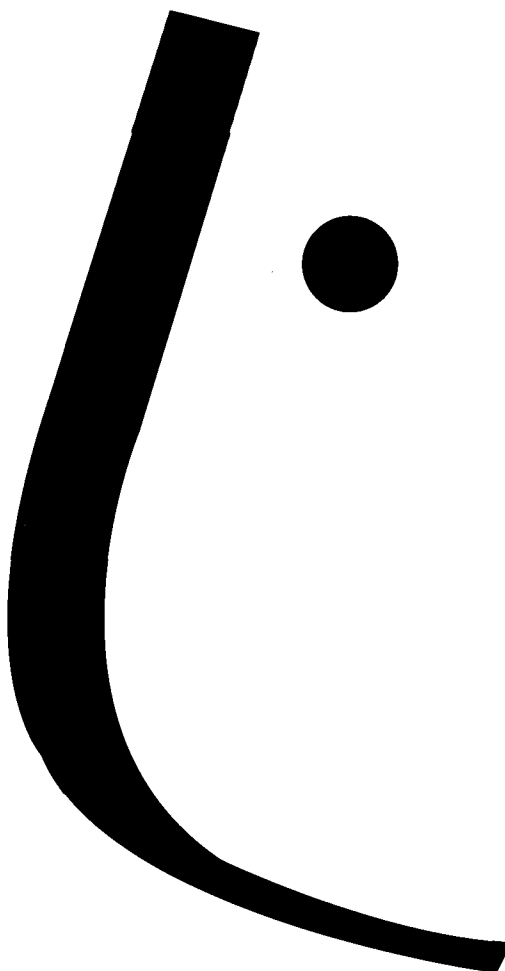


ANNUAL REPORT
2012-2013



BHARAT HOTELS LIMITED



Lolit Suri

(November 19, 1946 - October 10, 2006)

In us, you live.



| CONTENTS | PAGE NO. |
|--------------------------------------|-----------------|
| Board of Directors | 2 |
| Directors' Report | 3 |
| Auditors' Report | 11 |
| Balance Sheet | 16 |
| Profit & Loss Account | 17 |
| Cash Flow Statement | 18 |
| Notes to the Financial Statement | 20 |
| Statement Relating to Subsidiaries | 61 |
| Annual Accounts of all Subsidiaries | |
| - Jyoti Limited | 62 |
| - Udaipur Hotels Limited | 78 |
| - Apollo Zipper India Limited | 111 |
| - Prime Cellular Limited | 138 |
| - Prima Buildwell Pvt. Limited | 154 |
| - Bharat Hotels (Thailand) Co., Ltd. | 175 |
| Proxy Form & Attendance Slip | Annexed |

Bharat Hotels Limited

CHAIRPERSON AND MANAGING DIRECTOR

Dr. Jyotsna Suri

EXECUTIVE DIRECTORS

Ms. Divya Suri Singh

Ms. Deeksha Suri

Mr. Keshav Suri

DIRECTORS

Mr. Ramesh Suri

Dr. M.Y. Khan

Mr. Hanuwant Singh

Mr. Dharam Vir Batra

Mr. Abhay Navalmal Firodia

Mr. Chakor Lalchand Doshi

Mr. Lalit Bhasin

Mr. Vinod Khanna

SR. VICE PRESIDENT-FINANCE

Mr. Arvind Sachdev

SR. VICE PRESIDENT - FINANCE & SYSTEMS

Mr. Madhav Sikka

VICE PRESIDENT-LEGAL & COMPANY SECRETARY

Mr. S. Prabhakar

REGISTERED OFFICE

Barakhamba Lane, New Delhi - 110001, India

STATUTORY AUDITORS

S.R. Batliboi & Associates LLP

Chartered Accountants

Golf View Corporate Tower B

Sector-42, Sector Road

Gurgaon - 122002, Haryana, India

BANKERS

The Jammu & Kashmir Bank Ltd.

Yes Bank Ltd.

IDBI Bank Ltd.

ICICI Bank Ltd.

Axis Bank

The Ratnakar Bank Ltd.

State Bank of India



DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting 32nd Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2013.

