



# DIRECTORS REPORT

## DEAR MEMBERS,

We are delighted to present 26th Annual Report on the business and operations of the Company for the year ended 31st March, 2011.

### 01. FINANCIAL RESULTS:

Financial Highlights of the Company for the year are as follows:

Particulars	(Rs. In Millions)			
	2010-2011		2009-2010	
Gross Receipts :		8083.23		7147.72
Profit before Interest & Depreciation & Taxes		1024.13		907.79
Less: Interest	227.89		214.26	
Depreciation	75.33		64.11	
Profit Before Tax & Prior Period Adjustment		720.91		629.43
Less: Provision for Tax Current	201.08		197.20	
Deferred Tax Expense/(Gain)	(2.61)		(4.39)	192.81
Profit After Tax & before Prior Period Adjustment		522.45		438.62
Add/Less: Excess/(Short) Provision W Back/ Off	15.53		2.30	
Prior Period Adjustment-Income(Expenses)	5.01	20.54	3.34	5.64
Net Profit	542.99			442.26

### 02. BUSINESS PERFORMANCE

Gross Receipt for the year is at Rs. 8083.23 million compared to Rs. 7147.72 million for the previous period of 12 months.

Net Profit for the year is at Rs. 542.99 million as compared to Rs. 442.26 million for the previous period of 12 months.

### 03. CONSOLIDATED RESULTS

Consolidated income of Vascon Group has gone up by 36.99% to Rs. 10,524.92 million.

Net Profit has increased 21.86% to Rs. 648.36 million.

Diluted Earnings Per Share (EPS) on consolidated basis Rs. 7.18 as compared to Rs. 6.69 in the previous year.

### 04. BUSINESS OPERATIONS & FUTURE OUTLOOK

The Company's EPC Services include constructing factories, hospitals, hospitality properties, office and residential complexes, shopping malls, multiplexes, IT

Parks and other buildings. We intend to capitalize on the opportunity presented by the emphasis on the infrastructure development by the Government of India.

Vascon also provides EPC Services for its own projects as well as to third parties. EPC Services involve various activities, depending on the scope of the engagement on a specific project. It encompasses undertaking projects or as contractors responsible for a specific portion of a project.

Vascon's strategy for the EPC segment will focus on optimizing its EPC services business and resources and entering into infrastructure development and other infrastructure related activities.

In the real estate space the Company is engaged in the development of residential and office complexes, shopping malls, multiplexes, hospitality properties IT Parks and other buildings. Vascon conducts its real estate development business directly or through its subsidiaries and also holds equity into joint development or other agreements to develop the properties.

The Company undertakes the entire spectrum of Real Estate Development activities including identification and acquisition of land to providing EPC Services, and sales and marketing of projects to operation of the completed projects.

### 05. DIVIDEND

Your Directors have recommended a dividend of Re.1 per share on equity shares of Rs.10 each for the year 2010-2011 amounting to Rs.90.02 millions. Your Directors sought your approval for declaring same in Annual General Meeting.

### 06. UTILIZATION OF IPO PROCEEDS

#### A) Change In Utilization of IPO proceeds: postal ballot

Postal ballot process, pursuant to section 192A of the Companies Act, 1956 read with Companies (passing of resolution by postal ballot) Rule, 2001, was undertaken by the Company for the purpose of obtaining the approval of the shareholders by way of a Ordinary resolution.

The detailed information relating to postal ballot has been furnished in the General Shareholder Information of the Report on Corporate Governance.

#### B) Utilization of IPO proceeds :

The proceeds of the IPO were issued for procurement of land at various strategic places, repayment of loans,





# DIRECTORS REPORT

construction expenses of projects and for general corporate purposes. The summaries of utilization of net IPO proceeds are as follows:

(Rs. in Millions)

Particulars	Amount to be utilized	Actual utilizations as on 31.03.2011
a) Construction of our EPC contracts & real estate development projects	1189.2	1189.2
b) Repayment of debt	361.7	361.7
c) General corporate purpose	103.4	103.4
d) Issue Expenses	127.7	127.7
<b>Total</b>	<b>1,78.2</b>	<b>1,78.2</b>

## 07. ACQUISITIONS

During the year the Company has continued to pursue the strategy of economies of scale and improve its edge in offering turnkey solutions. The Company acquired GMP Technical Solution Private Limited, a Company with a turnover of over Rs. 120 crores. The acquisition is made for a total investment of Rs. 626.3 million. GMP Technical Solutions has attained expertise in the manufacturing of modular clean rooms, office partition systems, etc.

## 08. SUBSIDIARY COMPANIES

The Company had 9 subsidiaries at the beginning of the year. During the year the Company acquired one new subsidiary which is GMP Technical Solutions Private Limited. Calypso Premises Private Limited ceased to be a subsidiary of the Company due to sale of shares.

Following this action, the Company has 9 subsidiaries as on March 31, 2011.

The Ministry of Company Affairs vide its letter No. 47/95/2011-CL-III dated February 7, 2011 granted exemption to the Company from affixing Copies of the Balance Sheet and Profit and Loss Account, Directors' Report and Auditor's Report of the subsidiary companies for the year 2010-2011. However, on request by any member of the Company/statutory authority interested in obtaining them, these documents will be made available for examination, at the corporate office. Pursuant to the approval, a statement of summarized financials of all the subsidiaries, joint ventures & associates is attached along with the consolidated financial statement.

## 09. CONSOLIDATED FINANCIAL STATEMENT

We have pleasure in attaching the Consolidated

Financial Statement pursuant to clause 32 of the listing agreement entered in to with the stock exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard.

## 10. DETAILS OF UNCLAIMED SHARES

Following are the unclaimed shares in demat suspense account of the Company as at March 31, 2011.

At the beginning of the year		During the year		At the end of the year	
Aggregate number of shareholders	Outstanding shares in the suspense account lying at the beginning of the year	Number of shareholders approached for transfer of shares from suspense account	Number of shareholders to whom shares are transferred from suspense account	Aggregate Number of shareholders	outstanding share in the suspense account lying at the end of the year
5	805	5	805	0	0

## 11. DIRECTORS

### Retirement by Rotation

Mr. Ameet Harlanl, Director retires by rotation and being eligible has offered himself for re-appointment. We proposed to re-appoint Mr. Ameet Harlanl as Director of the Company at the ensuing Annual General Meeting.

