which held**

Ten Board Meetings were held during the year 2011-12. The Company has held at least one Board meeting in every three months and the maximum time gap between any such two meetings was not more than four months. The details of the Board meetings are as under:

Sr. No.	Date	Board Strength	No. of Directors Present
1.	5 <sup>th</sup> April, 2011	6	6
2.	5 <sup>th</sup> May, 2011	6	6
3.	15 <sup>th</sup> May, 2011	6	6
4.	7 <sup>th</sup> June, 2011	6	6
5.	12 <sup>th</sup> August, 2011	6	6
6.	20 <sup>th</sup> August, 2011	6	6
7.	5 <sup>th</sup> September, 2011	6	6
8.	22 <sup>nd</sup> September, 2011	6	6
9.	11 <sup>th</sup> November, 2011	6	6
10.	10 <sup>th</sup> February, 2012	6	6

5. **Board Committees**

Details of the Committees of the Board and other related information are provided hereunder:



**(a) Audit Committee**

The Audit Committee comprises of two Independent Directors and one Non Independent Director and the same is in accordance with the provisions of Section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement. The Audit Committee comprises of Mr. Deependra Gupta, Mr. Sagar Gawde and Mr. Bhaskar Kamat. The Committee functions under the Chairmanship of Mr. Deependra Gupta.

The terms of reference includes in particular overseeing the Company's financial reporting process and disclosure of financial reporting information, recommending appointment and removal of external auditor, reviewing statements before submission to the Board and other terms as per Clause 49 of the Listing Agreement to the extent applicable to the Company.

Accordingly, Five Audit Committee meetings were held during the year 2011-12:

Sr. No.	Date	Committee Strength	No. of Members Present
1.	15 <sup>th</sup> May,2011	3	3
2.	12 <sup>th</sup> August, 2011	3	3
3.	5 <sup>th</sup> September,2011	3	3
4.	11 <sup>th</sup> November,2011	3	3
5.	10 <sup>th</sup> February,2012	3	3

**(b) Shareholders' / Investors' Grievance Committee**

The Shareholders' / Investors Grievance Committee comprises of two Directors, namely, Mr. Surendra Shah and Mr. Bhaskar Kamat.

Four Committee Meetings were held during the period from 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012. The Company has held at least one committee meeting in every three months and the maximum time gap between any such two meetings was not more than four months. The details of the Committee meetings are as under:

Sr. No.	Date	Committee Strength	No. of Members Present
1.	15 <sup>th</sup> May,2011	2	2
2.	12 <sup>th</sup> August, 2011	2	2
3.	11 <sup>th</sup> November,2011	2	2
4.	10 <sup>th</sup> February,2012	2	2

**Compliance officer:** Mr. Sitansh Magia is the Compliance Officer of the Company for complying with the requirements of Securities Laws and the Listing Agreements with the Stock Exchanges in India.

**Investor Grievance Redressal**

The number of complaints received and resolved during the year under review and their break-up are as under:

Type of Complaints	No. of Complaints Received during 2011-12	No. of Complaints Resolved during 2011-12
Non-Receipt of Annual Reports	<b>03</b>	<b>03</b>
Non-Receipt of Dividend Warrant	<b>01</b>	<b>01</b>
Non-Receipt of Share Certificates	<b>01</b>	<b>01</b>
<b>Total</b>	<b>05</b>	<b>05</b>

There were no outstanding complaints as on 31st March, 2012.

**6. Code of Business Conduct and Ethics for Directors and Senior Management**

The Company adopted the Code of Business Conduct and Ethics for Directors and Senior Management.

**Declaration for compliance of Code of Conduct**

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management team, an affirmation, of compliance with the code of conduct for Directors and Senior Management in respect of financial year ended March 31, 2012.

Place: Mumbai  
Date: 28.05.2012

**Deepak Chitnis**  
Manager

## 7. General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Year	Venue of the Meeting	Date	Time
2008-2009	Plot No.4-7, IDA, Jeedimetla, Hyderabad - 500855	31.12.2009	11.30 a.m.
2009-2010	Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad – 500 078	12.11.2010	12.00 noon
2010-2011	Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad – 500 078	29.09.2011	4.00 p.m.

## 8. Special Resolutions passed at the last 3 Annual General Meetings

AGM Date	Item No	Particulars
31.12.2009	-	Nil
12.11.2010	4	Commencement of New Business
29.09.2011	5	Keeping of Registers and Returns at a place other than the registered office

During the year 2011-12, 3 resolutions were passed through Postal Ballot.

The details of the resolutions passed during the year are indicated hereunder:

Details	Resolution no.1 (Special Resolution pursuant to section 372A of the Companies Act,1956to invest in /provide loan to, give guarantee or security on behalf of bodies corporate)		Resolution no. 2 (Ordinary resolution for creation of security under section 293(1)(a) of the Companies Act,1956		Resolution no. 3 (Special Resolution u/s 17 of the Companies Act,1956 for shifting of Registered Office from one state to another )	
	No. of postal ballot forms	No. of shares	No. of postal ballot forms	No. of shares	No. of postal ballot forms	No. of shares
Total postal ballots Received	146	28,41,945	146	28,41,945	146	28,41,945
Number of invalid postal ballots	4	70	4	70	4	70
Number of valid postal ballots	142	28,41,875	142	28,41,875	142	28,41,875
Votes in favour of the Resolution	134	28,41,846 (100.00%)	134	28,41,846 (100.00%)	134	28,41,846 (100.00%)
Votes against the Resolution	8	29 (00.00%)	8	29 (00.00%)	8	29 (00.00%)

None of the businesses proposed to be passed at the Annual General Meeting require passing a resolution through Postal Ballot.

## 9. Book Closure date

Register of Members and Transfer Books will remain closed from Monday, 24<sup>th</sup> September, 2012 to Wednesday, 26<sup>th</sup> September, 2012 (both days inclusive) for the purpose of the Annual General Meeting of the Company.

## 10. Disclosures

There were no monetary penalties imposed by SEBI or the stock Exchanges or by any statutory authorities for non-compliance on any matters related to capital markets.

None of the transactions with any of the related parties were in conflict with the interests of the Company.

Attention of Members is drawn to the disclosures of transactions with the related parties set out in Notes on Accounts forming part of the Annual Report.

The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectoral specialisation and the Company's long term strategy for sectoral investments, optimisation of market share and profitability, legal requirements, liquidity and capital resources.

All related party transactions are negotiated at arms length and are only intended to further the interests of the Company.

