

BENARES HOTELS LIMITED

41ST ANNUAL REPORT 2011-12



The Gateway Hotel Ganges Varanasi



The Gateway Hotel Ganges Varanasi

Corporate Information

Board of Directors

DR. ANANT NARAIN SINGH
(Chairman)

RAYMOND N. BICKSON

SHRIRAMAN

RUKMANI DEVI

A. R. GANDHI

B. L. PASSI

D. R. KAARTHIKEYAN

P. K. MOHANKUMAR

Company Secretary

P. K. Bhatia

Auditors

N. Krishnaswamy and Company,
Chartered Accountants,
71A, Kashi Raj Apartments, Kamachha,
Varanasi-221 001

Registered Office

Nadesar Palace Compound,
Varanasi-221 002
Phone : 0542-666 0001

Registrar and Share Transfer Agent

The Indian Hotels Company Limited
Mandlik House, Mandlik Road
Mumbai - 400 001
Phone : 022-66395515
Fax : 022-22027442
Email : investorrelations@tajhotels.com

HIGHLIGHTS	2011-12	2010-11
	₹ Lakhs	₹ Lakhs
Gross Revenue	3,519.50	2,773.17
Profit Before Tax	961.58	733.35
Profit After Tax	619.23	490.46
Dividend	208.00	169.00
Retained Earnings	3,033.66	2,656.18
Funds Employed	4,087.29	3,620.75
Net Worth	3,163.66	2,786.18
Debt : Equity Ratio	0.00:1	0.00:1
Net Worth Per Equity Share (₹ 10/- each)	₹ 243.36	₹ 214.32
Earnings (EAT) Per Equity Share (₹ 10/- each)	₹ 47.63	₹ 37.73
Dividend Per Equity Share (₹ 10/- each)	₹ 16.00	₹ 13.00
	160%	130%

BENARES HOTELS LIMITED

Forty First Annual Report 2011-12

Notice to the Members

Notice is hereby given that the Forty First Annual General Meeting of the Members of Benares Hotels Limited will be held at the Registered Office of the Company at Nadesar Palace Compound, Varanasi-221002, on Monday, 13th August, 2012 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. B L Passi, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. P K. Mohankumar, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. Shriraman, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

7. **Appointment of Mr. D R Kaarthikeyan as Director**

To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. D R Kaarthikeyan be and is hereby appointed as a Director of the Company liable to retire by rotation.”

NOTES

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No. 7 is annexed hereto.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED TO THE COMPANY, DULY COMPLETED, NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.

(c) Members are requested to intimate to the Company, changes, if any, in their registered address along with Pin Code Number. Members whose shareholding is in demat form are requested to send the intimation for change of address to their respective Depository Participant(s).

(d) Members are requested to register their Email address and the changes therein from time to time with the Company to enable the Company to send notices/documents through email as permitted in law.

(e) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 1st August, 2012 to Thursday, 16th August, 2012 (both days inclusive).

(f) The dividend as recommended by the Directors for the year ended 31st March, 2012, if passed at the meeting, will be made payable on or after Thursday, 23rd August, 2012 to those members whose names appear on the Register of Members of the Company on Wednesday, 1st August, 2012. As regards shares held in electronic form the dividend will be payable to the beneficial owners of shares whose names appear in the statement of beneficial ownership furnished by the Depositories as at the end of business hours on Tuesday, 31st July, 2012.

- (g) Members who are holding shares in identical order of names in more than one folio are requested to write to the Company for consolidating their holding in one folio.
- (h) Pursuant to Section 205C of the Companies Act, 1956, all unclaimed/unpaid dividends for a period of 7 years from the date of transfer to the 'Unpaid Dividend Account' are required to be transferred by the Company to the "Investor Education and Protection Fund" established by the Central Government. Accordingly, the unclaimed dividend paid upto the financial year ended 31st March, 2005, shall be transferred by the Company to the said Fund on the due date in 2012. Members are advised that once the unclaimed dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof.
- (i) Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.

By order of the Board of Directors
of **BENARES HOTELS LTD.**

P K BHATIA
Company Secretary

Place: Mumbai
Date: 3rd May, 2012

Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the business under Item No. 7 mentioned in the accompanying Notice dated 3rd May, 2012.

Item No. 7

Mr. D R Kaarthikeyan was appointed as an Additional Director of the Company on 17th October, 2011. In terms of Section 260 of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company, Mr. Kaarthikeyan holds the office up to the ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member signifying its intention to propose Mr. D R Kaarthikeyan's candidature to the office of the Director at the forthcoming Annual General Meeting.