### Re-appointment of Managing Director

Mr. R. Vasudevan was re-appointed as a Managing Director of the Company in the Extra-ordinary General Meeting of the Company held on June 12, 2006. Accordingly his tenure of appointment expired on March 31, 2011. In terms of the recommendations of the Compensation/Remuneration Committee, the Board of Directors of the Company in their meeting held on February 8, 2011 has re-appointed Mr. R. Vasudevan as a Managing Director for further period of five years with effect from April 1, 2011, subject to approval of members, on the terms and conditions set out in the resolution No. 5 of the notice of the ensuing Annual General Meeting.

The brief resume/details relating to directors, who are to be re-appointed have been furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

## 12. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT:

A report on corporate governance is attached to this Report along with Management Discussion and Analysis Statement.





# DIRECTORS REPORT

## 13. FIXED DEPOSIT

The Company has accepted deposits without invitation to Public under section 58A of the Companies Act, 1956. The statement in lieu of advertisement signed by the Directors of the Company was filed with the Registrar of Companies, Mumbai pursuant to rule 4A(1) of the Companies (Acceptance of Deposits) rule, 1975. Fixed deposits accepted from employees, shareholders and outsiders as on March 31, 2011 stood at Rs. 83.701 Millions. None of the fixed deposits which are matured during the year remained unpaid.

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

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is provided in Annexure forming part of the Report.

## 15. PARTICULARS REGARDING EMPLOYEES

The Board of Directors wishes to express their appreciation to all the employees for their outstanding contribution to the operations of the Company during the year. The information required under section 217(2A) of the Companies Act, 1956 and the rules made there under is provided in annexure forming part of the report. In terms of section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary.

## 16. EMPLOYEE STOCK OPTION SCHEME

During the year under review, the Company implemented Employee Stock Option Scheme, 2007 ("the scheme"). Disclosures in respect of the scheme in compliance with Clause 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999 are set out in annexure to this report and forms part of this report.

## 17. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA)

a) The Company has followed all applicable accounting standards in the preparation of annual accounts as recommended by statutory auditors.

b) 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 at the end of the year and of the Profit of the Company for that year.

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

d) The annual accounts are prepared on a going concern basis.

## 18. SOCIAL RESPONSIBILITY

Vascon Moorthy Foundation (VMF) was set up in February 2008 to handle the welfare initiatives of Vascon Engineers Limited. VMF was named after the late Shri N. R. Moorthy, Senior Mentor of Vascon. The first task was to look after the welfare of construction workers at Vascon Project sites. Outside the industry, VMF is taking steps to promote education of deserving children, especially girls. Long term plans include sponsoring or setting up an institute that can provide technical training in construction industry to the youth.

## 19. AUDITORS

Anand Mehta & Associates, Auditors, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept offer, if re-appointed.

## 20. ACKNOWLEDGEMENT

We thank our bankers, customers and vendors for their continued support to our Company's growth. We place on record our appreciation of the contributions made by Vascon's employees at all levels. Their competence, hard work, solidarity, co-operation and support have enabled the Company to perform consistently well in a competitive environment.

For and on behalf of the Board  
VASCON ENGINEERS LIMITED

Place: Pune  
Date: 14th May, 2011

V. Mohan  
Chairman





# DIRECTORS REPORT

## ANNEXURE TO DIRECTORS' REPORT

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, your Company is not covered by the Schedule of Industries which are required to furnish the information in Form-A.

Your Company has not imported any technology or other items, or carried on the business of export or import. Therefore, the disclosure requirements against technology absorption are not applicable to the Company.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. In Millions)

Particular	2010-2011	2009-2010
Foreign exchange earnings	-	-
Expenditure in foreign exchange	21.84	19.09

### Clause 12

Pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999 the details of stock option as on 31st March, 2011 under the Employee Stock Option Scheme, 2007 are set out as under :

SR	Description		
1	Options Granted	19,83,500	
2	The Pricing Formula	Fair value	
3	Option Vested	19,83,500	
4	Option Exercised	16,50,000	
5	The Total number of shares arising as result of exercise of option	19,83,500	
6	Options lapsed	Nil	
7	Variation of terms of Option	Nil	
8	Money realised by exercise of option	1,65,00,000/-	
9	Total number of options in force	3,33,500	
10	Employee wise details as on March 31 2010 of options granted to		
	Senior Managerial Personnel		
	Name	Exercise Price (Rs)	
		No. of Options	
	R. Vasudevan	10	16,00,000
	N.R. Moorthy	10	50,000
	C. V. Shah	10	50,000
	S. P. Nair	10	50,000
	Kumar Krishnan	10	40,000
	P. S. Padgoankar	10	25,000
	D. Santhanam	10	25,000
	Sudhakar Shetty	10	15,000

Senior Managerial Personnel	Name	Exercise Price (Rs.)	No. of Options
	M.T. Badshah	10	15,000
	T. V. Jagdale	10	10,000
	J. K. Patil	10	10,000
	Santosh Sundararajan	10	10,000
	M. Krishnamurthi	10	10,000
i) Any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year.	Grant of 16,00,000 options to R. Vasudevan.		
ii) Identified employee who received a grant option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Grant of 16,00,000 options to R. Vasudevan.		
11 Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20* Earning Per Share*	Rs. 6.01/-		
12 Where the Company has calculated the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used fair value of the options. The impact of this difference on profits and on EPS of the Company.	There is no impact on the profits and EPS		
13 Weighted average exercise prices and weighted average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.			
14 A description of the method & significant assumptions used during the year to estimate the fair values of options, including the following weighted average information - (a) risk free interest rate (b) expected life (c) expected volatility (d) expected dividends and (e) the price of the underlying share in market at the time of option grant.			

For and on behalf of the Board  
VASCON ENGINEERS LIMITED

V. Mohan  
Chairman

Place: Pune  
Date: 14th May, 2011





# REPORT ON CORPORATE GOVERNANCE

## REPORT ON CORPORATE GOVERNANCE

### Philosophy:

Corporate Governance aims at promoting fairness, transparency, accountability and responsiveness and directing the Company to not only work towards the enhancement of shareholders' value but also towards the overall betterment of all stakeholders viz shareholders, creditors, customers, employees and society at large.

Vascon Engineers Limited is committed to achieve the above mentioned standards and maintain the highest standard of Corporate Governance. It believes in total transparency in sharing all relevant information with all its stakeholders and the Company is quite confident that the information shared would in turn contribute to improve the overall performance of the Company and further would strengthen the relationship of the Company with stakeholders, promoters, customers, vendors, government, employees. It is with this conviction that Vascon Engineers Limited has formulated procedures and policies & systems that are promoting Immaculate Corporate Governance structure within the Company.

### Company's Philosophy on Code of Corporate Governance

The Company has always been committed to the principle of good Corporate Governance which rests upon the four pillars of transparency, full disclosure, independent monitoring & fairness to all, especially to minority shareholders and has always strived to promote good Corporate Governance practice. The Corporate Governance structure in the Company assigns responsibility and entrusts authority among different participants in the organization viz Board, the senior management, employees etc.

