



GREEN
Real estate
practice

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2010

Affordable
Housing
Development
Opportunities
& Challenges

January 23 - 25, 2010

**LESSONS
LEARNT FROM
RECESSION**

**CORPORATE GOVERNANCE FOR
THE REAL ESTATE SECTOR**
DEEPAK PAREKH, CHAIRMAN, HDFC

Realistic Real Estate

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REVIEW
CREDAI - REAL ESTATE

Issue
October
November
December 2009

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CRS/RCNT 12088

Dear Members,

Hello once again and welcome to the October - December issue. It's almost 3 months since the last issue and we have put in a lot of thought to make this issue a lot better in content. I give herebelow some insight into the same.

There will be a series of articles from leaders from connected industries and the first in the series from Mr. Deepak Parekh is published in this issue.

We also have three guest columnists in this issue. Mr. Naresh Venkatraman an Architect, Mr. Vivek Menon a civil infrastructure expert and Mr. Shivkumar an Advocate - all the three Bangalore based. Each of them has written on their respective speciality in this issue.

There will also be a series of interviews of office bearers / members and the first such interview of Sri Irfan Razack, our Vice President is brought out in this issue.

We wanted to have inputs from 2-3 members across the country on the subject "Lessons learnt from the recent downturn". Due to time constraint, we succeeded in getting inputs from only Mr. Niranjana Hiranandani this time. This column will be more broad based from the next issue onwards.

Some of you have sent your feedback on the last issue which are reproduced in this issue. I am motivated by the positive feedback but please don't hesitate to send negative remarks, if any. Only such critical analysis gives us an opportunity to improve further. Therefore, please do send in your genuine opinion on every issue (and your photograph is a must).

The magazine is almost in the cusp of becoming self sufficient with few advertisements. I thank Mr Irfan Razack for his help in this area. More, of course, needs to be done.

I would like to make use of this opportunity to share some of my thoughts herebelow;

Escrow Account and Carpet Area: As Real Estate is coming out of recession slowly and steadily, developers should be well prepared for the next cycle. We must strengthen ourselves to face the next downturn with a greater degree of preparedness. Two major issues that come to my mind in this context are; **First**, some of us are already maintaining separate escrow accounts for each of our projects. If all of us can follow this practice, we all will be in a better position to face the sluggish times in future. **Second**, it is time that we all adopt the practice of selling our residential stock on carpet area basis across the country. This cannot be done in isolation. All of us should adopt the new system together as this will certainly demand price adjustments. I hope CREDAI will initiate a move enabling all the member developers to accept this shift.

These two measures in my opinion will also enhance the credibility of CREDAI and its members dramatically, besides making us stronger to face the future challenges.

Pricing: I have been reading newspaper reports that prices of residential projects have gone up of late by as much as 20% in some cities/pockets of cities. This is acceptable as long as the same is due to the demand supply dynamics. However, in these initial days of revival, we should desist from the temptation to jack up prices without genuine and compelling market pressure. Such haste could kill the market once again. I sincerely hope my suggestion would be weighed with the concern that it deserves.

Market Scenario: We have been seeing the following headlines from the international arena for the past few weeks; "US out of recession, grows 3.5%" ; " US home price rise for the first time in 3 years" ; "Commercial realty market on revival path" ; "IT planning to rebound in 2010" ; "Small BPOs back in biz as economy recovers" "US banks to outsource \$ 1 billion deals to Indian software companies ". News locally has also been upbeat with IPP, Auto and many other sectors posting better and better sales month by month. Software sector has started hiring again. IIM graduates are back in demand. Pay packets are slowly gaining their size back, shrinking of export segment has slowed down and in fact, some export sectors have even shown positive results. We hear frequent reports about expansion plans of retail giants. Revival of projects which were kept on hold last year are back in the news. While recent Dubai crisis may not have any major impact on our country, the news of GDP growth rate of 7.9% for the 2nd quarter has almost overshadowed the same.

With all these positive indicators from across the country and from around the world, can we hope for better and better times ahead for Real Estate.

Your participation is important: Mr G P Savlani had sent a note requesting members to contribute content towards our magazine. Since the response was lukewarm we had to contact some members and guest columnists hurriedly for their contribution. As a result, you would notice that content originating from Bangalore in this issue is higher. I would like this magazine to represent a pan India spectrum. I appeal to all the members to respond to the feedback page in this issue and send us articles, details of awards won, CSR initiatives taken up, feedback on this issue, etc. and participate for the success of CREDAI movement. Looking forward.

Regards,
A Balakrishna Hegde
Editor

The Editor is the Managing Director of Chartered Housing, Bangalore and the Immediate Past President of CREDAI- Karnataka



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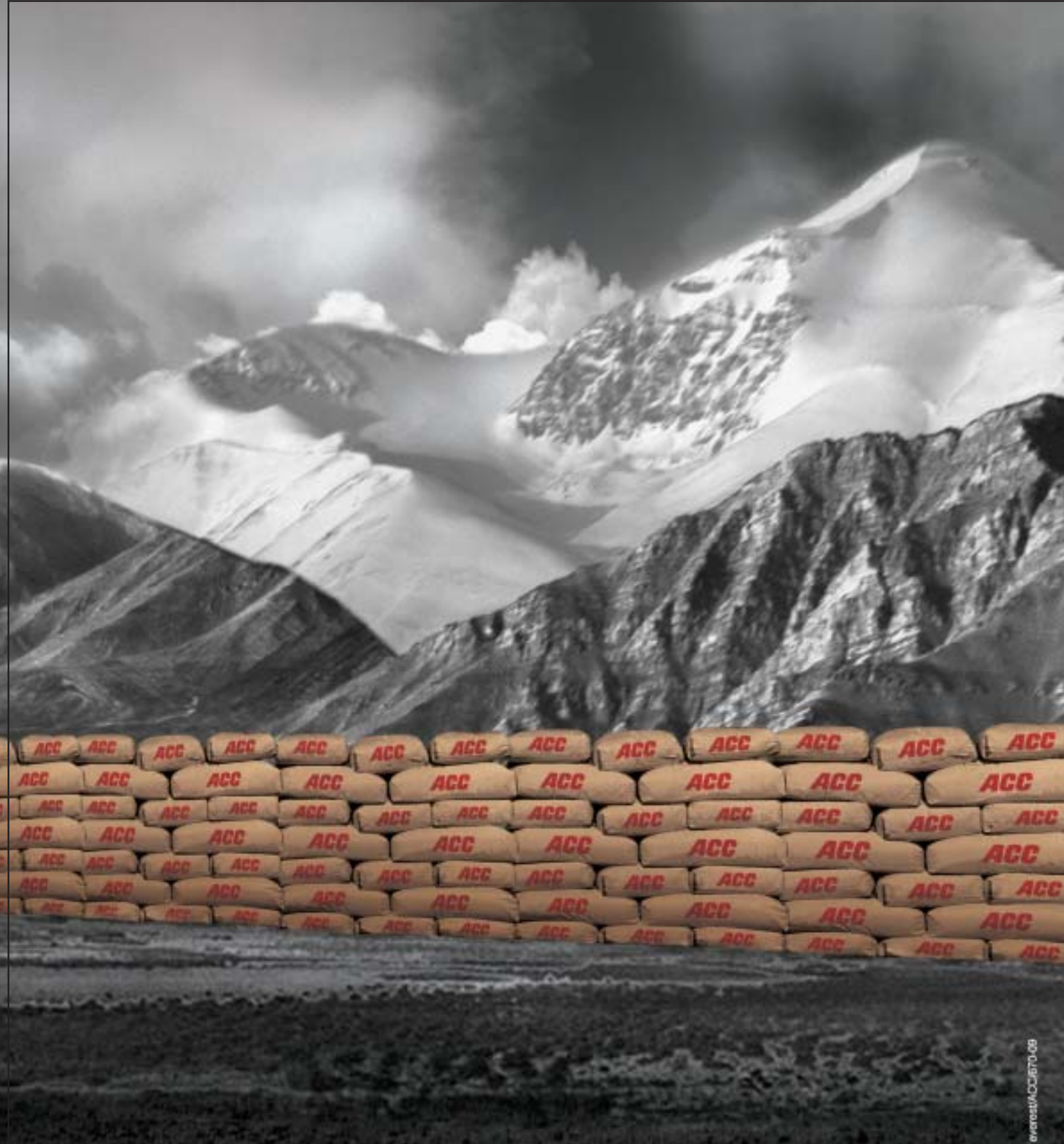
Dear Friends,

As our real estate industry goes through its cyclical ups and downs, it is important for us to constantly remind ourselves of how critical real estate and housing are to our country's economy and how interlinked our fortunes are with that of the economy at large. This point was brought home to me during the Board meetings of the

National Skill Development Corporation (NSDC) of which I am a board member. The NSDC aims to fund and handhold initiatives that train workers across sectors and varying skill levels. Much of this requirement for training is within the areas of building construction and real estate. Clearly, a paucity of skilled workers reflects on the speed, quality and quantum of projects developers can take on and execute satisfactorily. Coupled with the affordability agenda that we are about to discuss at the NATCON 2010 convention in Dubai, I feel we need to take a close look at skill needs and other areas where we need to focus to develop an overall positive environment to nurture real estate development. Needless to say, government support in this is critical. However, we as an industry must use CREDAI as an effective voice to express our commitment to the industry's growth in the context of the economy as a whole. It is only with such a macro perspective that we will be able to truly achieve the true potential of the real estate industry.

Sincerely,

Kumar Gera,
Chairman CREDAI



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Dear Friends,

Our NATCON TEAM is making a great headway in organizing one of the best NATCONs.

Mr Deepak Parekh, Chairman HDFC, has consented to be our chief guest. Our guests who have agreed to participate in the NATCON are the "who's who" in the Real Estate fraternity not only in India but world over.

The theme of the NATCON 2010 is "Affordable Housing". This is the most important segment in our field of activity today. I am sure the value that each of us will derive from the

NATCON, will enrich our businesses and shall help us in making better economical and sustainable developments. We shall learn about the latest technology, get first hand opportunity to meet the leaders of the financial world, and also get an insight into the opportunities of development, particularly in the Affordable Housing segment.

I call upon each and every developer in our country to participate in this great event.

The most critical concern of CREDAI at the moment is the "MODEL ACT FOR REAL ESTATE (REGULATION OF DEVELOPMENT)" proposed to be introduced by the Government. The provisions contained in the Bill seem to be quite harsh and prejudicial to the interests of the promoters. CREDAI has sent its comprehensive suggestion to the Government. A brief recap is available in this magazine.

The other two impending legislations that could have a serious impact on our sector are the proposed Goods & Service Tax (GST), which will come into effect from 1st April 2010 and the Direct Tax Code, is expected to be implemented from 1st April, 2011.

A detailed analysis was conducted by our knowledge partners KPMG and we have brought the anomalies to the notice of the Government.

We are confident that the Government will continue to frame policies which will help the Real Estate Sector to grow at a faster pace and will take into account the contribution of our sector in the growth of our economy.

Warm regards,
Santosh Rungta
President, CREDAI

REALISTIC REAL ESTATE REGULATORY BILL NEEDED

Yet another legislation with good intentions and bad detailing has hit the industry this year. The Real Estate Regulatory Bill comes with sharp teeth and a one-sided view of the real estate market. Ironically, in its structure and details, it will fail to address the aspirations and needs of the consumers, whom it purports to protect and serve. A short analysis is presented below.

After a couple of years of anticipation, a draft bill to regulate real estate was proposed in September 2009. The Draft Model Real Estate (Regulation of Development) Act, has been put together by the Ministry of Housing & Urban Poverty Alleviation, Government of India.

The Act has been drafted with three concerns in mind—to ensure good quality of construction, that every property must have a clear and marketable title, and that consumers must get timely possession in the real estate cycle. These are laudable goals, certainly. However, of the twin objectives of regulating real estate development while protecting consumers, the Draft Model Real Estate Regulatory Act appears to achieve the first using a system of penalising developers alone, without really achieving any real protection for the consumer. Overall a great idea unrealised, the bill has left the developer community in shock.

This article outlines the major flaws as seen by CREDAI as representative of the community of organised private sector real estate developers in the country.

Questioning the basis

At the outset, CREDAI is unsatisfied with the authority's assumption that promoters and developers of real estate projects are squarely to blame for irregularities and delays in construction of projects and timely handover to consumers.

The Act does not consider the entire realty supply chain: Delays in project timelines are caused at many levels if the supply chain, especially at the level of local governments and other sanctioning authorities, where approvals are commonly delayed. Material suppliers, service providers, consultants, brokers and ultimately, buyers are all part of the cycle, other than developers. The Act unfairly penalises the developers, holding them responsible in isolation of the holistic scenario.