The Financial highlights for the year under review are given below:

| | (Rs. in lacs) | |
|---|---------------|-----------|
| Financial year | 2012-13 | 2011-12 |
| Income from operations | 37,424.33 | 34,187.47 |
| Other income | 1,804.62 | 1,600.22 |
| Total Income | 39,228.95 | 35,787.69 |
| Profit before Depreciation, Interest and Tax | 6,121.37 | 6,921.79 |
| Less: Depreciation | 4,518.33 | 3,672.20 |
| Add: Interest income | 2,661.32 | 4,402.16 |
| Less: Interest | 7,989.12 | 6,595.34 |
| Profit/ (Loss) before tax | (3,724.77) | 1,056.41 |
| (Add) / Less: Prior Period Items | 5.27 | (106.54) |
| Less: Provision for tax including deferred tax | 619.17 | 378.29 |
| Profit/ (Loss) after tax | (4,349.20) | 784.66 |
| Add: Balance brought forward from the previous year | 25,514.05 | 25,952.59 |
| Profit available for appropriation | 21,164.85 | 26,737.25 |
| Less:- | | |
| Proposed final dividend | 379.96 | 379.96 |
| Tax on proposed dividend | 61.64 | 61.64 |
| Transfer to Debenture Redemption Reserve | - | 781.60 |
| Net surplus in the Statement of profit & loss | 20,723.25 | 25,514.05 |

The Financial Statements for the Financial Year ended 31st March, 2013 have been approved by the Audit Committee.

OPERATIONS

The Lalit Suri Hospitality Group is a fastest growing hospitality group. All the hotels of the Company are operated under the brand of "The LaLiT". The Group has seventeen luxurious hotels with 3600 rooms in the five-star deluxe segment and has Ten Operating hotels whereas seven hotels are under various stages of construction, restoration and planning.

The current financial year has been a milestone for the group, with opening of "The Lalit Chandigarh".

The renovation and construction works at The Lalit Great Eastern, Kolkata owned by the subsidiary of the Company i.e. Apollo Zipper India Limited is in full swing and expected to be operational during the third quarter of current financial year.

The construction work of company's hotel at Ahmedabad has commenced and it is expected that the hotel will be operational during the financial year 2014-15. The Company's other hotel projects are at various stages of planning and the construction for the same is expected to commence soon.

The Company's operational hotels are doing well and the customers have made most of Company's hotels as their first preference of stay in the cities where they are operating.

SUBSIDIARIES

In pursuance of requirements of Section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Directors' Report and Report of the Auditors of all the subsidiary companies form part of Annual Report of the Company.

DIVIDEND

The Board has recommended a dividend of 5% per share i.e. Rs. 0.50 per equity shares of Rs. 10/- each. The dividend if approved in the forthcoming Annual General Meeting will be paid to the members, whose names appear in the Register of Members as on the closing date.

AUDIT COMMITTEE

The Audit Committee of the Board was duly constituted as per the provisions of Section 292A of the Companies Act, 1956. At present the Audit Committee comprises of three Non-Executive and Independent Directors viz. Dr. M.Y. Khan, Mr. Lalit Bhasin and Mr. Hanuwant Singh with Dr. M.Y. Khan being the Chairman. Mr. Arvind Sachdev, Senior Vice President – Finance and Mr. Madhav Sikka represent as the Heads of Finance and Mr. S. Prabhakar, Vice-President-Legal and Company Secretary of the Company acts as Secretary of the Committee.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. Lalit Bhasin, Mr. Vinod Khanna, Mr. Chakor Lalchand Doshi and Mr. Abhay Navalmal Firodia, Director of the Company, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

DIRECTORS' 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 had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates 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) the Directors had taken proper and sufficient care 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 and detecting fraud and other irregularities;
- (iv) the Directors had prepared the Annual Accounts on a going concern basis.

AUDITORS

M/s S. R. Batliboi & Associates LLP, Chartered Accountants retires at the ensuing Annual General Meeting. The Company has received a certificate from the auditors to the effect that their appointment, if made, will be within the limits specified in Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors have qualified their report as follows:

- a) "That a debtor balance of Rs. 49,921,220/- which is outstanding with a tenant with whom the contract has expired and negotiations are underway for recovery of the balance. However, pending conclusion of the negotiations, they are unable to comment on the recoverability of the aforesaid balance and whether any adjustments are required to the carrying value of such receivable and its consequential impact in these financial statement."

The company had in earlier years provided rental space to one of the tenant. The Company has a recoverable balance of Rs. 49,921,220/- as at March 31, 2013. The contract for tenancy has expired in November, 2011 and management is in discussion with the tenant to recover the balance outstanding and has recovered Rs.