#### 11. Means of Communication

The Quarterly, half yearly and annual results are published in the Financial Express (all editions) and Andhraprabha (Regional). The financial results, shareholding patterns and annual reports are also available on the website of the Company i.e. www.sanathnagar.in. The Company has designated exclusive email ID viz., selinvrelation@gmail.com for investor servicing.

#### 12. General Shareholders Information

<b>(a)</b>	<b>Company Registration Details:</b>	The Company is registered in the State of Andhra Pradesh, India. The Corporate Identity Number (CIN) allotted to the Company by Ministry of Corporate Affairs (MCA) is L99999AP1947PLC000675.	
<b>(b)</b>	<b>Annual General Meeting (Day, Date, Time and Venue)</b>	Wednesday, 26 <sup>th</sup> September, 2012 at 12.30 p.m. Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad – 500 078	
<b>(c)</b>	<b>Financial Calendar</b>	Financial Year	April 1, 2012 to March 31, 2013
<b>(d)</b>	<b>Book Closure Period</b>	From Monday, 24 <sup>th</sup> September, 2012 to Wednesday, 26 <sup>th</sup> September, 2012 (both days inclusive) for the purpose of the Annual General Meeting of the Company.	
<b>(e)</b>	<b>Dividend Payment Date</b>	No dividend on equity is recommended by the Board.	
<b>(f)</b>	<b>E-mail address for shareholders</b>	selinvrelation@gmail.com	
<b>(g)</b>	<b>Listing of Equity Shares at Stock Exchange (nation wise trading terminal)</b>	BSE LIMITED (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	
<b>(h)</b>	<b>Stock Code</b>		
	<b>(i) Trading Symbol at</b>	BSE Limited (Trading suspended)	509423
	<b>(ii) Demat ISIN Numbers</b>	Equity Shares	CDSL-INE 367E01017 – inoperative since 2001 in view of trading suspended NSDL – Awaited
<b>i)</b>	<b>Outstanding GDRs/ ADRs/ Warrants/ Convertible Instruments</b>	Not Applicable	
<b>j)</b>	<b>Investor Correspondence</b>		
	<b>For change in address, change of bank mandate, Nomination, transfer, Dematerialisation of shares.</b>	CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad-500001	
	<b>Any Query on Annual Report</b>	10 <sup>th</sup> Floor, CS Dept., Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai -400011 Phone – (022) 613394242	

#### (k) Share Transfer Agent

**CIL Securities Limited**

214, Raghava Ratna Towers

Chirag Ali Lane, Hyderabad-500001

E-Mail: cilsec@rediffmail.com

Telephone Nos. : +91-040-23202465, 23203145

Fax No. : +91-040-23203028

**(l) Share Transfer System**

Share Transfers, which are received in Physical form, are processed and the Share Certificates are returned to the shareholders, subject to the documents being valid and complete in all respects.

The Company was offering the facility of Transfer cum Demat. However, due to trading being suspended, CDSL is unable to process demat requests/ transmissions. Request to permit the operation of CDSL is pending.

Further, all work relating to Share registry in terms of both Physical and electronic mode are being maintained with CIL Securities Limited, a SEBI registered R&T Agent.

**(m) Distribution of Shareholding as on 31st March, 2012**

Sl. No.	Category	No. of Shares Held	% of total shares held to total Shareholding
1.	Promoters	2908037	92.32
2.	Mutual Funds & UTI	4644	0.15
3.	Banks, Financial Institutions and Insurance Companies	22897	0.73
4.	Central Government/State Government.	32496	1.03
5.	FII's	0	0
6.	Private Corporate Bodies	132626	4.21
7.	Indian Public	49290	1.56
8.	NRI/OCBs	10	-
<b>Grand Total</b>		<b>3150000</b>	<b>100.00</b>

**(n) Shareholding Pattern by Size as on 31st March, 2012**

SHARES		No of Holders	% Held	No. of Shares	% Held
From	Upto				
UPTO	5000	10136	99.92	61909	1.97
5001	10000	1	0.01	8100	0.26
10001	20000	2	0.02	28982	0.92
20001	30000	0	0.00	0	0.00
30001	40000	1	0.01	32496	1.03
40001	50000	0	0.00	0	0.00
50001	100000	1	0.01	53985	1.71
100001	ABOVE	3	0.03	2964528	94.11
<b>TOTAL</b>		<b>10144</b>	<b>100.00</b>	<b>3150000</b>	<b>100.00</b>

**(o) Liquidity**

The Company's shares are presently suspended on the Stock Exchanges. 7.68% of the Company's shares are held by the Public Shareholders.

**13. Compliance Certificate**

Certificate confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of Listing Agreement, is annexed to the Directors' Report forming part of the Annual Report.

**14. CEO and CFO Certification**

The Manager of the Company and the Chief Financial Officer of the Company have given annual certification on financial reporting and internal controls to the Board in terms of Clause 49.

**15. Capital Integrity Audit**

The Company has been submitting quarterly Reconciliation of Share Capital Audit Report to the Stock Exchanges in India where the securities of the Company are listed.

**16. Fees to Statutory Auditors**

Audit Fees to the Statutory Auditors for the year ended, 31<sup>st</sup> March,2012 was Rs. 3,50,000.

**17. Non-Mandatory Requirements**

The Company has not adopted non mandatory requirements of Corporate Governance during the year under report.

## **AUDITORS' REPORT**

1. We have audited the attached Balance Sheet of SANATHNAGAR ENTERPRISES LIMITED as at 31st March, 2012, Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as the 'Act'), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) Without qualifying our opinion, we draw your attention to Note no. 17D, regarding the appropriateness or otherwise of the preparation of these financial statements on a going concern basis as the net-worth of the Company has been completely eroded as at March 31, 2012. In our opinion, the validity of the going concern basis would depend upon the continuance of the existing funding, technical and administrative support by the present promoters of the Company.
  - b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - c) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
  - d) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - e) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Act, to the extent applicable;
  - f) On the basis of written representations received from the Directors as on 31st March, 2012, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and accompanying notes give the information required by the Act and in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - b) in the case of Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For LODHA & COMPANY**  
**Chartered Accountants**