The Act also seems to have a rather simplistic view of the land/project ownership scenario. It assumes that the promoter/developer is the land owner and solely responsible for the projects. In the present scenario, around 30-50% of real estate projects across the nation are being done in joint venture between developers, land owners, PE funds, Government bodies, etc.. Often the land owner does not sell land but enters into development agreements with the developers, holding some

stake in the project which equals the price of the land. The developer then enjoins upon himself to procure various licenses etc, from various statutory/Government authorities. After completion of the project, the profit is divided between all stake holders according to their stake in the project. This scenario has not been addressed in the Regulatory Act at all.

Real estate not particularly high on litigation spectrum: Our preliminary analysis of pending court cases does not suggest that realty-related litigation is a major issue. Moreover, many other forms of settlement and dispute resolution are possible and have been successfully implemented by developer associations and even consumer courts have settled many issues without much delay.

Regulation seems unnecessary, impractical: Real estate not akin to other regulated sectors like telecom and insurance. This is not an oligopoly, with few major players. There are tens of thousands of developers operating their businesses in India. Registration and monitoring of these numbers is highly impractical.

Project sanction system poses high business risks

The system of seeking project sanction poses huge business risks for the developer.

After putting in substantial investment in terms of money and time-buying land, getting municipal approvals, financing the project, etc-the developer could lose out on the project if the authority doesn't not approve it. This is grossly unfair. The authority should only come into the picture in the case of conflict or dispute

Bank guarantee improbable, project takeover clause unreasonable

In an industry already short on funding, asking developers for a bank guarantee even before launch of the project is like sucking the water out of an oasis in the desert. The bank guarantee will block huge funds for the developer and will increase the cost of project, which ultimately the customer has to bear.

The reasoning that projects that suffer default will be taken over and completed by the competent authority is flawed and unrealistic. We foresee that such steps will cause further delays, enduring litigation and add additional costs, none of which will help the consumer in any way.

Harsh penalties

The provision of imprisonment of any person who fails to register his project and/or fails to comply with the order of the Appellate Tribunal is unduly harsh and will deter any practical businessman from entering the industry. Real estate needs fresh ideas, new people and an entrepreneurial mindset.

This kind of harsh penalty is unnecessary.

Realty already an over-regulated industry

Not importantly, real estate already faces a plethora of sanctions and approval that are required at every step of a project's development. Instead of bringing these under one net and streamlining them, the draft act has only added to this long list and the woes of the developer, who has to comply with yet another set of rules. At this rate, the legal compliance departments of developers will soon become larger than their core departments of land acquisition, project planning and implementation, etc. In fact, the cost of compliance has already become prohibitive and is adding to the cost of purchasing real estate for the consumer.

Biased definitions and provisions need to be balanced out

CREDAI has suggested several changes to the definitions of terms such as common areas, local authority, etc as we feel these are presently narrow. Also, in many instances the developer is penalised, but there is no liability on the part of consumers for not executing legal requirements. For instance, CREDAI would demand that the allottee (purchaser) also pay a penalty if he fails to make payment on time or if the conveyance deed of the property is not executed by the purchaser or if he fails to comply with other conditions of the contract, even though the developer has fulfilled all responsibilities.

Real estate regulatory authority must be competent, inclusive in its membership

Given the substantial powers vested in this authority, CREDAI feels strongly that qualified experts be members of this body. Moreover, industry representation is a must as well. CREDAI has offered its own services to this body.

CREDAI also strongly feels the developers must be able to address issues with local authorities through this body, to be able to truly erase the problems in the supply chain.

Besides the above, there are many more draconian regulations which are almost impossible to follow or to enforce.

Not eyewash, we need real action. Licence Raj is back

The draft regulatory bill is yet another attempt on the part of the government to reform a situation by imposing penalties, without taking the responsibility of cleaning up its own act. At a time when reforms is the buzz word, it looks like the License Raj is making its re-entry through the back door, atleast in Realty sector. Hand

in hand with asking developers to become more transparent and fair in their dealings, the government needs to put in place a mechanism for fast track project approvals at the various authorities, streamline the approval system so that developers can achieve these in a reasonable time frame and above all, clear the system of rampant corruption. This, more than anything else, will serve the consumer truly and create long-term buyer confidence needed to put the real estate industry on a firm growth path.

A fair, pro-growth environment that penalises wrong-doers but encourages good projects will get full cooperation from the industry and will truly serve consumers. It is high time

India, which owes a substantial part of its growth story to real estate growth, recognises and truly explores the potential of this industry in being an enabler to long-term economic growth and value creation across sectors and all levels of society. It is high time the realisation dawns that Real Estate is the engine of growth of any economy as Real Estate is the basic raw material from the smallest enterprise to the largest enterprise. Whether it is a Pan shop or an MNC facility, none of them can commence operations without Real Estate. Therefore, the focus should be to ensure to enable Developers to produce real estate stock faster, specially in the modern day environment wherein every one is looking at faster and faster supply chain.

CNBC Awards

This time, it is the CNBC Asia Pacific Residential Property Awards 2009. Prestige Golfshire won in the Best Golf Development category while UB City came out on top in the Mixed Use development category. Uzma Irfan, accompanied by her husband Zaid Sadiq, travelled to Singapore to receive the awards.

AWARDS





ESTATE SOUTH 2009

SOUTH INDIA REAL ESTATE - THE WAY AHEAD

NOVEMBER 13-14, 2009 : CHENNAI

- CII Southern Region organised the fourth edition of Estate South 2009 on November 13-14, 2009 in Chennai. The theme of the conference was "South India Real Estate - The Way Ahead."
- The Conference was supported by Confederation of Real Estate Developers Association of India (CREDAI).
- Mr R Sellamuth, IAS, Addl Chief Secretary, Development Commissioner, Planning & Development Dept, Government of Tamil Nadu gave the Inaugural Address and Mr Vikram Kapur, IAS, Member Secretary

Chennai Metropolitan Development Authority delivered the special address at the Conference.

- The Conference covered the following Sessions
 - Who Moved My Lease?
 - Money Matters
 - Sustainable Developments: Going Green & Staying Green - 2009
 - Alternate Revenue Generation from PPP Models: Is



real estate the answer

- Taxation & Implications
- Affordable Housing in India
- On the part of CREDAI, Mr. Prakash Challa Vice President and Mr M R Jaishankar of Brigade Enterprises, Bangalore who took the organizational reins have ensured that this edition of the seminar has set new benchmarks.

LESSONS LEARNT FROM RECESSION

The world in general has been reeling from a financial crisis that may have started for any number of reasons including the sub prime crisis in the US and which wreaked havoc along its path causing veteran giants like Lehman Brothers to fold up. The 18 months from January 2008 to June 2009 may have been one of the toughest periods for all to negotiate; and, the after effects are still being felt especially in the US. India was perhaps fortunate in not getting the full brunt of it as we have had better fiscal management and regulatory mechanism; both of which may have protected many jobs. Be that as it may, the financial crunch that was imposed upon us, easily made doing business in these turbulent times an imposing challenge.



Niranjan Hiranandani
Chairman, Advisory Council
CREDAI

I would prefer to leave the reasons for this turmoil to the financial & managerial experts and simply share my experiences of managing Real Estate business during turbulent times. Sometime back, I had the chance to reread an extract of the Convocation address by Mr. Azim Premji to the students at IIT Chennai in July 2001. During that extremely erudite address, he mentioned 10 Golden Rules which should form the guiding principles for the young men and women who were leaving the relative safety of the campus to seek their fortune in the big wide world. Many of those rules are applicable in our business in any number of ways. Some of what I recount here may seem old hat to the veterans; whilst seeking their forbearance, I wish to say revision can be helpful.

1. Real Estate business like all other businesses is cyclical in nature.

Sometimes the cycles are quicker and sometimes they last longer. Bad times and good times will follow each other. We need to manage both facets by not going overboard in either situation.

2. Real Estate business has always been one of managing cash flow.

If I buy a piece of land and can afford to sit on it doing nothing, there will eventually be appreciation and I will

make a profit. But if I decide to develop the land then I need to manage the cash flow peaks and troughs through the project till the end-bigger players need to manage multiple projects in this fashion. If the project has been well managed (cash flow wise) there will be the proverbial pot of gold at the end of the rainbow.

3. Use the good times to widen your horizons and dreams. After all, projects are running smoothly, sales are encouraging, banks are happy to lend more money. In these times, expenses do not come under the microscope



and it is all too easy to become wasteful. Be sure to utilize these times to prepare not only for the dark days ahead but the bright ones that will inevitably follow. Creating some assets that provide leased income, having ongoing projects that do not require large infusion of capital, purchasing raw land and working on it through the tough times are some options.

4. Use the bad times to regroup and take stock of the situation. This situation is akin to that of a General marshalling his troops and resources and utilizing them with maximum effect. Don't press panic buttons when the tough times hit. Business will be slow. Utilize the time to run training programs for your people, to separate the chaff from the wheat. It is also a good opportunity to determine the strength of character of your personnel. How many people willingly take on additional responsibilities as staff strength reduces and more importantly carry out the additional tasks also as capably and efficiently.
5. Cost cutting during recession
This is an inevitable part of the recession period. Reducing travel, hotel expenses are routine. The more difficult

aspects are reducing interest burden, reducing capital expenditure, retiring debts. It may also be easy to reduce staff strength drastically. But the fall out of this is that when the good times come around you are short of man power trained in your methods of operations. Some foresight while recruiting in good times may help overcome this aspect.

6. Failure is a better teacher than success
I believe this is something we all know instinctively and yet often fail to apply when needed most. Ups and downs in business are as certain as night follows day. Yet, in troubled times some of the lessons from the past - either one's own or others' is forgotten or does not come to mind immediately. Make a careful note of what went wrong and why. Ensure those conditions do not come up again.

There are many other lessons which I have learnt as I am sure others have. The ability to constantly learn and improve is extremely difficult and the evaluation of it perhaps even more difficult. The level of one's own personal satisfaction as one looks back in time and the optimism with which one looks to the future are the best barometers.

GREEN REAL ESTATE PRACTICE



EDITOR'S BOX:

'Green is catching up faster than we thought. Going green can be 'economical' in the long run. All of us must take definite steps quickly as green is going to be a norm in due course. Read this and get inspired.

Developers will need to tune in to the green building trends that are sweeping the world. For India too, the time has come to accept the responsibility for climate change and find proactive ways to promote green real estate, writes Mukta Naik.

The world economy is slowly, but surely, changing to what is being called the 'carbon economy', one in which your achievements will be measured not just by the profits you make or the number of customers you gain, but by how many carbon credits you earn. Simply speaking, the more ecologically friendly your development, the higher you will figure in the esteem of the customer and eventually the economic pyramid as well. For the currency will change. Strange and

distant as that mumbo jumbo may appear today, the wheels are slowly beginning to turn.

The Copenhagen Summit slated for 8th to 17th December this year will see countries battle out targets to cut carbon emissions. Developing countries like India may get away without any such target this time, but they will need to work hard to prove their commitment towards sustainable development. Clearly, as the pressure to meet emission targets mounts, real estate developers will be expected to do their bit.



Mukta Naik is an architect and urban planner who runs her own content writing and editing firm. She has been writing on real estate issues for the past ten years.

India and the Green Building Movement

In India, a movement of sort towards encouraging green buildings has begun. Following in the footsteps of the United States Green Building Council, which has developed a rating program called the Leadership in Energy and Environmental Design (LEED) to certify green buildings, the India Green Building Council has been promoting green buildings in India for many years now. The IGBC has even developed an internationally accepted India-specific rating program called the LEED-INDIA Green Building Rating System to encourage more green buildings in the country, making it even easier for Indian buildings to go green.

Their efforts have begun to pay off. A slew of green buildings from India have been awarded the prestigious LEED rating in recent years. Starting from the ITC Green Centre in Gurgaon and the CII Godrej Centre in Hyderabad that were early entries to the list, many more feature in it now, using innovative technology, design features, materials, etc.

Turbo Energy Limited, Chennai, Hiranandani BG House Mumbai, Patni Knowledge centre, Noida and Wipro Technologies Development Centre, Gurgaon are some of the projects that have received the top Platinum rating from LEED, which make them some of the most green buildings in the world.

According to a recent report titled ' Green Buildings: Benefits and Future Outlook', published by DTZ International Property Advisers Pvt Ltd, the total supply of green realty space has doubled to 6.8 million sq ft in September 2009 from an early- 2007 level of 3.8 million sq ft. About 58% of the total supply of green buildings is contributed by the IT/ITES segment.

The report also says that the green real estate movement is occupier-driven at present and awareness among real estate developers is not very high at present. This reflects the larger market, though, which is low as compared to developed nations where climate change and environmental degradation have become an important aspect in the education and awareness programs school upwards.

Vidur Bhardwaj, Director 3C Company and Chairman of the Delhi Chapter of the India Green Building Council, whose venture is the only one in India to have completed three LEED certified green buildings, is optimistic. "I think that people are getting more and more aware. Six years ago when we started documenting green building, people thought we were painting buildings green. Today, awareness has grown. There is a need for green real estate. If developers don't do it, people will try to do it themselves," he says.



