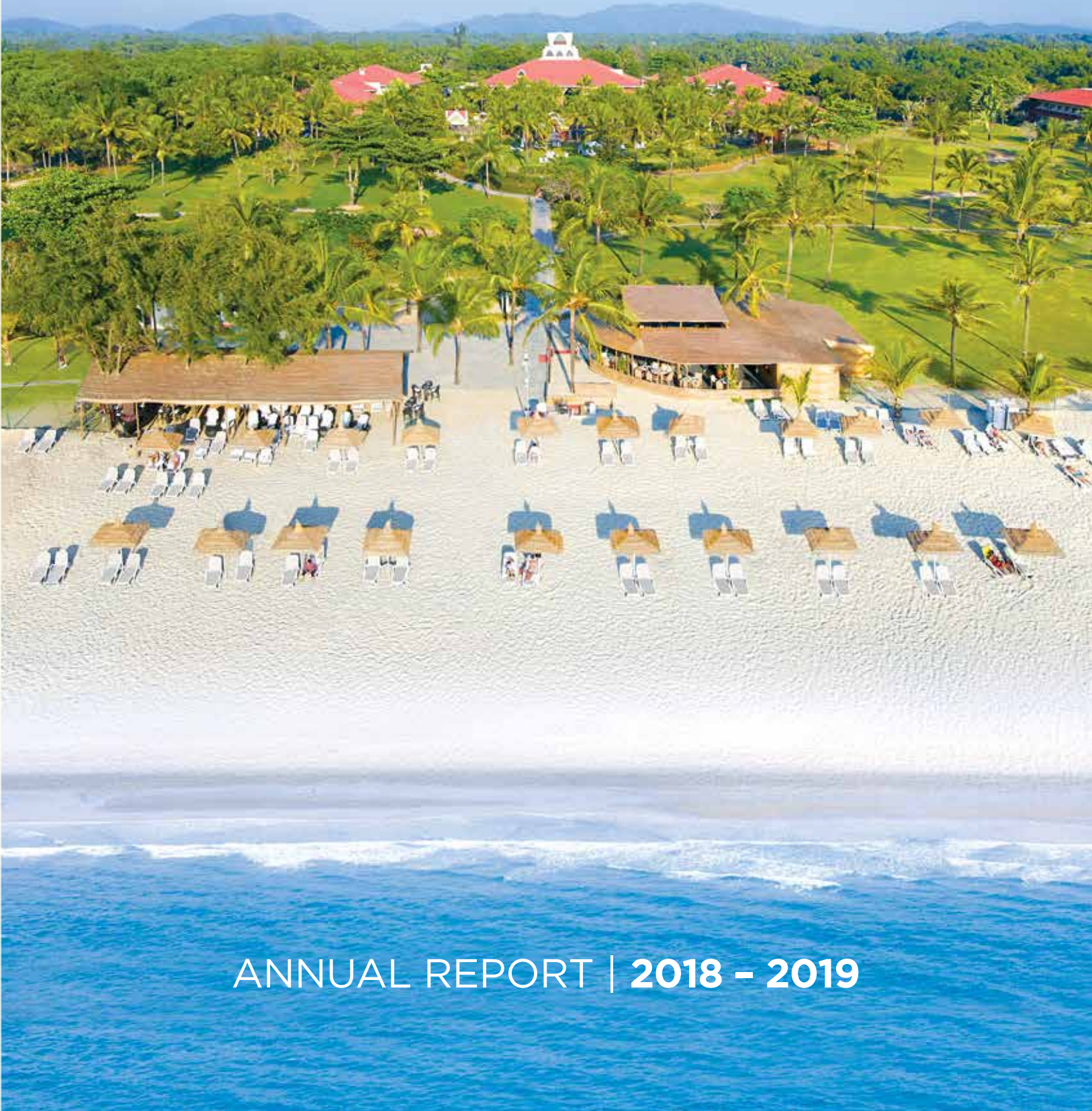


# ADVANI HOTELS & RESORTS (INDIA) LIMITED



ANNUAL REPORT | **2018 – 2019**











# Corporate Information

## BOARD OF DIRECTORS

### CHAIRMAN + MANAGING DIRECTOR

Sunder G. Advani

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### EXECUTIVE DIRECTOR

Haresh G. Advani

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### 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

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### COMPANY SECRETARY

Nilesh Jain

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### CHIEF FINANCIAL OFFICER

Shankar Kulkarni  
(Till July 13, 2019)

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### BANKERS

Axis Bank

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### STATUTORY AUDITORS

Amar Bafna & Associates Chartered Accountants

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### SOLICITORS

Malvi Ranchoddas & Co.