Mr. Kaarthikeyan is an IPS Officer (Retd.) and has held the office of the Director, Central Bureau of Investigation (CBI) and the Director General, National Human Rights Commission (NHRC) and the Central Reserve Police Force (CRPF) in his distinguished career. He is a "PADMA SHRI" conferred on him by the President of India for exceptional and distinguished service rendered by him to the nation.

The Board commends to the shareholders the appointment of Mr. Kaarthikeyan as Director on the Board of the Company. Except Mr. Kaarthikeyan, no other Director is concerned or interested in the Resolution.

By order of the Board of Directors
of **BENARES HOTELS LTD.**

P K BHATIA
Company Secretary

Place: Mumbai
Date: 3rd May, 2012

BENARES HOTELS LIMITED

Forty First Annual Report 2011-12

Directors' Report to the Members

The Directors hereby present the Forty First Annual Report of the Company together with the Audited Statements of Account for the year ended 31st March, 2012.

OPERATING AND FINANCIAL RESULTS

	2011-12 (₹ /Lacs)	2010-11 (₹ /Lacs)
Income	3519.50	2773.17
Gross Profit for the year	1132.30	895.16
Less: Depreciation	170.72	160.04
Less: Interest	—	1.77
Profit before tax	961.58	733.35
Less: Provision for tax		
- Current Tax	286.25	216.89
- Deferred Tax	17.94	26.00
- Earlier years Taxes	38.15	—
Net Profit	619.23	490.46
Add: Balance brought forward from previous year	988.09	994.70
Balance available for appropriations	1607.32	1485.16

APPROPRIATIONS :

(a) A dividend @160% i.e. Rs. 16/- per equity share (previous year 130% i.e. Rs. 13 per equity share) on 13,00,000 Equity Shares, which, if approved by the Shareholders at the Annual General Meeting to be held on Monday, the 13th day of August, 2012 will be paid out of the provision for dividend...	208.00	169.00
(b) Tax on Dividend	33.74	28.07
(c) Amount transferred to General Reserve	300.00	300.00
(d) Balance carried forward	1,065.58	988.09

OPERATIONS

The Company has continued to improve its performance during the year under review with 27% growth in the revenues and 26% growth in Profit after Tax over the previous year. With steady growth expectations in the domestic tourism and foreign tourist arrivals and considering the overall economic and business scenario, your directors hope that the Company will continue the trend of improvement in the performance during the current financial year. The work on the Hotel project in Gondia, Maharashtra is progressing satisfactorily.

DIVIDEND

Your Directors recommend the payment of dividend @ 160% (previous year dividend @ 130%) per equity share involving distribution of ₹ 208.00 lacs.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company had no employees during the year who were in receipt of remuneration aggregating to:

- (a) Not less than Rs. 60.00 lacs for the year, if employed throughout the year; or
- (b) Not less than Rs. 5.00 lacs per month, if employed for part of the year.

DIRECTORS

During the year, Mr. D R Kaarthikeyan was appointed as an Additional Director of the Company on 17th October, 2011. In terms of Section 260 of the Companies Act 1956 and Article 122 of the Articles of Association of the Company, Mr. Kaarthikeyan holds the office upto the date of the Annual General Meeting of the Company. It is proposed to appoint Mr. Kaarthikeyan as Director of the Company at the ensuing Annual General Meeting. The Board of Directors commend his appointment.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. B L Passi, Mr. P K Mohankumar and Mr. Shriraman, Directors of the Company are liable to retire by rotation and being eligible seek reappointment.

STATUS OF COMPANY

Your Company became a subsidiary company of The Indian Hotels Company Ltd. (IHCL) during the year.

AUDIT COMMITTEE

Mr. Shriraman, Mr. B.L. Passi and Mr. P. K. Mohankumar are the members of the Audit Committee.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of conditions of Corporate Governance, form part of the Annual Report.

AUDITORS

At the Annual General Meeting, the Members will be required to appoint the Auditors for the current year and fix their remuneration.

FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the information relating to foreign exchange earnings and outgo is furnished at point No. 5 & 6 in the Note No. 22 to the financial Statements.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operating Management, hereby confirms that :-

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. it has, in the selection of the accounting policies, consulted the Statutory Auditors and has applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for that period;
3. it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of their knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records;
4. it has prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENTS

The Board desires to place on record its appreciation of the services rendered by the employees of the Company during the year under review.

On behalf of the Board of Directors

Place : Mumbai
Date : 3rd May, 2012

Dr. Anant Narain Singh
Chairman

Management Discussion and Analysis

Overview of the Global & Indian Tourism Industry

The international travel and tourism industry is currently on a growth path and is set to cross an all time high of more than 1 billion international travelers in 2012. As per World Travel and Tourism Council (WTTC) estimates, the travel and tourism sector's economic contribution, from both direct and indirect activities combined, was US\$ 6.3 trillion in GDP, 255 million jobs, US \$743 billion in investment and US \$1.2 trillion in exports which accounts for 9% of global GDP, 1 in 12 jobs, 5% of investment and 5% of exports. According to the United Nations World Tourism Barometer, international tourist arrivals globally were up by 4.4% from 935 million in 2010 to 980 million in 2011.