Truly Sustainable

Buildings need to be sustainable through all 4 stages of their life cycle

Managing- The performance of existing buildings can be improved through good management, especially in energy efficiency, green materials for maintenance, cleaning, etc.

Developing- Creating new buildings and refurbishing existing ones with a sensitivity to the environment is not just the developer's responsibility, but a good long-term value-add for the customer

Occupying and leasing

Living- This is more about the individual efforts to minimise the footprint, which is also critical in the long run.

(Source: r.e. Design: The green real estate guide, Colliers International)

Besides a sense of responsibility, clients see value in building green in reduced energy costs. In his company's latest project the Green Boulevard, the largest platinum rated shell and core building in the world, Vidur was able to pass on the benefits of going green to his clients in a tangible manner. However, too much emphasis on the cost benefits defeats the larger purpose of building green. Warns Vidur, "If a developer thinks he is going to get a premium because his building his green, it is not going to happen. He will need to go in with the belief that if he creates value, the money will follow."

Building green in India is a trend in the making, certainly. However, there is little support from the government at present. The industry is clamouring for lower interest rates, removal of VAT and other benefits to encourage green real estate and though the government is more aware than before, there are no concrete steps yet.

The IGBC is trying to spread awareness by targeting schools, educating children and taking classes in colleges. At the social level, they organise fashion shows and showcase brands that are green. The idea is to spread the message of going green in general and communicate about green building as a part of it.

Green is here to stay

Colliers International brought out a publication called the "r.e. Design: The green real estate guide". The document predicts that green real estate will become a norm rather than a special thing to do in the coming years and that it is imperative for developers to understand and ride this trend going into the future. Interestingly, the findings hold true for emerging economies and markets like India as well, only the timelines would be different. The long and short of it-We need to be prepared and slowly, but surely change our psyche as the markets mature and adopt global trends in property development and management.

towards addressing key environmental issues. Governments will increasingly turn to combinations of regulation and incentives to drive greater improvements. In turn, tenants will help drive Green Real Estate through their Corporate Social Responsibility programmes, and desire to attract and retain quality employees.

Markets can transform in a very short amount of time, with green buildings quickly going from being unique to being standard practice. For example, this was demonstrated in the Australian office sector in mid-2007.

2. Focus on Value, Not Just Cost: Over-focusing on the cost of green developments can be greatly misleading. When markets transform, it is the cost of not having a green building in terms of ability to lease or sell that is of the greater importance. Developers must manage costs, but they should do so in balance with careful examination of their market to understand potential increases or decreases in value due to changing market expectations.

3. Knowledge is Money: Organisations working with green buildings go through a learning process. Those that invest in learning quickly and comprehensively find that dealing with green buildings becomes easy, and that they can drive down the costs of doing so and increase their returns. For developers, the expertise and depth of experience of their design and development team will be instrumental in managing costs.

4. Collaborate for Best Results: Because the behaviour of one party can affect the environmental performance of the other, the owners and occupiers of real estate need to collaborate in order to share both the risks and the opportunities associated with the move to Green Real Estate.

It is important that in the design and development phase, key stakeholders, including sustainability experts, collaborate from the outset of the project.

5. The Technology is Available: The technologies and design approaches of green buildings and their ability to perform in operation have now been demonstrated in various locations around the world. It is now just a matter of how this knowledge is shared and adapted.

(Source: r.e. Design: The green real estate guide, Colliers International)

Be Ready for the Change to Come

5 key points to remember when markets transform

1. Be Prepared for Rapid Transformation: Our shift to green buildings has only just begun, and will now accelerate very quickly as new government policies drive progress



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DECODING THE DIRECT TAX CODE - A KPMG ANALYSIS



JAI MAVANI



GAURAV MEHNDIRATTA

As the economy started to gather steam and the badly hit real estate sector was looking for a revival, the much awaited Direct Tax Code ("Code") was received by cheer and admiration by various quarters. However, on reading the fine print, the Code has sent jitters across the industry as it proposes to bring in sweeping changes in the current tax laws. An analysis by Jai Mavani, Executive Director, Head-Infrastructure, Government & Healthcare and Gaurav Mehndiratta, Partner, Tax & regulatory services, both from KPMG India Pvt Ltd.

The Direct Tax Code, which will be applicable from 1st April 2011, has proposed several significant changes to the current tax regime. This article provides an overview of those proposals that will be particularly relevant for the real estate sector.

Firstly, asset based computation of MAT (minimum alternate tax) at the rate of 2% on gross assets will be a significant tax burden for the real estate companies where the rents are low due to unfavorable market conditions and also in case of projects in construction stage, where MAT will be payable on the work-in-progress. MAT has always been a profit-based tax, this means it is levied on the basis of 'ability to pay'. It is an accepted canon of taxation to levy tax on the basis of ability to pay. From the recent trends it can be seen that these companies although have made good profits in monetary terms, but due to its nature of being capital intensive their profits on gross assets employed has been far below 8 %. A table showing the earnings to assets ratio of few listed companies is given in the table below. An analysis of the tax as per normal computation as per the Act and tax on gross assets is as under:

| Name of Company | Earnings to Gross Assets ratio (%) | | | Tax Provision for (amt in mn) (2008-09) | 2% of Gross Assets (amt in mn) (2008-09) |
|------------------------------------|------------------------------------|---------|---------|--|--|
| | 2006-07 | 2007-08 | 2008-09 | | |
| DLF | 5.54 | 13.30 | 7.18 | 2610.00 | 5029.64 |
| Reliance Industrial Infrastructure | 9.01 | 11.24 | 13.70 | 123.40 | 50.82 |
| GMR Infrastructure | 0.29 | 1.07 | 1.69 | 63.20 | 1228.18 |
| NTPC | 10.55 | 11.17 | 9.10 | 25547.00 | 20850.28 |
| Unitech | 14.94 | 7.88 | 5.59 | 2169.80 | 3429.52 |

The above table clearly depicts that not many companies in real estate sectors are in a position to earn a profit of 8 % on gross assets and would cause undue hardships. This situation could be even worse in case of mid sized real estate companies.

Further, the Code seeks to shift from profit-based incentives to investment-based investment schemes to avail tax incentives in select industries. Currently, the SEZ developers are not liable to pay Dividend Distribution Tax (DDT) and MAT. However, under the Code the SEZ developers and units will also be liable to tax on gross assets and DDT as no

specific exclusion is made in the Code. Levy of gross assets based tax (specifically when MAT was exempt earlier) would negatively impact the existing projects' cash flows and viability.

Further, the Code neither grants any tax holiday benefits to SEZ units nor does it grandfather the existing tax holiday benefits available to the units under the current Act. Granting Income-tax holiday only to Developers and not to Units that are set up in these SEZ's does not make any economic sense as developers may never make any profits if they are not able to attract any entities to set up the units in these SEZs.

The Code also clarifies to tax the income from letting out of house property will be taxed under the "house property" head and also proposes to restrict allowability of actual expenditure in excess of 20% which is currently at 30%. Further, the Code also proposes to introduce the concept of presumptive rent in cases where ratable value not fixed by the local authority. This could cause significant disadvantage to an assessee in situations where immovable property is let out along with business assets which are inseparable.

Not only this, with the removal of the tax benefits on account of interests and principal repayment deduction (currently at Rs 150,000), people looking out for residential houses for self occupation would be discouraged and consequently the demand for the residential houses could go down. This could add to the current slow down in the real estate sector and would adversely impact the common man.

It has been observed for the past few years that real estate in India is the second largest employer next only to agriculture and its size is close to USD 12 billion, growing at 30% p.a. Growth in the sector has a direct impact on its ancillary industries of steel, cement, etc. In the backdrop of its importance to the growth of the Indian economy, it is important for the government to create legislations which spur growth in this sector. As and when the code is up for legislative scrutiny, the principles of simplicity, fairness and certainty which are the key attributes of an ideal tax system needs to be carefully examined, also keeping in perspective the potential of real estate sector.

Currently, a feedback process on the current draft is underway and industry associations are submitting their representations. The industry, of course, is hopeful that the government will rationalize some of the more threatening aspects.

FIABCI - Prix d'Excellence - And the Award goes to Prestige Elgin!

AWARDS



It wouldn't be wrong to say that the FIABCI Prix d'Excellence is like the Oscar of the Real Estate world. That is why we feel exceptionally proud to announce that Prestige Elgin won the Prix d'Excellence in the Heritage Restoration category, the only Indian winner in any category this year. We see this award as a further confirmation of brand Prestige's commitment to preserving the beauty of Bangalore while scaling new heights of developmental excellence. Here's a huge THANK YOU to all those who were part of the team that made Prestige Elgin possible.



About the awards

The FIABCI Prix d'Excellence recognizes the project that best embodies excellence in all the real estate disciplines involved in its creation. It illustrates concretely the idea of 'providing society with the optimal solution to its property needs' and even mature projects are eligible.

Awarded by an international panel comprising top real estate professionals and experts, the FIABCI Prix d'Excellence rewards overall merit and not just aesthetics, functionality or size.

It therefore represents an outstanding achievement and bestows upon the winner the right to use the coveted exclusive award logo. Winners also gain access to unique international platforms for their projects and companies throughout the extensive FIABCI network of more than 60 members' countries and over 120 professional organizations worldwide.

The Prix d'Excellence is much more than just a beauty contest. Projects are judged according to the following criteria:

- General Description of the Project
- Architecture and Design
- Development and Construction
- Community Benefits and Environmental Impact
- Financials and Marketing

The Prix d'Excellence presents projects that are a cut above the rest!

GST AND THE REALTY SECTOR

By S Sivakumar, Director, S3 Solutions Pvt Ltd

As we know, the Realty Sector is one of the most taxed sectors from the point of levy of indirect taxes. Some of the major indirect taxes that get levied on the Sector include central excise duty, service tax, customs duties on imports of goods and capital goods, VAT, octroi/entry tax on entry of capital goods, sales tax on the fuels used, etc. The Goods and Service Tax, as we know, is an attempt to integrate most of the indirect taxes levied by both the Central Government and the State Governments, under a single umbrella. The GST is the most ambitious tax reform undertaken by the country, since its independence. The GST would impact the Realty Sector in manifold ways and this piece is an attempt to try and understand the impact of GST on the residential and commercial Realty sectors, in terms of the First GST Discussion Paper released by the Central Government on November 10, 2009.



1 The first question that arises is, whether the Realty Sector would get covered under GST. There is every reason to believe that the Realty Sector would get comprehensively covered under the GST. The 13th Finance Commission and trade bodies like the FICCI have been asking for Realty Sector to be included under GST. Even the Government representatives have been indicating that the Realty Sector would be included under GST.

2 The Discussion Paper confirms that we would have a dual GST comprising of a central GST ('CGST') and a state GST ('SGST') with multiple GST rates. Of course, the Paper does not give any indication about the GST rates and neither does it talk about the revenue neutral rate. However, in a 'hypothetical example' given in the Paper, there is a mention of 10% CGST and 10% SGST. I don't know if this is an indication of the likely high tax rates under the GST regime. With specific reference to the Realty Sector, if one compares the overall indicative GST rate of about 20% to the currently applicable rates of about 7% under VAT and 4% under service tax (under the Composition Scheme applicable for works contractors), one would find that the overall output rate would be significantly higher under the GST. This is one factor which would significantly impact the residential Realty sector. The Government should seriously think of including the Realty Sector under the lower GST tax bracket (say, under the likely 4% GST bracket) so as to ensure that the overall tax rates are moderate.

3 The Paper talks of the Central Excise, Additional Central Excise, Service tax, CVD, Special Additional Customs Duty (SAD), Surcharges and Cesses to be subsumed within the CGST, while VAT/Sales tax, Entertainment Tax, Luxury Tax, Taxes on lottery, betting and gambling,

states cesses and surcharges in so far as they relate to supply of goods and services and entry tax in lieu of octroi. It now looks certain that stamp duty, octroi and entry tax in lieu of octroi would be outside of GST. This is real bad news for the Realty Sector, given the fact that it imports a large chunk of capital goods including elevators, lifts and other machineries get imported. The combined impact of the entry tax and stamp duty could be anywhere between 6 to 8%, which is an additional tax that the Realty Sector might have to pay/incur, in addition to the GST rates.

4 Para 3.7 of the Paper makes a bold statement that exports would be zero rated and that, SEZs might also get covered. The Paper also makes it clear that sales from an SEZ to DTA would not get the benefit of zero rating. It seems clear that, the Developers and Builders who are into development of SEZs, would need to incur the indirect taxes and then go for refunds from the Central and State Governments. Currently, in most States (excluding states like Karnataka), SEZ Developers are completely exempted from the payment of VAT on purchases and under GST, it is expected that all exemptions would get replaced with refunds. Apart from the uncertainties concerning refunds, the move to shift to refunds under the GST would also entail locking up of precious working capital.

