



# ADVANI HOTELS & RESORTS (INDIA) LTD.



## ANNUAL REPORT 2008 - 2009

## Chairman's Statement

Dear Shareholder,

### Economic Scenario

The world economy has witnessed one of the largest setbacks since the Great Depression of the 1930's. The Indian economy was relatively insulated, though the growth rate dropped to 6.7%. GDP growth would have been higher, but for the unfortunate terrorist attacks in Mumbai and other parts of India.

At the time of my Chairman's speech last year one major concern was the price of oil, which was about \$115 a barrel. As a result of the global meltdown, the price of oil has reduced significantly to under U.S.\$73 a barrel. This will ease the burden on India's economy, which relies on imported oil.

Foreign direct investment has slowed down, the stock market and real estate prices have dropped substantially. The value of Indian Rupee which had strengthened to Rs.41 has now depreciated to almost Rs.49 to a U.S.\$, despite the serious problems faced by the U.S. economy. With the reduction in exports and a drop in inward remittances, the trade deficit has increased. Fortunately, we have a stable Government in place and with the conservative policies followed, India will continue to be one of the fastest growing economies in the world with growth rates comparable to China.

### The Tourism Industry

This industry has the potential for earning huge foreign exchange and reducing the trade deficit. Unfortunately, only 5 million foreign tourists came to India, as compared to the larger number of we Indians who travel overseas, as airfares within India have always been relatively high. Thankfully, with the attractive airfares of low cost carriers we Indians are preferring to travel within India. This will have a positive impact on the fortunes of leisure destinations such as Goa. The number of foreign tourists visiting Goa declined substantially as the terrorist attacks on Mumbai happened in November 2008, at the height of the tourist season.

The Government of India has taken steps to revive foreign tourism but basic infrastructure needs to be improved.

### Casino Industry

The Government of Goa has issued full fledged casino licenses for 5 other ships ending the 8 year monopoly enjoyed by your Company. With the increased capacity coupled with a drop in disposable income due to the slow down, the fortunes of your Company's subsidiary have been adversely affected.

### Your Company's Past and Future

The vision for your Company has always been to be the first to bring new ideas to Goa and execute them in a way that everyone would be proud of. We were the first to engage Hawaiian architects to create an international resort that is not only an architectural masterpiece, but which blends in completely with the Goan environment.

Those who are concerned about Goa should be proud that someone from outside Goa believed in the tourism potential of Goa long before it became a hot destination. We also succeeded in getting equity investment from an international



hotel chain under a franchise arrangement and went on to be rated, in the late 90's, as the best hotel in Goa.

To promote tourism to Goa in the off-season months, we convinced the Government of Goa to allow the first Slot machine casino in our 5 Star Hotel to attract group movement. Later on, the Company was able to establish India's first offshore casino

almost ten years ago.

Unfortunately, due to the world economic conditions and our dependence on charter tourism we have had to adopt a cautious approach and scale back what had been planned for this off-season's renovation.

Our future vision involves expanding the 9 hole golf course into a full fledged one; building a jetty on the beach in front of the resort to create a synergy between the newly acquired Casino Ship and the hotel and thus have Goa's only full fledged land based casino.

We have purchased additional land to be able to build a larger conference centre or 50 additional rooms. A roof top Yoga centre with a panoramic view of the ocean is also planned for the next season.

### Your Company's Performance

The total income of Ramada Caravela Beach Resort, Goa combined with two months of operational income of the airline catering unit (which was sold before the airline industry ran into problems) declined 29% to Rs.3367 lakhs. The income of the hotel itself declined by only 15%. This is probably one of the best performances of any hotel in a disastrous year for our industry.

The operating profit for the year is substantially lower at Rs.587 lakhs, but part of this reduction is due to the non-existence and related profits from the airline catering unit. In addition, the profits for the previous year would need to be adjusted downwards by Rs. 150 lakhs to adjust for the change in treatment of foreign exchange gains to make the figures comparable.

The Company's Casino subsidiary has made a loss of Rs.79 lakhs and operations have been temporarily suspended. As the managing partners in this venture have decided to exit the business, your Company has decided to make a provision of Rs.478 lakhs in case we are not able to find an alternate solution. These factors have led to a net loss of Rs.52 lakhs for the year.

Your Company has done exceedingly well in the first quarter. An independent study undertaken by the "Capital Market" magazine dated 10th August, 2009 ranked your Company first out of 57 Companies in the Hotel Industry.

We hope to do well for the entire year, unless there are major cancellations due to the hype on Swine Flu.

I thank you for all your continued faith in the Company.

Sunder G. Advani  
Chairman and Managing Director



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*Annual Report 2008-2009**Advani Hotels & Resorts (India) Limited***BOARD OF DIRECTORS**

Mr. Sunder G. Advani	Chairman & Managing Director
Mr. K. Kannan	
Mr. Prakash V. Mehta	
Mr. Anil Harish	
Mr. Haresh G. Advani	Executive Director
Mrs. Menaka S. Advani	

**GENERAL MANAGER – FINANCE (CFO)**

Mr. Shankar G. Kulkarni

**COMPANY SECRETARY**

Mr. Kumar Iyer

**AUDITORS**

Messrs J. G. Verma & Co.  
Chartered Accountants

**SOLICITORS**

Messrs Talwar Thakore & Associates  
Messrs Malvi Ranchoddas & Co.

**BANKERS**

Bank of Baroda  
Bank of India

**REGISTERED OFFICE**

1009/1010, Dalamal Tower  
211, Nariman Point  
Mumbai – 400021

**REGISTRAR AND  
SHARE TRANSFER AGENTS**

Datamatics Financial Services Limited  
Plot No. A/16 & 17  
Part B Cross Lane, MIDC Marol  
Andheri (East), Mumbai – 400093

**FOREIGN COLLABORATORS**

Wyndham Hotels, U.S.A.  
(Previously Ramada International, Inc., U.S.A.)

**LOCATION OF THE RESORT**

Ramada Caravela Beach Resort  
Varca Beach, Varca Village  
Salcette, Goa – 403721

*Advani Hotels & Resorts (India) Limited***NOTICE**

Notice is hereby given that the **Twenty Second Annual General Meeting** of the Members of **Advani Hotels & Resorts (India) Limited** will be held at 'Rangaswar', 4th Floor, Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai – 400021 on **Friday, 25th September, 2009 at 11.00 a.m.** to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009, Profit and Loss account for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anil Harish, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mrs. Menaka S. Advani, who retires by rotation and is eligible for re-appointment.
4. To appoint M/s. J. G. Verma & Co., Chartered Accountants, to hold the office as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.



By Order of the Board of Directors  
For **Advani Hotels & Resorts (India) Limited**

Place : Mumbai  
Date : August 13, 2009

**Kumar Iyer**  
Company Secretary

**Registered Office:**

1009/1010, Dalamal Tower,  
211, Nariman Point, Mumbai – 400021

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

The Proxy Form duly completed and stamped, must be lodged at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 19th September to Friday, 25th September 2009 (both days inclusive) for the purpose of the Annual General Meeting of the Company.
3. Pursuant to Section 205A (5) of the Companies Act, 1956 all unclaimed dividends up to the financial year ended 31st March 2000 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. The details of the due dates for transfer of unpaid/ unclaimed dividend to the



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IEPF for the subsequent years are as under:

Year of Declaration	Due Date (For transfer to the Fund)
2005 – 2006	25-04-2013
2006 – 2007	21-03-2014
2007 – 2008 (Interim)	17-05-2015
2007 – 2008 (Final)	13-09-2015

4. Members who have not claimed dividend in respect of the financial year 2005 – 2006 and for the subsequent years are requested to approach the Company / the Registrar and Share Transfer Agents of the Company for claiming the same.
5. The particulars of the Directors seeking re-appointment are furnished below as per the provisions of Clause 49 of the Listing Agreement

Name of Director	(1) Mr. Anil Harish	(2) Mrs. Menaka S. Advani
Date of appointment	23.02.1998	30.09.1989
Age	55 years	63 years
Qualification	B.A. LL.B. LL.M. (USA)	M.A. (Economics) Innkeepers Diploma Holiday Inn University (USA)
Expertise	Taxation Law	Administration & Human Resource Development
List of other Directorships #	1. Hotel Leelaventure Ltd. 2. Pantaloon Retail (India) Ltd. 3. Unitech Ltd. 4. Hinduja Ventures Ltd. 5. Mahindra Lifespace Developers Ltd. 6. Ador Welding Ltd. 7. Valecha Engineering Ltd. 8. Mukta Arts Ltd. 9. Galaxy Entertainment Corp. Ltd. 10. Mantri Chandak Constructions Ltd. 11. Hinduja Global Solutions Ltd. 12. K.C. Maritime (India) Ltd. 13. Pride Hotels Ltd. 14. Future Ventures India Ltd.	None
List of Chairmanship/ Membership Of other Committees \$	<u>Chairman of Audit Committees:</u> 1. Hinduja Ventures Ltd. 2. Hinduja Global Solutions Ltd. 3. Ador Welding Ltd.  <u>Member of Audit Committees:</u> 1. Hotel Leelaventure Ltd. 2. Mukta Arts Ltd. 3. Unitech Ltd. 4. Valecha Engineering Ltd. 5. Mahindra Lifespace Developers Ltd.  <u>Chairman of Investors' Grievance Committee:</u> 1. Hinduja Global Solutions Ltd.	

# Excludes Directorships in Private Limited Companies, Unlimited Companies, Foreign Companies, Section 25 Companies and alternate Directorships.

\$ Includes only membership/s of Audit Committee and Shareholders/Investors Grievance Committee of other Public Limited Companies.

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6. The Registrar and Share Transfer Agents of the Company are:

**Datamatics Financial Services Limited,**

Plot No. A-16 & 17, Part B Cross Lane, MIDC Marol,

Andheri (East), Mumbai – 400093.

Tel.: 91-22-66712237 Fax: 91-22-66712230

Members are requested to contact them for any matter relating to Bank details, ECS Mandates, nominations, power of attorney, change in name / address etc.

7. Members are requested to quote their Folio Number or the DP & Client ID on all the correspondence with the Company or with the Share Transfer Agents.
8. In view of the numerous advantages offered by the Depository System, members holding Shares in physical form are requested to avail of the facility of dematerialisation of the Company's shares.
9. Members desirous of seeking clarifications / explanations are requested to forward their queries to the Company at its Registered Office at least 7 days prior to the date of the Meeting.
10. Members are requested to kindly bring their copies of the Annual Report to the Annual General Meeting.

By Order of the Board of Directors  
For **Advani Hotels & Resorts (India) Limited**



Place : Mumbai

Date : August 13, 2009

**Kumar Iyer**  
Company Secretary

**Registered Office:**

1009/1010, Dalamal Tower,

211, Nariman Point, Mumbai – 400021

## Annual Report 2008-2009

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## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report and the Audited Statement of Accounts of your Company for the year ended 31st March, 2009.

(Rs. in lakhs)

Financial Results:	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>Total Income</b> .....	<b>3367.16</b>	4754.48
<b>Profit before interest, depreciation, tax and exceptional items</b> .....	<b>587.22</b>	1574.15
Less: Interest .....	<b>165.85</b>	279.78
<b>Profit before depreciation, tax and exceptional items</b> .....	<b>421.37</b>	1294.37
Less: Depreciation .....	<b>250.86</b>	260.65
<b>Profit / (Loss) before tax and exceptional items</b> .....	<b>170.51</b>	1033.72
Less: Exceptional items (net) .....	<b>222.34</b>	—
<b>Profit / (Loss) before tax</b> .....	<b>(51.83)</b>	1033.72
<b>Less: Provision for Taxation</b>		
Current tax .....	<b>77.00</b>	325.00
Deferred tax liability / (assets) .....	<b>(145.56)</b>	52.99
Fringe Benefit tax .....	<b>11.58</b>	11.00
<b>Profit after tax</b> .....	<b>5.15</b>	644.73
Less: Prior period adjustments .....	—	6.66
Add: Profit brought forward from previous year .....	<b>643.68</b>	365.68
Less: Adjustment on adoption of AS-11 Notification .....	<b>86.91</b>	—
<b>Profit available for appropriation</b> .....	<b>561.92</b>	1003.75
Less: Dividend and tax thereon .....	—	296.17
Less: Transfer to General Reserve .....	<b>200.00</b>	63.90
Balance Profit carried to Balance Sheet .....	<b>361.92</b>	643.68
Basic and Diluted Earnings per share .....	<b>0.01</b>	1.38

## Financial Performance:

The year 2008-09 was a difficult year for the world economy and for India. The Travel and Tourism industry was adversely affected by these developments. For the first time in six years, there was a decline in the number of foreign tourists visiting India. Both foreign and domestic tourists curtailed their travel plans due to the terrorist attacks, especially in Mumbai in November 2008 at the beginning of the tourist season for Goa. As there were rumours that terrorists would attack Goa during the Christmas holidays, the business during the high peak season also suffered. Considering the above facts, the performance of your Company is satisfactory, as there were many cancellations at your Company's resort for the entire November to March tourist season.



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The operational income for the year 2008–09 of the Ramada Caravela Beach Resort, Goa, combined with two months operational income of the Airport Plaza catering unit, declined from Rs.4754 lakhs to Rs.3367 lakhs or 29.2%. The hotel alone did quite well as the income declined by only 15.7% from Rs.3820 lakhs to Rs.3220 lakhs.

The total operating profit for the financial year is Rs.587 lakhs as compared to Rs.1574 lakhs in the previous year. These figures are not comparable because the airline catering revenues have been included for only two months in this financial year, as this unit was sold in June and also due to a change in the accounting treatment for notional foreign exchange gain / loss as per Government notification dated 31st March, 2009. The total income for the previous financial year included an amount of Rs.150 lakhs as notional gain in foreign exchange. In this financial year, the Company has opted to include the notional foreign exchange gain / loss as additions to the assets for which the foreign exchange loan was taken. As such, the comparable operational profit figures for the previous financial year should be reduced by Rs. 150 lakhs.