**R.P.BARADIYA**  
**Partner**

**Membership No.: 44101**

**Firm Registration No.: 301051E**

**Place : Mumbai**  
**Date : 28th May, 2012**

**Annexure referred to in Paragraph 3 of the Auditors' Report of even date on the financial statements for the year ended 31st March, 2012 of SANATHNAGAR ENTERPRISES LIMITED.**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b) As informed to us, the fixed assets have been physically verified by the management at the reasonable intervals during the year and no discrepancies were noticed on such verification.  
c) No substantial part of the fixed assets has been disposed off by the Company during the year.
2. a) As per the information furnished, the inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.  
b) In our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of inventory as compare to book records.
3. The Company has not granted / taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, clause (iii) of the said Order is not applicable to the Company during the year covered by the report.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. According to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 during the year. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. On the basis of records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government under Section 209 (1) (d) of the Act have been maintained. However, we are not required to and thus have not carried out any detailed examination of such accounts and records, with a view to ascertain whether these are accurate and complete.
9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with the appropriate authorities the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it and during the year except that there have been delays in the payment of Service Tax and Tax Deducted at Source. No undisputed amounts payable in respect of aforesaid statutory dues were outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.  
b) According to the records of the Company, there are no dues of Income Tax / Sales Tax / Wealth Tax / Service Tax / Custom Duty / Excise Duty / Cess which have not been deposited on account of any dispute. Attention is also invited to Note No.17A.
10. The Company's accumulated losses as at 31st March, 2012 is more than its net worth. The Company has not incurred cash losses during the year but had incurred losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayments of dues to its bank.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to the chit fund and nidhi / mutual benefit fund / societies.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
15. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the Company has not availed any term loan during the year.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, no funds raised on short term basis have been used long term investment during the year.
18. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
19. Accordingly to the information and explanations given to us, the Company did not have any outstanding debentures during the year covered by this report or in the recent past.
20. The Company has not raised any money by way of public issues during the year or in the recent past.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For LODHA & COMPANY**  
**Chartered Accountants**

**R.P. BARADIYA**  
**Partner**

**Membership No.: 44101**  
**Firm Registration No.: 301051E**

**Place : Mumbai**  
**Date : 28th May, 2012**

**BALANCE SHEET AS AT MARCH 31, 2012**

	Notes	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	31,500,000	31,500,000
Reserves and Surplus	3	(594,425,745)	(808,249,644)
		(562,925,745)	(776,749,644)
<b>Current Liabilities</b>			
Short-Term Borrowings	4	2,057,949,420	1,281,033,677
Trade Payables	5	65,022,890	36,462,432
Other Current Liabilities	6	461,160,835	258,768,262
		2,584,133,145	1,576,264,371
<b>Total</b>		<b>2,021,207,400</b>	<b>799,514,727</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets (Net)			
Tangible Assets	7	29,751,792	35,101,473
Deferred Tax Asset (Net)	8	121,259,621	284,769,325
		151,011,413	319,870,798
<b>Current Assets</b>			
Inventories	9	649,446,606	471,156,053
Trade Receivables	10	104,087,976	-
Cash and Bank Balances	11	143,886,436	1,089,522
Short-Term Loans and Advances	12	972,774,969	7,398,354
		1,870,195,987	479,643,929
<b>Total</b>		<b>2,021,207,400</b>	<b>799,514,727</b>
Summary of Significant Accounting Policies			
The accompanying notes form an integral part of Financial Statements	1-17		

As per our attached Report of even date

**For LODHA & CO.**  
Chartered Accountants  
FRN : 301051E

For and on behalf of the Board

**R. P. Baradiya**  
Partner

**Surendra Shah**  
Director

**Deependra Gupta**  
Director

**Deepak Chitnis**  
Manager

Place : Mumbai  
Date : May 28, 2012



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

	Notes	For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>INCOME</b>			
Revenue from Operations	13	719,157,281	-
<b>Total Income</b>		<u>719,157,281</u>	<u>-</u>
<b>EXPENSES</b>			
Operating Costs	14	294,565,450	-
Finance Costs	15	3,059,628	85,677
Depreciation and Amortisation	7	9,670,848	9,244,854
Other Expenses	16	34,527,752	24,627,586
<b>Total Expenses</b>		<u>341,823,678</u>	<u>33,958,117</u>
<b>Profit / (Loss) Before Tax</b>		<b>377,333,603</b>	<b>(33,958,117)</b>
<b>Tax Expense:</b>			
Current tax			
MAT		(35,000,000)	-
MAT Credit Entitlement		35,000,000	-
Deferred Tax		(163,509,704)	284,769,325
<b>Profit after Tax</b>		<u>213,823,899</u>	<u>250,811,208</u>
Earning's Per Share			
Basic and diluted earning per share (in ₹) (Face Value of ₹ 10 per share)		<b>67.88</b>	79.62
Summary of Significant Accounting Policies	1		
The accompanying notes form an integral part of Financial Statements	1-17		

**As per our attached Report of even date**

**For LODHA & CO.**  
**Chartered Accountants**  
**FRN : 301051E**

**For and on behalf of the Board**

**R. P. Baradiya**  
**Partner**

**Surendra Shah**  
**Director**

**Deependra Gupta**  
**Director**

**Deepak Chitnis**  
**Manager**

**Place : Mumbai**  
**Date : May 28, 2012**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012**

		For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>Cash Flows from Operating Activities:</b>			
Profit / (Loss) for the year		377,333,603	(33,958,117)
Adjustments for:			
Depreciation and Amortization		9,670,848	9,244,854
Sundry Balances written off		-	38,770
Finance Cost (including Capitalised to Qualifying Assets)		185,107,531	343,088,687
<b>Operating profit before working capital changes</b>		<b>572,111,982</b>	318,414,194
Increase in Inventories		(178,290,553)	(443,101,196)
Increase in Trade Receivables		(104,087,976)	-
Increase in Long-term Loans and Advances		(1,052,000)	-
Increase in Short-term Loans and Advances		(415,376,615)	(7,387,301)
Increase in Trade Payables		28,560,458	36,407,952
Increase in Other Current Liabilities		202,392,573	258,768,262
<b>Net Cash Flows from Operating Activities</b>	<b>(A)</b>	<b>104,257,869</b>	163,101,911
<b>Cash Flows from Investing Activities:</b>			
Purchase of Fixed Assets		(4,321,167)	(42,080,077)
<b>Net Cash Flows used in Investing Activities</b>	<b>(B)</b>	<b>(4,321,167)</b>	(42,080,077)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from Borrowings / (Repayment) (net)		226,915,743	223,156,375
Finance Costs		(185,107,531)	(343,088,687)
<b>Net Cash Flows from / (used in) Financing Activities</b>	<b>(C)</b>	<b>41,808,212</b>	(119,932,312)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>141,744,914</b>	1,089,522
<b>Add : Cash and Cash equivalents at the beginning of the year</b>		<b>1,089,522</b>	-
<b>Cash and Cash Equivalents at the end of the year</b>		<b>142,834,436</b>	1,089,522

**Notes:**

- The above Cash Flow Statement has been prepared by using the indirect method as per Accounting Standard 3 - Cash Flow Statement as notified under the Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / rearranged wherever necessary to conform current year's classification.

