



Why go anywhere else

www.countryclubindia.net

adv info@advocommunique.com



Country Club (India) Limited | Annual Report 2009-10

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Contents

- Corporate identity 02 ■ Milestones 05 ■ From the management’s desk 06
- Notice 16 ■ Directors’ report 20 ■ Management discussion and analysis 24
- Corporate governance report 28 ■ Financial section 42

Corporate Information

Board of Directors

1. Shri Y. Rajeev Reddy	Chairman and Managing Director
2. Shri Y. Siddharth Reddy	Vice-Chairman, Joint Managing Director and CEO
3. Shri Y. Varun Reddy	Vice-Chairman, Joint Managing Director and COO
4. Shri D. Krishna Kumar Raju	Vice-Chairman & Executive Director
5. Smt. Y. Manjula Reddy	Director
6. Shri D. Venkata Krishnam Raju	Director
7. Shri K. Satyanarayana Raju	Director
8. Shri D. Venkata Ratna Kishore	Director
9. Shri Indukuri Venkata Subba Raju	Director
10. Shri Y. Subba Rao	Additional Director w. e. f. 20th March, 2010

Company Secretary : Shri S. Subba Rao

Contacts

Registered Office 'Amrutha Castle', 5-9-16, Saifabad, Opp: Secretariat, Hyderabad - 500 063	Registrar and Share Transfer Agents Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad - 500 029 Phone: +91 40 2763 8111 +91 40 2763 4445 Fax: +91 40 2763 2184 website: www.aarthiconsultants.com E-mail: info@arthiconsultants.com	GDR Depository JP Morgan Chase Bank N.A. India Sub Custody, 6th Floor, Paradigm B, Mindspace, Malad (W), Mumbai - 400 064 Phone: +91 22 6649 2509 +91 22 6649 2618 Fax: +91 40 2880 1117 india.custody.client.service@ jpmorgan.com	Auditor M/s. P. Murali & Co. Chartered Accountants 6-3-655/2/3, Somajiguda, Hyderabad - 500 082 Banker Axis Bank Limited, Hyderabad ICICI Bank Limited, Hyderabad
--	---	--	--

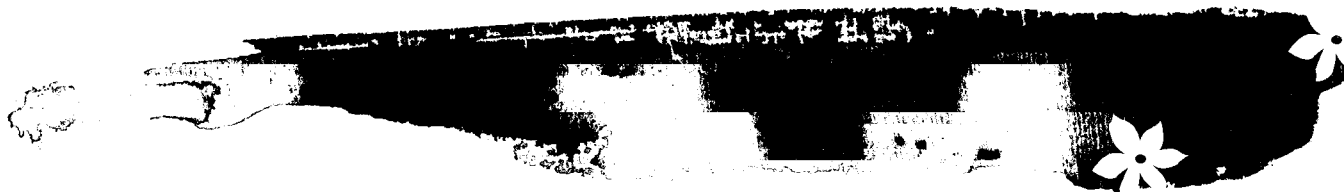
Listed on

Equity : Bombay Stock Exchange Limited, Mumbai
GDRs : Luxembourg Stock Exchange, Luxembourg

Book Closure Dates: 23rd September, 2010 to 30th September, 2010 (Both days inclusive)



Country Club is a company and an experience that yields tangible benefits. Enhancing shareholder value. Increasing opportunities of growth for employees. Increasing customer delight! Country Club, however, is the metaphor of just one intangible: peace of mind.



