



ADVANI HOTELS & RESORTS (INDIA) LTD.



ANNUAL REPORT 2010 - 2011

Chairman's Statement

Dear Shareholders,

Some of you may recall my statement in last year's Annual Report where I mentioned that the future of the Indian economy was exceedingly bright and that India had "emerged".

I was one of the three hoteliers from India who attended the World Travel & Tourism Council Summit in Las Vegas in May. A research study was presented which showed that there would be 2 billion new customers availing of international travel in the next 20 years and half of these would be from one country namely India. One can imagine why the eyes of the entire world are on India and why everyone wants to have their brands displayed in India so that Indians will use their product when they travel overseas. The fact that so many Indians will have the means to travel overseas also bodes well for those in the leisure segment of the hospitality industry in India.

These developments may have a good impact on our Company in that Goa is a favourite destination for Indian travelers and is easily accessible from all parts of India even if there are disturbances in the rest of the world. The continuing growth of the Indian economy will ensure that Indians have more disposable income. There is a charm to travel overseas, but Goa itself is different than any other part of India and is often described as the "Riviera next door". Also air connectivity within India has improved.

Tourism and the Hospitality Industry:

China's Gross Domestic Product (GDP), after taking into effect the rate of inflation, grew by 9.7% in 2010 followed closely by a 7.8% GDP growth in India. In comparison the GDP grew by 1.8% in the USA and only 0.5% in the UK. China and India along with Russia and Brazil are expected to be the growth engines for the recovery of the economies of the world.

The hospitality industry relies both on foreign and domestic clientele to generate revenues. Travelers have a choice of many countries, which compete with one another for the tourist dollar. About 5.3 million visitors from foreign countries came to India in this financial year, which represents an increase of 4%. However, there was a decline in the April to October period combined with a 12% increase between November to March, which represents the peak season for leisure tourism. The largest number of visitors to India came from the USA and the UK, whose economies were severely affected and are yet to recover. Volcanic ash over Ireland, the nuclear accident in Japan, the turmoil in the Middle East and most recently the raid that eliminated Osama Bin Laden in neighbouring Pakistan had an impact on foreign travel.

The foreign market can improve if the Central and State Government reduce the plethora of taxes levied on the tourism industry which makes Goa, and India, a relatively expensive holiday destination. The Government must also do more to create better infrastructure for the growth of the travel and tourism industry, which provides twice the combined employment of the automobile and information technology industries.

Research has shown that it takes 5 years to build a hotel in India because of the multiple permissions required from the Central and State Governments. Thus, the cost of building



hotels will go up especially as interest rates have increased substantially. This may be one reason that more rooms are not coming up though there is a shortage of hotel rooms throughout the country.

Strategy for our Company:

Our Company decided to cultivate domestic tourists to fill the rooms, as there was a drop in foreign tourists in 2009-10. Goa received less than 500,000 foreign tourists last year and this is miniscule, as compared to 3.5 million tourists that visited Phuket in Thailand. Whereas there is scope for foreign tourism, there is an even larger scope for domestic tourism, as 2.4 million domestic tourists visited Goa. The Airports Council International data shows that domestic arrivals at Goa airport alone were up by 13.7% in 2010.

Efforts have been made to concentrate on its core business of hospitality. At a time when others were investing headlong by taking loans for a sizeable expansion, our Company decided to consolidate and improve its hotel. We built a new state of the art conference venue. We renovated 20 of our guest rooms. We have now started to renovate another 42 guestrooms to make them more attractive for Indian clients.

Though our Company had pioneered the offshore casino business ten years ago, it had become highly competitive and heavily taxed. Our Company decided to sell its investment in Advani Pleasure Cruise Company Private Limited and received all its dues after completing all the formalities. As a result, the Corporate Guarantee of Rs. 836.40 lakhs given by our Company on behalf of the casino subsidiary has been extinguished.

Our goal also has been to pioneer new ideas and provide facilities equivalent to luxury properties at a viable cost in order to give the client value for money. I feel this will help us to compete when price becomes an important issue.