**As per our attached Report of even date**

**For LODHA & CO.**  
Chartered Accountants  
FRN : 301051E

**For and on behalf of the Board**

**R. P. Baradiya**  
Partner

**Surendra Shah**  
Director

**Deependra Gupta**  
Director

**Deepak Chitnis**  
Manager

Place : Mumbai  
Date : May 28, 2012

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

### **NATURE OF OPERATIONS**

Sanathnagar Enterprises Limited having its registered office at Hyderabad is primarily engaged in the business of promotion, construction, development and sale of integrated townships, residential and commercial multi-storied buildings, houses, flats, shopping malls etc. It is a subsidiary of Siddhnath Residential Paradise Private Limited, parent company whereof is Lodha Developers Limited.

### **Note : 1**

#### **Summary of Significant Accounting Policies**

##### **A. BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles in India, the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, the Provisions of the Companies Act, 1956 and on the accounting principle of going concern. Expenses and income to the extent considered payable and receivable, respectively, are accounted for on accrual basis, except those with significant uncertainties.

##### **B. USE OF ESTIMATES**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company's normal operating cycle varies from 3 to 5 years depending on the size of the project, type of development, project complexities and related approvals. Assets and liabilities have been classified into current and non-current based on the operating cycle.

The estimates are made to the best of the management's knowledge considering all necessary information. Differences, if any, between actual results and estimates are recognized in the period in which the results are ascertained.

##### **C. FIXED ASSETS**

Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Cost includes all incidental expenses related to acquisition and installation, other pre-operation expenses and interest in case of construction.

The carrying amount of cash generating units / assets is reviewed at the balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated at the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.

##### **D. DEPRECIATION**

Depreciation on Fixed Assets is provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956 except for cost of 'site / sales' office and sample flats which are being amortized equally over a period of five years or project completion / demolition whichever is earlier and intangible assets which are amortized proportionately over a period of five years.

Depreciation on Additions / Deletions of assets during the year is provided on a pro-rata basis.

The depreciation on assets used for construction is treated as period cost.

##### **E. INVESTMENTS**

Investments are classified into Long term and Current Investment. Long term investments are carried at cost, Provision for diminution, if any, in the value of each long term investment is made to recognize a decline, other than of temporary nature. Current investment are carried individually at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

##### **F. INVENTORIES**

(i) Stock of Construction Materials is valued at lower of cost and net realizable value. Cost is generally ascertained on weighted average basis.

(ii) a) Work-in-Progress is stated at Cost or Net Realizable value, whichever is lower. Work-in-Progress includes costs of incomplete projects for which no 'Sale Deeds' have been executed by the Company and the costs incurred on the projects where the revenue is yet to be recognized (before the work has progressed to the extent of 30% of the total work involved and 20% of the sales consideration to be received).

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

- b) Completed unsold inventory is valued at lower of cost or net realizable value.
- c) Cost for this purpose includes cost of land & development rights, construction costs, borrowing costs and other overheads incidental to the project undertaken.
- d) Net realizable value is the estimated selling price in the ordinary course of business.

### **G. REVENUE RECOGNITION**

- (i) Income from property development is recognized on the transfer of all significant risks and rewards of ownership to the buyers and it is not unreasonable to expect ultimate collection and no significant uncertainty exists regarding the amount of consideration. However, if at the time of transfer substantial acts are yet to be performed under the contract, revenue is recognized on proportionate basis as the acts are being performed and monies received i.e. on the percentage of completion method on achieving at least 30% of physical progress of project and receipt of 20% of the sales consideration. The percentage of completion is stated on the basis of physical measurement of work actually completed as at the balance sheet date and certified by the architect. As the long-term contracts necessarily extend beyond one year, revision in costs and revenues estimated during the course of the contract are reflected in the accounting period in which the facts requiring the revision become known. Revenue is not recognised on units cancelled upto a reasonable date close to the date of approval of the financial statements and hence, such cancelled units are included in the inventory.
- (ii) Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of technical nature, concerning, where relevant, the percentage of completion, costs to completion, the expected revenues from the project and the foreseeable losses to completion. Profit from real estate projects and valuation of construction work in progress is based on such estimates.

### **H. BORROWING COSTS:**

Borrowing costs that are directly attributable to long term project management and development activities are inventorised / capitalized as part of project cost. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs are inventorised / capitalized as part of project cost when the activities that are necessary to prepare the inventory / asset for its intended use or sale are in progress. Borrowing costs are suspended from inventorisation / capitalization on the project when development work on the project is interrupted for extended periods and there is no imminent certainty of recommencement of work.

### **I. TAXATION:**

Provision for the current income tax is made on the basis of the estimated taxable income for the current accounting year in accordance with Income Tax Act, 1961.

MAT credit asset is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the tax rate and tax laws enacted or substantially enacted at the balance sheet date, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

### **J. FOREIGN EXCHANGE FLUCTUATION**

The transactions in foreign exchange are accounted at the exchange rates prevailing on the date of transactions. Current assets and liabilities in foreign currency are translated at the exchange rate prevailing at the date of the Balance Sheet. Any exchange gains or losses arising on the translation or settlement of such transaction are accounted for in the Statement of Profit and Loss.