13,490,000/- during the year. The management believes that the money is recoverable in due course and accordingly no adjustment to the carrying values of the receivables is required at this stage.

- b) "An Aircraft vendor has issued a termination notice as per the terms of the agreement for sale and exchange of aircraft and has levied liquidated damages of Rs. 132,165,999/- (equivalent to USD 2,430,000) and has adjusted the advance amounting to Rs. 59,828,230/- (equivalent to USD 1,100,000) resulting in payable balance of Rs. 72,337,769/- in terms of the agreement for sale and exchange of aircraft and further forfeited advance amounting to Rs.144,131,645/- paid by the Company and the management has initiated legal proceedings against the vendor and has not recorded the loss arising on the said forfeiture of advance and has also not accounted for the liquidated damages so levied. The ultimate outcome of the matter cannot presently be determined, and accordingly they are unable to comment on recoverability of the advance so forfeited and the appropriateness of non- accounting of liquidated damages and its consequential impact in these financial statements."

The Company had entered into an arrangement with a vendor for purchase of Legacy 600 aircraft for Rs. 1,196,210,000/- (USD 26,500,000) for which it had paid an advance of Rs. 120,512,250/- (USD 2,650,000) equivalent to 10% of the above value in November 2008. While the Company was negotiating with the vendor, in April, 2009 it had also received a written notice of levy of liquidated damages equivalent to 15% of the value of the aircraft in terms of the above arrangement. However, there had been no further development on the aforesaid notice and the Company has during the earlier year successfully negotiated and entered into an agreement with the vendor for purchase of a new generation aircraft, Legacy 650 and adjustment of the advance paid for the Legacy 600 and paid Rs. 49,048,000/- (equivalent to USD 1,100,000 as per contract and other expenses).

The Company also entered into an agreement for the sale of the existing Legacy 600, aircraft purchased in December 2008 for a price of Rs. 1,006,202,050/- (equivalent to USD 18,500,000 as per the terms of contract). The sale proceeds and advance of the two legacy 600 aircrafts were to be adjusted against the purchase price of the new generation Legacy 650 aircraft as trade in. However, subsequent to this Contract, during the earlier year the Company received an intimation of an enquiry for assessment of Customs Duty and directive from the Directorate of Revenue Intelligence to put an embargo on the sale and disposal of the purchased Legacy 600 aircraft till the enquiry is concluded and the Company had approached Settlement Commission for payment of duty and as per the terms of the order paid the custom duty with interest and penalty and subsequently received intimation from Directorate of Revenue Intelligence and the Customs authorities that the matter stands concluded after the payment of the custom duty and penalty.

Due to the embargo the Company was not able to remit the money for the purchase of Legacy 650 as per the payment milestone and vendor had issued a notice of default in payment and has subsequently terminated the contract and levied liquidated damages of Rs. 132,165,999/- (equivalent to USD 2,430,000) and adjusted the advance of Rs. 59,828,230/- (equivalent to USD 1,100,000) resulting in a balance payable of Rs. 72,337,769/- (equivalent to USD 1,330,000). Further the vendor has also forfeited advance of Rs. 144,131,645/- relating to the Legacy 600 aircraft booked in November 2008. Management has initiated legal proceedings against the termination and has counter claimed an amount of USD 11,236,129 arising on the termination from the vendor. The management is confident of recovering the money and has accordingly no provision has been considered in these financial statement for liquidated damages and advances.

- c) "The Company had entered into an agreement to exchange its existing aircraft having written down value of Rs. 1,089,461,729/- against purchase of new generation aircraft. The agreement for exchange has been terminated by the customer and the company has not estimated the net realizable value of the aircraft and accordingly they are unable to comment classification of aircraft and whether any provision needs to be recorded for the potential decline that may arise in this regard in these financial statements."

The Company had entered into an agreement to exchange its existing aircraft (Legacy 600) which has a written down value of Rs. 1,089,461,729/- against purchase of new generation aircraft (Legacy 650). However, for reasons explained as above in point (b) above, the agreement for exchange has been terminated

by the customer and the company is in process of identifying a new customer for the sale of aircraft. Pending such disposal aircraft has been carried at the written down value in the 'fixed assets'.