5 In terms of the threshold limits, the Paper indicates that the threshold for CGST for goods may be kept at Rs 1.5 crores (which is the current exemption limit under central excise). There is no indication about the threshold limit of Rs 10 lakhs under SGST. In terms of the composition/compounding scheme, the Paper talks of a cut off limit

of Rs 50 lakhs and the floor rate of 0.5% across the states. This move vis-a-vis the Composition Scheme under the GST could mean a lot of trouble for Developers and Builders who are treated as works contractors under the existing VAT laws. As we know, works contractors are allowed to opt for the Composition Scheme under the state VAT laws without any cut off limit and are also allowed to collect such taxes from the customers.

6 The Paper talks of credit in terms of the CGST and SGST under the respective streams, without any cross utilization being allowed. One good thing is that, the Paper also talks of refund of accumulated credit arising on account of mismatch in the tax rates wherein the input tax rate is higher than the output tax rate, purchase of capital goods, etc., apart from, on account of, exports. Realty Developers in the commercial space will stand to benefit from the new GST proposal to allow refund of accumulated credit due to mismatch in tax rates, etc., as in such cases, there is an accumulation of Cenvat credit in the initial stages of the project. Though it is disappointing to see that the Paper makes no mention on how the carried forward / unutilized credit would be dealt with under GST, in the absence of any mention of the intent to restrict the carried forward input tax credit, one hopes that the Government would allow for this unutilized credit to be carried forward under the GST regime without any restrictions.

7 It is disappointing to see that the Paper makes no mention of how works contracts would be treated under the GST. Under the current tax provisions, as we know, there are a lot of controversies on the applicability of VAT and service tax on agreements of sale. Despite the CBEC clearly stating that service tax is not applicable on agreements of sale as also agreements to construct, in terms of Circular No. 108/02/2009-ST dated January 29, 2009, we have seen that the Service Tax Department has been largely reluctant to implement these beneficial provisions. In fact, most Commissionerates have been taking positions that are totally inconsistent with the aforesaid Board Circular. On the legal front, the Supreme Court is already hearing a petition in respect of L & T Ltd v. State of Karnataka for a prayer that its earlier judgement rendered in the K Raheja Development Corporation case cannot cover an agreement for sale of a residential unit, in terms of the levy of sales tax/VAT. It is quite unfortunate that there has been an absolute lack of clarity on levy of service tax on the residential Realty sector, right from June 16, 2005. The Government

needs to bring in clarity on the taxing provisions and one hopes that the Government would consider all the existing controversies, while considering the coverage for the Realty Sector under GST.

8 The Paper states that the IGST ('Inter State GST') Model would be followed for inter-state transactions, under which, the Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information is also submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds. On the fact of it, this seems to be an excellent way to go about, in respect of inter-state transactions, though one can foresee some issues cropping up in respect of complication transactions like sale of goods in transit, to a dealer in a third state, etc. These provisions would have an impact on Developers/Builders transferring materials and goods from one state to another, in the course of executing their projects.

9 In terms of the endeavour to have common rules and procedures to be followed in respect of both the CGST and the SGST, the Paper makes a generic statement that such uniform procedure would be prescribed, to the extent feasible. The Paper does not even say that there would be common returns. There is no guarantee that we would have a near common legislation applicable to both CGST and the SGST. This could be bad news for the Realty Sector as one should expect the nightmares of handling the State Revenue Collection machinery to continue under the GST regime. Most State Governments have been treating the Realty Sector as a milking cow, in so far as the VAT revenues are concerned and unfortunately, this situation could well continue under GST. Handling re-assessments under the state VAT laws has been an unending nightmare for the Realty players. The Realty sector would expect the Central Government to strive to introduce common law and rules and ensure that the provisions available under the CGST law are made applicable to the SGST law, as well.

10 The Paper has no provisions on the procedural aspects

concerned with GST including on, assessments, movement of goods, scrutiny, audits, etc. As we know, this is one sector where there a lot re-assessments, appeals and litigation exists. In a state like Karnataka, Realty Developers are being subjected to a series of re-assessments, one after another, by various wings of the State Commercial Taxes Department. There is little clarity of thought amongst the various officers of the State Commercial Taxes Departments, in terms of the applicability of the taxing provisions concerning works contracts, leading a lot of harassment of the Realty Developers. The very purpose of GST being a tax paper friendly law would get defeated, if the current provisions contained in the state VAT laws are to get transitioned to the SGST law. As aforesaid, one hopes that the GST ensures that the procedures and rules for re-assessments, appeals, etc. that are currently available in the central indirect tax laws are also incorporated in the state GST laws.

11 It is interesting to note that the Paper states that the Central GST and the State GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. The word 'consideration' has been clearly defined under the VAT laws to mean cash or deferred payment and this is the reason, the VAT laws do not cover non-monetary transactions including barter, etc. By a natural correlation, we must assume that GST would cover only transactions which are squared off by monetary payments.

12 Currently, under the Composition Scheme, Developers and Builders are required to pay service tax @ 4.12% and are allowed to avail of Cenvat credit on input services and capital goods. Under the GST, the Realty Sector would expect a seamless credit availment process under which, credit is allowed on all GST paid including GST paid on goods, a benefit not available under the current service tax provisions.

13 Developers who are involved in infrastructure projects would be worried to know if the concessions and benefits currently available to them, would be continued under the GST regime. The Paper talks of the tax exemptions, remissions etc. related to industrial incentives being converted, if at all needed, into cash refund schemes after collection of tax, under GST. The Paper also states that the exemptions, remissions, etc. under the Special

Industrial Area Schemes would continue up to legitimate expiry time both for the Centre and the States. Of course, under GST, no new exemption, remission etc. or continuation of earlier exemption, remission etc. would not be allowed. In my view, we could have provisions under the GST law for collection of and a subsequent refund, of the existing exemptions and remissions.

14 The commercial Realty sector has been beset with a lot of controversies, right from June 1, 2007, when renting was deemed as a taxable service, liable for service tax. The Hon'ble Supreme Court is already hearing writs filed challenging the constitutional validity of the levy of service tax on renting. While the Government has been eager to treat renting as a taxable service for collection of tax, it has been seeking to refuse Cenvat credit on input duties and taxes which have gone into creating the immovable property (Ref. Board Circular No. 98/1/2008-ST dated January 4, 2008). One hopes that there would be no such double standards under GST.

Before parting...

a Levy of tax on works contracts has always had its share of controversies, over the last four decades or so. This is understandable given the fact that a works contract combines sale of goods and rendering of services, in a single transaction. Apart from generating significant revenues from the Realty and Construction sectors, the Governments at the Centre and in the States have done little to simplify the laws and regulations governing the levy of indirect taxes on this important sector, leading to very high compliance costs for this sector. The endeavour under GST vis-a-vis Realty Sector should be to simplify the law and rules and to ensure a good grievance handling mechanism including allowing Realty players to apply for advance rulings.

b One does not understand the rationale behind the Government's move in not involving the trade bodies like CREDAI even at the GST evolution stage. A lot of issues concerning the sector can get resolved even at the policy making stage, if bodies like the CREDAI are to be made part of the GST policy making process.

c I wonder if the GST would get implemented as of April 1, 2010. A lot of issues would need to get resolved and both the Central and the State Governments would need to act much faster, going forward, to meet this rather unrealistic deadline. Irrespective of whether GST gets implemented on April 1, 2010 or not, GST is here to stay. The Realty Developers would do well to understand GST's nuances and to plan their transactions accordingly.

A PEARL OF GREAT PRICE

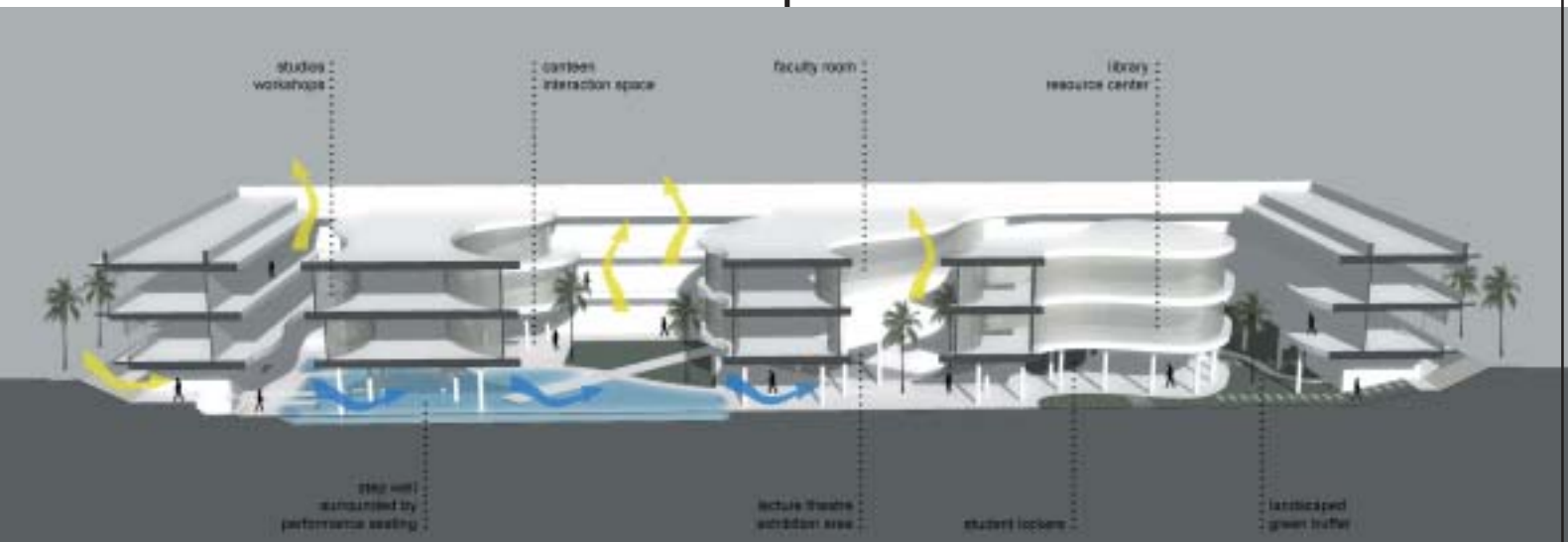


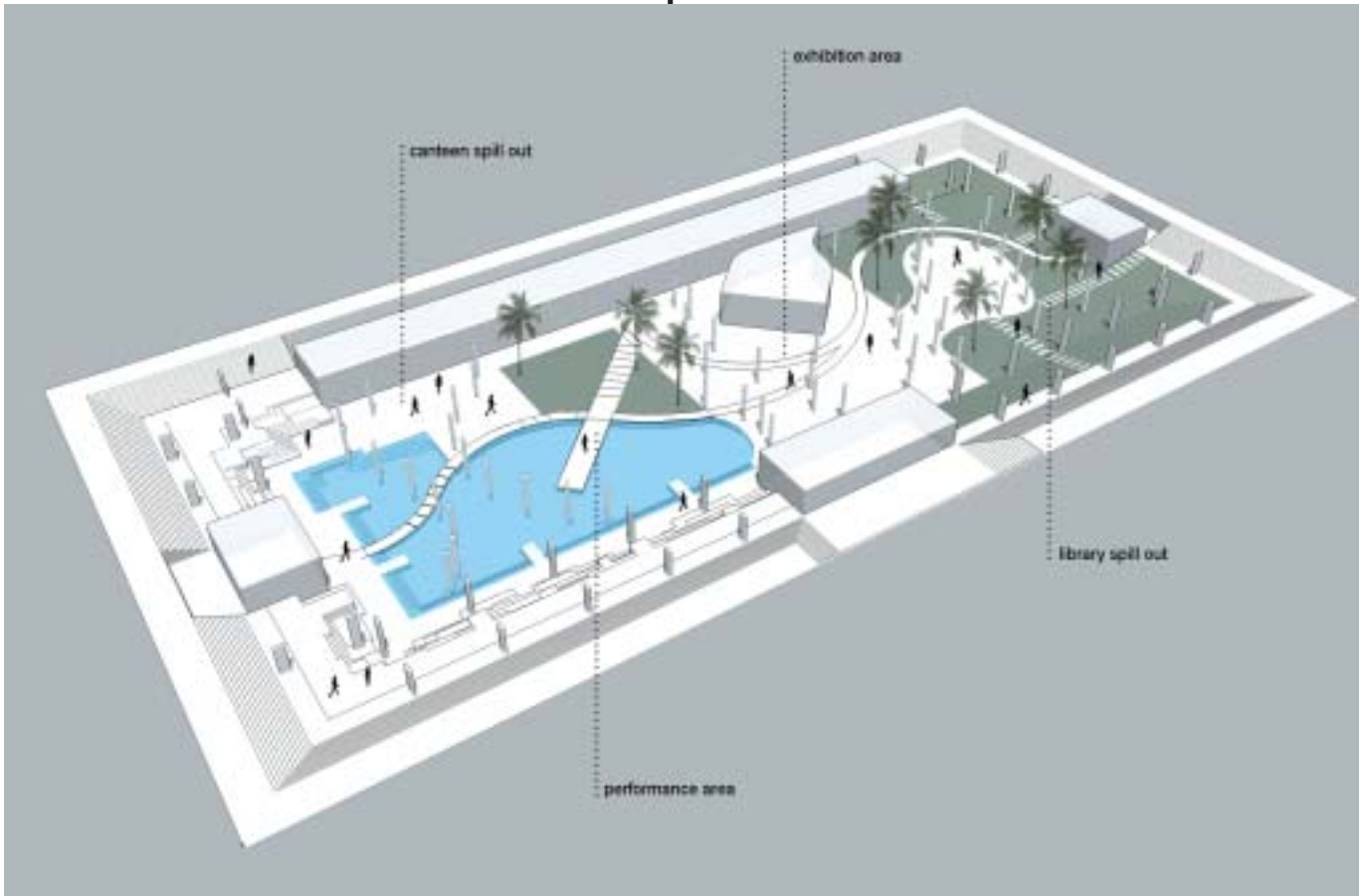
The analogy Biblical parable "Pearl of Great Price" values the heavenly riches as far greater than wealth and comfort. The Pearl Academy of Fashion, a Morphogenesis project, appears to have successfully created a haven while keeping the wealth and comfort intact, as Varsha Trehan discovers.