Our Company's Performance:

Our Company achieved revenues of Rs. 3502 lakhs, which are 8.1% higher than the previous financial year inspite of a 5% reduction in the number of rooms available due to renovation. The profit before interest, depreciation, tax and exceptional items (EBITDA) increased from Rs.371 lakhs to Rs. 471 lakhs. Our profit before tax increased from Rs. 146 lakhs to Rs. 175 lakhs. I am also happy to report that the net profit after tax increased by 82% to Rs. 140 lakhs. The Company has halved its debt burden from Rs. 1574 lakhs to only Rs. 760 lakhs. Your Company is probably the least leveraged in the hospitality industry.

I would like to thank all my colleagues on the Board, our Collaborators, the Government of Goa, the tour operators and last but not the least all of you for your continued support and faith in our Company.

A handwritten signature in dark ink, appearing to read 'Sunder G. Advani', written over a light blue background.

Sunder G. Advani
Chairman & Managing Director
Advani Hotels & Resorts (India) Limited



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IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be made by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the appropriate column in the form enclosed along with this Annual Report and send the same to the Company or Datamatics Financial Services Ltd.

BOARD OF DIRECTORS	Mr. Sunder G. Advani Mr. K. Kannan Mr. Prakash V. Mehta Mr. Anil Harish Mr. Hareesh G. Advani Mrs. Menaka S. Advani	Chairman & Managing Director Executive Director
GENERAL MANAGER FINANCE (CFO)	Mr. Shankar 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	18A & 18B, Jolly Maker Chambers – II Nariman Point, Mumbai - 400 021	
REGISTRAR AND SHARE TRANSFER AGENTS	Datamatics Financial Services Limited Plot No. B-5, Part B Cross Lane MIDC Marol Andheri (East), Mumbai - 400 093	
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 - 403 721	



NOTICE

Notice is hereby given that the **Twenty Fourth 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-400 021 on Friday, 5th August 2011 at 10.30 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011, Profit & Loss Account for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended 31st March 2011.
3. To appoint a Director in place of Mr. Anil Harish, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mrs. Menaka S. Advani, who retires by rotation and is eligible for re-appointment.
5. 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**

Kumar Iyer
Company Secretary

Place: Mumbai
Date: May 13, 2011.

Registered Office:

18A & 18B, Jolly Maker Chambers-II,
Nariman Point, Mumbai - 400 021.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY SHALL NOT VOTE EXCEPT ON A POLL.
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 1st to 5th August 2011 (both days inclusive).
3. Pursuant to Section 205A and 205C of the Companies Act, 1956, all dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the "Investor Education and Protection Fund" (IEPF) established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund nor from the Company thereafter. The details of the due dates for transfer of the unpaid/unclaimed dividend to the IEPF are as under:

Year of Declaration	Due Date (For transfer to the IEPF)
2005-2006	25-04-2013
2006-2007	21-03-2014
2007-2008 (Interim)	17-05-2015
2007-2008 (Final)	13-09-2015
2009-2010	22-01-2018

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	57 years	65 years
Qualification	B.A. LLB. LL.M. (USA)	M.A. (Economics) Innkeepers Diploma Holiday Inn University (USA)
Expertise	Taxation Law	Administration & Human Resource Development
List of other Directorships #	<ol style="list-style-type: none"> 1. Ador Welding Ltd. 2. Ashok Leyland Ltd. 3. Future Ventures India Ltd. 4. Hotel Leelaventure Ltd. 5. Hinduja Global Solutions Ltd. 6. Hinduja Ventures Ltd. 7. Mukta Arts Ltd. 8. Mahindra Lifespace Developers Ltd. 9. Oberoi Realty Ltd. 10. Pantaloon Retail (India) Ltd. 11. Sunil Mantri Realty Ltd. 12. Unitech Ltd. 13. Valecha Engineering Ltd. 	
List of Chairmanship/Membership of other Committees \$	<p>Chairman of Audit Committees:</p> <ol style="list-style-type: none"> 1. Hinduja Ventures Ltd. 2. Hinduja Global Solutions Ltd. 3. Ador Welding Ltd. 4. Ashok Leyland Ltd. <p>Member of Audit Committees:</p> <ol style="list-style-type: none"> 1. Hotel Leelaventure Ltd. 2. Unitech Ltd. 3. Valecha Engineering Ltd. 4. Mahindra Lifespace Developers Ltd. 5. Oberoi Realty Ltd. 6. Future Venture India 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.