our *V*ision

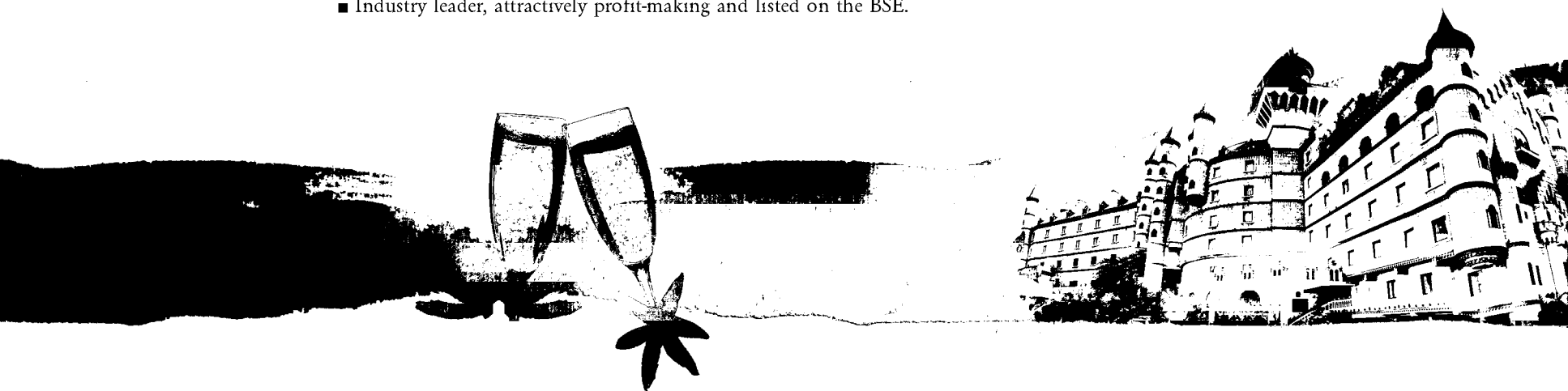
To be world leaders in family clubbing in today's disintegrating society and create a cohesive force in relationship between man and men; man and nature and man and his environs embedded in current realities and inherit by legacy to the generation next.

our *M*ission

To deliver experiences that nurture relationships and contribute to a wholesome wellness lifestyles in a stress free, eco-friendly environment to member community with a win-win situation for all involved in furthering the cause of such ecosystems.

who we are

- Went into business (1989) with the objective to make clubbing accessible and affordable.
- Service-driven organisation of 3500 people.
- Presence of owned and franchised properties across potent geographies.
- Spread across 53 properties (33 owned, 17 associated properties and 3 leased properties).
- Reinforced by 220-plus Indian and global affiliations (via Country Vacations) and 3900 resorts (via RCI affiliation).
- Multi-location organisation headquartered in Hyderabad (India).
- Industry leader, attractively profit-making and listed on the BSE.



what we are proud of

- The country's biggest chain of family clubs (recognized by the *Limca Book of World Records*).
- Over 200,000 members comprising 650 corporate clients (Microsoft, Satyam Computers, Global Trust Bank, Brooke Bond Lipton (India) Ltd, CMC Ltd and Dr. Reddy's Laboratories Ltd, among others).
- Strategic zero-interest monthly installment alliances with ICICI Bank, Citibank, Standard Chartered, ICICI Lombard and Birla Sunlife Insurance for interested members.

what we offer

- Concept hospitality facilities across various Indian locations.
- State-of-the-art health club, multi-cuisine restaurants, business centre, swimming pool and other recreational facilities.
- A comprehensive range of membership products.
- Combination of entertainment with recreation and leisure.
- Unique transferability of membership from one city to another.

where we are located

- Ahmedabad, Bangalore, Bandipur, Baroda, Chennai, Cochin, Delhi, Dubai, Goa, Hyderabad, Hubli, Indore, Jaipur, Kandy (Sri Lanka), Kovalam, Kolkata, Kodaikanal, Lucknow, Mangalore, Mysore, Mumbai, Pune, Surat and Vizag.

Thematic destinations:

Country Club Bandipur

Wildlife destination in Karnataka offering guided tours of the jungle

Country Club de Goa

One-stop water sports club along the Anjuna Beach, Goa

Country Club Kovalam

First-ever floating spa in Kerala

Country Club International

First five-star standard club in Sarjapur (Bangalore) offering a 24-hour gym and 'Moksh' spa

Country Club Golf Village

Exclusive club across five destinations (two in Bangalore, one in Mumbai, Chennai and Hyderabad).

