



BHARAT HOTELS LIMITED

ANNUAL REPORT **2005 - 2006**

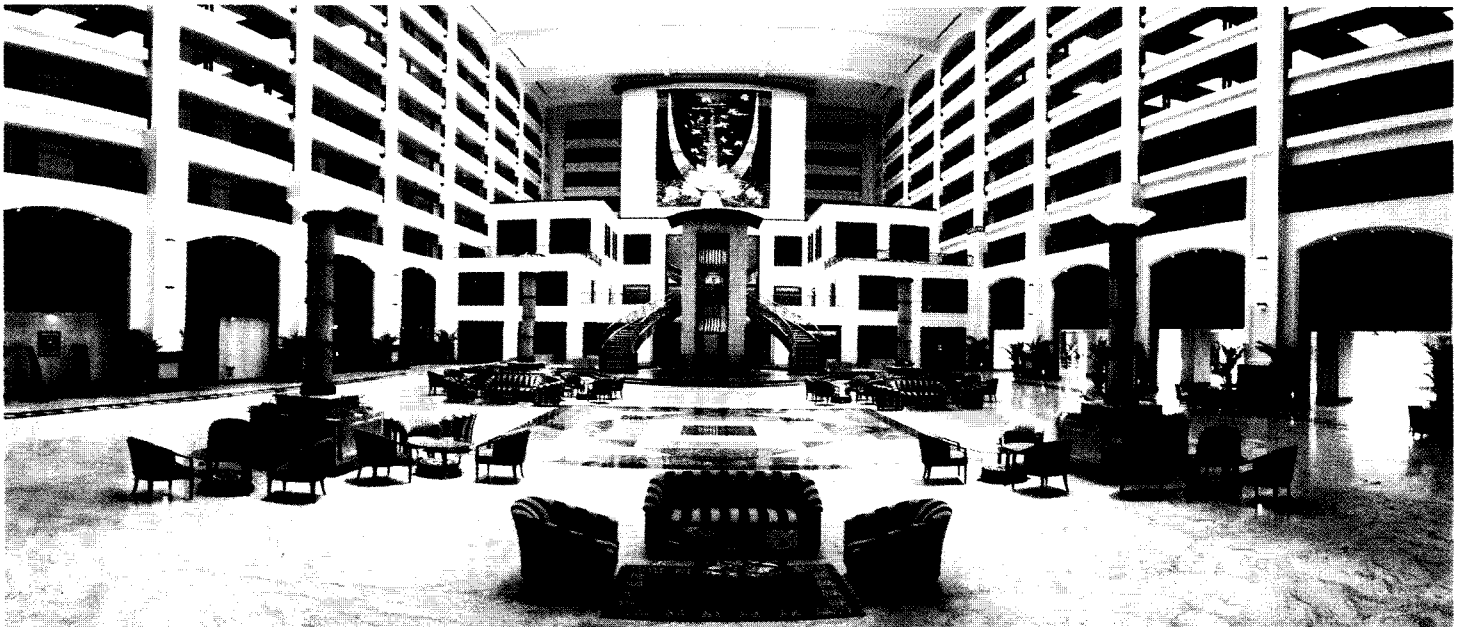


THE GRAND
Hotels • Palaces • Resorts



INTERCONTINENTAL. THE GRAND M U M B A I

Located close to Mumbai airport and the new commercial developments of North Mumbai.
A soaring eight-storey atrium lobby, the largest in Asia, welcomes guests to a world of untold luxuries.
369 spacious rooms & suites. 6 restaurants & bars. A movie preview theatre.
Extensive banquet facilities. State-of-the-art health facilities.
A range of business & leisure services and lots more.
Adjoining commercial tower offers 21 'serviced' apartments; showrooms; shops & offices.