- d) "The Company's Subsidiary has communicated its intention to exit from the Joint Venture at Dubai and is in the process of negotiating for recovery as per the terms of the Joint Venture Agreement. However, Company has not created provision against the investment of Rs. 30,100,000/- and Loan of Rs. 38,825,858/-. The ultimate outcome of the matter cannot presently be determined, and accordingly they are unable to comment on recoverability of the assets from the Joint Venture and its consequential impact in these financial statements. "

The Company has an investment of Rs. 30,100,000/- and has given a loan of Rs. 138,825,858/- (net of provision amounting to Rs. 14,076,420/-) to Prima Buildwell Private Limited a 99.9% subsidiary as at March 31, 2013. Prima Buildwell Private Limited has entered into a Joint Venture for setting up a Hotel property at AL-Furjan, Dubai with Lost City L.L.C. The Joint Venture had paid an advance for purchase of Land to AL- Furjan LLC (associate of Lost City). Subsequent to this, due to the precarious financial situation in Dubai, AL- Furjan LLC has not developed the Land at AL- Furjan, Considering that area at AL-Furjan has not been developed as per the Land purchase agreement, the Company has communicated its intention to exit from the Joint Venture. The Company has taken steps to recover the money invested and is in process of initiating arbitration proceedings as per the terms of the Joint Venture Agreement. The Company is confident that it shall be able to resolve the matter and be able to recover the money; accordingly no provision has been considered in these financial statements.

The other observations of the Auditors referred to in the Auditors' Report are appropriately dealt with in the respective Notes to Accounts and hence do not call for further explanations.

CORPORATE SOCIAL RESPONSIBILITY

The Lalit Suri Hospitality Group believes in developing destinations not just hotels. It is the people and the environment of the destinations that account for the success of our hotels. Therefore, our initiatives involve the local population, promote their handicrafts, culture, food, give training and employment to the youth thereby giving a boost to the economic environment.

- The Lalit New Delhi had organized Inter-School Junior Golf Tournament from 23rd - 25th April, 2012.
- The Lalit Grand Palace Srinagar organized 'The Lalit Suri Shikarathon' on 12th May 2012, the longest ever Shikara race at the Dal Lake.
- The Lalit Suri Walk-a-thon with Dabbawalas was organized on 27th May, 2012 at The Lalit Mumbai
- The 4th Lalit Suri Polo was organized from June 8-10, 2012 at Drass, Kargil and hosted lunch for over 5,000 local residents in Kargil.
- "Chalo Chitrakoot "- a 10 day Ramayana Festival at the picturesque abode of Lord Rama was organized in October, 2012.
- The Lalit Suri Kabaddi Championship was organised from 20th to 22nd November, 2012 at The Lalit Resort & Spa Bekal



Tree Plantation at Khajuraho by CMD



Free Air Pollution check-up camp at the Lalit, New Delhi



- The Festival of Canacona-Goa was organized in the month of December, 2012 to stimulate local youth, promote sports & fitness. The festival started with The Lalit Suri Football Cup, played in the local stadium. The festival also witnessed The Lalit Run Cycle Swim and The Lalit Beach Body.
- On January 4, 2013, The Lalit Resort and Spa Bekal organized 'The Lalit Cycle-on.'
- The Lalit Temple View Khajuraho organized The Lalit Tipaiya-thon from March 8 to 11, 2013 preceding Shiv Vivaha celebrations on Maha Shivratri.
- The Lalit Ice Hockey was organized in Leh-Ladakh from January 12 to 16, 2013 which recorded great participation from locals.
- 'Holi Parv' was organized at The Lalit Laxmi Vilas Palace, Udaipur in March, 2013.

Green Initiatives – After the successful green initiative by planting saplings in Bangalore the Company has taken it up at Khajuraho and New Delhi and also organized free air pollution camps at New Delhi.

Project Disha – an initiative of the Lalit Suri Foundation being implemented under the overall CSR policy of Bharat Hotels seeks to assist at one level school students and youth from the local population to have access to quality "education leading to employment" and on the other to equip them - to understand the benefit & opportunities available in today's economic scenario. The Area of Interventions being undertaken include establishment of a Library and supplementing teaching in the areas of English and General Knowledge at the school level and proving employment oriented vocational training in the hospitality sector including computer literacy, personality development, spoken English courses and life skills training with a special emphasis on workplace behavior to disadvantaged youth in the livelihood skill centers that have also been instituted alongside. These centres are currently in operation at three locations across India namely, Khajuraho, Udaipur and Bekal. This year these centres will be opened in Jaipur and Srinagar.

The initiative is being managed by SEED, a National NGO.