The Thar Desert hides within its sandy dunes, a pearl that is revealed to only those who search for it with a true heart - The Pearl Academy of Fashion, Jaipur. Driving through the Kukas Industrial area, if you didn't know about it, you would miss it altogether - a curious symmetrical cuboid with its

facade breaking the sunlight yet white to look like marble that shows up Indian architecture with its capacity to blend in traditional values while marking a mark in the global contemporary trends.

Ranked among the top 10 fashion design institutes of India, Pearl Academy is in the news as a benchmark for low cost, innovative, institutional building design all done under budgetary constraints. Brought into the design are elements of vernacular and contemporary, skillfully blended with passive strategies to achieve sustainability at a target cost of Rs 1300 per square foot, HVAC, interiors and all.





Stand alone mode

The Fashion Academy needed to convey its serious academic orientation, achieve the desired functionality and effect while remaining self-sustainable by virtue of its adverse climatic location. The solution had to be a zero-energy, self sufficient institute; a low cost sustainable building which was designed to achieve thermal comfort by reinterpreting and adapting traditional elements and techniques and reducing dependence on mechanical methods of cooling.

With energy efficiency as top priority, the institute has emerged self sufficient in terms of captive power and water

supply. Rain water harvesting, waste water recycling, sewage treatment have all contributed towards the Green mindset.

Beat the heat

Taking the traditional passive climate control strategies of Rajasthan like the open courtyards, water body, the baoli or step well and the typically perforated jaali screens have become a part of the design student's daily life. The jaali forms a part of the double screen thermal buffer between the interiors and the harsh outside world. The density of the perforated outer skin has been derived using computational shadow analysis based on orientation of the façades. The screen situated four feet away from the wall reduces the direct heat gain. Drip channels along the inner face of the jaali offer passive downdraft evaporative cooling, so managing the incident wind temperature.

Internally the building is cooled with self shading sliver courts and open stepped wells. The scooped out under belly acts as a natural thermal sink that takes the advantage of evaporative cooling during the day. At night the desert cools, allowing this floor to dissipate heat,



keeping the building comfortably cosy. Through the day natural lighting streams to the classrooms and studios eliminating the need for any artificial illumination in day time. The environmental aspect was devised as a means to achieve an end, which was the brief itself, in terms of lowering costs and eliminating the need for artificial ways of cooling.

The classic catwalk

Interactive spaces allow the flow of creativity for the student body to work in multifunctional zones, an elegant catwalk from the outdoors to the indoors. The creation of the underbelly virtually eliminated the cost of air-conditioning. The building is raised above the ground, taking advantage of the fact that the temperature below the earth is much lower. An underbelly is created with a water body fed by recycled and rain water, which allows for evaporative cooling. The underbelly also houses recreation and activity areas including a ramp for fashion shows. It is really the anchor for the entire project.

Materials such as local stone, mosaic flooring with steel, glass and concrete help meet the climatic needs of the region while retaining the progressive design intent, keeping in line with the aims of the institute.

Morphogenesis says that it aims at achieving sustainable solutions using passive techniques of cooling such as thermal buffers, evaporative cooling, ventilation strategies, water reservoirs, optimizing the surface area to volume ratios and exploiting the building orientation to achieve thermal comfort in all kinds of climatic conditions. In this project they have certainly created the pearl in the sandy Pink City, if not the oyster itself.

Awards and Accolades

The Pearl Academy of Fashion, Jaipur, which has won tremendous acclaim and awards internationally as pioneering example in sustainable and green design.

- Finalist for the World Architecture Festival Awards, Barcelona, 2009
- Highly Commended Seal of Distinction, Cityscape Architectural Awards, Dubai,
- The Architectural Review Cityscape Special Award for Environmental Design, Dubai, 2007
- Finalist for the MIPIM Asia Awards, Green Building Category, France, 2008
- Citation in the 20+10+X World Architecture Community Awards, 2009

Why They Did, What They Did Words with the Design Team

1. *In a time when elaborate facades compete with each other on the skyline, what would you say to the critics of "the nondescript shoebox exterior" of the building?*

The site is in a typical hot, dry, desert-type climate on the outskirts of Jaipur in an industrial setting. Hence, an introverted typology for the building design was a necessity. Within the industrial setting, there were no external views available. All through the process of design, we believed that the final building would be an apt response to the program and the environment. What stunned us eventually was the fact that despite the tight site and cost constraints, the building had turned out to be a landmark. It has always been our vision to find unique solutions emanating from local conditions and bring Indian design to a cutting edge w.r.t to the world. We realize that it is possible to do iconic architecture and despite lesser resources, great architecture can be built.

2. *What were the main reasons that made you fall back on the traditional building elements? In terms of creating a fusion of the traditional with the contemporary, what was a major achievement in this project?*

The architecture of the academy needed to be a confluence of modern adaptations of traditional Indo-Islamic architectural elements and passive cooling strategies prevalent in the hot-dry desert climate of Rajasthan such as open courtyards, water body, a step-well or baoli and jaalis (perforated stone screen). All these elements have been derived from their historic usages, but will manifest themselves through the built form and become an intrinsic part of the daily life of the design student. Materials such as local stone, mosaic flooring with steel, glass and concrete help meet the climatic needs of the region while retaining the progressive design intent, keeping in line with the aims of the institute.

Passive climate control methods reduce/eliminate the dependence on expensive mechanical cooling and heating methods in a state with scarce resources. The design takes two almost inviolable Rajasthani architectural motifs and gives them a contemporary twist; the stone screen known as the "jaali" and the open-to-sky courtyard. The environmental aspect was devised as a means to achieve an end, which was the brief itself, in terms of lowering costs and eliminating the need for artificial ways of cooling.

GOODS AND SALES TAX (GST): OPPORTUNITIES AND CONCERNS

From 1st April 2010, GST may be introduced as part of larger comprehensive proposed tax reforms in the country. At present, parallel systems of indirect taxation exist at Central and State levels. These need to be reformed and eventually,

harmonized. The real estate sector will also be impacted by GST. A team of experts comprising Harpreet Singh and Siddharth Mehta, KPMG India Pvt Ltd discuss what we must expect..



Harpreet Singh



Siddharth Mehta

What is GST: GST will be a comprehensive indirect tax on manufacture, sale and consumption of goods and services at state and national level.

Background: The basic concept of GST is that goods and services should be taxed at the same rates and this is a norm followed across the globe. This will give India a world class tax system, improve tax collections and remove the existing distortions and differential treatment between sectors. Multiple taxes like Octroi, Central Sales tax, State level sales tax, Entry tax, Stamp duty, Telecom license fees, Turnover tax and others may be abolished once GST is fully implemented. The cascading effect of multiple taxes will be avoided and seamless credit across the supply chain

will be possible under a common tax base. As a movement towards GST, India's first step is to converge the existing rate of CENVAT and Service tax. Revenues from GST will be shared between the Central and State Governments.

Real estate: A crucial sector faces challenges

The real estate sector in India has always been one of the most crucial sectors, given its contribution to the government exchequer, employment generation potential and ability to attract significant investment. However, the global financial crisis and the resultant slowdown in the global economy over last one year have significantly impacted the sector across

all asset classes such as residential, commercial, SEZ/ Industry Parks.

The sector is facing stiff pressure on the price points, one of the key components of which is multiple statutory levies and taxes. These include indirect taxes such as Excise duty, VAT/ Sales tax and Service tax on construction activity and Stamp duty on the entire sale value of property. Further, the sector is also contributing through various State and Municipal levies such as Labour Cess, Municipal taxes etc. Taken together, these levies constitute a significant cost of most real estate transactions.

The problem is aggravated because of the ambiguities in the indirect taxation regime applicable to the sector. For example, applicability of VAT and Service tax on sale/ lease of real estate continue to be subjects of debate.

GST & Real Estate: Some challenges

As the proposed implementation of GST inches closer, one would expect rationalization and simplification of the taxation scheme. To begin with, the total tax incidence under GST should not exceed that under the prevailing system (though any reduction in tax burden would certainly be welcome by all). Further, the multiple levies currently applicable to construction and allied activities should be subsumed into a single GST, to the extent possible.

In order to ensure that the sector is not saddled with any additional tax cost under GST, the implementing agencies would have multiple options. The first and the most obvious choice would be to maintain status quo, by keeping transactions involving sale/ transfer of real estate outside the GST ambit. Thus, such transactions may continue to attract only Stamp duty, ensuring that there is no loss of revenue to the Government.

However, to make the new regime truly revenue-neutral for the industry, the above exclusion should be accompanied by a lower GST rate on key inputs that go into construction activity. This is because currently, various building material (e.g. steel) attract VAT at a reduced rate of 4%. Further, construction contracts are eligible for special composition schemes under VAT and Service tax, which attract tax at a lower rate. Subjecting such items or transactions to the standard GST rate (which could be in the range of 16% to 18%) would clearly inflate the project cost and hence, the need for a lower rate.

The other proposition is to cover the sector within the ambit of GST. The obvious advantage would be that GST chain would not be broken and the developers/ builders would get a set-off/ credit of taxes paid on construction material and services.

However, there would be several issues that require careful consideration.

To achieve revenue neutrality, a reduced/ concessional rate of GST would need to be considered. Also, in such a situation, Stamp duties and registration charges should ideally be subsumed into the GST.

Some special treatment may need to be accorded to special categories of real estate, such as housing for economically weaker sections of society. This can, for instance, be done by making such housing 'zero-rated' i.e. while no tax is imposed on sale/ transfer of such houses, refund of input taxes is allowed to the developer. Similar treatment can be considered for construction of Government buildings.

International trends

Even internationally, in many countries, real estate transactions have been given a preferential treatment under the GST/ VAT regimes. For instance, supply of real estate property is subject to "going concern" (which is equivalent to zero rating) concession, on fulfillment of prescribed conditions in Australia, and in United Kingdom supplies of private residences are zero rated. Supply of immovable property situated in France is generally exempt from VAT in France.

Overall a welcome move

Whatever be the mode of taxation, so long as it meets the twin objectives of revenue-neutrality and simplicity, it should be welcome by the industry players and also large sections of population aspiring to acquire a property.

In any case, for industry at large, GST is expected to have a significant impact and the developments in this regard should be closely monitored. Implications on purchases, contracting, pricing, cash flows etc. need to be analyzed, in addition to the changes in IT systems, accounting and other internal processes.

Clearly, adapting to a tax reform of such magnitude will be a challenge, successful transition to which would require concerted efforts and understanding of all the stakeholders.

NATIONAL SKILL DEVELOPMENT CORPORATION LAUNCHED

A unique Public-Private Partnership (PPP), the National Skill Development Corporation (NSDC) was launched on 20th October, 2009 by the Union Finance Minister Pranab Mukherjee. The concept is unique as it targets a serious up-scaling of the skill development across the country. The overall mandate is to skill 500 million people, of which 150 million are to be upskilled by year 2022. In the words of the Finance Minister, "The NSDC is an important component of the overall roadmap for the radical transformation of India's skill landscape."

Backed by improved techno-managerial practices, the talent is being honed to provide a workforce in 21 high-growth industries. Among others (list included), real estate and construction are prominent areas where there is considerable demand.

Broadly, the NSDC's role would be to create big bang training institutions that set the ball rolling, to fund initiatives related with upskilling and to enable and support existing training providers to scale up, multiply an improve standards.

It is a matter of pride for us that our Chairman Mr Kumar Gera is part of the NSDC Board, comprising of 12 members from government organisations and industry bodies. The board has worked hard for the past year to set up the NSDC in a professional and business-like manner. Mr Kumar Gera is highly optimistic about the outcome of the NSDC's efforts.

Said NSDC Chairman Mr M V Subbaiah in his speech, "There is no precedence anywhere in the world for such a body."

Maintaining quality: The mission includes the intention to achieve international standards through industry involvement and there is a strong emphasis on developing standards, curriculum and quality assurance. Accreditation institutions are to be created to this end as well. After all, the corporations biggest challenge is to find industry acceptance for workers trained under its projects and programs.