THE GRAND

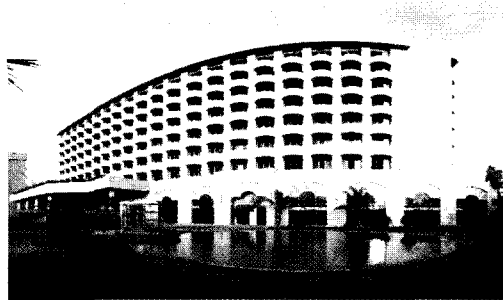
Hotels Palaces Resorts

Bharat Hotels Limited, the owners of The Grand - Hotels, Palaces and Resorts, is one of India's leading luxury hotel chains with a strategic presence across the country

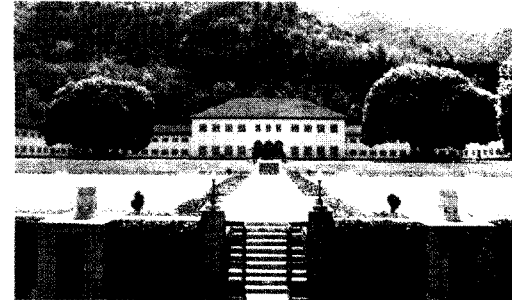
Bharat Hotels presently operates 6 five star properties



InterContinental The Grand New Delhi



InterContinental The Grand Mumbai



InterContinental The Grand Palace Srinagar



InterContinental The Grand Resort Goa



The Grand Ashok Bangalore



The Grand Laxmi Vilas Palace Udaipur

2 five-star hotels to reopen in 2006-2007



The Grand Temple View Khajuraho



The Grand Great Eastern Kolkata

2 new properties in Ahmedabad & Bekal by 2007

Shortly at Jaipur, Noida, Chandigarh & Chennai

BHARAT HOTELS LIMITED

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VICE PRESIDENT-FINANCE		
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REGISTERED OFFICE		
Barakhamba Lane		
New Delhi - 110001		
STATUTORY AUDITORS		
V. Sankar Aiyar & Co.		
Chartered Accountants		
Satyam Cinema Complex		
Ranjit Nagar Community Centre		
New Delhi-110008		
BANKERS		
Jammu & Kashmir Bank Ltd.		
Canara Bank		



DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting twenty fifth Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. In lacs)	
	2005-06	2004-05
GROSS PROFIT	10635.66	5357.44
Less: Interest	932.05	661.76
Depreciation	2968.64	4205.74
PROFIT FOR THE YEAR	6734.97	489.94
LESS: PROVISION FOR TAXATION	680.00	40.00
DEFERRED TAX LIABILITY	885.00	143.60
FRINGE BENEFIT TAX	48.86	—
PROFIT AFTER TAXATION	5121.11	306.34
ADD: TRANSFER OF INVESTMENT ALLOWANCE RESERVE NO LONGER REQUIRED	610.00	—
LESS : TRANSFER TO RESERVE FOR BAD & DOUBTFUL DEBTS	70.00	—
ADD: SURPLUS BROUGHT FORWARD FROM LAST YEAR	4660.07	4353.72
LESS: PROVISION FOR TAX RELATING TO EARLIER YEARS	680.00	—
PROFIT AVAILABLE FOR APPROPRIATION (Carried To Balance Sheet)	9641.18	4660.06

OPERATIONS

Till March 31, 2006, Bharat Hotels Limited, which operates its hotels under 'The Grand' banner has SIX operational luxury hotels in the country, offering more than 1400 rooms in the 5-star deluxe segment. These include InterContinental 'The Grand' hotels in New Delhi, Mumbai, Goa & Srinagar and The Grand Ashok Bangalore, The Grand Laxmi Vilas Palace Udaipur

On November 30, 2005, the company successfully bid for the prestigious 165-year old 'Great Eastern hotel'. This classic heritage property is being carefully restored and will be re-commissioned by mid 2007 as The Grand Great Eastern Kolkata offering 250 rooms.

Further the company's 48-room property The Grand Temple View Khajuraho, is presently under extensive renovation and will be re-opened by mid 2006, with a completely new boutique look.

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The company has also announced two new green field projects in Ahmedabad and Bekal (Kerala). Both are expected to open in 2007 as 250 room The Grand Ahmedabad and The Grand Resort Bekal with 50 luxurious villas.

The company also proposes to set up hotels at Chennai, Jaipur, Hyderabad, Amritsar, Chandigarh and NOIDA.