Snapshot:

- Total Beneficiaries – 3500
- Total in school beneficiaries – 1500
- Total Vocational Training Beneficiaries – 2000
- Total students placed – 1501 (Approx. 75%)



Dr. Jyotsna Suri, CMD with children at School aided by Disha

AWARDS & RECOGNITION

The following are some of the awards and recognitions received during the year 2012-2013:

- The Lalit New Delhi was honoured with the **National Awards for Excellence in Hospitality Education 2011-12** in the category "Hotel Undertaking Skill Development in the Hospitality Sector"
- The Lalit Resort & Spa Bekal was awarded-
 - Best Luxury Resort Spa 2013 by **World Luxury Spa Awards**
 - Best Wellness Resort by **CNBC Travel Awards 2012**
- OKO at The Lalit Ashok Bangalore and Trendz at The Lalit, Mumbai, were recognized amongst the Top 500 Finest Restaurants of Asia by **The Miele Guide 2013**
- Kitty Su was awarded Best Nightclub by **Times Food and Nightlife Awards 2013**
- The Lalit Temple View Khajuraho won **Asia Pacific Hotel Award 2012** in the category of Best Small Hotel

Bharat Hotels Limited

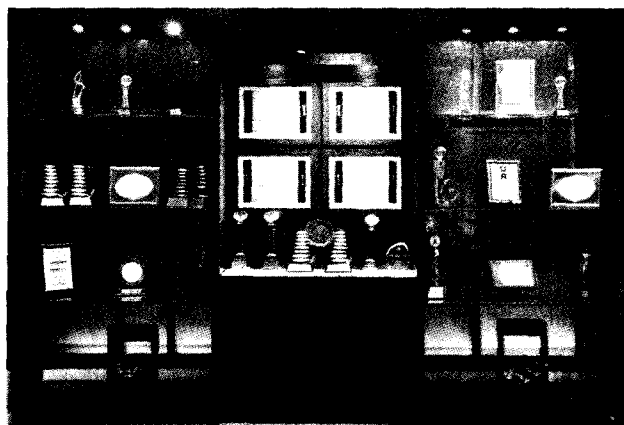
- The Lalit, New Delhi was honored with the Silver & Bronze medals at **AAHAR International Food and Hospitality Festival**.
- Corporate Chef Nimish Bhatia was honoured with the **The Culinary Greatness Award 2012**

Dr Jyotsna Suri, Chairperson & Managing Director of the Company has been bestowed with the following Awards and recognition during the year:

- **Rotary Shreyas Award 2012-13** for redefining the standards of Hospitality and Tourism industry
- Hall of Fame Award at **IATO Convention 2012**
- Human Achievers Foundation Award **2012**
- Vice President- **FICCI**.

Ms. Divya Suri Singh, Executive Director of the Company the Chairperson of Young FICCI Ladies Organization for the year 2012-13.

Ms. Deeksha Suri, Executive Director of the company featured in India **Today Woman's Power List 2012**.



Awards won by various Hotels of 'The Lalit'

FIXED DEPOSITS

The Company has not accepted deposits within the meaning of Company's (Acceptance of Deposits) Rules, 1975 from the public during the year. There are no unpaid or unclaimed deposits lying with the Company.

AMALGAMATION OF UDAIPUR HOTELS LIMITED

Pursuant to the resolution passed by shareholders in general meeting held on 26th February, 2013, the Company has filed the Scheme of Amalgamation of Udaipur Hotels Limited, subsidiary Company, with the Company before the Hon'ble Delhi High Court for its sanction pursuant to Section 391-394 of the Companies Act, 1956.

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 as amended from time to time are given in Annexure 'A' and 'B' forming part of the report.

During the period under review or part thereof, there was no employee covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the whole-hearted support and the co-operation extended by all associated with the operations of Company's all operational Hotels as well as Hotels under construction and renovations. They also express their appreciation to the employees at all levels for their dedication and sincerity. The employee-management relations were extremely cordial throughout the year.

Your Directors also place on record their sincere appreciation of the wholehearted support extended by the Government and other Statutory Authorities, Company's Bankers and lenders, Business Associates, Auditors, all the stakeholders and members of public for their continued support and confidence reposed in the management of the company.

For and on behalf of the Board

Sd/-

Dr. JYOTSNA SURI

CHAIRPERSON AND MANAGING DIRECTOR

Place : New Delhi

Dated : 29th May, 2013