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

Datamatics Financial Services Limited

Plot No. B-5, Part B, Cross Lane, MIDC Marol, Andheri (East), Mumbai - 400 093

Tel.: 91-22-6671 2237 Fax: 91-22-6671 2209

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



7. 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.
8. Members desirous of seeking clarifications / explanations on the accounts are requested to forward their queries to the Company at its Registered Office at least 7 days prior to the date of the Meeting.
9. Members are requested to kindly bring their copy of the Annual Report to the Annual General Meeting.

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

Kumar Iyer
Company Secretary

Place: Mumbai
Date: May 13, 2011.

Registered Office:
18A & 18B, Jolly Maker Chambers-II,
Nariman Point, Mumbai - 400 021.

DIRECTORS' REPORT**Dear Members,**

Your Directors are pleased to present the 24th Annual Report and the audited accounts for the financial year ended March 31, 2011.

1. Financial Results:

Your Company's financial performance for the year ended March 31, 2011 is set out below:

(Rs. in Lakhs)		
Item	Year ended March 31, 2011	Year ended March 31, 2010
Total Income	3502.43	3239.69
Profit before interest, depreciation, tax and exceptional items	470.59	371.40
Interest	126.09	123.60
Depreciation	247.97	248.98
Profit/(Loss) before tax and exceptional items	96.53	(1.18)
Exceptional items	78.00	147.04
Profit before tax	174.53	145.86
Less: Provision for:		
Current tax	—	37.00
Deferred tax	34.37	31.96
Profit for the year after tax	140.16	76.90
Add: Profit brought forward	384.92	361.92
Excess Tax provision for earlier year	44.88	—
Profit available for appropriation	569.96	438.82
Less: Dividend	92.44	46.22
Less: Dividend Tax	15.35	7.68
Balance Profit carried to Balance Sheet	462.17	384.92
Basic and Diluted Earnings per Equity Share of Rs.2/- each (in Rs.)	0.30	0.17

2. DIVIDEND:

Your Directors have recommended a dividend of Rs. 0.20 (10%) per equity share of Rs. 2 each [previous year Rs. 0.10 (5%) per share] for the financial year 2010–2011, which if approved at the forthcoming Annual General Meeting, will be paid to the shareholders. The payment of dividend would involve an outgo of Rs. 92 lakhs for dividend and a tax thereon of Rs. 15 lakhs.

3. DIRECTORS:

As per the provisions of Section 255 and Section 256 of the Companies Act, 1956, Mr. Anil Harish and Mrs. Menaka Advani, Directors of the Company, retire by rotation and being eligible, have offered themselves for reappointment. A brief resume of the Directors seeking reappointment in the forthcoming Annual General Meeting along with their nature of experience is annexed to the Notice forming part of the Annual Report.



4. UPGRADATION PLAN:

Over the years, your Company has had special attraction for the European holiday makers, who found our architecturally well-designed hotel with Goa's best beach attached, as a USP. A major part of revenue accrued from the foreign market. As a result of the decline in the economies of the Western European countries, your Company's foreign business suffered a loss in revenues, especially after the 26 November 2008 Mumbai terrorist attacks. Your Company has had to adapt its product to be more attractive for the domestic client, who spends more time in the guest room itself. Three years ago, we redesigned our North Wing of 60 rooms for the upmarket domestic travelers by incorporating large bathrooms and rich interiors. Thereafter, we totally redesigned three Villas to make two large Presidential Villas suitable for the highest level dignitary. During this financial year, we undertook and completed improving the décor of 20 guestrooms in the South Wing. Starting this month, we have commenced renovation of the balance 42 rooms in the South Wing. Although these rooms will not be as elaborately furnished as the North Wing rooms, all these rooms will have flat screen TV's and new furniture with a better design and layout for the domestic clients. We will now be able to attract more weddings and upmarket conferences at higher room rates to bolster revenues in future.