### Composition of the Board of Directors

The strength of Board of Directors as on 31st March, 2011 consists of five directors - One Managing Director, two Non-Executive Directors and two Non-Executive Independent Directors.

Given in the table below is the composition of the Board and inter alia the other directorships held by each of the directors.

Name	Position	Date of Joining	Directorship U/s 275 of the companies Act, 1956 in other Public Limited Companies	Number of Committee Chairmanships/ Memberships held in other Public Limited Companies	
				Committees membership	Chairmanship Committees
V. Mohan DIN: 00071517	Chairman & Independent Director	March 8, 2007	5	1	NIL
R. Vasudevan DIN: 00013519	Managing Director	Jan 1, 1986	NIL	NIL	NIL
K. G. Krishnamurthy DIN: 00012579	Non-Executive Director	June 21, 2008	5	1	NIL
Armeet Hariani DIN: 00087866	Non-Executive Director	Sept 19, 2007	3	3	1
R. Kannan DIN: 00017321	Independent Director	Sept 19, 2007	NIL	NIL	NIL

1. The directorship/committee membership is based on the latest disclosures received from the Directors.
2. None of the directors is a member of the Board of more than 15 companies in terms of Section 275 of Companies Act, 1956; member of more than 10 committees & chairman of more than 5 committees across all companies in which he is a director.
3. None of the directors are related inter-se.

### Board Meetings

The Board met nine times during the financial year 2010-2011. The maximum time gap between two meetings was not more than four calendar months. These were held on May 10, 2010, July 28, 2010, August 7, 2010, November 8, 2010, December 14, 2010, January 10, 2011, January 11, 2011, February 8, 2011 and March 30, 2011.

The number of Board meetings and attendance of all Directors during the financial year 2010-2011 is given in the table below:-

Directors	No of Board Meetings held	No of Board Meetings attended	Attendance at Last AGM
V. Mohan	9	9	Yes
R. Vasudevan	9	9	Yes
K. G. Krishnamurthy *	9	8	Yes
Armeet Hariani *	9	7	Yes
R. Kannan *	9	6	Yes

\*Were given leave of absence on request.





# REPORT ON CORPORATE GOVERNANCE

The Company has a well-defined process of placing vital sufficient information before the Board such that the information earmarked under Clause 49 of the Listing Agreement(s) is covered to the fullest extent.

The Minutes of the Meetings of all the Committees namely, Audit Committee, Shareholders' Grievance Committee and Remuneration/Compensation Committee of the Company are placed before the Board as and when held during the year.

#### Committees of Board:

The Company has Board Level Committees, namely:

1. Audit Committee
2. Remuneration/Compensation Committee
3. Shareholders' Grievance Committee

#### Audit Committee

The Audit Committee has been constituted as per provisions of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. It was constituted on February 17, 2007 and reconstituted on Sept 16, 2009. It now comprises of three directors.

During the year the Audit Committee met on April 6, 2010, May 10, 2010, August 7, 2010, November 8, 2010 and February 8, 2011.

Given in the table below is the constitution of committee and attendance records of members:-

Name	Status	No. of meetings attended
Mr. V. Mohan	Chairman & Independent Director	5
Mr. R. Kannan	Independent Director	3
Mr. R. Vasudevan	Managing Director	5

The Company Secretary acts as Secretary to the Audit Committee.

Terms of reference of the Audit Committee are broadly as under:

1. If the remuneration to Auditors is not fixed by shareholders and is delegated to the Board then the Audit Committee should make a suitable recommendation to the Board.
2. Where the Audit Committee finds the quality, efficiency and contribution of the Auditor is not satisfactory then, the Audit Committee shall take up the matter with the Auditor and in case he does not resign, the Audit Committee shall find a suitable replacement and recommend his appointment to the Board, including terms & conditions as to remuneration or otherwise.

3. To approve payment to the Auditor for services other than Audit.
4. To approve the bill of the Auditor for services in any other capacity.
5. To examine any changes in accounting policies and the reasons thereof.
6. To examine major accounting entries based on the exercise of judgment by management.
7. Where the Auditor made some qualifications in his draft report, to examine the details causing such qualification and suggest suitable addendum in the Director's Report.
8. Reviewing with the management, the quarterly financial statement before submission to the board for approval.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and reporting the matter to the Board.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
11. To carry out such other functions as may be specifically referred to by the Board from time to time.
12. Relationships with Suppliers and Customers: The Directors and senior management employees of the Company during the course of interaction with suppliers and customers, shall neither receive nor offer or make, directly and indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended or perceived to obtain business or uncompetitive favors for the conduct of its business. However this is not intended to include gifts of customary nature.
13. Interaction with Media: The Directors and senior management employees other than the designated spokespersons shall not engage with any member of press and media in matters concerning the Company. In such cases, they should direct the request to the designated spokespersons.
14. Safety and Environment: The Directors and senior management employees shall follow all prescribed safety and environment-related norms.

#### Remuneration/Compensation Committee

The Remuneration/Compensation Committee was constituted on June 11, 2007 and was reconstituted on Sept 16, 2009 now comprises of three directors.

During the year the Remuneration/Compensation Committee met on November 8, 2010 and February 8, 2011.





# REPORT ON CORPORATE GOVERNANCE

Given in the table below is the constitution of the committee and attendance record of members:-

Name	Status	No. of meetings attended
Mr. V. Mohan	Chairman & Independent Director	2
Mr. R. Kannan	Independent Director	1
Mr. Ameet Hariani	Non-executive Director	1

The Company Secretary acts as Secretary to the Remuneration/Compensation Committee.

**Terms of reference of Remuneration/Compensation Committee are broadly as under:**

1. To discharge the Board's responsibilities relating to compensation to the Company's Executive Directors.
2. To approve and evaluate the Executive Director's compensation plans, policies and programmes of the Company
3. To formulate, administer and adopt the Employees' Stock Option Plan (ESOP) of the Company
4. To determine the quantum of option to be granted under an ESOP per employee and the total number in aggregate
5. To determine at such intervals, as the Committee considers appropriate, the persons to whom shares or options may be granted
6. To decide the conditions under which option vested in employees may lapse in case of termination of employment for misconduct
7. To determine the exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period
8. To determine the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of the employee
9. To determine the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period
10. To determine the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, sale of division and others. In this regard the following shall be taken into consideration by the committee.
  - (i) The number and the price of the ESOP shall be adjusted in a manner such that the total value of the ESOP remains the same after the corporate action
  - (ii) For this purpose global best practices in this area including the procedures followed by the derivatives markets in India and abroad shall be considered
11. To determine the grant, vest and exercise of option in case of employees who are on long leave
12. To determine the procedure for cashless exercise of options
13. To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or option and/or vary/amend the terms to adjust to the situation that may arise
14. To approve the transfer of the shares in the name of the employee at the time of exercise of options by such employee under ESOP
15. To review and approve any disclosures in the annual report or elsewhere in respect of compensation policies or directors' compensation
16. To obtain such outside or professional advice as it may consider necessary to carry out its duties
17. To invite any employee or such document as it may deem fit for exercising of its functions
18. To attend to such matters with respect to the remuneration of senior and other employees as may be submitted to it by the Managing Director
19. To attend to any other responsibility as may be entrusted by the Board.

