

An aerial photograph of a resort complex. In the foreground, a wide, sandy beach is dotted with numerous lounge chairs and small thatched umbrellas. A wooden walkway runs along the edge of the beach. Behind the beach, there are several buildings with red roofs, surrounded by lush greenery and palm trees. A golf course is visible in the middle ground. In the background, there are rolling hills under a blue sky with scattered clouds.

ADVANI HOTELS & RESORTS (INDIA) LIMITED

ANNUAL REPORT | 2016-2017



Mr. Sunder G. Advani
Chairman & Managing Director

Letter from the Managing Director and Chairman of the Board

Dear fellow Shareholders,

It is indeed a proud privilege to address you at the 30th Annual General Meeting of your Company.

It has been an eventful year for India and the hospitality industry. The Travel & Tourism industry worldwide has achieved a faster growth than the global economy for the sixth successive year, as per the Economic Impact 2017 India Study published by the World Travel & Tourism Council (WTTC). Travel and Tourism industry's total contribution to India's GDP was 9.6% in 2016. This industry also contributed to 9.3% of the 40.3 million jobs in India. Our Honorable Prime Minister, Narendra Modi rightly called Tourism as one of the major pillars of the Economy. Amongst his priorities has been to reduce corruption and to put India on the world stage through his diplomacy. He has also tried to improve India's ranking in 'Ease of Doing Business'. He has emphasised on Swachh Bharat & Yoga. All these help the Tourism industry.

In order to eradicate 'Black Money', he had to spring an element of surprise on November 8th by demonetizing the 500 rupee and 1000 rupee notes. It had a greater impact on our hotel as some events booked were abruptly cancelled or scaled down. Since this took place in the busy tourist season, foreign tourists were inconvenienced. Despite the inconvenience caused to farmers and lower income citizens, majority of the people have appreciated the move and it will benefit India in the long run.

However, the recent implementation of the GST bill from July 01, 2017, whereby all hotel rooms which are sold at a rate of over INR 7500 per day would attract a GST of 28% may make India seem to be a very expensive destination for foreign tourists. The tax rate on hotels in Malaysia and Thailand are 7% while Singapore also has a much lower tax rate than 28%. Despite the excellent move by the Government to allow e-Tourist Visas to citizens of 155 countries, our foreign tourist arrivals have only reached 9 million as compared to 55 million visiting China, 12 million visiting Singapore and 26 million visiting Thailand. Most economists agree that it is the revenue earned by a country from tourism, is more important, as that is what contributes to the GDP. As per WTTC, the foreign exchange earnings from Tourism in India amounted to US \$22.8 billion while the comparable figure

for Thailand was US \$53.7 billion. By levying a 28% GST on higher category rooms, the Government will alienate the high spending tourists from coming to India.

Even our own leisure travellers will find it cheaper to go for a holiday abroad to one of the nearby countries in South East Asia, or have their family weddings in Thailand.

I, as Vice Chairman of the World Travel and Tourism Council in India, have met and made a representation on GST to the Ministry of Tourism officials to offer some reliefs to the hospitality industry, which not only employs more people than most industries and is also a leading earner of valuable foreign exchange. Our hospitality industry unfortunately does not receive the recognition it deserves. If 'Ease of Doing Business' is our goal, then one flat rate of 12% for all would have made it less complicated and tourist friendly. Some of the better rooms in our hotel could have a rate of over INR 7500, while others may be sold at less than INR 7500 on the same day and attract the lower GST rate of 18%. The GST Council is very receptive, so we are confident that our concerns will be addressed.

Fortunately our hotel will be impacted to a lesser extent as our room rates for a majority of the rooms are lower than INR 7500 for most of the year. Moreover, we had already shifted our marketing strategies and concentrated on the growing domestic market.

India is the largest Aviation market in the world and each airline is adding new aircraft to their fleet. They have kept airfares at reasonable levels due to competition and the fall in the prices of Aviation Turbine Fuel. Moreover, they are providing more flights to Goa and connecting more cities with direct flights to Goa. There has been a surge in traffic of low cost airlines at Goa airport. The Airport Authority of India had already commissioned a larger new Terminal building with six new Aerobridges at Dabolim Airport a few years ago and they have added two more Aerobridges recently. They have also circulated a tender of INR 5000 million for rebuilding the old Terminal building. They are also constructing a parallel taxiway to achieve more frequent arrivals and take-offs per hour. These additions will be adequate for the needs of Goa for a long time.