In India, the total direct and indirect economic impact of the industry is 6.4% of the GDP which is expected to grow at 7.8% for the next 10 years according to the WTTC Report. As per statistics updated by the Indian Ministry of Tourism, the foreign tourist arrivals in India for 2011, has been 6.29 million which is an 8.9% increase over 5.8 million tourists of 2010, the growth being higher than the global scenario but less than the overall AsPac region.

Future Prospects

The United Nations World Tourism Organisation (UNWTO) expects growth to continue for the tourism sector in 2012, although at a slower rate. It forecasts international tourist arrivals to grow in the range of 3% to 4% in 2012. WTTC indicates that this growth will be moderate as the bounce-back for tourism destinations that faced specific challenges last year will be offset by a weaker performance in other countries. Travel & Tourism in China, India, Japan (bounce-back), Latin America and Africa is expected to perform well in 2012.

UNWTO, predicts that India will receive 25 million foreign tourists by the year 2015.

The city in which your company is operating, Varanasi, continues to be the religious and cultural capital of North India. Varanasi has several large and medium size industries. Produce from cottage industries, including Banarasi Silk sari making, the production of textiles such as hand-woven carpets, and handicrafts are exported worldwide. Other industries that have gained prominence in Varanasi over the years are- Manufacturing, Tourism, Mining and Services Industry. For instance, major cement manufacturers like JK Cement, ACC Cement, Pashupati Cement, beverage manufacturers- Hindustan Coca Cola Ltd. and PepsiCo India Ltd., Indian Railways and BHEL have manufacturing plants in Varanasi.

The city has been experiencing growth in the manufacturing and service sector along with improvement in infrastructure particularly in terms of new airport and flights connectivity. Today, there is a greater linkage between the people of Varanasi and other Metro cities. It is expected that all these factors will further boost both the leisure and corporate travelling in the city.

The risks in the macroeconomic context are essentially a high rise in operating costs on account of inflation, which is being mitigated by the rigorous cost control measures which are being pursued and implemented by the operating management. In the micro economic context, there is no significant new competition expected in Varanasi in the near future and your property, The Gateway Hotel Ganges has maintained its market dominance very emphatically. The capital expenditures in setting up the new hotel at Gondia are not expected to strain the cash flows of the company and borrowing, if needed, may be resorted to with minimal risk.

Financial Performance

The financial performance of your company was much better in 2011-12 as compared to the previous year. The turnover increased from ₹ 27.73 Crs in 2010-11 to ₹ 35.19 Crs in 2011-12, while the operating expenses increased from ₹ 20.39 Crs to ₹ 25.58 Crs in the same period. The Profit before tax has increased from ₹ 7.33 Crs in 2010-11 to ₹ 9.62 Crs in 2011-12, whereas Profit after Tax went up from ₹ 4.90 Crs to ₹ 6.19 Crs.

Internal control systems and their adequacy

Your Company has in place an adequate system of internal controls, with documented procedures covering all functions in the hotel operating units. Systems of internal controls are designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls, and compliance with applicable laws and regulations.

Adequate internal control measures are in the form of various policies & procedures issued by the Management covering all critical and important activities viz. Revenue Management, Hotel Operations, Purchase, Finance, Human Resources, Safety, etc. These policies & procedures are updated from time to time and compliance is monitored continuously. The Company continues its efforts to align all its processes and controls with global best practices.

Certifications and Awards

Your Company has been participating in the globally recognised 'EarthCheck' benchmarking and certification system. EarthCheck certifications are a result of extensive assessments and audits by Independent Environmental Assessors - mapping indicators ranging from energy & water consumption, waste management to sensitivity exhibited vis-à-vis social and cultural dimensions in all areas of hotel operations. The Company has been certified EarthCheck 'Silver' for its Gateway Hotel.

The JIVA Spa at Nadesar Palace won the Best Boutique Hotel Spa Crystal Award AsPac, Singapore, 2011.

The Company has also been awarded following certifications:

1. ISO 14001:2004 EHS - Environment, Health & Safety
2. ISO 18001: 2007 OHSAS Occupational Health and Safety Management System (Occupational Health & Safety Advisory Services)
3. ISO 22000:2005 FSMS Food Safety Management System

Workforce

The total manpower employed by the Company as on March 31, 2012 was 298, which was almost at par with previous year 297 as on March 31, 2011.