The Company has no pecuniary relationship or transaction with its Non Executive Director other than payment of sitting fees. The Company has sought the expert legal advice of Hariani & Co, Solicitors & Advocates in certain matters and a sum of Rs. 44,66,347/- has been paid as professional fees to the said firm during the year ended 31st March, 2011. Mr. Ameet Hariani, Non Executive Director of Company is the Senior Partner of the said firm. The aforesaid professional fees are not considered material enough to have potential conflict with the interest of the Company.

On recommendations of the Compensation/ Remuneration Committee, the Board of Directors of the Company in their meeting held on 8th February, 2011 has re-appointed Mr. R. Vasudevan as a Managing Director and revised remuneration payable to him subject to the provisions of Section 198, 309 and other applicable provisions of the Companies Act, 1956 and approval of shareholders. Non-executive directors are paid sitting fees pursuant to Section 310 of the Companies Act, 1956.

Given in the table below are the details of remuneration paid/payable to the directors and their shareholding for the year ended March 31, 2011.





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Name of Director	R. Vasudevan	V. Mohan	K. G. Krishnamurthy	Ameet Hariani	R. Kannan
Salary Commission & Ex-gratia	32365759	NIL	NIL	NIL	NIL
other perquisites (LTA+Medical+gratuity+superannuation+perks)	2432744	NIL	NIL	NIL	NIL
Contribution to PF	1202400	NIL	NIL	NIL	NIL
Sitting fees	NIL	130000	115000	105000	90000
Total	36000803	130000	115000	105000	90000
Shareholding of directors	9377529*	NIL	NIL	NIL	NIL

\* includes 7577528 equity shares jointly held with Mrs. Lalitha Vasudevan & 54548 equity shares jointly held with Mrs. Thangam Moorthy and 1745455 Equity Shares under his own name under Employee Stock Option Scheme,2007 of the Company.

## Shareholders Grievance Committee

The Shareholders Grievance Committee was constituted on June 11, 2007 and reconstituted on Sept 16, 2009 to specially oversee & redress the issues pertaining to Investor Grievances.

During the year, Shareholders Grievance Committee met on April 6, 2010, May 10, 2010, June 7, 2010, July 28, 2010, August 7, 2010, October 25, 2010, November 8, 2010 and February 8, 2011.

Given in the table below is the Constitution of Committee and attendance records of the members:-

Name	Status	No. of meetings attended
Mr. V. Mohan	Chairman & Independent Director	8
Mr. R. Vasudevan	Independent Director	8

The Company Secretary acts as secretary to the Shareholders Grievance Committee.

**Terms of reference of Shareholders Grievance Committee are broadly as under:**

1. Transfer/ Transmission of shares
2. Issue of duplicate share certificate
3. Review of share dematerialized and all related matters
4. Non receipt of Annual Report and dividend
5. Monitors expeditious redressed of investors grievance
6. All others matters related to shares/Debentures

During the year following complaints were received from shareholders/investors and resolved.

Given in the table below is the complaints status:-

No of complaints received	No of complaints resolved	No of complaints pending
30	30	NIL

During the year following the unclaimed shares are in demat suspense account of the Company as at March 31, 2011 and the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

At the beginning of the year		During the year		At the end of the year	
Aggregate number of shareholders	Outstanding shares in the suspense account lying at the beginning of the year	Number of shareholders approached for transfer of shares from suspense account	Number of shareholders to whom shares are transfer from suspense account	Aggregate number of shareholders	Outstanding shares in the suspense account lying at the end of the year
5	805	5	805	0	0

## Details of Compliance Officer

M. Krishnamurthi

Company Secretary

T: +91-20-30582305

F: +91-20-26131071

email: compliance.officer@vascon.com

Website: www.vascon.com

## IPO Committee

Our IPO Committee was constituted on Sept. 19, 2007 and was reconstituted on Sept. 16, 2009 for all matters relating to public issue and allotment of shares of the Company in consultation with the stock exchanges concerned, SEBI and NSDL & CDSL. On successful completion of IPO it was dissolved on May10, 2010.

## Disclosures

### Subsidiary Companies:

During the year, none of the subsidiaries was a material non listed Indian subsidiary Company as per the criteria given in Clause 49 of the Listing Agreement.

### Policy for Prevention of Insider Trading:

In pursuance of the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved "Policy for Prevention of Insider Trading". The objective of the policy is to prevent trading of shares of the Company by





# REPORT ON CORPORATE GOVERNANCE

an Insider on the basis of unpublished price sensitive information. Under the policy, insiders are prohibited from dealing in the Company's shares during the closure of trading window. To deal in the securities over a specific limit, permission of Compliance Officer is required. All Directors/designated employees are required to disclose related information periodically as defined in the Code, which in turn is being forwarded to the Stock Exchanges. The Company Secretary has been designated as the Compliance Officer.

## Code of Conduct:

The Code of Conduct (the Code) as recommended by the Corporate Governance Committee and adopted by the Board is a comprehensive Code to ensure good governance and provide for ethical standards of conduct on matters including conflict of interest, acceptance of positions of responsibility, treatment of business opportunities and the like. The Code is applicable to all the Directors & the Senior Management Personnel of the Company. An annual affirmation of compliance with the Code has been obtained from all members of the Board & Senior Management Personnel as on March 31, 2011.

A copy of the Code of Conduct has been hosted on the Company's website [www.vascon.com](http://www.vascon.com)

In terms of Clause 49 of the Listing Agreement, a declaration signed by the Managing Director is stated hereunder:

I hereby confirm that:  
All members of the Board & Senior Management Personnel of the Company have affirmed compliance with Vascon's Code of Conduct for the financial year 2010-2011.

Place: Pune

Sd/-

Date: 14th May, 2011

Managing Director

## General Shareholder Information

### 26th Annual General Meeting

Date: 27th September, 2011

Time: 3.30 p.m.