Country Club Mango Grove

Located in Chennai

Country Club Coconut Grove

First major 100% eco-friendly leisure infrastructure project

1989

CCIL started its first club in Begumpet, Hyderabad

2000

Entered into Chennai (third metro)

2005

Enters wildlife with Country Club Bandipur and first international property and foray into leisure infrastructure properties

2009

Foray into the Middle East with an international property in Dubai (Bur Dubai)

1995

Completed Hotel Amrutha Castle in Hyderabad

2001

Came to Mumbai (fourth metro)

2007

- CCIL entered Delhi (fifth metro), Ahmedabad (sixth metro) Pune (seventh metro) and Kolkata (eighth metro)
- CCIL launched city Clubs through CK 27 model
- CCIL launched medical tourism venture through Country Spa

2010 (present)

Entered into the consolidation phase with the acquisition of 3 subsidiaries

1997

Expanded into Bangalore (second metro)

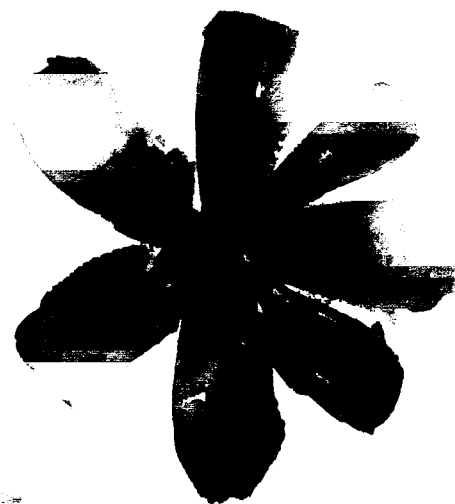
2002

Adopted a business strategy to enter into multiple genres of tourism

2008

Completed GDR issue/QIP \$122

Milestones



From the management's desk

“The year 2010 is a different story as the consumer is well educated, travelled, experienced and looks beyond the gloss of the brand to the value proposition and the actual delivery of brand promises.”

This year, we will make a departure from our discussions about the company (as we have done in the previous two years' annual reports) and focus on the optimism of the industry space in which we operate. With a singular objective in mind for our shareholders: peace of mind!

India - known the world over as the land of hospitality - is today in the defining stages of the business of hospitality. While the possibilities for growth are immense, it will take an earnest effort, both from the industry's key stakeholders in the private sector and the relevant government bodies to truly change the Indian hospitality's landscape in the years ahead. Perhaps, the industry is in need of a champion who will work towards the several reforms and ideas discussed in this article with the same zeal and enthusiasm as is characteristic of our industry's service culture.

The Indian Economy

It has been a fantastic growth story for a country that in 1990 attracted only US\$ 150 million of Foreign Direct Investments (FDIs), and then received US\$ 4 billion in 2000 to over US\$ 90 billion in just the past three years. India's GDP has grown at an impressive 8.5% during the six years spanning 2003/04-2008/09. The recent global financial crisis has only reduced the rate by 2-3 percentage points and even then the economy continues to grow at the annual rate of 6% following the three quarters after the meltdown. Several domestic and global agencies have recently applauded the Indian economy's resilience and have projected a growth rate of 7.5% for 2011. India reduced its central fiscal deficit from 8% of the GDP in the early 1990s to 2.5% in early 2008. This gave the government ample breathing space to increase its expenditure (the deficit subsequently rose to 7% of the GDP), and boost demand in the country which enabled the economy to sustain itself during the critical months of the crisis.

Additionally, the Indian demographics continue to cater to the global audience very effectively. An enormous English speaking workforce that is highly educated (more college graduates than any other nation) and ingrained in a service culture that is touted as among the best in the world, makes the Indian employee a worthwhile investment.