Industry-driven training for all levels: The emphasis on private-public partnerships also stems from the concern that workers

must be trained as per the needs of the industry and not in a theoretical framework. Yet, the focus is not vocational training, though upgrading it across the country is an initial step the NSDC will undertake. The larger needs are spread across 4 levels of workers. The largest group are at the lowest end of the skill pyramid, the uneducated unskilled workforce that aspires to better their lives by seeking alternative occupations from agriculture and other traditional forms of work. These comprise about half the demand. The next level is school graduates with no specific skills. These comprise about 25% and need upskilling. Then about 20% of the demand is for graduates, whose skills need to be improved and made specific to the industry needs. The last group of 5% are the highly skilled workers like doctors, engineers, lawyers and scientists. So, the NSDC is looking at upskilling people from the entire spectrum of the workforce as per the nation's requirements. "Let us resist the temptation to look at high-end, world-class skills and remember that we have a high demand for informal skill upgrades as well," said Mr Ashok Chawla, Secretary, Ministry of Finance, at the event.



Call for proposals: NSDC is already sending out proposals countrywide to invite NGOs, training organisations, social entrepreneurs and industry organisations to submit skill upgradation projects seeking gap funding from the NSDC. The corporation will provide funding through several instruments like grants, soft loans, venture capital and equity. The process is designed to be simple and transparent and the mechanism flexible.

In fact, two proposals, from SEWA and the Gems & Jewellery Export Promotion Council (GJEPC) have already been selected for funding and received letters of intent from NSDC Chairman Mr M V Subbaiah at the event. SEWA intends to train rural women workers across 15 different sectors, while GJEPC is setting up an institute to develop highly skilled manpower in jewellery designing and manufacturing. Mr Subbaiah, in fact, emphasised on NSDC's desire to "bring about a social entrepreneurship opportunity since skill development can be a viable business opportunity."

Progress, the way ahead

The NSDC, since inception in July 2008, has been proactively laying the ground work to position itself as the key driver of the private sector initiatives in skill development. Incorporated as a not-for-profit organization under Section 25, Companies Act 1956, there is 51:49 shares holding of the private sector and the Government. Emerging from the need to mine the large manpower resources of the country, the new vision is to create a pool of 500 million skilled people by 2022 as against the current 40 million. The NSDC has already presented a path breaking study that identifies and outlines in great detail the challenges faced by various sectors. The study looked at 21 sectors-20 in the formal arena plus the large informal sector in the country.

As Mr Mukherjee put it "Hence, within a modest timeframe of about a year, NSDC has an identity, an address, a clearly articulated 'game plan' for the future and a significant 'foot print' in critical skill development sectors. This is a commendable achievement, for which, the Board deserves to be congratulated."

Delivering the Vote of Thanks, Mr Kumar Gera from CREDAI summed up the expectations from NSDC when he said, "I thank you all on behalf of the tens of thousands of millions of future beneficiaries of this initiative." That is how large the task is, and that is how large the benefits will be, for India and for her people.

Sectors included in study for NSDC involvement in up-skilling workers

1. Automobile and auto components
2. Banking/insurance and financial services
3. Building and construction industry
4. Chemicals and pharmaceuticals
5. Construction material and building hardware, etc
6. Educational and skill development services
7. ElectOnics hardware
8. Food processing, cold chain, refrigeration
9. Furniture and furnishings
10. Gems and jewellery
11. Healthcare services
12. ITeS or BPO
13. ITS or software services/products
14. Leather and leather goods
15. Skilled labourers in unorganised sector like domestic workers, drivers, handicrafts, etc
16. Media, entertainment, broadcasting, content creation and animation
17. Organised retail
18. Real estate services
19. Textiles, apparel and garments
20. Tourism and hospitality services, travel trade
21. Transportation, logistics, warehousing, packaging



NATCON 2010

AFFORDABLE HOUSING DEVELOPMENT OPPORTUNITIES & CHALLENGES

January 23 - 25, 2010

CREDAI kick-starts the New Year with yet another power-packed annual conference. NATCON 2010 takes you to Dubai, to the fascinating environs of the Hotel Atlantis.

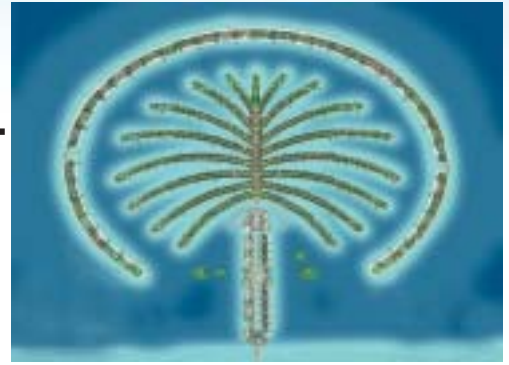
Here, over 100 decision-makers and 400 plus delegates will take on one of the most pressing problems facing India at present.

Cutting edge discussions

Affordable housing presents opportunities for real estate developers to tap a huge and growing market and to address a real need. However, the barriers are immense as well. At NATCON 2010, experts will address both the opportunities and challenges in panel discussions that will debate and dissect issues to arrive at a more evolved understanding of the way ahead for developers.

Sessions will address issues like:

- The real market opportunity presented by affordable housing
- Affordability in other asset classes
- Best practices and lessons from International Developers
- Successful beginnings by Indian Developers
- Technological and design advancements
- Time for a paradigm shift in Indian realty?



The CREDAI NRI Property Exhibition, the world's largest NRI property expo will also take place alongside NATCON 2010. Over 8000 affluent NRI's are expected to attend.
Mark it on your calendar.

Quality speakers

Some of the prominent speakers who will be there are:

- Mr. Deepak Parekh, Chairman, HDFC
- Mr. M V Nair, Chairman, India Banks' Association and Chairman & managing director, Union Bank of India
- Mr. S. Sridhar, Chairman & Managing Director, National Housing Bank and Chairman, Central Bank of India
- Mr. Kishore Biyani, founder and Group CEO, Future group
- Mr. Nimesh Kampani, Founder & Chairman, JM Financial group
- Mr. Rajiv Memani, CEO & Country Managing Partner, Ernst & Young
- Mr. Brotin Banerjee, Managing Director and CEO, Tata Realty
- Mr. Joe Silva, Chairman, Tanaji Malusare City
- Mr. Shahzaad Dalal, Vice Chairman & Managing Director, IL&FS

Great networking opportunity

Do not miss this great opportunity to network with the who's who of Indian real estate. NATCON is a common meeting ground for financiers, fund managers, developers, consultants and real estate managers, an event where partnerships are forged and deals are struck. NATCON 2010 will provide you with both formal and informal interaction formats to promote your business interests through targeted and intense networking.

See the sights, broaden your horizons

NATCON also takes you places. This time, experience Dubai, one of the fastest growing and ambitious destinations in the world from the point of view of real estate innovation and sheer ambition!

Atlantis, Dubai's latest attraction and the focal point of Palm Jumeirah island, will be your new home for the duration of NATCON 2010, offering you and your family the chance to luxuriate, ponder and truly live it up! CREDAI has organised sightseeing tours, you can play golf or shop at some of the world's best malls.

See you there!

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OR Visit the NATCON 2010 official website at
www.credai.org/natcon2010

CREDAI ANNOUNCEMENTS

BUILDERS FORUM HYDERABAD IS NOW CREDAI ANDHRA PRADESH

The Builders forum Hyderabad passed a resolution to change its name to CREDAI Hyderabad, said Mr C Shekhar Reddy, Chairman, Southern Zonal Steering Committee. Along similar lines the Apartment Builders Association, Vishakhapatam has also resolved to rename itself as CREDAI Visakhapatam. Together the associations will form the CREDAI Andhra Pradesh.

Historically, the Builders Forum of Andhra Pradesh and Apartment Builders Association have a special working relationship. The Apartment Builders delegates have been regular participants at CREDAI NATCON since the very inception of CREDAI. Going forward, it is expected that most of the city level associations will become a part of CREDAI.

CREDAI MADHYA PRADESH FORMED

The representatives of the Madhya Pradesh Builder Association Indore, Bhopal Builder Association Bhopal, Maha Kaushal Builder Welfare Association Jabalpur and Gwalior Builder Association Gwalior came together to form the CREDAI Madhya Pradesh. The meeting was chaired by Shri Vijay Mirchandani, President (MPBA).

It was further agreed that the city level associations would be renamed as CREDAI Bhopal, CREDAI Indore, CREDAI Jabalpur and CREDAI Gwalior.



Mr Irfan Razack - Vice President CREDAI

SAYING IT RIGHT

It's obviously not enough to keep working at improving the real estate industry. CREDAI also needs to talk about its efforts and initiatives.

CREDAI Vice President Mr Irfan Razack looks after the important portfolio of managing public relations for CREDAI. He revealed his ideas to Mukta Naik, in a freewheeling interview.

Why is communication and media relations important to CREDAI?

At CREDAI, we get together to fight for a cause, whether it is to ensure that the sector is not overtaxed or whether it is to rationalise policies that are hindering the growth of the sector.

We need to communicate to get the right message across to customers, the government and the industry. It's easy to be misunderstood or not understood at all. With direct media outreach, we can clearly articulate what CREDAI's stand is on each issue.

What are the main messages going out from CREDAI through the media?

We believe that it is important to promote housing and real estate as these are vital economic drivers. Housing and real estate contribute substantially to India's GDP and provide jobs to people across skill levels, from unskilled to semi-skilled and highly qualified workers. So communication messages going out from CREDAI emphasize on the importance of our industry as a whole.

CREDAI's PR drive intends to get our point across. We wish to convey the pain that we go through in our work as well as highlight possible solutions that are beneficial to all the stakeholders.

Is this a tough task?

Well, the challenge is to convey that we are a responsible industry association. We're not just looking for concessions, but we're looking out for the entire industry. Our public relations efforts are focused at promoting CREDAI as a credible organisation that upholds the principles of integrity and transparency.

For instance, we ask our members to adopt a Code of Conduct that ensure ethical and fair practices. Through this and other efforts, we create a distinction between CREDAI members and non-members. Also, by ensuring that members adopt such a Code, we send out the message that CREDAI holds developers responsible for their projects in terms of quality, on-time delivery, cost and other aspects that the Code encompasses.

Second, our efforts are directed at both fellow-developers who are members of our association, as well as to customers who are obviously critical to our business. We're not inward looking at all, not just concerned about ourselves and our own interests; but are approaching issues with a wider perspective. In fact, CREDAI focuses on consumers, working to protect their interests through local associations that create special committees. These committees analyse micro issues and settle disputes and misunderstanding between customers and developers, and even among developers if the need arises. In fact, we find that using dispute resolution committees ensures that there is no need to go in for litigation procedures, which are expensive and time consuming.

What is the ambition for CREDAI from a communication perspective?

Going forward, we wish CREDAI to gain more respectability and continue to be regarded as a credible organisation with a real will to resolve problems and build the industry.

We need to use communication as an effective tool to build this positive image of CREDAI and to talk about the good work that we do.

CORPORATE GOVERNANCE FOR THE REAL ESTATE SECTOR



DEEPAK PAREKH, CHAIRMAN, HDFC

Today, more than at any other time in our history, there is a strong recognition of the need for good governance and ethics in every sphere of business. The voice of shareholder activism has never been louder and the focus of regulators perhaps never so intense. The global financial crisis has taught us that 'infectious greed', which is the greed to boost profits, increase share

prices and get higher bonuses was largely responsible in causing mayhem in the global financial markets. As world economies are slowly recovering, regulators have a complex task of understanding the reasons for the breakdown of corporate governance. It is an onerous task as despite regulations being meticulously followed and box ticking done in all earnest, often there are instances when the basic tenets of corporate governance are violated. In the ultimate analysis, good governance has to be imbibed internally - its genesis lies in the core values and beliefs, not in a rulebook.

While global investor focus has remained intense on India given the vast investment opportunities, I believe the sector that will propel the country to a higher level over the next decade will be the construction sector. The construction sector encompasses a wide gamut from residential and commercial real estate to building physical infrastructure and manufacturing plants. Given the larger role that the construction sector is envisaged to play, the role of governance particularly in this sector should assume greater importance.

The real estate sector in India has shown considerable improvement from the lows seen last year following the liquidity crisis in October 2008. Having recovered from a difficult period, now is an ideal time for real estate companies to introspect on what went wrong and revisit their core corporate governance principles. The essential ingredients of corporate governance are integrity, accountability and transparency. If any of these are ignored or sidelined, the repercussions can be severe.

At this juncture, developers must show prudence and refrain from arbitrarily increasing real estate prices. There is a fine line between making profits and profiteering and it is in the interests of the entire sector that developers stay away from the latter. Unrealistic prices and speculation, particularly in the residential segment have detrimental effects across the economy. If the common man seeking a roof over his head keeps getting out-priced from the market, it can lead to social unrest. On the other hand, a system that enables more people to own a home has a positive impact on the socio-economic fabric of society. Affordable housing should not be a segment that gets priority only

when there is a lull in the high-end luxury residential segment. The demand for affordable housing is unquenchable. Developers who recognise the vast opportunities in this segment will reap benefits in the long run. It is a segment that is recession proof and has demonstrated that it is commercially viable as long as the projects are executed in the right manner.

Real estate is one of the few key sectors in India today that does not have a regulator. Thus the need for consumer protection becomes all the more necessary. Buying a house is the single largest investment a person makes in his or her lifetime. Why is it that time and again, consumers get the raw end of the stick simply because they are unable to decipher the exact liveable space that they are paying for? Why is it that apartments are not sold only on the basis of carpet area but arbitrarily on built up or even super built up area? Surely the real estate developer community can voluntarily imbibe this practice, even if the respective state governments do not mandate it. Furthermore, developers have to ensure that projects are completed on time. A majority of the consumers are first time homebuyers and they put all their faith and trust in developers. Endeavours to bring about greater transparency, fairness and standardisation into the real estate industry should not be resisted. The industry will also benefit from increased professionalism and ethical standards if there are specified norms and qualifications for real estate brokers.

Certainly, more efforts need to be channelled in devising a single window clearance mechanism for approval processes. This will not only save time, but reduce costs as well.

If one reflects back over the last ten years, one can see that the real estate sector in India has made considerable strides. In the early 1990s when fly-by-night operators were rampant, today they have been successfully weeded out of the market. A decade ago, even the large developers were local players, today India has several well-reputed pan-India developers. Financials of developers used to be opaque, but today corporatisation and listing of several real estate companies have brought in greater transparency in their operations.

While there are several real estate initial public offerings (IPOs) waiting in the wings, one does hope that they will be priced realistically. Overly high valuations of certain recent IPOs are cause of concern. The unrealistic pricing resulted in them listing at a discount to their IPO prices. A failed IPO at this juncture will set a bad precedent and could have serious repercussions on the entire market. One hopes that real estate companies will adopt a cautious approach while tapping the capital markets. Ultimately, markets always differentiate and ascribe higher valuations to those that voluntarily seek to constantly raise the bar of corporate governance standards.

HOME FRONT 2009 AT KOLKATA - A ROARING SUCCESS

The Home Front 2009 Exhibition (28 - 30 August 2009) was organised very successfully this year at the Netaji Indoor Stadium. The highly specialized fair, exclusively for the exhibition and sale of residential properties, has remained over the years a unique event in terms of both range and variety of properties displayed.

The exhibition was inaugurated by the Union Minister of State for Urban Development, Shri Saugata Roy. He mentioned that it was heartening to see the real estate industry getting more organised under structured and responsible organisations like CREDAI Bengal. He also launched the first copy of our bi-monthly Newsletter (Ground Realty).

Our main sponsor for this event was HDFC Home Loans. Other sponsors were Opus Estates (Catalogue Sponsor), Mobel Furniture (who sponsored cash vouchers for the first fifty purchasers) and Accord (Outdoor Partner).

The exhibition, which lasted three days, was an opportunity to the home buyer to establish immediate dialogues with the exhibiting companies along with the chance to compare projects directly. Forty residential properties were booked at the exhibition with a total transaction value close to Rs. 15 crores. Each one of them will receive a cash voucher of Rs. 20,000/- (redeemable at Mobel Furniture) subject to the fulfillment of the terms and conditions. Nine lucky visitors were awarded gifts out of a lucky draw. Apart from this, a free residential real estate catalogue was given away to every visitor. The extensive media planning ensured a footfall of over 12,000 people.



RBPA ACHIEVEMENTS

In 2009, The Rajasthan Builder and Promoters Association has worked hard to achieve a number of policy changes in favour of developers.

- The stamp duty has been brought down radically from 11% to 5%.
- Additional FAR of 4 will now be given to develop EWS/LIG housing on a minimum of 2 acres of land. This can be used as TDR in other development schemes by the developer.
- Notices given by the Sales Tax Department to builders to deposit tax under Works Contract Act were withdrawn by the intervention of RBPA with the State Government.
- RBPA has helped change the maximum height of buildings. Instead of a blanket 30m, the height is now fixed in relation to the width of the road.
- A committee comprising RBPA representatives is working with the government on simplifying the procedure for approval of building plan.
- An improved and amended Township Policy is to be cleared soon that will give 50% discount on stamp duty for developing townships on land of 50 acres and above.



CREDAI KOCHI CONDUCTS KERALA PROPERTY EXPO 2009

CREDAI Kochi successfully conducted a three-day Kerala Property Expo from 7-8 August, 2009 at Kochi. The event, largest of its kind to be held in Kerala, saw participation from over 40 builders and an estimated 3500 visitors. Prospective buyers took the opportunity to view and compare a large range of projects, both ready-to-move-in and under-construction status. On-the-spot loan facilities from various participating financial institutions aided the buyers further in walking the last mile to their preferred property.

Property Expo Middle East 2009 extends markets for CREDAI Kerala

October 9-10, 2009 in Doha and October 13-15 in Muscat saw Credai Kerala extending access to projects in Kerala through the Property Expo Middle East. The strength of NRI and other visitors to the venues in both cities provided much encouragement to the participants. The interest in the properties on offer was obvious through the type of enquiries that flowed in at the event. The prevailing low lending rates for home loans, best prices on offer backed by the reputation of the builders present at the Expo put together a never-before opening for NRIs to acquire their dream home.



Forbes '200 Best Under a Billion Dollar' List of 2008:

Brigade Enterprises Ltd made it to the Forbes "200 Best Under a Billion" list of 2008 for the Asia Pacific Region.

Brigade was one of the 22 Indian companies selected and the only real estate company from India to find a place in the Forbes list



Mr. Sushil Mantri, Chairman and Managing Director Mantri Developers receiving the Gold medal for Best Builder- 2009 from Honorable

Urban Development Minister Mr. S. Suresh Kumar, at the Golden Jubilee celebrations of The Karnataka State Town Planning Board.



MASSIVE CREDAI - KARNATAKA FLOOD RELIEF OPERATION BUILDING 5000 HOMES FOR FLOOD VICTIMS



One of the worst floods in the last 100 years, northern part of Karnataka has suffered immense loss of life and lakhs of houses have been washed away. The State Government appealed for reconstruction of the houses by various agencies. Credai - Karnataka has offered to construct 5000 houses to rehabilitate the people whose houses have been washed away. The Government has allotted a plot of plan in Bagalkot area and the work is expected to commence by the first week of December 2009. The total cost is estimated to be around a whopping Rs. 50.00 crores.



Serious Humour

Landed quotes

"The best investment on earth is earth"
- *Louis Glickman, famous American real estate developer*

"Markets always change, and as soon as there's downturn, cleanliness becomes a major value."
- *Donald Trump, highly successful American real estate developer*

Redefined

Maintenance free property: No maintenance carried out for the past 10 years.
Generation gap: The dream of the older generation was to pay off a mortgage. The dream of today's young families is to get one.

M&A

A successful real estate broker is all out to welcome his new son-in-law, Rajiv into the family. "To show that you are welcome into the family I plan to offer you a 50-50 partnership in my real estate office." The young man protests that he'd rather not take up the offer as he can't stand agents.

The broker then offers Rajiv a chair in the other business where he would handle the paperwork. "Oh no, I wouldn't like to be stuck behind a desk all day," rebel Rajiv.

Perplexed, the broker says, "You don't want to be partner in my business, nor do you want to handle the office, so what do I do with you?" Pat comes the reply, "Oh, you just have to broker the deal and buy me out."

A matter of position

A crow was sitting on a tree, doing nothing all day. A small rabbit saw the crow, and asked him, "Can I also sit like you and do nothing all day long?" The crow answered: "Sure, why not." So the rabbit sat on the ground below the crow, and rested. All of a sudden, a fox appeared, jumped on the rabbit and ate it.

Management Lesson: To be sitting and doing nothing, you must be sitting very, very high up.

A Developer while exchanging pleasantries with his young just married client working in a software company asked him "When do you plan to have your first baby?"

Pat came the reply "Not planning one, Sir, because I am told it takes 9 months to download!!"

Marketing executive of Parachutes to a prospective client : Sir, please go for this product. We are the best in the world both in quality and service. If it fails to work we guarantee a free replacement anywhere in the world within 24 hrs of the aircrash!!

CREDAI member to CREDAI Editor : I want this article which you didn't publish last year to be published in this issue.

CREDAI Editor : If I had rejected last year, why are you bringing the same article now?

CREDAI Member : As you have gained one year's experience since then, may be you will be able to appreciate it now!

LETTERS TO THE EDITOR



Congratulations for doing a marvelous job. The cover is impressive and so are the contents of the Magazine, which has touched upon all the topical issues of concern to the realty sector. The Magazine looks very attractive as the colour and title fonts have been used very imaginatively. I was enlightened and happy to note some of the policy initiatives of the Government towards energy conservation.

Sucharita R. Hegde
Editor, One India One People



"The New look of the Credai Newsletter is an exceptionally brilliant presentation of thoughts, idea, and contents. I congratulate the editor, for his spear heading efforts to develop a brilliant news magazine" I proudly say that I am an ardent reader of the CREDAI - Newsletter, which is not only informative but also, boosts the spirit of all the associated members, to do more in achieving, what we aspire. The write up on "Affordable housing is impressive and thought provoking". Affordable housing is the need of the hour, but nonetheless we developers face hurdles and tribulations in the achievement. Looking at the positive side of it, people today consider affordable housing as a boon, but the irony of the situation is that providing affordable homes has been a task, where developers are mind struck on HOW DO WE ACIEVE THIS.

The Magazine has been the perfect blend on news pertaining to the Realty world and the economic scenario. "The CREDAI newsletter is indeed a manifestation of CREDAI's values, which spell quality, innovation and class - It is very informative, well presented and outstanding."

V.K. Jagadish Babu,
President - CREDAI, Mysore Chapter.
Jagadish.sankalp@gmail.com



I compliment you on a good effort. The content is enriching and effort is visible. We can dedicate each issue to one issue, where we can get comprehensive inputs of all the best brains. This will make each addition worth preserving.

Lalit Kumar Jain
Vice President, Credai - India
Chairman, Kumar Builders



My heartiest congratulations to the Editorial Team on the publication of the Journal CREDAI - REAL ESTATE REVIEW July, August, September issue. A Marvelous effort in obtaining background details to compile impressive, interesting and very useful information through the journal. Needless to say I am truly impressed with the excellent printing and presentation of the issues. Truly a paradigm shift.

Prakash Challa
Vice President, Credai - India
President, Credai - Tamil Nadu
Managing Director, Sspdl Limited, Chennai



The new improved look and feel of the journal is like never before. The pictorial presentation of the cover page itself gives one a sense of the topics that would be addressed in the issue. In addition, the article "serious humour" along with the management lesson is a refreshing change.

S N Nagendra
Regional Manager, Karnataka & Goa,
HDFC



EDITOR'S BOX

I understand that the former CM of Andhra Pradesh the late Sri. Y S R Reddy was highly concerned about the sluggishness in Real Estate and some of the concessions were granted at his personal instructions. In some cases, I believe the concession granted was even more than our own demand. I wish politicians all over the country are as pro-active as the late Chief Minister.

The government of Andhra Pradesh has made housing reforms to build a livable city and some of the initiatives taken by the government are:

- **Revised common building rules:** The concept of FSI is done away, the height of the building is allowed with respect to the plot size and abutting road width and standard setbacks are prescribed. The most deterrent condition in the rule is SELF ENFORCEMENT. Under this clause, the builder has to surrender 10% of the proposed built up area to local body and if the building is not constructed according to sanction plan then occupancy certificate is not granted and 10% mortgaged built up area is forfeited.
- **Stamp duty:** For affordable housing of up to 1200 sft, total stamp duty of 5% is exempted.
- **Green channel:** Under this innovative scheme the builder can approach the empanelled legal and technical consultants, approved by the HMDA for the scrutiny of title document and buildings/ layout plans. After it is scrutinized by the panel, HMDA releases the sanction plan within 7 days.
- **Scheme of affordable housing in partnership vide GO Ms no 589 25.09.2009:** According to this scheme, any public agency/licensed builder/developer undertaking a housing project would be given automatic exemption from application from land ceiling laws. There will be 100% stamp duty exemption for built up units' up to 80 sq m, automatic land use conversions can take place without levy of conversion charges, no levy of non agriculture conversion charges. Moreover there would be 50% waiver on development charges and no fee for affordable housing component. But to qualify these incentives there has to be a minimum of 200 units of LIG and EWS.
- **VAT:** Under the composite scheme VAT at the rate of 1% of the sale deed value is collected at the time of registration.

PRO-ACTIVE REFORMS IN THE REAL ESTATE SECTOR IN ANDHRA PRADESH

- **Regularization schemes:** The government has introduced schemes like building penalization scheme, layout regularization scheme, and regularization of ULC excess lands and government lands occupied by the citizens to facilitate and ownership, regularization of built up area and to upgrade the layouts with proper infrastructure.