Venue: Babasaheb Dhanakur Hall,  
Oricon House, 12, K. Dubhash Marg,  
Near Jehangir Art Gallery, Kalaghoda,  
Fort, Mumbai 400001.

## Last three Annual General Meetings

YEAR	DATE AND TIME	VENUE	SPECIAL RESOLUTION (\$) PASSED
2007-2008	Aug 25, 2008. at 3.00 PM	The Conference Room of HDFC HIREF, 6th Floor, Raman House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 20	NIL
2008-2009	Aug 27, 2009 at 12.00 PM.	The Conference Room of HDFC HIREF, 6th Floor, Raman House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 20	NIL
2009-2010	July 28, 2010 at 4.00 PM.	Wisteria Ballroom at Lavender Bough, next to Swaminarayan Temple, 90 Feet Road, Garodia Nagar, Ghatkopar (East), Mumbai 400 077	Pursuant to section 314 of the Companies Act, 1956, and subject to the approval of the Central Government appointment of Mr. Siddharth Vasudevan Moorthy, son of Mr.R.Vasudevan, Managing Director of the Company, to hold an office or place of profit as project controller of the Company on following remuneration with effect from August 1, 2010.

All special resolutions in the Annual General Meeting held in 2010 were passed through show of hands.

## Approval by Members through Postal Ballot

The Company sought approval of the Members for passing a Ordinary Resolution under Section 61 of the Companies Act, 1956, to vary, alter, modify, revise or delete any of the details as the Board may deem fit in the best interest of the Company, of the objects in the Initial Public offering through 100% book building process contained in the prospectus dated February 2, 2010 including to take up any new activity/ expenses/ financial commitment apart from those mentioned in the Prospectus and to change deployment of funds, taking in to consideration the business prospectus and funding requirements of the Company & to authorised the Board to address any concern, reply any query, decide any issue, answer any clarification, decide any other matter in this regard in the interest of the Company and do all such acts, deeds and things as





# REPORT ON CORPORATE GOVERNANCE

may be considered necessary, proper, expedient or incidental for the purpose of giving effect to this resolution. Ms. Savita Jyoti a Practicing company secretary, was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of the voting pattern are as under:

Particulars	No. of Votes
Voted In favor of the Resolution	69510651
Voted in Against the Resolution	1821
Invalid Votes (unsigned/unticked)	400

The Resolution was approved by a requisite majority of the Members.

#### Procedure for Postal Ballot

After receiving the approval of the Board of Directors, Notice of the Postal Ballot, text of the Resolution and Explanatory Statement, relevant documents, postal ballot form and self-addressed postage pre-paid envelopes are sent to the shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filed with the Registrar of Companies. After the last date for receipt of ballots, the Scrutinizer, after due verification, submits the results to the Chairman. Thereafter, the Chairman declares the result of the Postal Ballot. The same is published in the Newspapers and informed to Stock Exchanges viz Bombay Stock exchange India Limited and National Stock Exchange of India Limited.

#### Financial year

The Financial year is April 1, 2010 to March 31, 2011

#### Financial Results on Company's Website:

The annual results of the Company are published in leading newspapers in India, Economic Times and Maharashtra Times and also displayed on its web site [www.vascon.com](http://www.vascon.com). Presentations to analysts, as and when made, are immediately placed on the website for the benefit of the shareholders and public at large.

#### Book Closure:

16th September, 2011 - 27th September, 2011

Dividend Payment Date: 7th October, 2011

#### Listing on Stock Exchange:

The Company's equity shares are listed on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). Listing fees for the financial year has been paid in full for both the stock exchanges.

#### Stock Code/ Symbol:

National Stock Exchange of India Limited – Vascon EQ  
Bombay Stock Exchange Limited – 533156  
ISIN NO: INE893I01013

Master Price Data: High, Low during each month in last financial year:

Month	Equity shares			
	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	167.90	149.00	168.00	154.95
May, 2010	164.00	136.10	164.00	138.10
June, 2010	154.00	130.25	151.75	130.05
July, 2010	161.75	135.50	161.85	135.00
August, 2010	198.80	136.95	198.40	138.00
September, 2010	185.90	162.00	186.50	162.70
October, 2010	180.00	158.25	180.00	158.75
November, 2010	171.50	112.60	171.50	112.35
December, 2010	149.40	116.00	147.50	116.00
January, 2011	148.80	110.05	148.80	110.05
February, 2011	116.00	91.00	114.80	90.30
March, 2011	115.90	85.10	105.00	84.50

#### Registrar and Transfer Agents & Share Transfer System:

Karvy Computershare Private Limited  
Plot No. 17 to 24, Vittalrao Nagar  
Madhapur  
Hyderabad - 500 081  
Email: [einward.rs@karvy.com](mailto:einward.rs@karvy.com)  
Investor grievance id: [einward.rs@karvy.com](mailto:einward.rs@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)  
Contact Person: J. V Raju, Asst. General Manager  
SEBI Registration No.: INR000000221

The Company's shares are covered under the compulsory dematerialized list and are transferable through the depository system. Shares sent for transfer in physical form are registered and return within a period of 30 days from the date of receipt of the document, provided the documents are valid and complete in all respects

#### Distribution of shareholding as on 31st March, 2011

No. of Equity Shares held	Shareholders		Equity shares held	
	Category	No. of Shareholders	% to Total	Shares
001 - 500	5528	85.95	631080	0.70
501 - 1000	588	9.14	380670	0.42
1001 - 2000	131	2.04	195383	0.22
2001 - 3000	42	0.65	108260	0.12
3001 - 4000	16	0.25	57712	0.06
4001 - 5000	20	0.31	93808	0.10
5001 - 10000	30	0.47	212578	0.24
10001 & Above	77	1.20	88336559	98.13
Total	6432	100.00	90016050	100.00

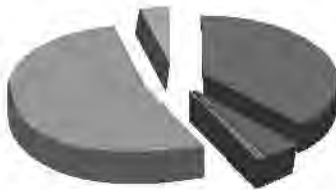




# REPORT ON CORPORATE GOVERNANCE

## Shareholding pattern as on 31st March, 2011

Category	No. of Shares held	% to Total
Promoters Holdings	34831823	38.70
Public Share holding:		
Mutual Funds	2949219	3.28
Banks, Financial Institutions & others	0	0
Insurance companies	0	0
Foreign Institutional Investors	774523	0.86
Bodies Corporate	47794879	53.10
NRI/Foreign Nationals	6219	0.01
Indian Public	3659387	4.07
<b>Total</b>	<b>90016050</b>	<b>100.00</b>



- Mutual Funds
- Banks, Financial Institutions & others
- Insurance companies
- Foreign Institutional Investors
- Bodies Corporate

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity: N.A.