During the year 2005-06, the Group consolidated its position and ensured enhanced market share for all its hotels – specially the newly commissioned properties in Mumbai & Goa. Further, renovations have almost been completed in Bangalore and Udaipur. Plans for the coming year include a dramatic makeover of the Group's flagship hotel in New Delhi.

You will be delighted to know that customers have, very well received our new properties in Mumbai & Goa. InterContinental The Grand Mumbai, a 369-room super luxury hotel located near Sahar International Airport and the new commercial developments of North Mumbai, boasts of a magnificent 8-storey high atrium lobby – the largest in Asia. The hotel's accommodation options are luxurious as well as fitted with the most modern facilities and services. It has six trendy dining & entertainment options, extensive banquets, a state of the art business centre, a spacious fitness club, outdoor swimming pool, salon and a host of other facilities. Adding an additional dimension is adjoining commercial complex, which has show rooms, offices, service apartments, a movie preview theatre and a speciality Chinese restaurant.

InterContinental The Grand Resort Goa, offering 255 suites style accommodation, is spread out on 85 acres with almost a kilometer long beach front. Straddled between two rivers and lapped by the Arabian sea, the resort is one of the finest in Goa. Its unique guest facilities include - an international standard Double 'T' 9-hole Links golf course spread out on 40 acres, where one can play the entire 18-holes; fresh and seawater sports facilities, the world renowned 'Champneys' Spa of UK with special services for slimming and body rejuvenation; a free form swimming pool, extensive banquet & meeting rooms, kids corner, 6 food & beverage outlets, a sports centre with squash and tennis courts.

At The Grand Ashok Bangalore, the renovation programme is almost complete. The rooms now wear a smart and modern look. The restaurants offer a novel dining experience – all very much in keeping with today's trends. The hotel now boasts of a spacious, airy and modern health spa – which is housed in a dedicated 'rejuvenation' building.

The Grand Laxmi Vilas Palace Udaipur – which already has a wonderful heritage setting – the refurbishment is complete. The lobby and the façade of the one-time majestic palace, built in 1911 by Maharana Bhupal Singh, has been given a makeover. The end-result is at once stunning and grand.

Product modernization and renovations plans have already commenced at the company's flagship hotel - InterContinental The Grand New Delhi. A new look business club 'Quorum' has been re-commissioned, with a top-line corporate feel and the very latest in facilities and technology. The main banquet hall entrance facade has been commissioned with a clean and contemporary look. Further in the summer of 2006 more than 100 rooms will be renovated with a look done by PIA – the world-renowned interior design firm from Bangkok. Additionally the lobby, business centre, health club and coffee shop are some of the other areas that will be renovated.

INITIAL PUBLIC OFFERING

With a view to part finance the company's upcoming new hotel projects and renovations in the existing properties your company proposes to make Public Issue of 1,20,00,000 equity shares of Rs.10/- each out of the unissued authorized Share Capital at a premium as may be decided by the Board under book building process as per guidelines of Securities and Exchange Board of India. In this connection, company has already filed Draft Red



Herring Prospectus (DRHP) in consultation with Book Running Lead Managers and Legal Counsels. The said further issue of Equity Shares was authorized by the members at the last Annual General Meeting held on 4th June, 2005.

DIVIDEND

Due to company's strategic plan for setting up hotels in various cities as well as expenditure involved in massive renovation in company's hotel at Delhi the Board of Directors has considered it appropriate to plough back the profits and hence the company has not recommended any dividend for the year under review.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Shri Hanuwant Singh, Shri Lalit Bhasin and Shri Vinod Khanna, Directors of the Company, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the company transferred a sum of Rs.1,80,912/- being the amount due and payable and remaining unpaid for a period of seven years as provided in Section 205C of the Companies Act, 1956.

AUDITORS' OBSERVATIONS

The observations of the Auditors have been suitably explained in the notes on Accounts and do not call for any further comments.

FIXED DEPOSITS

The company has not accepted/renewed deposits within the meaning of Company's (Acceptance of Deposits) Rules, 1975 from the public during the year. There is no unpaid or unclaimed deposits lying with the company. However, the company has since repaid all deposits as on the date of this Report.