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Connectivity has improved further with the introduction of several rail options. A Luxury train has just been commissioned between Mumbai and Goa recently and an Expressway is being built to connect Mumbai and Goa.

The future of Goa tourism, especially for hotels in the medium rate category, seems especially bright. A survey conducted by Make My Trip after completion of one month of GST has concluded that there has been a significant drop in occupancies of highly priced hotels which charge a GST of 28%. Our hotel was built in the year 1990 at a reasonable cost per room and thus will be able to compete more effectively against newly built hotels, which will need to keep their room rates high to service their loans. Our Company is virtually debt free this year.

Our RevPAR has been steadily increasing. In the year 2014-15, it was INR 4037 and in the year 2016-17, which just closed, it was INR 5279.

Our Average Occupancy for the year was almost 80% which is one of the highest in Goa. This was partly because of better performance in the traditionally low periods between May and September. Goa has now become a year round destination and a favourite for weddings. We hope that there will be emphasis on law and order and tourism friendly policies, as tourism is very fragile and is the backbone to the survival of Goa.

We have maintained a high dividend percentage for the last several years and will continue this policy. This year we achieved a 53.1% increase in Gross profits to INR 143.58 million. Of all the listed hotel Companies in India, our Company stood 4th in terms of Net Profits as a percentage of Sales. Our performance this financial year is more creditable as it was achieved when the GDP growth reduced from 7.9% to 6.6%. It is also commendable since demonetization affected high value discretionary spending. I am optimistic about the future of our Company.

Acknowledgments:

In closing, I would like to place on record my gratitude to the entire Board of Directors for their inputs and suggestions.

I would like to thank the Central Government, especially the Ministries of Finance, Tourism, Civil Aviation, External Affairs, and also the Government of Goa for their continued assistance to the Tourism industry. I would also like to thank the Bank of Baroda and Bank of India for their support. The Company would not have achieved the above results without the help of the Management, Executives and Staff of the Caravela Beach Resort who are our most important asset and deserve immense praise. A special thanks to our business associates, tour operators and travel agents. Last but not the least, I would like to thank all you Shareholders for your continued faith in our Company.



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

ADVANI HOTELS & RESORTS (INDIA) LIMITED

Snapshots



Mr. Sunder G. Advani presenting a memento to Mr. Subhash Desai, Minister of Industries and Mining, Government of Maharashtra, at the 13th Indo American Corporate Excellence Awards 2017 in the presence of Ms. Jennifer Larson, acting Consul General of US Consulate, Mumbai.



Mr. Sunder G. Advani receiving an Award as a Speaker at the CSR Conference held by IACC in Mumbai.



Mr. Sunder G. Advani at an event in Washington as an invitee of the US India Business Council, where the US Vice President, Mike Pence was the Chief Guest.

Snapshots



Mr. Sunder G. Advani as the guest speaker at the Seminar on Indo-U.S. Promotion of Travel & Tourism, organized by the IACC in Bengaluru.



Mr. Sunder G. Advani's LIVE interview on CNBC in Washington, just before Prime Minister Modi had his successful meeting with US President Donald Trump



Mr. Sunder G. Advani, Vice Chairman of World Travel & Tourism Council (II) was requested to make a presentation on GST to the Secretary Tourism on behalf of the Hospitality Industry.



Annual General Meeting 2015-16 with all the Board Members.

Snapshots



Mr. Prahlad S. Advani took the lead to amicably settle the old Bonus related disputes with the in-house Union and the settlement was signed by all concerned in the presence of the Deputy Labour Commissioner.



Mr. Prahlad S. Advani with Mr. Joel Burega, together with the Resort horticulture team have made significant improvements to the Resort landscaping.



Mr. Sunder G. Advani and Mr. Prahlad S. Advani met with the Dean, Soumitra Dutta of Cornell University's Hotel Administration and Business School, along with Professor Chekitan and Lalit Nirula.

Snapshots



Women's Day Celebrations at the Resort.



Blood Donation Camp organized at the Resort.

Snapshots



Annual 'Cake-Mixing' ceremony at the Resort.



Employee Inter-department volleyball tournament held on the beach of the Resort.

Snapshots



Birthday Celebrations of Mr. Sunder G. Advani at the Resort in the presence of the original owner of the land Mr. Dias.



Mrs. Nina Advani and Mr. Haresh Advani at the party at the Resort.