## Address for correspondence

### Registered Office:

15/16, Hazari Baug, LBS Marg, Vikhroll (West)  
Mumbai 400 083

Tel: +91-22-25781143 Fax: +91-20-26131071

### Corporate Office

'Phoenix', Bund Garden Road, Pune 411 001

Tel: +91-20-30562200/300 Fax: +91-20-26131071

email: [vascon@vsnl.com](mailto:vascon@vsnl.com)

### Compliance Officer

M Krishnamurthi

Company Secretary

T: +91-20-305662305

F: +91-20-26131071]

email: [mk\\_murthi@vascon.com](mailto:mk_murthi@vascon.com)

Website [www.vascon.com](http://www.vascon.com)

### Shareholders' Correspondence:

Registrar & Transfer Agents for all matters relating to transfer/dematization of shares, payment of dividend, IPO refunds/demat credits at

### Karvy Computershare Private Limited

Plot No. 17 to 24, Vittalrao Nagar

Madhapur

Hyderabad 500 081

Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Investor grievance id: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Website: [www.karvy.com](http://www.karvy.com)

Contact Person: S V Raju, Asst. General Manager

SEBI Registration No.: INR000000221





# REPORT ON CORPORATE GOVERNANCE

## **CERTIFICATE ON COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT BY VASCON ENGINEERS LIMITED**

**To the Members of VASCON ENGINEERS  
LIMITED**

I have examined the compliance by VASCON ENGINEERS LIMITED ('the Company') of the requirements under Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges, for the year ended 31st March 2011.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of 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.

**Dr. K. R. Chandratra**  
Practising Company Secretary  
FCS No. 1370  
Certificate of Practice No. 5144

Place : Pune  
Date : 14 May, 2011

## **CEO/CFO Certification:**

To the Board of Directors of Vascon Engineers Limited, we R. Vasudevan, Managing Director and D. Santham, Chief Financial Officer certify that:

- (A) We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (B) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (C) We accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (D) They have indicated to the auditors and the Audit committee that:
- (i) significant changes in internal control during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Place: Pune  
Date: 14 May, 2011

<b>D. Santham</b> Chief Financial Officer	<b>R. Vasudevan</b> Managing Director
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# MANAGEMENT DISCUSSION AND ANALYSIS

## The Economic Scenario

India's GDP started to indicate recovery trends since Q4FY10. As per advance estimates the overall GDP growth rate for 2010-11 was 8.6 percent in comparison to 8.0 percent during 2009-10. Further Government is planning for maintaining high GDP growth in the range of 8.75-9.25% for 2011-12

According to the latest estimates available on the Index of Industrial Production (IIP), the general index registered a growth rate of 7.8 per cent in 2010-11 as compared to 10.5 per cent during April-March 2009-10. However, the index for six infrastructure sectors (comprising crude oil, petroleum refinery products, coal, electricity, cement and finished carbon steel) with a weight of 26.68 per cent in the Index of Industrial Production (IIP) grew by 5.9 per cent during April-March 2010-11, as compared to growth rate of 5.5 per cent achieved during the corresponding period in 2009-10.

The Indian economy compared to other economies have shown remarkable bounce back post recessionary phase and is today rated as one of the most attractive investment destinations across the globe. The net capital inflows to the extent of US\$ 18.8 billion in a single quarter as compared to US\$ 3.5 billion in the first quarter of FY2011 further strengthens the outlook for our country as a preferred investment destination. However, the current European crisis and inflationary conditions in India makes us predict that the recovery will be uneven in global context for some more time.

## Industry Scenario

### EPC and Infrastructure Sector

The biggest booster to the economic growth has been the construction industry. The growth in Construction Industry continues to outpace GDP growth for the last few years. In the recent union budget (28 Feb. 2011), it was seen that the spending in infrastructure projects will increase another 23%. In last four years, Indian Government's focus on investment in infrastructure projects has already seen a massive jump; further increase of 23% will only help the economy. It is estimated that total construction spending shall be doubled to Rs 12,189 billion during the period 2008-09 to 2012-13 from Rs 6,217 billion incurred during 2003-04 to 2007-08. There is a huge opportunity for infra spending in the segments of Construction Industry.

The Government is also seeking higher investments from the private players through the Public Private Partnership (PPP) Model by making necessary changes in the policy framework. There has been huge potential opportunities in all segments of Construction Industry more particularly, roads, highways, real estate and airports and further, it is expected that other sectors like power, SEZs, metros, ports and urban infrastructure will also be the key drivers for the coming years.

During the Twelfth Five Year Plan (2012-2017), the total investment in infrastructure is projected to be around INR 41 trillion (US\$1 trillion).

In 2009-10, expenditure worth approximately 7.2 per cent of the GDP was spent on infrastructure. The government aims to increase the country's infrastructure expenditure to 9 per cent of its GDP by 2014. Investment in the country's infrastructure sector has doubled over the last five years, from 4% of GDP to 8%.

Given the economic fundamentals and committed efforts of the government to drive growth, the future of the Indian economy, in particular construction industry, appears to be optimistic.

### Real Estate

The real estate sector in India is of great importance. According to the report of the Technical Group on Estimation of Housing Shortage, an estimated shortage of 26.53 million houses during the Eleventh Five Year Plan (2007-12) provides a big investment opportunity.

The Indian real estate industry is expected to be valued at US\$ 180 billion (INR 8,640 billion) by 2020. The real estate sector in India is on a rapid growth trajectory. The real estate sector is a key growth driver of the country's economy. The contribution of the residential segment alone to India's gross domestic product (GDP) is around 5 to 6 per cent.

In a short span of time, the industry has evolved from a highly fragmented and unorganized market into a semi-organized market, with a large number of listed companies.

In the last decade, foreign domestic investments (FDI) in real estate, has increased due to the growing interest of foreign players in the Indian market. The real estate sector is one of the highest FDI-attracting sectors in India, with recorded FDI inflow of more than US\$ 8.9 billion (INR 403 billion) between April 2000 and September 2010. FDI of up to 100 per cent is allowed under the automatic route in most asset classes.

Favorable demographics (a young population and increasing urbanization) and growth in the services sector, especially the IT & ITeS sector, have primarily driven growth in the real estate industry.

### Growth Drivers

#### Residential space

- ✓ **Rapid urbanization** - the urban population is estimated to reach 590 million by 2030.
- ✓ **Decreasing household size** - Growth in the number of nuclear families is leading to an increase in the number of households, especially middle-class households. India is expected to be home to 91 million middle-class households by 2030.





