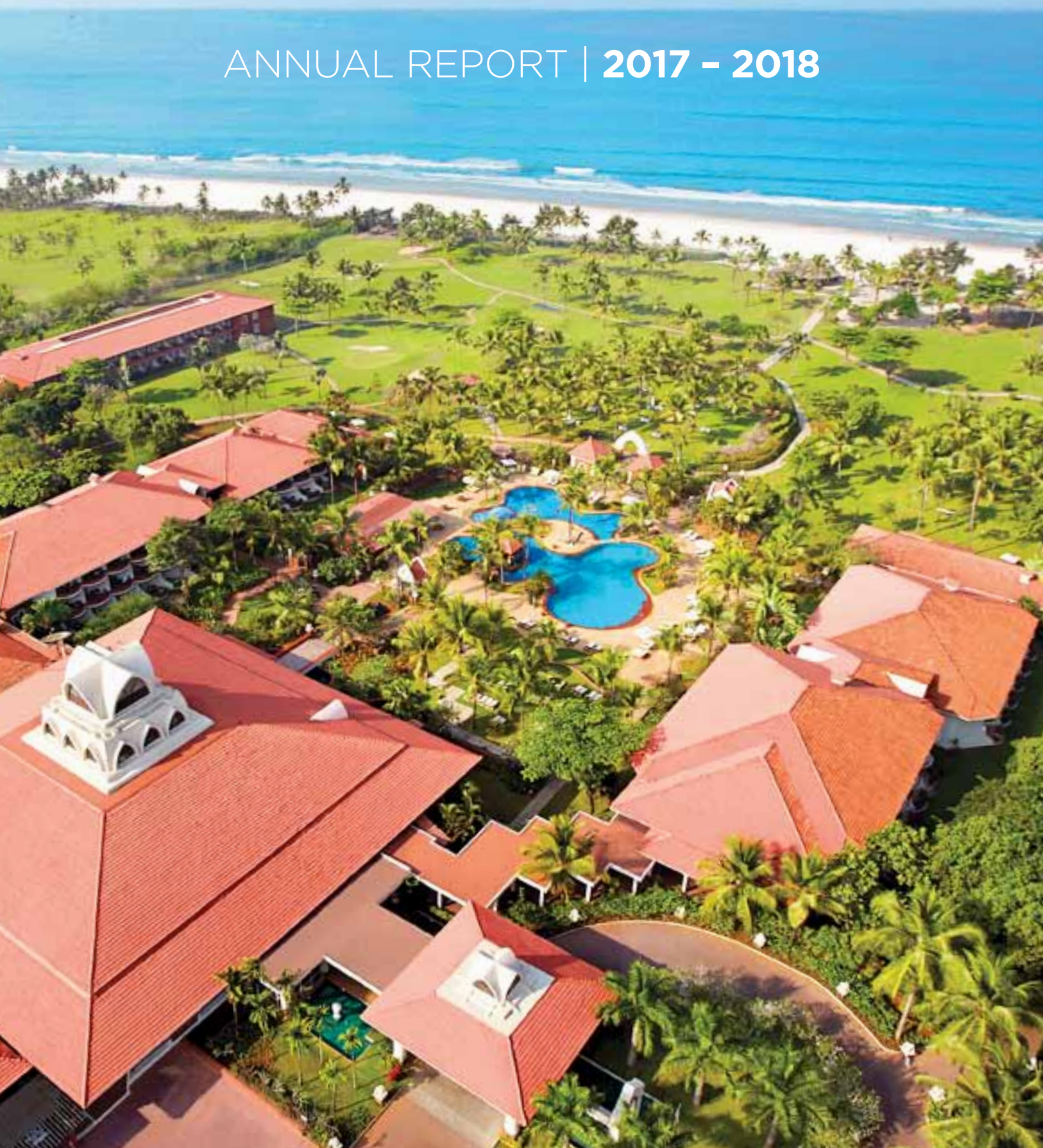


ADVANI HOTELS & RESORTS (INDIA) LIMITED

ANNUAL REPORT | **2017 – 2018**







Corporate Information

BOARD OF DIRECTORS

CHAIRMAN + MANAGING DIRECTOR

Sunder G. Advani

EXECUTIVE DIRECTOR

Haresh G. Advani

WHOLE TIME DIRECTOR

Prahlad S. Advani

DIRECTORS

Prakash V. Mehta

Vinod Dhall

S. D. Israni

Adhiraj Harish

Admiral Sureesh Mehta (R)