### **K. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognized in the accounts in respect of present probable obligation, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 2</b>		
<b>Share Capital</b>		
<b>(A) Authorised</b>		
14,700,000 Equity Shares of ₹ 10 each	<b>147,000,000</b>	147,000,000
7,520 9.5% Redeemable Cumulative Preference Shares of ₹ 50 each	<b>376,000</b>	376,000
Unclassified Shares *	<b>2,624,000</b>	2,624,000
* Unclassified Shares shall be divided into such number of class or classes and of such denominations as the company may determine from time to time by Special Resolution.		
<b>Total</b>	<b><u>150,000,000</u></b>	<u>150,000,000</u>
<b>(B) Issued, Subscribed and Paid-up :-</b>		
3,150,000 Equity Shares of ₹ 10 each fully paid up	<b>31,500,000</b>	31,500,000
<b>Total</b>	<b><u>31,500,000</u></b>	<u>31,500,000</u>
<b>(C) Rights and preferences attached to Equity Shares</b>		
The Company has equity shares having a par value of ₹ 10. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividend proposed by the Board of Directors and approved by the Shareholders.		
In the event of liquidation by the Company, the shareholders will be entitled in proportion to the number of equity shares held by them to receive remaining assets of the Company, after distribution to those it was secured.		
<b>(D) Equity Shares held by</b>	<b>%</b>	<b>Nos</b>
<b>Holding Company:</b>		
Siddhnath Residential Paradise Pvt. Ltd.	<b>89.99</b>	<b>2,834,528</b>
	89.99	2,834,528
	<b>As at 31-Mar-12 Amount in ₹</b>	<b>As at 31-Mar-11 Amount in ₹</b>
<b>Note : 3</b>		
<b>Reserves and Surplus</b>		
<b>Capital Redemption Reserve</b>		
As per last Financial Statement	<b>376,000</b>	376,000
<b>Surplus</b>		
As per last Financial Statement	<b>(808,625,644)</b>	(1,059,436,852)
Add : Profit as per the annexed Statement of Profit and Loss	<b>213,823,899</b>	250,811,208
	<b>(594,801,745)</b>	(808,625,644)
<b>Total</b>	<b><u>(594,425,745)</u></b>	<u>(808,249,644)</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 4</b>		
<b>Short-Term Borrowings</b>		
<b>Repayable on Demand</b>		
<b>A. Secured</b>		
Cash Credit Facility	487,718,612	-
Rate of Interest - 14%		
Secured by first charge by way of mortgage of Land and Construction thereon at its realty project situated at Sanathnagar, Hyderabad and further secured by Corporate Guarantees of Lodha Developers Ltd., Siddhnath Residential Paradise Pvt. Ltd. and Dharmanath Buildtech and Farms Pvt. Ltd.		
<b>Loans and Advances from Related Parties</b>		
Holding Company	-	851,443,033
Rate of Interest - 15.24%		
Secured by First charge by way of mortgage of Land and Construction thereon of its realty project situated at Sanathnagar, Hyderabad		
<b>B. Unsecured</b>		
<b>Loans and Advances from Related Parties</b>		
Ultimate Holding Company	1,018,748,190	-
Holding Company	1,482,618	429,440,644
Fellow Subsidiary	550,000,000	-
From a Body Corporate	-	150,000
<b>Total</b>	<b>2,057,949,420</b>	<b>1,281,033,677</b>
	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 5</b>		
<b>Trade Payables</b>		
Micro, Small and Medium Enterprises	-	-
Others	65,022,890	36,462,432
<b>Total</b>	<b>65,022,890</b>	<b>36,462,432</b>
The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid / payable as required under the said Act have not been given.		
	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 6</b>		
<b>Other Current Liabilities</b>		
Advance received from customers	456,555,741	249,640,038
Other payable:		
Duties and Taxes	4,605,094	9,128,224
<b>Total</b>	<b>461,160,835</b>	<b>258,768,262</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

**Note : 7**

**Fixed Assets (At cost)**

Amount in ₹

Particulars	Gross Block			Depreciation / Amortisation			Net Block	
	As at 1-Apr-11	Additions	As at 31-Mar-12	Upto 31-Mar-11	For the year	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-11
<b>Tangible Assets</b>								
Site / Sales Offices and Sample Flats	40,973,274	2,229,815	<b>43,203,089</b>	8,341,655	8,734,875	<b>17,076,530</b>	<b>26,126,559</b>	32,631,619
Plant and Equipment	770,995	1,967,199	<b>2,738,194</b>	62,078	587,432	<b>649,510</b>	<b>2,088,684</b>	708,917
Office Equipment	1,484,451	71,426	<b>1,555,877</b>	654,332	127,336	<b>781,668</b>	<b>774,209</b>	830,119
Furniture and Fixtures	1,301,357	52,727	<b>1,354,084</b>	370,539	221,205	<b>591,744</b>	<b>762,340</b>	930,818
<b>Total</b>	<b>44,530,077</b>	<b>4,321,167</b>	<b>48,851,244</b>	<b>9,428,604</b>	<b>9,670,848</b>	<b>19,099,452</b>	<b>29,751,792</b>	<b>35,101,473</b>
<b>Previous Year</b>	2,450,000	42,080,077	<b>44,530,077</b>	183,750	9,244,854	<b>9,428,604</b>	<b>35,101,473</b>	

	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 8</b>		
<b>Deferred Tax Asset (Net)</b>		
<b>Timing differences on account of</b>		
Difference between book depreciation and tax depreciation	<b>77,266,046</b>	111,971,247
Carried forward Business Loss	<b>43,993,575</b>	172,798,078
<b>Total</b>	<b><u>121,259,621</u></b>	<b><u>284,769,325</u></b>
The Company has recognized deferred tax asset considering the flats booked / sold by the Company. The management is virtually certain that sufficient future taxable income would be available against which brought forward business losses and unabsorbed depreciation would be absorbed.		

	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 9</b>		
<b>Inventories</b>		
(as taken, valued and certified by the Management)		
(at lower of cost and net realisable value)		
Construction Materials	<b>1,837,729</b>	391,321
Property Development Work-in-Progress	<b>647,608,877</b>	470,764,732
<b>Total</b>	<b><u>649,446,606</u></b>	<b><u>471,156,053</u></b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 10</b>		
<b>Trade Receivables</b>		
<b>Unsecured, Considered good</b>		
Outstanding for a period less than six months	104,087,976	-
<b>Total</b>	<u>104,087,976</u>	<u>-</u>
	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 11</b>		
<b>Cash and Bank Balances</b>		
<b>A. Cash and Cash Equivalents</b>		
Balances with Banks	142,798,384	1,030,513
Cash on hand	36,052	59,009
	<u>142,834,436</u>	<u>1,089,522</u>
<b>B. Other Bank Balances</b>		
Fixed Deposits held as Margin money	1,052,000	-
<b>Total</b>	<u>143,886,436</u>	<u>1,089,522</u>
	As at 31-Mar-12 Amount in ₹	As at 31-Mar-11 Amount in ₹
<b>Note : 12</b>		
<b>Short-Term Loans and Advances</b>		
<b>Unsecured, Considered good</b>		
Loans and advances to related parties in the nature of Loans		
To Fellow Subsidiaries	550,000,000	-
Advances to		
Suppliers, Contractors and Expenses	403,218,063	218,219
Others	238	142,796
Deposits with Government Authorities	306,700	150,000
Other Receivable	14,634,654	11,055
Prepaid Expenses	4,615,314	6,876,284
<b>Total</b>	<u>972,774,969</u>	<u>7,398,354</u>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>Note : 13</b>		
<b>Revenue from Operations</b>		
Income from Property Development	719,157,281	-
<b>Total</b>	<u>719,157,281</u>	<u>-</u>
	For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>Note : 14</b>		
<b>Operating Costs</b>		
Construction Contract Works	89,088,813	24,953,974
Architectural and Consultancy	11,564,146	40,896,943
Building Material Consumed	138,778,364	29,146,171
Machinery Hire / Fuel Expenses	551,849	413,569
Rates and Taxes	51,916,682	1,530,807
Insurance	59,530	-
Other Construction Expenses	4,365,399	2,744,084
Overheads Allocated		
Finance Costs (Refer note 17 G)	182,047,903	343,003,010
Other Expenses	3,508,432	2,868,141
Less:		
Scrap Sales	(859,712)	(34,507)
Miscellaneous receipts from Customers	(9,611,811)	(2,389,437)
Compensation for Perpetual Lease of Land	-	(422,880)
Add: Opening Stock of Property Development Work-in-Progress	470,764,732	28,054,857
Less: Closing Stock of Property Development Work-in-Progress	(647,608,877)	(470,764,732)
<b>Total</b>	<u>294,565,450</u>	<u>-</u>
	For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>Note : 15</b>		
<b>Finance Costs</b>		
Interest Expenses	180,763,307	342,085,977
Interest Expenses on Delayed payment of current taxes	2,467,500	-
Other Borrowing Costs	1,876,724	1,002,710
	<u>185,107,531</u>	<u>343,088,687</u>
Less: Allocated to Property Development Work-in-Progress	(182,047,903)	(343,003,010)
<b>Total</b>	<u>3,059,628</u>	<u>85,677</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

	For the Year ended 31-Mar-12 Amount in ₹	For the Year ended 31-Mar-11 Amount in ₹
<b>Note : 16</b>		
<b>Other Expenses</b>		
Legal and Professional Fees	1,409,109	438,704
Electricity Charges	257,677	970,131
Auditors' Remuneration		
Audit Fees	350,000	300,000
Other Services	100,000	-
Reimbursement of Service tax	55,620	30,900
Bank Charges	103,755	47,262
Printing and Stationery	519,953	426,010
Postage and Courier	623,422	281,824
Repairs and Maintenance		
Building	1,403,157	988,999
Others	349,684	86,045
Rates and Taxes	376,643	-
Filing fees	3,060	5,040
Conveyance	705,699	671,496
Advertisement Expenses	16,273,947	15,772,061
Brokerage	10,605,544	-
Business Promotion Expenses	4,792,108	7,290,203
Sundry Balances Written off	-	38,770
Miscellaneous Expenses	106,806	148,282
	<b>38,036,184</b>	<b>27,495,727</b>
Less: Allocated to Property Development Work-in-Progress	<b>(3,508,432)</b>	<b>(2,868,141)</b>
<b>Total</b>	<b>34,527,752</b>	<b>24,627,586</b>

**Note : 17**

**Other Notes on Accounts**

- A. The Company had assigned all the rights and obligations in respect of appeals in Income Tax/ Other Taxes/ Cases to Bakelite Hylam Ltd (BHL) (formerly Bakelite Resins & Foams Ltd) (i.e. the resulting company, on account of demerger) vide Deed of Assignment dated March 31, 2009 entered into by the Company for a consideration of ₹ 500,000 and accordingly, any liability arising on this account upto March 31, 2009 would be borne by BHL. The details of contingent liabilities at the time of such assignment are as under:

Sr. No.	Particulars	As at 31-Mar-12 ₹ in Lakhs	As at 31-Mar-11 ₹ in Lakhs
(i)	Disputed Income Tax Liability	14.75	14.75
(ii)	Disputed Central Excise Liability	158.41	158.41
(iii)	Disputed Sales Tax Liability	36.31	36.31

- B. The Hon'ble Bombay High Court has vide its Order dated January 19/20, 2012 dismissed the writ petition of the Maharashtra Chamber of Housing Industry (MCHI) challenging the constitutional validity of levy of Service tax on any commercial or industrial construction or construction of residential complexes under construction. Subsequently, the Hon'ble Supreme Court of India has admitted Special Leave Petition of the MCHI on March 30, 2012 challenging the said Order and the same is pending before the Apex court.

By virtue of the "Agreement for sale" entered into by the Company with the purchasers of the unit in commercial or residential complex under construction, the purchaser is liable to bear Service tax that may be leviable on the aforesaid transactions.

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

Interest payable for delayed payment of service tax will be provided for as and when the Apex court upholds the levy of Service Tax.

Meanwhile, amount wherever received from customers in respect of the above are being deposited with authorities under protest.

- C. Based on an expert opinion taken, the Company has been advised that VAT on sale of immovable property is payable at the time of registration and consequently, VAT is not being charged from the customers till such time. There will be no liability on this account as the same is going to be collected from the customers.
- D. The accumulated losses of the Company have far exceeded its entire net worth. The accounts have, however, been prepared by the management on a going concern basis considering the fact about the profit made during the year and expected profits in subsequent years based on agreements executed with customers. Besides the present promoters of the company have assured technical and administrative support.
- E. In the opinion of the management, all of the assets other than Fixed Assets and Non - Current Investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- F. Balances in Trade Payables, Trade Receivables and Other Loans and Advances are subject to reconciliation / confirmation. In the opinion of the management, the difference as may be noticed on such reconciliation will not be material.
- G. The Holding Company and Dharmanath Buildtech and Farms Pvt Ltd (a company under the same management) had incurred certain expenses (including interest) of ₹ 156,724,194 in earlier periods relating to real estate development, which have been approved/accepted and acknowledged by the Board of Directors in their meeting held on May 31, 2010 and the same have been inventorised based on an expert opinion taken in this regard.
- H. The Company has recognised revenue in respect of its real estate project at Sanathnagar, Hyderabad during the year in accordance with the Revenue Recognition policy being followed by the Company. Consequently, the results of the year are not comparable with corresponding Losses for the year.
- I. The Company has only single reportable business segment i.e. real estate development in terms of requirements of AS – 17.
- J. **Disclosure in respect of related parties pursuant to Accounting Standards 18:**

**I. List of related parties: (from 25<sup>th</sup> May, 2010 unless otherwise stated)**

(As identified by the management and relied upon by the auditors)

**a) Enterprises Controlling the Company:**

**Ultimate Holding Company / Parent Company:**

Lodha Developers Ltd.