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### REGISTERED OFFICE

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

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### RESORT LOCATION

Caravela Beach Resort  
Varca Beach, Salcete  
Goa 403 721

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### DELHI SALES OFFICE

1506 Statesman House  
Barakhamba Road,  
Connaught Place  
New Delhi 110 001

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### 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  
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# Chairman and MD's Message



Dear Fellow Shareholders,

It is a great honour and privilege for me to address all of you on behalf of the Board of Directors.

India is the fastest growing economy in the world. India's GDP grew by 7.5% when compared to China's GDP of 6.9%. These figures were released a day before the Budget, wherein the Government has projected the real GDP growth of 7.0% for 2019 - 2020. The Economic Survey explained that high growth can only be sustained if there is an increase in savings, investments and exports. It also mentioned the Services sector as a key driver to achieve high employment and growth. A priority for India is to create jobs and skilled manpower.

To create jobs in tourism, investment has to come largely from the private sector. There are several reasons why private investment is not coming forward. My recently released book 'EVEN AGAINST ALL ODDS' contains several quotes with respect to this subject.

'Hotels should be classified as infrastructure and made eligible for loans with a longer repayment scheme'

"Lower Interest rates are crucial if India wants entrepreneurs to play a larger role in enhancing our Gross Domestic Product (GDP)."

In the recent budget, the Government has raised the Income Tax surcharge for individuals earning over Rs. 2 crores per annum. I feel that in order not to discourage investment, the Government should introduce an exemption that this additional surcharge will only be levied if the concerned entity does not invest in creating new jobs in India. For example, in USA, before issuing Green Cards under the EB5 investor programme, the Government monitors the capital invested and the jobs created for locals. Hence, if the Government were to provide some offsets in taxation to encourage investment, it would help increase growth. Another possibility that could be considered by the Government is to allow companies to buy capital equipment to avail 100% depreciation in the year of purchase itself. This would kick-start the manufacturing sector and lead to overall job creation. These benefits would be reaped by all of us Indians. These are some

of the ways the Government can encourage local investment and can create jobs.

Our Honourable Prime Minister Narendra Modi's vision of India becoming a 5 trillion dollar economy by 2025 will give a boost to the Tourism sector.

**Despite the drop in foreign charter flights to Goa, the number of rooms occupied by foreign nationals in our hotel has increased by over 19%.**

The World Travel & Tourism Council (WTTC), the global authority on travel and tourism, (of which I was the Chairman of the India Initiative), has done a research study called 'India 2019 Annual Research', which shows that travel and tourism in India contributed 9.2% of the GDP and provided 42.7 million jobs or 8.0% of the total employment. The largest contributor is domestic travel and tourism. This industry also earned INR 1973 billion from foreign visitors and is a net exporter.

The Secretary of Tourism of the Government of India invited me and industry leaders in June to give suggestions on how the Government could achieve its objective of doubling the foreign tourist arrivals in the next five years. Some of the suggestions made by me were to drastically reduce the visa fee for foreign tourists, to reduce the GST on hotel rooms to a flat 12%, and to give incentives to hotels earning foreign exchange and to promote the beaches of Goa and Kerala.

As far as Goa is concerned, the number of foreign tourists has remained static while the number of charter flights has reduced.

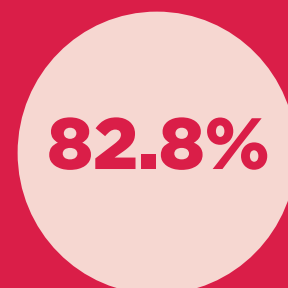
Despite the drop in foreign charter flights to Goa, the number of rooms occupied by foreign nationals in our hotel has increased by over 19%. Our single hotel earned an equivalent of INR 118 million in foreign exchange, as compared to INR 99 million in the previous financial year.