# MANAGEMENT DISCUSSION AND ANALYSIS

- ✓ The growing working age population in the 15-60 age groups is expected to reach 918 million, or 64 per cent, of the population by 2025.
- ✓ The demand for affordable housing is growing, which is a priority segment for both the government and developers.
- ✓ The country's housing shortage in 2007 totalled 24 million units, and this is expected to increase to more than 26 million units by 2012.

## Commercial office space

- ✓ The commercial real estate (CRE) segment (primarily office space) has expanded on the back of growth in the Indian economy.
- ✓ The influx of multinational companies (MNCs) and the growth of the services sector have driven the demand for office space.
- ✓ Progressive liberalization and the relaxation of FDI norms in various sectors have paved the way for growth in FDI in the real estate sector. This, in turn, has led to a burgeoning demand for office space from MNCs and other foreign investors.
- ✓ The demand for office space is expected to increase driven by the growth in the services industry, which includes telecom, financial services and IT & ITeS, which accounts for the maximum demand of commercial office space in the country.

## Retail space

- ✓ Consumerism is increasing on the back of rising disposable income.
- ✓ Organized retailing has grown.
- ✓ The entry of international retailers has boosted industry growth.
- ✓ Expansion by domestic retailers has also given impetus to the industry.
- ✓ The share of organized retail in the total Indian retail trade is projected to grow at 40 per cent per annum.

## Hospitality Space

- ✓ The hospitality segment has witnessed robust demand growth, primarily due to strong growth in tourism, including both business and leisure travel.
- ✓ India is becoming increasingly popular as a medical tourism destination.

A significant demand-supply gap characterizes the segment. The potential for budget hotels, service apartments, spas and other niche products is significant.

## Company Performance



The Company is one of the leading real estate development and construction companies in India with a unique business model and delivery mechanism. It has over the years proved its expertise in construction and further leveraged it in its other business segments of real estate development and hospitality. The Company has for the year successfully completed and added following projects to its esteemed list of projects.

## EPC Business

### Significant projects completed during the year:

#### 1. Delhi International Airport (Multilevel Car Parking)

The Multilevel car park at Delhi International Airport terminal # 3 is the largest in India and has a capacity to accommodate 4,300 vehicles, spread across 7 floors. The project has been completed in a record time of 15 months with a construction area of 1.2 million sq. ft. and with the estimated contract value of Rs 2,480 million.

#### 2. Ruby Mill, Mumbai

This high-rise commercial building in Dadar, Mumbai has bagged various awards along with "Well Built Structure" Award from Builder's Association of India 2009. The project has total construction area of 1.45 million sq. ft. with the estimated contract value of Rs. 2,074 million. The project has been completed in a record time of 2.5 years.

#### 3. Cipla, Indore SEZ

This Company has done factory building work for CIPLA at Indore SEZ. The project has a total construction area of 1.55 million sq. ft. with an estimated contract value of Rs. 1,447 million and has been completed within tenure of 18 months.





# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Neelkanth Palacia Mall and IT Park, Mumbai

This commercial complex in Kurla, Mumbai has total construction area of 0.95 million sq. ft with an estimated contract value of Rs1,333 million and has been completed within a span of 3.5 years.

### Significant Projects awarded to Vascon during the year:

#### 1. Adani Meadows – Shantigram

The Company has acquired order worth Rs 1321 million from Adani Township and Real Estate Company for its Shantigram township in Ahmedabad, Gujarat. The project execution has commenced in the month of Feb. 2011 and is expected to get completed in 2013.

#### 2. NBCC, Mumbai

The Company has bagged order worth Rs 1312 million from NBCC for building a hospital in Mumbai, Maharashtra. The project execution has commenced in the month of March 2011 and is expected to get completed by 2013.

#### 3. Park Amstoria – Phase I BPTP

The Company has bagged order worth Rs1297 million from BPTP for constructing a residential complex in Haryana. The project execution has commenced in the month of Feb. 2011 and is expected to get completed by end of 2012.

#### 4. Akshaya Realty

The Company has acquired order worth Rs 1100 million from Akshaya January and Akshaya Metroplods for constructing a residential complex in Chennai, Tamilnadu. The project execution has commenced in the month of March 2011 and is expected to get completed by 2013.

#### 5. Kondwa Realty

The Company has acquired order worth Rs 999 million from Kondwa Realty for constructing a residential complex in Pune, Maharashtra. The project execution has commenced in the month of June 2010 and expected to get completed by 2012.

## Real Estate

### Significant Ongoing Projects:

#### Windermere

This is a ultra luxury residential project at Pune's most sought after located - Koregaon Park, Pune, Maharashtra that comprises of apartments ranging from 3000 sq. ft. to 3800 sq. ft. and duplexes of 8300 sq. ft. with its own private swimming pool.

The project has bagged the Certified Platinum rating from The Indian Green Building Council (IGBC) green homes.

The project is designed for five star rated Eco housing with

amenities such as renewable energy systems, architectural design that ensures good ventilation and the maximum use of natural lighting, use of environmental friendly construction material, water conservation by maximum recycling, rain water harvesting, organic waste management and many more.

The project with an approximate saleable area of 0.4 msft. is expected to be completed in 2013.

#### Forest County – Phase I

This is one of the premium projects situated in a sunrise location that's tucked away from the madding crowd – Kharadi, Pune, Maharashtra, yet is at a convenient distance from all the important destinations. The project features various amenities such as well designed landscaped green belt with water body, dedicated children play zones, joggers track, spacious and fully furnished club house, etc.

Forest County incorporates environmental consideration at every stage of building construction such as environmental architecture, efficient building material, water conservation.

The phase I of the project will comprise of 11 building with total saleable area of 0.84 msft. and is expected to get completed in 2012.

#### Willows Phase II

This is phase II of the luxurious Willows residential project located at one of Pune's most sought after locations – Baner/ Balewadi. The project houses three sides open, eco friendly homes with the latest amenities. The project with an approximate saleable area of 0.16 msft. is expected to be completed by 2013.

#### Vista Phase II

This is a residential project located at Indiranagar, Nashik, Maharashtra that comprises of well-ventilated homes of 2 and 3 BHK apartments. The project features various amenities such as centrally landscaped gardens, children's area and fully equipped multi activity club house. Keeping in line with our endeavor of constructing eco friendly buildings, this project also has a vermiculture pit, rainwater harvesting and sewage treatment plant. The project will comprise of a total saleable area of 0.13 msft. and is expected to be completed by 2012.

#### Tulip Phase II

This is tallest premium Vascon-Pricol residential project at Avinashi Road, Coimbatore. That comprises of lavish and well ventilated 2, 3 & 4 BHK apartments. The project is completely Vastu friendly with thoughtfully designed landscaping giving the complex a perennial fresh and lively look.