**Holding Company:**

Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)

**b) Parties where control exists:**

**i) Other Fellow Subsidiary Companies:**

Aasthavinayak Real Estate Pvt. Ltd.

Aasthavinayak Estate Company Pvt. Ltd.

Adinath Builders Pvt. Ltd.

Ajitnath Hi-tech Builders Pvt. Ltd.

Anantnath Constructions and Farms Pvt. Ltd. (from 22/11/10)

Arihant Premises Pvt. Ltd.

Bahubali Real Estate and Precast Pvt. Ltd., (Formerly known as Bahubali Real Estate and Farms Management Pvt. Ltd.) (from 13/11/11)

Bellissimo Holdings Singapore Pte Ltd. (up to 31/03/11)

Chetna Infracon Pvt. Ltd. (from 31/03/12)

Cowtown Land Development Pvt. Ltd.

Galaxy Premises Pvt. Ltd.  
Gandhar Builders Pvt. Ltd.  
Hi-Class Buildcon Pvt. Ltd.  
Hi-Class Developers Pvt. Ltd. (up to 30/03/12)  
Hotel Rahat Palace Pvt. Ltd.  
International Airport Builders & Management Services Pvt. Ltd. (Formerly known as Lodha Quality Buildmart Pvt. Ltd.) (from 01/10/10)  
Kidderpore Holdings Ltd. (from 08/11/10)  
Kundan Realtors Pvt. Ltd. (from 31/03/12)  
Lodha Attentive Developers and Farms Pvt. Ltd.  
Lodha Buildcon Pvt. Ltd.  
Lodha Builders Pvt. Ltd. (up to 30/06/10)  
Lodha Building and Construction Pvt. Ltd.  
Lodha Crown Buildmart Pvt. Ltd.  
Lodha Designer Construction Pvt. Ltd.  
Lodha Developers UK Ltd.  
Lodha Dwellers Pvt. Ltd.  
Lodha Elevation Buildcon Pvt. Ltd.  
Lodha Estate Pvt. Ltd.  
Lodha Glowing Construction Pvt. Ltd.  
Lodha Healthy Constructions and Developers Pvt. Ltd. (up to 30/03/12)  
Lodha Hi-Rise Builders Pvt. Ltd.  
Lodha Home Developers Pvt. Ltd.  
Lodha Home Finance Ltd. (from 01/03/12)  
Lodha Home Styles Pvt. Ltd.  
Lodha Impression Real Estate Pvt. Ltd.  
Lodha Land Developers Pvt. Ltd.  
Lodha Novel Buildfarms Pvt. Ltd.  
Lodha Pinnacle Buildtech and Farms Pvt. Ltd.  
Lodha Pranik Landmark Developers Pvt. Ltd. (Converted from Lodha Pranik Landmark Developers w.e.f 17/06/11)  
Lodha Prime Buildfarms Pvt. Ltd. (from 12/11/10)  
Lodha Properties Development Pvt. Ltd. (up to 30/03/12)  
Lodha Ultimate Buildtech and Farms Pvt. Ltd. (from 10/06/10 to 30/03/12)  
Ma Padmavati Software Design Pvt. Ltd. (from 01/04/11)  
Maa Padmavati Buildtech Pvt. Ltd.  
Macrotech Constructions Pvt. Ltd.  
Mahavir Build Estate Pvt. Ltd.  
Mahavir Premises Pvt. Ltd.  
Microtec Constructions Pvt. Ltd.  
Naminath Builders and Farms Pvt. Ltd.  
National Standard (India) Ltd. (from 19/05/11)  
Odeon Theatres and Properties Pvt. Ltd. (Formerly known as Odeon Theatres Pvt. Ltd.)  
Padmavati Buildtech & Farms Pvt. Ltd. (from 30/03/11)

Palava Utilities Pvt. Ltd. (Formerly known as Lodha Structure Developers Pvt. Ltd.) (from 01/07/10)  
 Sahajanand Hi-tech Constructions Pvt. Ltd. (Formerly known as Parasnath Hi-Tech Constructions Pvt. Ltd.)  
 Sai Ishwer Finvest Pvt. Ltd. (Formerly known as Shree Adinath Builders Pvt. Ltd.) (from 14/04/11)  
 Shantinath Designer Construction Pvt. Ltd.  
 Shri Nakoda Bhirav Realtors Pvt. Ltd.  
 Shripal Realty Pvt. Ltd.  
 Shreeniwas Cotton Mills Ltd.  
 Shri Vardhvinayak Builders Pvt. Ltd.  
 Shri Kailash Properties and Agrofarms Pvt. Ltd. (from 01/10/10)  
 Simtools Pvt. Ltd.  
 Sitaldas Estate Pvt. Ltd.  
 Suryakrupa Farms and Constructions Pvt. Ltd. (from 21/03/11)

**ii) Limited Liability Partnerships under Control:**

Ajeethnath Hi – Tech Buildtech LLP (from 05/10/11)  
 Lodha Dwellerz LLP (from 03/10/11)  
 Lodha Fincorp Distribution Services LLP (Formerly known as Lodha Skyscrapers LLP) (from 18/11/11)

**iii) Partnership Firms under control:**

Datta Pooja Builders and Developers (from 11/10/10 to 13/10/10)  
 Lodha Construction (Dombivli)  
 Lodha Palazzo,  
 Shree Sainath Enterprises  
 Vivek Enterprises

**iv) Associates (with whom the company had transactions):**

Dharmanath Buildtech and Farms Pvt. Ltd.  
 Lodha Healthy Constructions and Developers Pvt. Ltd. (from 31/03/12)

**v) Key Management Personnel:**

Deepak Chitnis (from 22/07/10)  
 N. P. S. Shinh (up to 24/05/10)

**II. During the year, the following transactions were carried out with the related parties in the ordinary course of business and at arm's length:**

(a) Disclosure in respect of transactions with related parties during the year ended March 31, 2012:

Particulars	Name of the Company	Nature of Relationship	Amount in ₹
<b>A. Expenses</b>			
1. Reimbursement of expenses	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	1,374,226 (32,255,713)
	Macrotech Constructions Pvt. Ltd.	Fellow Subsidiary	498,106 (-)
	Lodha Healthy Constructions and Developers Pvt. Ltd.	Fellow Subsidiary	492,495 (-)
	Sahajanand Hi-tech Constructions Pvt. Ltd. (Formerly known as Parasnath Hi-Tech Constructions Pvt. Ltd.)	Fellow Subsidiary	- (386,050)
2. Purchase of Material	Lodha Healthy Constructions and Developers Pvt. Ltd.	Fellow Subsidiary	129,849 (-)