The profit before exceptional items of Rs.171 lakhs for this financial year is also not strictly comparable with the previous years figure of Rs.1034 lakhs for the above reasons. There was a drop in average occupancy from 70% to 53%. However, the average room rate has increased from Rs.4,464 to Rs.4,979 as there were more domestic tourists during the season.

The sale of the Flight Catering Unit resulted in a revenue profit of Rs.375 lakhs in addition to a capital profit of Rs.959 lakhs. From the sale proceeds the Company pre-paid part of its secured loans and brought interest costs down from Rs.280 lakhs to Rs. 166 lakhs.

The Government of Rajasthan has, under the provisions of the Land Acquisition Act, 1894, dispossessed us and taken possession of the property in Amer, Jaipur. The Company has filed an appeal against the same in the Rajasthan High Court. Accordingly, the Company has made a provision of Rs. 120 lakhs, being the total amount incurred on the Jaipur property, which form part of the exceptional items of expenses in the profit and loss account.

The Company's subsidiary Advani Pleasure Cruise Company Private Limited (APCCPL) has incurred operational losses during the year ended 31st March 2009 and for the quarter ended 30th June 2009. This has been partly due to the economic slowdown and partly due to the almost ten-fold increase in the capacities of the offshore casinos in Goa. APCCPL has therefore temporarily suspended its operations w.e.f. 12th June 2009. The Company has in view of this uncertainty made a provision of Rs. 222 lakhs for diminution in the value of investment in the subsidiary and Rs. 256 lakhs towards doubtful loans and advances made to the subsidiary company, which form part of the exceptional items of expenses in the profit and loss account.

After considering these exceptional items, the net loss of Company is Rs. 52 lakhs.

**Dividend:**

Taking into account the above results, your Directors do not recommend any dividend for the financial year 2008–09.

**Future Outlook:**

The flow of tourists from foreign countries may continue to be adversely affected due to the poor performance of the economies of the countries from which Goa receives its major portion of business. The only saving grace is that business to Goa from other parts of India is starting to increase, but at reduced rates.

However, your Company has begun the current year on a very optimistic note by registering an increase of 8.5% in the net sales (Rs. 648.30 lakhs) for the first quarter ended June 2009 as compared to the previous corresponding quarter (Rs. 597.30 lakhs) resulting in a net profit before tax of Rs. 62.72 lakhs as compared to a loss of Rs. 29.40 lakhs for the previous corresponding quarter.

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Your Company expects to continue to do well during the year 2009–10 with an expected recovery in the Indian and global economy in the coming years.

**Renovation:**

In view of the global meltdown, foreign tourists are reluctant to pay higher room rates and are asking for reduction in current rates. As such, the Company has decided not to go in for any major renovation in this year. The Company has however refurbished 3 adjoining villas and converted them into two Presidential villas.

**Subsidiary Company:**

The business of your Company's 51% subsidiary Advani Pleasure Cruise Company Private Limited (APCCPL), which operated the only full fledged casino ship in Goa under a management contract with Casinos Austria International (CAI), who own the balance 49% in APCCPL, was affected during the year due to the advent of competition as a result of the Government of Goa issuing five other casino licenses in the same river. The business of APCCPL, which was highly profitable, has now made a net loss of Rs. 79 lakhs during the year 2008–09 as compared to a net profit of Rs. 678 lakhs during the previous year. CAI have accordingly decided to suspend operations of APCCPL from 12th June 2009 and also expressed their desire to exit from APCCPL. Your Company is trying to find a suitable solution to this problem caused by the sudden increase in capacity at a time when tourists are short of disposable funds. Your Company is also exploring the option of disposal of its investment in APCCPL.

The other subsidiary company Advani Flight Catering Services Private Limited, has not yet commenced operations.

The Ministry of Corporate Affairs, New Delhi has vide its order no. 47/205/2009–CL–III dated 16th March 2009 has exempted the Company from the requirement of attaching the Financial statements of its subsidiaries in terms of Section 212(1) of the Companies Act, 1956. As per the order a gist of the financial statements of the subsidiary Companies has been prepared and forms part of the annual report. The accounts of the subsidiary Companies and other detailed information will be made available to the Shareholders on request.

**Directors' Responsibility Statement:**

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.

**Directors:**

Mr. Anil Harish and Mrs. Menaka S. Advani, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

**Corporate Governance:**

The Company has complied with the requirements regarding the Corporate Governance as required under Clause 49 of the Listing Agreement.