5. FUTURE OUTLOOK:

The Current year has had a good start with sales of the hotel for April going up to Rs.302 lakhs as compared to Rs.249 lakhs for the corresponding period in the last year. The Gross Operating Profit is also considerably higher at Rs.96 lakhs as compared to Rs.42 lakhs.

The domestic market looks more promising and efforts will be made to attract higher paying clients, especially those wanting a romantic venue for weddings. The newly renovated rooms, which will have higher room rates, will be fully operational by October 2011. Talks have been started with some international hotel chains for tie-ups to position our hotel differently.

Our Company is also considering to build on the unutilized portion of our 24 acre property to generate further revenues.

6. SUBSIDIARY COMPANIES:

As informed in the last Annual Report, Advani Pleasure Cruise Company Private Limited (APCCPL) ceased to be a subsidiary with effect from September 20, 2010. The offshore casino license held by our Company has also been transferred to APCCPL after the close of this financial year and the Bank Guarantee given by the Company has been cancelled. The Company has also applied for the closure of Advani Flight Catering Services Private Limited and the final approval is awaited.

7. 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.

8. CORPORATE GOVERNANCE:

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

The report on Management Discussion and Analysis, Corporate Governance as well as the Auditors' Certificate on the compliance of Corporate Governance form part of the Annual Report.

9. **AUDITORS:**
M/s. J. G. Verma & Company, Chartered Accountants and the Statutory Auditors of the Company are due to retire at the forthcoming Annual General Meeting. They have confirmed that they are eligible and they have offered themselves for reappointment. Their reappointment if made will be within the limits of Section 224(1B) of the Companies Act, 1956.
10. **FIXED DEPOSITS:**
The Company has not accepted or invited any fixed deposits from the public in the year under review.
11. **CODE OF BUSINESS CONDUCT:**
As per the Listing Agreement, the Board has a 'Code of Conduct' in place whereby all Board Members and Senior Management have declared and complied with the said Code. A declaration to this effect signed by the Chairman & Managing Director has been obtained.
12. **LISTING:**
Your Company's equity shares are listed on the Bombay Stock Exchange, National Stock Exchange and Delhi Stock Exchange. Your Company has paid the Listing Fees for the financial year 2011-12.
13. **ADDITIONAL INFORMATION:**
- (a) **Conservation of Energy:**
Your Company makes all efforts to reduce consumption and cost of energy on a regular basis. During the last renovation, thermostats made by Honeywell USA were installed in rooms which facilitates automatic cut-off of power to the room when it is not occupied.
- (b) **Technology absorption:**
The relevant particulars relating to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable as the hotel forms a part of the service industry and as such the Company does not have any significant manufacturing operations.
- (c) **Foreign Exchange Earnings and Outgo:**
The Company's foreign exchange earnings for the current year were Rs.1274 lakhs (previous year Rs. 1036 lakhs). The total outgo in foreign exchange for the current year were Rs.700 lakhs (previous year Rs. 494 lakhs).
14. **PARTICULARS OF EMPLOYEES:**
During the year under review, the Company has not employed any person who was in receipt of remuneration which, in aggregate, exceeds the limit fixed under Section 217(2A) of the Companies Act, 1956.
15. **ACKNOWLEDGEMENTS:**
Your Directors thank the Company's bankers, the Wyndham Hotel Group International, the Shareholders, our valued clients and the suppliers for their continued support during the year. Your Directors also appreciate the contributions made by all employees to improve the operations of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 13, 2011

SUNDER G. ADVANI
Chairman & Managing Director