**SANATHNAGAR ENTERPRISES LIMITED**  
(Formerly known as Bakelite Hylam Limited)

Particulars	Name of the Company	Nature of Relationship	Amount in ₹
3. Interest Expenses	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	158,124,205 (55,369,807)
	Lodha Developers Ltd.	Parent Company	11,034,542 (-)
	Dharmanath Buildtech and Farms Pvt. Ltd.	Associate	- (287,571,617)
<b>Finance</b>			
1. Unsecured Loans taken	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	136,714,885 (159,650,576)
	Lodha Developers Ltd.	Parent Company	1,111,717,102 (-)
	Lodha Pranik Landmark Developers Pvt. Ltd. (Converted from Pranik Landmark Associates w.e.f 17/06/11)	Fellow Subsidiary	550,000,000 (-)
2. Secured Loan Repaid	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	851,443,033 (-)
	Dharmanath Buildtech and Farms Pvt. Ltd.	Associate	- (851,443,033)
3. Loan given	Aasthavinayak Estate Company Pvt. Ltd.	Fellow Subsidiary	500,000,000 (-)
	Lodha Land Developers Pvt. Ltd.	Fellow Subsidiary	50,000,000 (-)
4. Assignment of Secured Loan	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	- (851,443,033)
5. Guarantee taken	Lodha Developers Limited	Parent Company	700,000,000 (-)
	Siddhnath Residential Paradise Pvt. Ltd. (Formerly known as Paraswanath Residential Paradise Pvt. Ltd.)	Holding Company	
	Dharmanath Buildtech and Farms Pvt. Ltd.	Associate	

(b) Outstanding balance as at March 31, 2012:

(Amount in ₹)

Particulars	The Parent / Holding Company	Fellow Subsidiaries	Associates
1. Unsecured Loans Taken	1,020,230,808	550,000,000	-
	(429,440,644)	(-)	(-)
2. Secured Loans Taken	-	-	-
	(851,443,033)	(-)	(-)
3. Loan Given	-	550,000,000	-
	(-)	(-)	(-)
4. Trade payable	-	168,942	590,497
	(-)	(-)	(-)
5. Guarantee taken	700,000,000	-	700,000,000
	(-)	(-)	(-)

**Note:**

No amount pertaining to related parties has been provided for as doubtful debts nor written off / back during the year except as stated above.

K. Disclosures of amounts at the year end and the maximum amount of Loans and Advances in the nature of Loans.

(Amount in ₹)

Particulars	Balance as at 31-Mar-12	Maximum Balance during the year
Aasthavinayak Estate Company Pvt. Ltd.	500,000,000 (-)	500,000,000 (-)
Lodha Land Developers Pvt. Ltd.	50,000,000 (-)	50,000,000 (-)

L. Calculation of Earnings per Share:

	For the Year ended 31-Mar-12	For the Year ended 31-Mar-11
Profit after Tax	₹ 213,823,899	₹ 250,811,208
No. of Equity Shares as on April 1	3,150,000	3,150,000
No. of Equity Shares as on March 31	3,150,000	3,150,000
Weighted average no. of Equity Shares outstanding at the end of the year	3,150,000	3,150,000
Face Value of equity shares	₹ 10	₹ 10
Basic and Diluted earnings per share	₹ 67.88	₹ 79.62

M. (i) Figures in brackets are related to previous year

(ii) The revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Accordingly, the company has reclassified the previous year figures to this year classification. The adoption of revised Schedule VI does not impact revenue recognition and measurement principles followed for preparation of financial statements.

**As per our attached Report of even date**

**For LODHA & CO.**  
**Chartered Accountants**  
**FRN : 301051E**

**For and on behalf of the Board**

**R. P. Baradiya**  
**Partner**

**Surendra Shah**  
**Director**

**Deependra Gupta**  
**Director**

**Deepak Chitnis**  
**Manager**

**Place : Mumbai**  
**Date : May 28, 2012**





**SANATHNAGAR ENTERPRISES LIMITED**

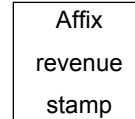
(Formerly known as Bakelite Hylam Limited)

Lodha Bellezza, East Block, Eden Square, Off Kukatpally, Housing Board Road (KPHB),  
Hyderabad – 500072, Andhra Pradesh

**PROXY FORM**

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being member(s) of Sanathnagar Enterprises Limited, bearing folio no. \_\_\_\_\_  
No. of Shares held \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for  
me/us and on my/our behalf as indicated below at the Sixty Fifth Annual General Meeting of the company to be held on  
Wednesday, 26<sup>th</sup> September, 2012 at 12.30 p.m. at Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad –  
500078, Andhra Pradesh and at any adjournment thereof.

Signed this of \_\_\_\_\_ day of \_\_\_\_\_



\_\_\_\_\_  
Signature

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. Proxies should be lodged with the company at least 48 hours before the time fixed for the meeting.

**SANATHNAGAR ENTERPRISES LIMITED**

(Formerly known as Bakelite Hylam Limited)

Lodha Bellezza, East Block, Eden Square, Off Kukatpally, Housing Board Road (KPHB),  
Hyderabad – 500072, Andhra Pradesh

**ATTENDANCE SLIP**

Particulars to be filled in by member/proxy:

Name of the Member \_\_\_\_\_

Member's Regd. Folio No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Name of Proxy, if attending on behalf of a Member \_\_\_\_\_

I hereby record my presence at the Sixty Fifth Annual General Meeting of the company held on Wednesday, 26<sup>th</sup> September, 2012 at 12.30 p.m. at Alankrita Resorts, Thumkunta Village, Shameerpet Mandal, Hyderabad – 500078, Andhra Pradesh.

\_\_\_\_\_  
Signature of Member / Proxy

- Note: 1. Members/Proxies must fill in this attendance slip and hand it over at the entrance of the venue of the building.  
2. Members/Proxies are requested to bring their copy of the Annual Report for the meeting and no copy of Notice/ Attendance slip will be supplied at the meeting





## BOOK POST

*If Undelivered, please return to:*

The Secretarial Department

**Sanathnagar Enterprises Limited**

10<sup>th</sup> Floor, Lodha Excelus, Apollo Mills Compound,

N.M.Joshi Marg, Mahalaxmi, Mumbai - 400 011.