For the financial year 2018-2019, our hotel achieved a record occupancy of 82.8% compared to an overall occupancy of Goa hotels of 72.1%

#### TOTAL REVENUE



#### OCCUPANCY %



#### RevPOR



The 28% GST on hotel rooms priced above Rs 7500 has played a major role in negatively affecting the revenue of 5-star hotels especially in Goa, as Goa is a leisure destination. Foreign tourists as well as domestic tourists are enticed to visit other countries where taxes are below 10%.

## You will be pleased to know that your Company had the third highest Return on Assets as compared to all listed companies in the hospitality industry.

For the financial year 2018-2019, our hotel achieved a record occupancy of 82.8% compared to an overall occupancy of Goa hotels of 72.1% and occupancy of 74.9% in competing hotels in South Goa. Net revenue increased by 12.4% to INR 717 million excluding taxes. Our Gross profits for the year before depreciation and finance costs were INR 176 million.

I am happy to report that your Company's net profits after tax were up by 31.7% over the last year. You will be pleased to know that your Company had the third highest Return on Assets as compared to all listed companies in the hospitality industry.

Our Company has also performed better compared to last year even for the first quarter of the current financial year 2019 - 2020.

As per the report prepared by Horwath, the occupancy of hotels in Goa for the months of April, May and June was worse than last year. In spite of this, for the quarter ended June 30, 2019, your Company achieved a Total Net Revenue of INR 165.7 million as compared to INR 152.5 million, which reflects an 8.7% growth in sales over the same period last year. The Gross Operating Profit for this quarter grew to INR 30.9 million from INR 22.8 million reflecting a growth of 35.5%.

This was achieved by recording 84.7% average occupancy in the month of April, 84.7% occupancy in May and 90.9% occupancy in the month of June. The Average Net Revenue per Occupied Room per night grew by 8.1% in April to Rs. 11,124, it also grew by 12.1% in May to Rs. 10,923 per room per night and grew by 3.7% in June to Rs. 9,594 per room per night.

The Profit Before Tax for the three months ended June 30, 2019 also grew to INR 21.6 million, as compared to INR 13.4 lakhs, which reflects a 61.2% increase over the same period last year.

Because of the excellent results and since this was the thirtieth year of our listing on the Stock Exchange, we declared a special dividend totalling to 100% for the financial year 2018-19.

We hope to do better in the next year although there are a few disturbing events of late. The local economy and automobile sector is showing signs of a potential slow down. The airfares for travel within India have increased due to the discontinuation of Jet Airways. We are concerned of the explosive situation in Iran. The potential slowdown of domestic corporate business and the economy of UK after BREXIT are a concern.

### Acknowledgements:

*I would like to thank all of you our loyal shareholders, the Board of Directors, our dedicated employees, our professional vendors and consultants, our travel agents, tour operators and online travel agents, our gracious guests, my fellow hoteliers, the entire village of Varca, the Government of Goa, and the Ministry of Tourism and Civil Aviation for supporting us over the last 30 years.*

**Sunder G. Advani**

Chairman & Managing Director  
Advani Hotels & Resorts (India) Limited

#### OPERATING CASH FLOW AFTER-TAX

**150.4**

₹ in millions

#### RETURN ON ASSETS (ROA)

**15.4%**

#### AFTER-TAX RETURN ON EQUITY

**20.9%**

#### PROFIT AFTER TAX (PAT)

**113.7**

₹ in millions



# Financial Summary

₹ in millions

| PARTICULARS   | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross Revenue inclusive of taxes                                      | 858.1   | 765.8   | -       | -       | -       | -       | -       | -       |
| Net Revenue   | 717.3   | 638.2   | 608.6   | 540.2   | 490.3   | 413.3   | 397.9   | 373.9   |
| Total Room Nights Sold (Numbers)                                      | 59,815  | 56,485  | 57,403  | 52,234  | 52,725  | 43,201  | 44,071  | 44,332  |
| Average Occupancy (%)   | 82.8%   | 79.2%   | 79.7%   | 72.0%   | 71.7%   | 67.1%   | 64.1%   | 68.6%   |
| Average Revenue Per Occupied Room per night (RevPOR) (₹)              | 11,749  | 11,018  | 10,367  | 10,110  | 9,030   | 9,042   | 8,614   | 7,920   |
| EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) | 176.4   | 164.9   | 183.7   | 144.7   | 117.2   | 83.6    | 91.0    | 79.4    |
| EBITDA Margin (%)   | 24.6%   | 25.8%   | 30.2%   | 26.8%   | 23.9%   | 20.2%   | 22.9%   | 21.2%   |
| Depreciation and Amortization   | 36.5    | 35.2    | 36.9    | 40.5    | 45.1    | 31.7    | 29.2    | 27.1    |
| Earnings Before Interest and Taxes (EBIT)                             | 139.9   | 129.7   | 146.8   | 104.2   | 72.1    | 51.9    | 61.8    | 52.3    |
| EBIT Margin (%)   | 19.5%   | 20.3%   | 24.1%   | 19.3%   | 14.7%   | 12.6%   | 15.5%   | 14.0%   |
| Interest / Finance Costs  | 0.6     | 0.6     | 3.2     | 10.4    | 16.9    | 21.7    | 16.3    | 18.4    |
| Interest / Finance Income   | 8.4     | 3.8     | 1.5     | 0.8     | 0.4     | 0.2     | 1.1     | 3.9     |
| Prior Period / Other Adjustments                                      | -       | -       | -       | -       | -       | -       | 1.8     | -       |
| Profit Before Tax (PBT)   | 139.3   | 129.1   | 143.6   | 93.8    | 55.2    | 30.2    | 43.7    | 33.9    |
| PBT Margin (%)  | 19.4%   | 20.2%   | 23.6%   | 17.4%   | 11.3%   | 7.3%    | 11.0%   | 9.1%    |
| Current Tax   | 40.5    | 42.7    | 50.0    | 29.4    | 17.3    | 9.2     | 16.0    | 8.5     |
| Deferred Tax  | (16.5)  | 1.0     | 2.9     | 0.7     | 2.3     | (2.2)   | 1.1     | 3.0     |
| Tax for earlier years   | 1.6     | (0.9)   | 1.4     | (0.3)   | (0.4)   | 0.6     | 0.3     | 0.0     |
| Total Tax   | 25.6    | 42.8    | 54.3    | 29.8    | 19.2    | 7.6     | 17.4    | 11.5    |
| Tax Rate (%)  | 29.1%   | 34.6%   | 34.6%   | 32.5%   | 32.5%   | 32.5%   | 32.5%   | 32.5%   |
| Profit After Tax (PAT)  | 113.7   | 86.3    | 89.3    | 64.0    | 36.0    | 22.6    | 26.3    | 22.4    |
| Average PAT Per Occupied Room per night (₹)                           | 1,901   | 1,528   | 1,556   | 1,225   | 683     | 523     | 597     | 505     |
| PAT Margin (%)  | 15.9%   | 13.5%   | 14.7%   | 11.8%   | 7.3%    | 5.5%    | 6.6%    | 6.0%    |
| Other comprehensive income (as per Ind AS)                            | (0.1)   | 0.9     | 0.0     | -       | -       | -       | -       | -       |
| Earnings Per Share (₹)  | 2.5     | 1.9     | 1.9     | 1.4     | 0.8     | 0.5     | 0.6     | 0.5     |
| Dividend Per Share (₹) including final dividend                       | 2.0     | 0.7     | 0.6     | 0.5     | 0.4     | 0.2     | 0.3     | 0.2     |
| Dividend Percentage (Total)   | 100%    | 35%     | 30%     | 24%     | 21%     | 12%     | 13%     | 12%     |
| Dividend Payout (including dividend tax)                              | 111.4   | 38.9    | 33.4    | 26.7    | 23.3    | 12.9    | 14      | 12.9    |
| Equity Capital (A)  | 92.4    | 92.4    | 92.4    | 92.4    | 92.4    | 92.4    | 92.4    | 92.4    |
| Other Equity / Reserves & Surplus (B)                                 | 452.4   | 383.4   | 324.0   | 284.9   | 247.5   | 239.7   | 230.0   | 217.7   |
| Shareholders Funds (A + B)  | 544.8   | 475.8   | 416.4   | 377.3   | 339.9   | 332.1   | 322.4   | 310.1   |
| Long Term Debt and Vehicle Loans                                      | 4.4     | 5.1     | 4.8     | 64.6    | 147.3   | 174.1   | 111.6   | 77.8    |
| Free Cash and Bank Balances including current investments*            | 192.6   | 126.9   | 32.1    | 7.8     | 9.6     | 12.3    | 13.5    | 29.0    |
| Long Term Debt to Shareholders Funds (Ratio)                          | 0.01    | 0.01    | 0.01    | 0.17    | 0.43    | 0.52    | 0.35    | 0.25    |
| After-Tax Return on Equity (Shareholders Funds)                       | 20.9%   | 18.1%   | 21.4%   | 17.0%   | 10.6%   | 6.8%    | 8.2%    | 7.2%    |
| Return on Assets  | 15.4%   | 13.2%   | 14.5%   | 10.1%   | 5.4%    | 3.5%    | 4.4%    | 4.4%    |
| Current Ratio   | 1.90    | 1.36    | 0.84    | 0.51    | 0.56    | -       | -       | -       |
| Cash Conversion Cycle (in days)**                                     | 2.5     | 1.9     | 5.2     | 9.6     | 12.5    | -       | -       | -       |
| Operating Cash Flow (after tax)                                       | 150.4   | 153.9   | 140.1   | 124.4   | 97.7    | -       | -       | -       |
| CSR expenditure   | 2.5     | 2.0     | 1.3     | 0.5     | -       | -       | -       | -       |