Menaka S. Advani

Nina H. Advani

COMPANY SECRETARY

Nilesh Jain

CHIEF FINANCIAL OFFICER

Shankar Kulkarni

BANKERS

Axis Bank

STATUTORY AUDITORS

Amar Bafna & Associates
Chartered Accountants

SOLICITORS

Malvi Ranchoddas & Co.

REGISTERED OFFICE

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

RESORT LOCATION

Caravela Beach Resort
Varca Beach, Salcette,
Goa 403 721

DELHI SALES OFFICE

4th Floor,
Statesman House,
Barakhamba Road,
Connaught Place,
New Delhi 110 001

REGISTRAR AND SHARE TRANSFER AGENTS

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

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+ Managing
Director

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Chairman and MD's Message



Dear Fellow Shareholders,

It is indeed a proud privilege for me to address you on the occasion of the 31st Annual General Meeting of your Company.

The past year was a memorable year for India. In spite of the impact of demonetization and the roll out of GST in July last year, India's GDP grew by about 7%, which makes India one of the fastest growing economies in the world. Increase in public spending and several pro-active measures adopted by the Government have been responsible for this performance. Foreign Direct Investment registered a growth of 8% over the previous year, with policies to augment the ease of doing business. India has one of the fastest growing service sectors in the world with an average growth rate above 9%. Services, which include the travel and tourism industry, account for over 60% of the GDP.

The World Travel & Tourism Council (WTTC), the global authority on the economic and social contribution of travel and tourism, (of which I am the Chairman of the India Initiative), has prepared a research report entitled, 'Travel & Tourism Economic Impact 2018 India'. WTTC has concluded that Travel & Tourism accounted for 10.4% of Global GDP and 9.9% of total employment worldwide. In India, it contributed 9.4% of GDP and 8% of total employment. Moreover, this industry earned INR 1771 billion in exports from foreign visitors.

Although the Government has recently recognized the importance of travel and tourism, the new GST Act might inadvertently harm tourism. Most foreign tourists find it cheaper to visit neighbouring countries, where the total tax on hotel rooms is less than 10%.

Tourists were already paying 21% tax on hotel rooms in Goa. The new GST that came into effect on July 1, 2017 at 28% tax on hotel rooms over ₹ 7,500 (\$109), has had a negative impact on our growth in the last financial year.

“The new GST that came into effect on July 1, 2017 has had a negative impact on our growth in the last financial year.”

The Government should seriously consider either waiving the GST on foreigners (as they bring in valuable foreign exchange to our country), or raise the threshold of 28% tax to above ₹ 10,000 (\$145) per night, or make the highest slab of GST at 18% instead of 28%.

Furthermore, not allowing corporate customers who hold conferences in hotels, to avail of input tax credits in inter-state transactions has created an unequal playing-field, which puts States like Goa, Rajasthan, and Kerala at a disadvantage.

Your Company has only one hotel and it is located in one of the best beaches in Goa.

Although the number of foreign tourists visiting India in the calendar year 2017 increased to 10.18 million, the percentage of foreign tourists in our hotel has decreased from 29% to 24%. In spite of this and the absence of an international brand, we were able to increase our total income by 4.9% to INR 638 million. To be more competitive for certain periods, we had to reduce our room rates below INR 7500 to charge a lower GST of 18%.



Top: Proposed property expansion
Master-plan by WATG



Goa, and especially our hotel, has become more popular with us Indians for holding conferences and weddings. Hence, we plan to start construction of the new Banquet Hall in 2019 to cater to this market segment.

Left: Current property
map as of 2017

Goa, and especially our hotel, has become more popular with us Indians for holding conferences and weddings.