The project with an approximate saleable area of 0.2 msft. is expected to be completed by 2013.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Novotel

The Novotel hotel is located at Nagar Road, Pune, Maharashtra and provides luxurious comforts and modern facilities. It contains 246 keys and various banquet halls, lounge bar, restaurants, meeting rooms, business center, health club, spa and swimming pool. It has an area of 0.2 million square feet, excluding parking, and has ten floors in addition to three basements and ground floor. The project is expected to be completed by 2012.

## SWOT Analysis of our Business:

### Strengths

#### 1. Joint Venture Business Model

The Company's core strength lies in its unique joint venture business model wherein the Company enters into development agreements with land owners to acquire development rights for their land in exchange for a pre-determined portion of revenues, profits or developable area generated from the project. This model brings along capital efficiency and allows your Company to rapidly grow the business without blocking large amounts of capital in land purchases. For any given amount of capital, the joint venture model allows Vascon to do many more projects than it could if it had to buy the land. This leads to greater profitability at the company level and significantly reduces the exposure to risk in any one project. This model is expected to provide some cushion to profits during real-estate downturn.

#### 2. Significant experience and strong track record

The Company has significant experience in providing EPC services, and has established a strong track record of designing and constructing a diverse range of projects. With over 25 years of experience in the EPC services business, Company has constructed across the real-estate category including factories, hospitals, hospitality properties, office and residential complexes, shopping malls, multiplexes, IT parks and other buildings.

#### 3. Diversified portfolio of businesses and diverse revenue streams

The Company has currently has two main revenue streams, one from EPC and the other from Real Estate business. Also the Company has operations in a number of states and union territories of India. Company believes that such a diversified business portfolio diminishes the risks associated with the dynamics of any particular industry while also simultaneously helps us to benefit from the synergies of operating diverse businesses.

#### 4. Strong project portfolio

The Company's current real-estate portfolio comprises of 68 msft. of developable area under various stages of planning or construction across various cities. Unlocking this portfolio in future will add significant value to our real-estate business segment.

#### 5. Quality and strength of execution

The Company has a track record of developing and constructing high quality and innovative projects. It has dedicated teams and processes to bid for, design and engineer, procure materials for and construct projects in a cost-effective and quality-controlled manner. Company's execution capability of 10 msft. and being the recipient of the Platinum Leed award for some of its projects has added to its superior execution skills.

The Company currently is ISO 9001:2008 certified for our management systems and achieved ISO 14001:2004 certification for environmental procedures in 2006.

#### 6. Qualified and proven project teams and experienced management

The Company has broader management bandwidth and an experience team with broad based skill sets. The diversity of expertise of employees gives the Company the flexibility to adapt to the needs of customers.

#### 7. Established brand name

In over two decades of operations, the Company has established a well-recognized brand name in business. The Company believes that customers associate its brand name with quality, transparency, reliability, ethics and value. The Company has developed long-term relationships with retail and corporate customers as well as investors in the real estate market, joint venture entities parties, sub-contractors and suppliers, and its EPC services business, enjoy repeat business with many of its EPC customers.

### Opportunities:

#### 1. Ability to bid for Full-Service Contract

The Company has acquired GMP Solutions in FY11. This was mainly in order to be backward integrated and participate in modular clean room, office partitions, HVAC, electrical and building management systems. It will enable the Company to mature as a general contractor and participate in bidding of full service contracts.

#### 2. Mid Segment Focus

Currently our economy is reeling under pressure of high interest rates and high inflation. However, the Company being into mid-sized category, the impact of the challenging scenario is expected to be minimized.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Challenges

### 1. Execution

The Company is renowned for its superior construction capability and delivering remarkable real-estate projects. We expect increased construction orders and real estate portfolio to increase as we go ahead. This will pose challenges to complete projects within the stipulated time period and to maintain the quality levels showcased by our Brand till now. Company has been constantly working on it to handle our growing business.

### 2. Brand Recognition in Newer Cities

As the Company enters newer geographies and cities, the challenge on penetrating and competing with existing players comes along. Company will remain focused on adding new value creating developments and believes that our track-record will help it create a mark as a preferred player in the newly entered cities as well.

## Threats

### 1. Industry Risk

Real estate segment usually follows the macro-economic trend. During challenging economic growth parameters, this segment being linked to government policies, interest rate, demand-supply conditions and the general liquidity scenario in the economy. may get impacted during the period.

The Company takes care to prevent itself from being vulnerable to the change in the economic scenario by adopting asset-light model and de-risking itself from vagaries of land prices and carrying out extensive research before entering into newer geographies.

### 2. Legal Approvals

Real estate development has to go through too many legal hassles. Any delay in getting approvals leads to delay in projects. Company ensures proper documentation process to smoothly carry out execution of projects.

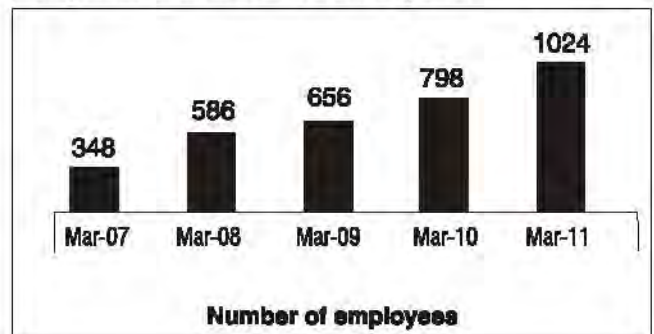
## Human Resource

### Employees' Competitive Advantages

In today's fast-paced economy, competition is an issue of services and products. Company gives attention to a better service and best product and how this can be achieved through utilizing the talent of its human resources. Understanding sources of competitive advantage has become a major area of research in the field of strategic management. Competitive advantage concepts and models, competitive strategies and Human Resource practices have a significant impact on the

employees' performance. Management trusts its employees and gives them challenging assignments, in turn employees give commitment to accomplish the organizational objectives & goals with high performance.

### Companies Growth in terms of Manpower



This year Company has bagged Asia's Best Employer Brand Award from Employers Branding Institute for Managing Health at Work category.

## Financial Highlights

- During the year 2010-11, the Company reported net income of Rs 10,543 million, an increase of 37.0% over the previous year.
- Earnings before Interest, Depreciation, Tax and amortization stood at 1,296 million, up by 19.2%.
- Profit before tax from ordinary activities registered a growth of 16.3% at Rs 900 million.
- Net profit stood at Rs 659 million, up by Rs. 23.6%.
- Net Debt to Equity stood at 0.36 times.

### The Company's Revenue is segmented as below:

