

ADVANI HOTELS & RESORTS (INDIA) LIMITED

ANNUAL REPORT | 2019 – 2020







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

Ragini Chopra

(w.e.f 30th August, 2020)

COMPANY SECRETARY

Nilesh Jain

CHIEF FINANCIAL OFFICER

Sachin Jain

(w.e.f December 17, 2019)

BANKERS

Axis Bank

STATUTORY AUDITORS

JMT & Associates, Chartered Accountants
(w.e.f. September 26, 2020)

Amar Bafna & Associates, Chartered
Accountants
(upto September 16, 2020)

SOLICITORS

Malvi Ranchoddas & Co.

REGISTERED OFFICE

18A & 18B

Jolly Maker Chambers II

Nariman Point

Mumbai 400 021

RESORT LOCATION

Caravela Beach Resort

Varca Beach, Salcete

Goa 403 721

REGISTRAR AND

SHARE TRANSFER AGENTS

Datamatics Business Solutions Limited

Plot No. B-5, Part B

Cross Lane, MIDC Marol

Andheri (East)

Mumbai 400 093

Contents

04

Letter from
the Chairman
& Managing
Director

07

Financial
Summary
Table

08

Key
Performance
Indicators

11

Snapshots
+ Moments

37

Notice

54

Directors'
Report

89

Management
Discussion
and Analysis

93

Report on
Corporate
Governance

111

Auditors'
Certificate
on Corporate
Governance

112

Independent
Auditors'
Report

120

Balance
Sheet

121

Statement
of Profit
and Loss

123 & 124

Cash Flow Statement

125

Notes to
Financial
Statements

Chairman and MD's Message



Dear Fellow Shareholders,

It is a proud privilege to address you on behalf of the Board of Directors on the 33rd Annual General Meeting of your Company.

The growth of the hotel industry is normally impacted by the growth of GDP. The Economic Survey presented in Parliament in January 2020 forecasted a lower GDP of 6.0 to 6.5% for 2020-2021. After the havoc created after March 2020 by Covid19, India's GDP has declined substantially. A key objective of the Economic Survey was to increase Export market share to 3.5 percent by 2025 and 6% by 2030 and also create 4 crore well paid jobs by 2025.

When we export more goods and services we create jobs in India. When a foreign tourist visits and spends money in India it is also an Export. The Hotel industry creates a very large number of well paid jobs and earns huge amounts of foreign exchange. Hotel stays comprise a major portion of their spend. India earned INR 1973 billion from foreign visitors in 2019 and this number will decline substantially unless certain measures are taken immediately. The Government should provide support to this capital intensive industry even though it has many priorities.

The Travel and Tourism industry in India provided jobs to 39.8 million persons in 2019. India stands to lose 23.7 million jobs in this industry in 2020 as per the projections made by the London based World Travel and Tourism Council.

As far as foreign tourists, the Embassies and Consulates abroad have now stopped issuing Tourist Visas. Last October, Dr Jaishankar had agreed to my suggestion at a USIBC meeting in Washington to make our Embassies more proactive in promoting tourism. Tourist Visas must be issued promptly. Even Russia, which has many cases of Covid19, is now issuing eVisas to tourists from 52 countries including India.

Foreign charter flights which have been bringing only foreign tourists to Goa for decades have not been given permission to land. This will have a major impact on revenues as these tourists stay in hotels for at least 10 days. They should not be required to spend time in quarantine unless they are tested

Covid19 Positive. Until recently even our own citizens were required to be quarantined on arrival in India. Fortunately quarantine is now not required for passengers who carry a negative Covid19 test result. Normal international flights need to be restarted as they are allowed only between specific 'air bubble cities'. In order to make India competitive, GST paid by foreign tourists should be refunded to them when they leave India. The hoteliers need to be given an incentive to attract foreign clients by increase of benefits from the SFIS.

Most hotels have had to rely on domestic traffic. Those travelling for conferences and weddings had until recently to restrict the gathering to 50 persons. After representations this has been relaxed to 200 and is based on the size of the venue.

The Return on Equity (Shareholder's Funds) in FY 2019-2020 has gone up to 23.8% as against 20.9% last year.

Most individuals have been impacted by Covid19 and spending on a holiday needed an incentive. Through the WTTC I requested that demand for hotel rooms in India would increase if a tax incentive was given by change in the LTC. The Government has introduced this but made it applicable only for those who purchase consumer goods and not for holidays.

Our Financial Results:

Our Company achieved total revenues of INR 712 million for the financial year ending 31st March, 2020. This represents a decline of 0.79% against revenue of INR 717 million in the financial year 2018-19. Until February 29, 2020 our turnover was up by 4.5% but there were many cancellations in March due to Corona Virus.

Nevertheless with reduction in costs, we achieved a higher gross profit of INR 180 million in the financial year 2019-2020 as against INR 176 million last year. Our Gross profits before tax for this financial year have increased from INR 139 million to 140.5 million

The Return on Equity (Shareholder's Funds) in FY 2019-2020 has gone up to 23.8% as against 20.9% last year.

Considering the 87% increase in Profit before Tax of INR 77.7 million for the nine month period ended December 2019 as against INR 41.5 million in the corresponding period of previous year, in February 2020 the Company declared a 2nd Interim dividend of 55%. Including the 2nd interim dividend, the Company has paid total dividend of 95% for the FY 2019-2020.

**Our Company's
Return on Assets
of 15.7% is one of the
highest in the Hotel
Industry!**

TOTAL REVENUE

711.6

₹ in millions

OCCUPANCY %

80.0%

RevPOR

12,090

Rupees
per Room per Night
excluding taxes

The hotel industry in general is facing a difficult period.

A recent Survey conducted by HVS of Brands which control 380 hotels with 56,000 guest rooms in India reported that only 20% of their respondents felt that they would equal last years figures in 6-12 months.

The Survey did show that hotels in Resort locations and especially those in the upscale and upper upscale category will recover quickly.

Until February 29, 2020 our turnover was up by 4.5%

Our Caravela Beach Resort Goa is one such Hotel. Moreover, Goa is ranked second as the best place in India to have a beach wedding. The first spot is for the Andamans which is not as accessible. Goa has just released its Master Plan for Tourism wherein they propose to add facilities to attract only affluent tourists.

We closed our hotel on 24th March as per Government policy. We reopened on 1st October. It is heartening that the occupancy for October 2020 and November has exceeded our expectations and more requests are coming in for the period until end of December. Guests are making last minute bookings and many are driving in from Maharashtra and Karnataka. Flights to Goa from all major cities have also increased. Our hotel was closed and had no operating income for both the First Quarter ending 30th June and the Second Quarter ending 30th September. However through cost cutting measures adopted we were able to reduce the net loss from INR 64 million to INR 50 million or about 28% between Q1 and Q2.

Need for Loan:

The hotel has incurred a loss before tax of INR 114 million as of 30th September 2020. The losses would have been greater if we had not taken timely measures of reducing fixed costs especially in number of staff and reduction in the salaries of retained staff. We could only achieve Revenues of about INR 19 million in October and suffered an operating loss of approximately INR 1 million.

We have adequate funds to meet all obligations but we have applied for a long term loan of INR 150 million for Working Capital and minor renovations. Several banks have shown a positive interest as we are a debt free Company. We are evaluating the terms and conditions given by banks.

Lessons from Covid19:

We have also made changes to make guests feel safe and to protect our employees from being exposed to Covid19. We have taken the expert advice of Bureau Veritas and Diversey Chemicals who are also training our Staff. We must all be relieved that at least three Companies have been able to prove that their Vaccines are highly effective in treating those who have or are likely to catch COVID 19. Since most people will have access to a Vaccine in a few months, I am hopeful that travel and tourism will return to normal sooner than projected earlier.

Awards:

Besides financial performance, a Company is also benchmarked by qualitative measures and the recognition it receives. Our Company has received several awards this year, which are presented in the Awards section in the Report. In addition, I have had the honour of receiving the SAATE Lifetime Achievement Award, presented to me by the Director General of Tourism of India.

Acknowledgements:

I would like to thank the members of our Board for giving us so much of their time and inputs in difficult circumstances. The Chief Minister of Goa has listened to our concerns favorably, members of the Central Government have tried to cooperate with their constraints. We are grateful to our dedicated employees and senior managers who have cooperated and worked during these difficult times. The shareholders, tour operators and travel agents and our repeat guests need to be thanked for supporting us. The Village of Varca and officials in the Government have been very helpful in our efforts to face this unprecedented calamity.

Sunder G. Advani

OPERATING CASH FLOW AFTER-TAX

178.2
₹ in millions

RETURN ON ASSETS (ROA)

15.7%

AFTER-TAX RETURN ON EQUITY

23.8%

EBITDA

180.2
₹ in millions

Financial Summary

OVER THE LAST EIGHT YEARS

₹ in millions

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Gross Revenue inclusive of taxes	833.5	858.1	765.8					
Net Revenue	711.6	717.3	638.2	608.6	540.2	490.3	413.3	397.9
Total Room Nights Sold (Numbers)	57,303	59,815	56,485	57,403	52,234	52,725	43,201	44,071
Average Occupancy (%)	80.0%	82.8%	79.2%	79.7%	72.0%	71.7%	67.1%	64.1%
Average Revenue Per Occupied Room per night (RevPOR) (₹)	12,090	11,749	11,018	10,367	10,110	9,030	9,042	8,614
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	180.2	176.4	164.9	183.7	144.7	117.2	83.6	91.0
EBITDA Margin (%)	25.3%	24.6%	25.8%	30.2%	26.8%	23.9%	20.2%	22.9%
Depreciation and Amortization	37.4	36.5	35.2	36.9	40.5	45.1	31.7	29.2
Earnings Before Interest and Taxes (EBIT)	142.8	139.9	129.7	146.8	104.2	72.1	51.9	61.8
EBIT Margin (%)	20.1%	19.5%	20.3%	24.1%	19.3%	14.7%	12.6%	15.5%
Interest / Finance Costs	2.3	0.6	0.6	3.2	10.4	16.9	21.7	16.3
Interest / Finance Income	7.4	8.4	3.8	1.5	0.8	0.4	0.2	1.1
Prior Period / Other Adjustments	-	-	-	-	-	-	-	1.8
Profit Before Tax (PBT)	140.5	139.3	129.1	143.6	93.8	55.2	30.2	43.7
PBT Margin (%)	19.7%	19.4%	20.2%	23.6%	17.4%	11.3%	7.3%	11.0%
Current Tax	36.4	40.5	42.7	50.0	29.4	17.3	9.2	16.0
Deferred Tax	(8.2)	(16.5)	1.0	2.9	0.7	2.3	(2.2)	1.1
Tax for earlier years	(0.3)	1.6	(0.9)	1.4	(0.3)	(0.4)	0.6	0.3
Total Tax	27.9	25.6	42.8	54.3	29.8	19.2	7.6	17.4
Tax Rate (%)	25.2%	29.1%	34.6%	34.6%	32.5%	32.5%	32.5%	32.5%
Profit After Tax (PAT)	112.6	113.7	86.3	89.3	64.0	36.0	22.6	26.3
Average PAT Per Occupied Room per night (₹)	1,965	1,901	1,528	1,556	1,225	683	523	597
PAT Margin (%)	15.8%	15.9%	13.5%	14.7%	11.8%	7.3%	5.5%	6.6%
Other comprehensive income (as per Ind AS)	0.2	(0.1)	0.9	-	-	-	-	-
Earnings Per Share (₹)	2.4	2.5	1.9	1.9	1.4	0.8	0.5	0.6
Dividend Per Share (₹) including final dividend	1.9	2.0	0.7	0.6	0.5	0.4	0.2	0.3
Dividend Percentage (Total)	95.0%	100.0%	35.0%	30.0%	24.0%	21.0%	12.0%	13.0%
Dividend Payout (including dividend tax)	105.9	111.4	38.9	33.4	26.7	23.3	12.9	14
Equity Capital (B)	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4
Other Equity / Reserves & Surplus (C)	380.5	452.4	383.4	324.0	284.9	247.5	239.7	230.0
Shareholders Funds (B + C)	472.9	544.8	475.8	416.4	377.3	339.9	332.1	322.4
Long Term Debt and Vehicle Loans	3.3	4.4	5.1	4.8	64.6	147.3	174.1	111.6
Cash and Bank Balances including current investments	127.6	192.6	126.9	32.1	7.8	9.6	12.3	13.5
Long Term Debt to Shareholders Funds (Ratio)	0.01	0.01	0.01	0.01	0.17	0.43	0.52	0.35
After-Tax Return on Equity (Shareholders Funds)	23.8%	20.9%	18.1%	21.4%	17.0%	10.6%	6.8%	8.2%
Return on Assets	15.7%	15.4%	13.2%	14.5%	10.1%	5.4%	3.5%	4.4%
Current Ratio	1.43	1.90	1.36	0.84	0.51	0.56	-	-
Cash Conversion Cycle (in days)*	3.3	2.5	1.9	5.2	9.6	12.5	-	-
Operating Cash Flow (after tax)	178.2	150.4	153.9	140.1	124.4	97.7	-	-
CSR expenditure	2.8	2.5	2.0	1.3	0.5	-	-	-

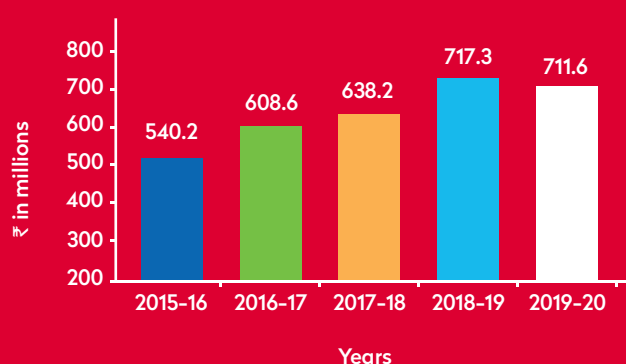
* Cash Conversion Cycle = Days of Sales Outstanding + Days of Inventory Outstanding - Days of Payables Outstanding.

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

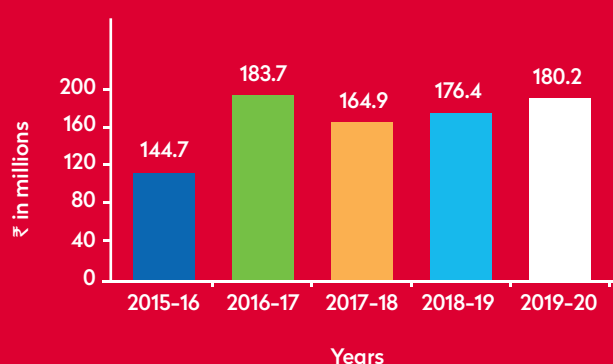
TOTAL NET REVENUE

711.6



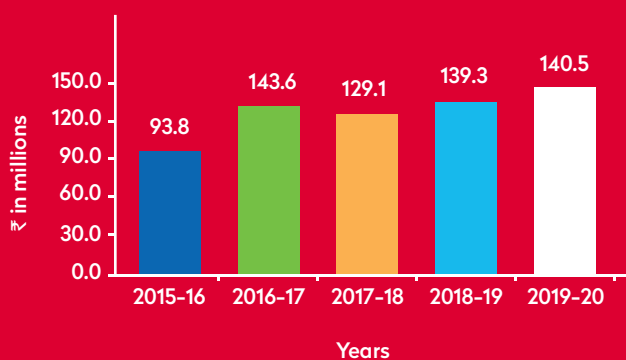
EBITDA

180.2



PBT

140.5



PAT

112.6