- **Installments:** Considering the prevailing market conditions, the government has extended installment facilities on impact fee and development charges from 8 months to 3 years.



*Contributed by Mr. C Shekar Reddy,
Vice President, CREDAI*

CSR INITIATIVE BY CREDAI - ANDHRA PRADESH



"Photograph with Hon'ble CM Mr K. Rosaiah at the time of giving CM's Relief Fund for the recent flood relief. An amount of Rs 50,86,166/- was contributed by CREDAI Andhra Pradesh (Builders Forum and Apartment Builders Association, Visakhapatnam)"



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A CSR INITIATIVE OF CREDAI KOCHI

CREDAI Kochi proudly presents the nodal agency formed as part of our Corporate Social Responsibility programme - CREDAI Clean City Movement, our initiative with a focus on health, hygiene and safety measures through solid waste management. The CREDAI Kochi chapter decided to implement an eco-friendly waste management system to maintain the city hygiene. The project is also linked with poverty alleviation as women from BPL families are given employment. The solid waste management technology is approved by Clean Kerala Mission of Govt. of Kerala.

The CREDAI Kochi Clean City Movement will implement innovative scientific methods for solid waste management in the Apartment complexes and residential colonies in and around Kochi City. Awareness classes and training programs are conducted for the residents of the apartments on the solid waste management.

Some of the steps for collecting and managing the solid waste include

Bio Bin System: The Bio Bin system has been set up in 200 Apartment complexes covering 18,000 flats in Kochi City. Corporation of Kochi presented the awards for the "Best Environment Friendly Project" and for the "Best Promoter" for the period 2008-09 to CREDAI Clean City programme.



Bio Bins

The Bio- trigger mechanism technology will be used to degrade biodegradable waste. The Clean City Movement will provide two buckets - one green and the other yellow for the segregation of waste. Biodegradable waste, in the green bucket will be collected by Clean City workers daily. Non biodegradable items, in the yellow bucket will be collected once a week.

Bio- degradable waste is deposited in Bio- bins and a solution of micro organisms is sprinkled into it. Consequently through natural bio degradation the garbage turns into useful organic fertilizer.

Dolphin Pot System: Waste management system is a problem in villas and residential colonies. A



Dolphin Pot System



Col. John K. Manavalan of Credai Clean City receiving the award for the Best Promoter from the Hon'ble Minister for fisheries, Govt. of Kerala



Sri. Mathew L. Chakola of CREDAI Clean City receiving the award for the Best environment project from Hon'ble Finance Minister, Govt. of Kerala

solution to this has been found in the Dolphin pot system or three- tier pot system. The system has 3 pots one on the top of another. The top and middle pots will have holes underneath and on sides for aerobic processing, while the bottom pot is covered. The daily kitchen waste can be put on to the top pot and sprayed with bio culture. This process can continue for 15 days or till the time when the pot gets filled. Then the middle pot can be kept on top and the top one in the middle. The process can continue for another 15 days. The matter in the middle pot can then be transferred to the lower pot and the process can continue. After 45 days, the matter will become compost which can be used as organic fertilizer. The system will be supportive to the local authorities in managing the waste generated in villas & housing colonies.

Plastic Shredding Unit: CREDAI Kochi along with Corporation of Kochi started a Plastic Shredding Project. Recyclable plastic collected from the Apartments is shredded and stored for use with bitumen for road construction. The plastic, when used for road topping enhances the life of roads. CREDAI Kochi has donated a shredding machine for the project.



DEVELOPING IDEAS IN THE WORLD OF ARCHITECTURE

V. NARASIMHAN, Architect - with an award winning state of art design studio, overseeing management & design overview of 450 projects, accomplished with ISO level documentation standards

In our constantly evolving world of concepts and ventures, the current preoccupation within the design world is sustainability. Though standards like LEED are ubiquitously associated with the idea of sustainability, architects and designers are looking towards lifestyle concepts that involve a conscious understanding of resources, needs and social integration strategies that allow for sustainable lifestyles rather than merely sustainable technologies.

The idea stems from the vision of leading urban theoreticians like Jane Jacobs. There is a direct relationship between urban visibility and community development and between isolation and immoral or criminal behaviour. Understanding densities and the need for incorporating parks and gardens "in the sky", WOHA's high density housing 'kampung' (based on community living in a Malay fishing village) plans parks, villages and a street culture on the 45th storey, thus enabling higher floor plates to be programmed psychologically as part of the street network below.

Ever the pioneer, New York boasts of Gotham Greens that creates agricultural farms on rooftops. This is a further elaboration on the modernist ideology of utilisation of rooftops as programmatic areas that could spawn healthy community networks. In Bangalore, residential projects are now aiming for LEED certification, lead by TZed's platinum rating. As ideas continue to leap out of the box, there is another side of sustainable design that is coming to the fore.

Potentially a more economical and feasible alternative to strictly ecologically-friendly developments is the move towards resource sharing. Visible primarily in the western

world and applicable in our changing global situation and economy, this is planned with a bottom-up design process where individual housing units are designed to allow for sharing of resources based on lifestyles, needs and desires for interaction. Shared lawns, backyards, even kitchens reduce the usage of space and energy and serve as a major cost controller to the consumer where sharing is directly proportional to savings. This form of clustering also fosters a sense of the collective rather than the mere individual. These measures knit together groups of families and go back to the days of safe neighbourhoods.

In Calcutta, housing developments advocate a model of low, medium and high income housing within the same complex. This is a proven example of social integration and is diametrically opposite to the system of gentrification of a neighbourhood that isolates the lower tier work forces to the suburbs. This instance is echoed in Dubai's controversial apartment design that brought emigrant labour and the elite under one roof. In creating these designs, the focus on nurturing social networks becomes sharper and the symbiotic relationship between different parts of the economic pyramid is understood.

While development is often driven by changing trends in global and national economies, Bangalore's IT boom is testament to this, smaller ripples are beginning to make their presence felt by the growing number of freelancers, consultants and now an integral part of the work force, young mothers. This new breed of professionals does not invest in office space nor are they looking to. They rely on cafes that abound in major cities for connectivity, coffee and comfortable meeting spaces. Although these cafes or "work clouds" serve much

the same purpose as a business centre in a five-star hotel, the cost implications are naturally far lower. Tapping into this sector is another step in resource saving as projects look to create 'work-live' situations.

How does all this translate to the average consumer? Certainly, affordability still tops the list in mainstream markets, even more so in the current economic scenario. A large number of young expatriate professionals moving into the country bring with them ideas of affordable city housing. Looking to save every Rupee they can, the newest additions to our workforce look to renting larger homes which they can share and cut costs while creating tightly knit communities.

Interestingly however, is the interest in a phenomenon akin to one in New York. Loft apartments created out of industrial buildings became all the rage in America two decades ago. Today, with the real estate market wide open for the middle income group to buy homes, the average professional is looking for an apartment as affordable as a car. They are not particularly interested in amenities like clubhouses and swimming pools in the condominiums which raise the rent

exponentially and can be very isolating if there is not a critical mass of similar profiles.

However, they would still appreciate similar facilities within the city that allow them to connect and integrate socially. Defined programmatic spaces like theaters, libraries, health clubs etc work as social hubs by affordable memberships and recognition by repeated visitation. This would be an interesting addition to housing developments that blossom far from the city, allowing rents to remain cheaper and providing shared social infrastructure within the area. Concentrated areas of overseas student population that may spurt around business and engineering schools and universities also require careful commercial development. These urban spaces are vital for the wholesome development of areas far from the city centre.

As design ideas continue to evolve, the future presents much excitement. With the redefinition of sustainability as a springboard, the move towards smarter, more interesting development looks set to take over the urban landscape. The emerging heterogeneous landscape is now truly beginning to represent the myriad of personalities and possibilities.

THE GREAT INDIAN DREAM... CIVIL INFRASTRUCTURE FOR THE FUTURE.

While many of us strive for a better quality of life, the benchmark we oftentimes use to define it is as hazy as the mountain mist. With the growing disparity within our social systems, the need for survival is often greater than the lust for comforts. For those who can afford it, the necessity to create their own oasis within the torrid landscape, has resulted in greater polarization within our communities and cities. While the system of self governance that we so trust, has let us down, the common man has risen to become the harbinger of change. While the thought of insulating ourselves from the big bad world around has crossed many a mind, the

need to work for the larger good of society is gripping the young and restless.

The virtues of the private sector in terms of efficiency and vibrancy have been extolled since the early 90's when the markets were opened up. Privatization led to many a boom, and the long bottled up instincts of the effervescent entrepreneur, got a lease of freedom. From the telecommunication sector to information technology, from textiles to airlines; all breathed a new sign of life and changed the way business in India functioned. While success stories captured the headlines of most dailies, the real estate sector



also started booming. The turn of the 21st century saw the real estate sector getting more organized and the scale of construction grew exponentially. When the discerning customer demanded more, the industry rose to the challenge. International style IT Parks, SEZ's, DTA's, and gated communities sprang up all over the country. These oases insulated both businesses and individuals from the crumbling cities that they grew up in.

Infrastructure is a word that gets a favorable mention from both the polity and bureaucracy alike, while the lack of it has got the common man up in arms. Gated communities have offered that glimmer of hope while the cities they are in have been crumbling. The Jawaharlal Nehru National Urban Renewal Mission or JNNURM as it's commonly referred to has been touted as the answer to that problem. The euphoria however has been short lived as thousands of crores has been going down the drain, literally. Then, what is that solution at hand one may ask. Although many mantras have been chanted, the Public, Private, People, Partnership, or 4P, as I'd like to call it has shown the way.

The great orphan, that public property is often referred to as, has today found sympathetic parents. While real estate prices have soared across urban centers, the lack of infrastructure has finally begun to have a negative impact. This has got residents', businesses, and every other stakeholder thinking. The necessity to hold civic agencies and officials responsible has moved away from constant mudslinging to a proactive approach of cooperation.

Vittal Mallya Road, nestled in one of Bangalore's most posh neighborhoods, has received much attention more for its pathetic state than for the person it was named after. "When two elephants fight, it's the grass that bears the brunt", they say. And that's what precisely happened. However, a dedicated effort by a few committed citizens, an interested developer and the local civic agency has resulted in a one of a kind road for the area. The "Model" road has all the characteristics of a road abroad. A one foot thick continuously reinforced concrete pavement with a lifespan of 20 years, footpaths that are pedestrian and "specially able" friendly, storm water systems that will ensure the road stays dry in a downpour, sewage that has been isolated, utility ducts for electrical and telecommunication lines, lighting that's aesthetically pleasing, and to top it all, being built in all of 120 days. Imagine if this concept could be spread across cities. Initially, I must say that I was cynical and skeptical, what with all the political wrangling. But, believe me; the

wait was well worth it. When the road gets finished this Christmas, there will be a lot more Santas smiling and a lot less reindeer complaining about the ride. All this was possible, merely because of the 4P model.

Before this is touted as a lone star in the murky galaxy, I have another example. The initiative, pioneered by CREDAI, and supported by local civic agencies, worked for the benefit of the underprivileged. While it's mostly the poor that face the brunt of the monsoons, CREDAI-Karnataka decided to tempt fate. Working with experts in the area of flood management, they took on the formidable challenge of cleaning the cities primary drains that are filled with everything but storm water. A perfectly executed plan, with effective execution on the ground, as most real estate developers are used to, resulted in flood mitigation in an area of town that was notorious for consuming lives during the monsoons. All this again was possible, merely because of the 4P model.

As a civil engineer, I've had the opportunity of working on projects that makes one proud. Creating good infrastructure requires planning, the right design capabilities, effective management and the right execution team. While we spend thousands of crores in building our infrastructure, the questions we've constantly got to ask ourselves are how much it would benefit the public and how long it will last. Whether it a gated community or a public infrastructure project, the quality defines the longevity. Reducing the recurring cost of maintenance would free up taxpayer money for new projects. And with a little bit of transparency, we could build a better India, for our future generations. We neglect the same at our own peril.

While the responsibility of rejuvenating our cities and protecting the natural resources we've been blessed with could very easily be palmed off to the next generation, the time is now. Every being's natural instinct is to ensure the survival of its species, and we may be doing nothing extraordinary. But without the commitment to be global citizens, we could soon find our children and grandchildren blaming us for the excesses that industrialization has brought about. When we can enjoy the fruits of progress through advancements in science and technology, while being good stewards of the world we live in, the question simply remains, "Why Not ?".

Vivek Menon is a civil infrastructure expert and a social entrepreneur. Vivek is an Advisor to the government and a member of the infrastructure subcommittee at CiSTUP, IISc. He was the first runner up from Bangalore in the LEAD INDIA initiative. Vivek can be reached at goleadindia@gmail.com



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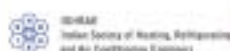
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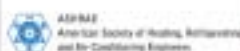
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