As per a study conducted by a leading hotel consultant, Goa recorded an average occupancy for the year of 72.3%. Our hotel recorded an average occupancy of almost 80%. Our average room rate for the year was INR 6596. Revenue per Occupied Room (RevPOR), is obtained by dividing Total Revenue (net of taxes), by the Room Nights actually sold to guests. Beyond just Room Revenue, RevPOR takes into account F&B Revenue, Transport and Sightseeing Revenue, Spa Revenue and other Miscellaneous Revenues, generated by our guests at the Resort. It is thus a more comprehensive indicator of our performance, as it goes beyond pure Room Revenue. I am pleased to share that your Company's RevPOR has increased each year (as seen in the subsequent graphs), and now stands at approximately ₹ 11,018 per room, per night, excluding taxes, on an annual basis!

As a result, our gross profits for the year before depreciation and finance costs were INR 164.9 million and the net profits were INR 86.4 million. We should be immensely proud that even though in terms of total sales your Company is almost the smallest of the 24 listed companies in the hospitality industry, it ranks among the top 5 when one compares net profits as a percent of total sales. In fact, a leading economic daily just reported that hotels in India are doing poorly and that stressed loans have jumped 63% in the past three years.

"I am pleased to share that your Company's RevPOR has increased each year (as seen in the subsequent graphs), and now stands at approximately ₹ 11,018 per room, per night, excluding taxes, on an annual basis."

We should be very happy that unlike others, whose assets have been taken over by lenders, we were conservative and did not burden ourselves with excessive debt. However, we do feel that the hotel industry is very capital intensive and loans should have a longer repayment period.

The future for Goa tourism and especially mid-priced hotels looks especially bright since more flights are likely to be handled by Dabolim Airport with the recent addition of 3 Aero-bridges to the previous 5. The Airport Authority of India, which has completed this work has recently also awarded the contract for demolishing the old terminal building to add 3 more Aero-bridges shortly. A parallel Taxiway is being built to handle more flights every hour. Railway and bus / road services have also been enhanced.

We have seen the demand for rooms increasing this summer and revenues are up by 30% to date. We have decided to build a new large banquet hall of over 16000 square feet, in addition to the additional hall of 2000 square feet recently completed, where the old Goa Nugget casino was located. In case,

the demand for rooms continues, we have made a plan to add upto 150 additional guest rooms to utilize the entire 150,000 square feet FSI available with our Company. Much will depend on the policies followed by the Government of Goa and the overall economy of our country. We have proposed a final dividend of 10% in addition to the 25% interim dividend already paid in this financial year.

I am very optimistic that demand for hotels in Goa will continue to grow and our Company will have a very bright future!

Acknowledgements:

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 Axis Bank Limited for their support and also to the Bank of Baroda for their assistance in the past. 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 for enhancing sales and keeping our guests happy. 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

TOTAL REVENUE

638.2

₹ in millions

OCCUPANCY %

79.2%

RevPOR

11,018

Rupees
per Room per Night
excluding taxes

**OPERATING
CASH FLOW**

194.3

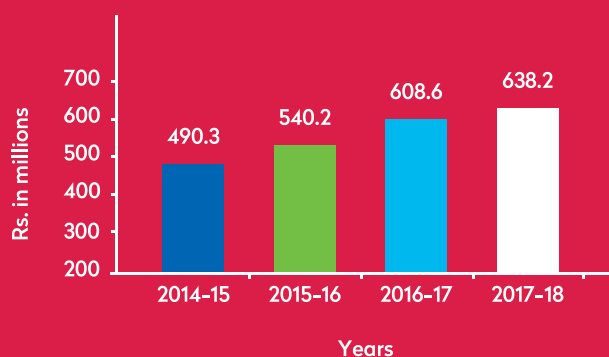
₹ in millions

Key Performance Indicators

"The numbers tell the story."