AUDITORS

M/s. V. Sankar Aiyar & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The company has received a certificate from them pursuant to section 224(1B) of the Companies Act, 1956 confirming their eligibility for re-appointment.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES

Information required under Section 217(1)(C) of the Companies Act, 1956 read with the companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and information as per section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules, 1975 as amended from time to time are given in Annexure 'A', 'B' and 'C' forming part of the report.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors hereby confirm that :

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

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- (ii) Appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis;

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the whole-hearted support and the co-operation extended by all associated with the commercial operations of Company's Hotels at New Delhi, Mumbai, Bangalore, Udaipur, Goa and Srinagar. They also express their appreciation to the employees at all levels for their dedication and sincerity at work. The employee-management relations through out the year were extremely cordial.

The Directors also express their gratitude to the members of the Company, valued customers and clients, Banks and members of public for their continued support and confidence reposed in the management of the company.



For and on behalf of the Board

Place: New Delhi
Dated: 14.04.2006

LALIT SURI
CHAIRMAN CUM MANAGING DIRECTOR



ANNEXURE – A TO THE DIRECTORS REPORT

PARTICULARS REQUIRED TO BE DISCLOSED AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

(1) CONSERVATION OF ENERGY

a) Various energy conservation measures adopted by the company in respect of all Hotels are as follows:

- Energy saving electrical fittings have been installed in illuminated areas which are active round the clock.
- Timers and photo cell switches have been installed for controlling the exterior lights.
- With a view to enhance light effects and reduce electricity consumption, the Company has finalised a lighting plan under which Garden lights, Lobby lights and Porch lights are changed from time to time in order to have energy saving.
- All Air Handling Units have been fitted with thermostatic controls; supply and exhaust blowers are controlled from a centralised Control Panel for effective operation. Automatic timers have been fitted for various supply and exhaust blowers to avoid wasteful running and have a programmed cycle of operations; all party rooms, conference halls and Restaurants have been fitted with dimmerstat controls; maximum possible area has been covered with fluorescent lightings; proper utilisation of waste steam from laundry and kitchen areas worked out and saving of water also planned.

(b) The implementation of Energy Conservation Programme:-

The company has been continuously studying fuel and utility bills; measuring the results of tracking energy consumptions and the objectives of record keeping; having commitment to and accountability for energy conservation at all levels of the operations of all the hotels; established an energy conservation committee; making a walk-through inspection of the hotel to identify wasteful conditions; implementing changes in operating procedures by instructions to the staff regarding wasteful energy practices, setting realistic energy saving objectives.

- (c) Energy conservation efforts are being greatly enhanced by a strong planned Preventive Maintenance Programme. Each month the Maintenance Department compiles an Energy Consumption Report for the hotel that is a valuable energy conservation tool. Discussions with regard to the same are held on a continuous basis to achieve more better results.
- (d) Internal energy audit's are carried out to balance total energy inputs with use to identify all of the energy streams into a facility and to quantify energy use according to discrete functions.
- (e) During renovation of the properties the process of changing (renewal) from incandescent bulbs to low wattage compact fluorescent lamps is being done substantially to conserve energy thereby cutting energy costs, at the same time keeping the aesthetic value of the properties in tact and still going on.
- (f) As a result of the aforesaid measures taken and firm commitment of the management, considerable saving in Electrical unit, LDO & HSD has been achieved. The company continues to make all efforts to keep consumption at optimum level.

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(2) TECHNOLOGY ABSORPTION

As required under Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, to the extent applicable, the steps taken by the company in Technology Absorption are detailed in the prescribed Form B which is annexed hereto as Annexure 'B' and forms part of this report.

(3) FOREIGN EXCHANGE EARNING & OUTGO

- (a) The company has earned foreign exchange equivalent to Rs. 10579.75 lacs which is about 37.8% of the total revenue earned by the Company from Hotel operations during the year.
- (b) The foreign exchange outgo including for capital goods for hotel projects during the year is equivalent to Rs.1163.85 lacs, which is around 11.00% of the total foreign exchange earnings of the company during the year.