\* Free Cash and Bank Balances including current investments for the F.Y. 2018-19 is before payment of the 2nd Interim Dividend of Rs. 78 million. The net cash and bank balance after paying the 2<sup>nd</sup> Interim Dividend is Rs. 114.6 million.

\*\* Cash Conversion Cycle = Days of Sales Outstanding + Days of Inventory Outstanding - Days of Payables Outstanding.

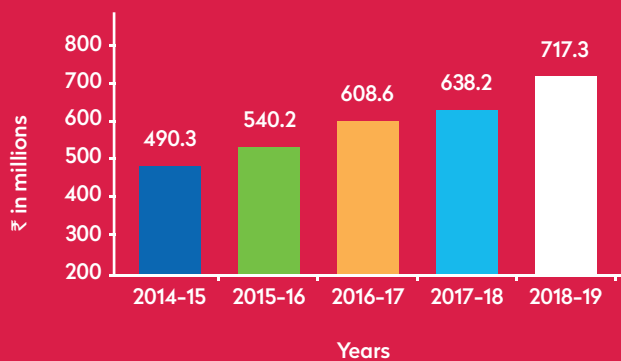


# Key Performance Indicators

**“Cash... is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent” ~ Warren Buffet**

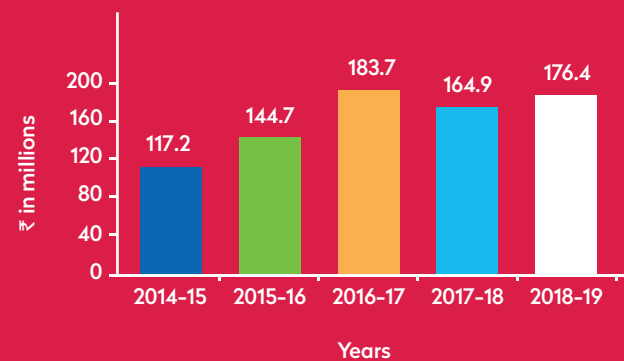
## TOTAL NET REVENUE

717.3



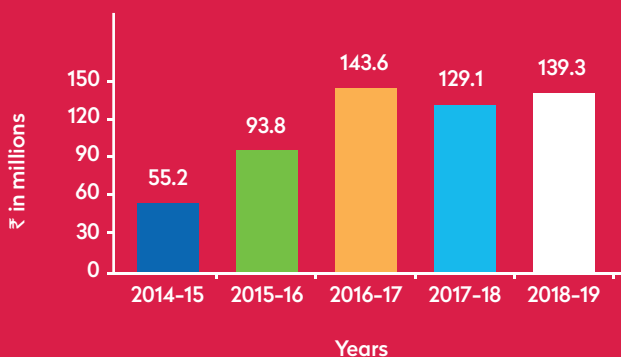
## EBITDA

176.4



## PBT

139.3



## PAT

113.7