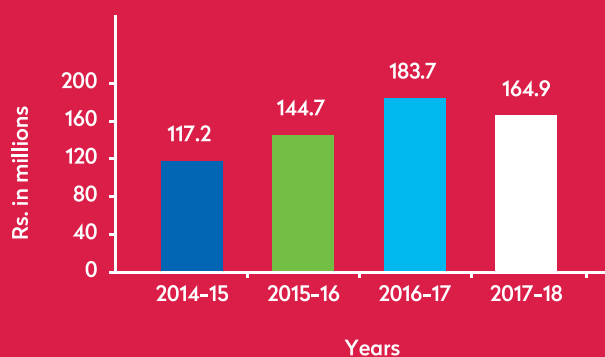
TOTAL REVENUE

638.2



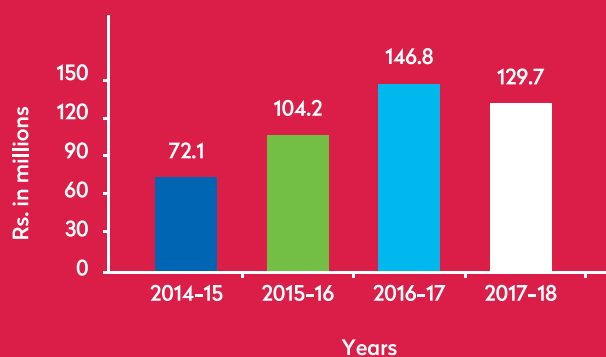
EBITDA

164.9



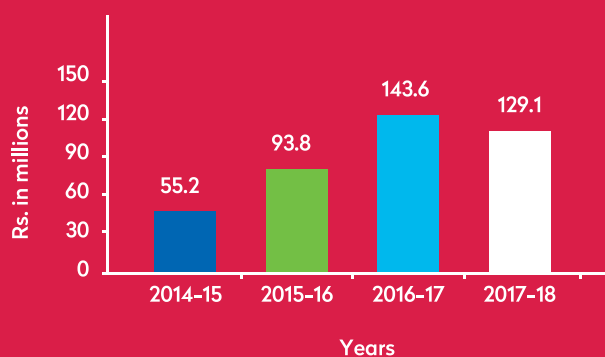
EBIT

129.7



PBT

129.1

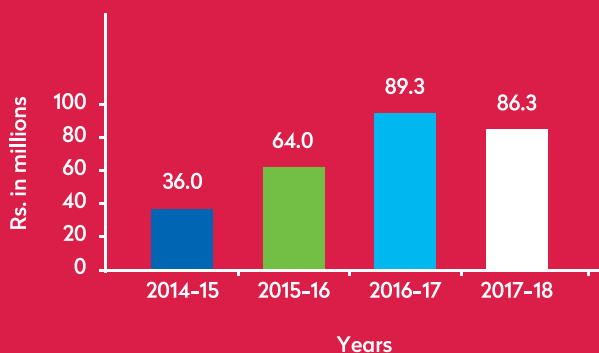


Key Performance Indicators

"Cash is KING."

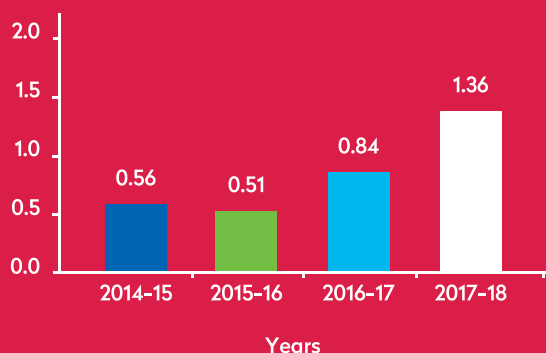
PAT

86.3



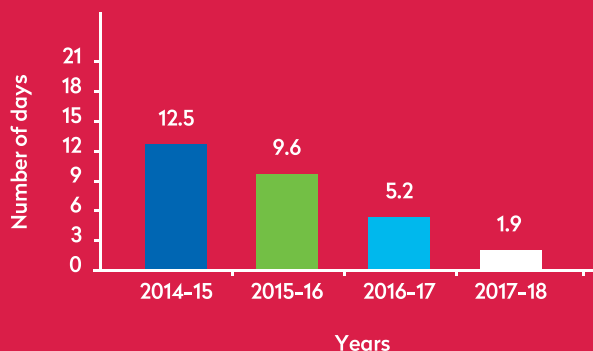
CURRENT RATIO

1.36



CASH CONVERSION CYCLE

1.9



OPERATING CASH FLOW

194.3