Drivers of growth of the Indian economy

- India's exponential FDI growth likely to continue

- Indian demographics, the right fit for global business audiences

Continued growth of projected GDP, at more than 7% in the years ahead

- Resilient economy, only marginally affected by the global financial crisis

- Exponential service sector growth, with emergence of BPO, Telecom and other sectors

The maturing of the Indian hospitality market

About a decade ago, there were really only a handful of major hotel markets in India, namely the four metros and possibly a Bangalore or a Goa, a result of businesses primarily being based in and needing hotel rooms in these cities. Thus, while visitors to these major cities had a choice of several luxury and upscale hotels, affiliated with both domestic and international brands, the availability and quality of hotels declined significantly when venturing to the smaller cities.

In the last decade, as the major cities developed rapidly, real estate prices soared, and the cost of setting up and sustaining business operations in these cities became prohibitive. Companies, therefore, started looking at other cities in the country where costs were lower which resulted in the ascent of cities such as Hyderabad, Pune, Jaipur and Ahmedabad. As a result of these dynamics, there are currently about 10 to 12 main hotel markets in the country, all of which offer a variety of branded product offerings across different positionings. The emergence of these secondary and tertiary cities led to an aggressive increase in hotel development activity and provided avenues for expansion of hotel brands, which were previously dependent on new opportunities in just the five main cities.

Another trend that has now emerged in the various major markets is the growth of micro-markets, especially in the primary cities. As commutes in larger cities are increasingly measured in amount of travel time rather than distance, people are choosing to stay at hotels that are located closer to their place of work, thereby saving crucial travel time that might otherwise have been wasted in traffic. Thus, while it might have been feasible previously to build only one Holiday Inn or one Marriott in the market, the presence of independent micro-markets now allows the existence of multiple hotels with the same brand affiliation without fears of cannibalization of demand.

The Ministry of Tourism's 'Incredible India' campaign has started to strike a chord and will likely play its role in increasing visitations to India. The future of the Indian markets and their ability to mature into destinations relies on concerted efforts, both by the relevant government bodies and the private sector players. Creativity will be of essence and perhaps it is time to start marketing Brand India under several subsets such as cultural tourism, eco-friendly vacationing, medical tourism,



The Ministry of Tourism's 'Incredible India' campaign has started to strike a chord and will likely play its role in increasing visitations to India.



From the management's desk



religious circuits, adventure sports tourism, wildlife safaris, beach destinations and wellness vacations.

Additional influences that attract or deter foreign tourists and thus need to be addressed are the quality of infrastructure-related developments, ease of attaining a tourist visa for India, perhaps offering a visa on arrival option to nationals of certain countries, the country's image as a safe, secure and friendly destination, amongst others.

Marketing trends in hospitality

Ten years ago, the marketing mantra that worked best for hotels was the creation of a brand; make it exclusive, market the experience as surreal and the customer's decision to purchase was expected to automatically

follow suit. This worked at that time because there was a narrow playing field with few domestic and international hotel chains in the country. Not surprising then that in 2010, India has seen an increased supply of international and domestic hotel chains that now volley with independent hotels for market share. Moreover, consumer generated media and mobile technology had yet to hit India in 2000 where the foremost influencer for the customer in making a purchase decision was the brand. The brand was conceptualized by its custodians - the internal stakeholders - to reflect the persona of the product, which made branding a one-way stream of communication mostly. Hence, Brand 2000 was a product of the internal stakeholders accented with high flying Brand Promises which translated into the Consumer Purchase Decision of 2000.

The year 2010 is a different story as the consumer is well educated, travelled, experienced and looks beyond the gloss of the brand to the value proposition and the actual delivery of brand promises. Thus, in the Year 2010, the marketing mantras are differentiation, consistency, customer satisfaction, delivery of brand promises and customer retention. Today, Brand 2010 has evolved from a one-way communication stream to a two-way one that is more flexible and accommodates the customer's needs and wants. Hence, Brand 2010 is a product of the External Stakeholder - the needs and wants of the Customers - accented by experience led, sustainable Brand Promises which now translates into the Purchase Decision of 2010.

Equity and valuation

Given that banks would typically only lend up to 60% of the construction cost, developers were forced to then raise equity by tapping into personal resources to cover the rest of the costs. Such a process was often an inefficient and time-consuming one, with no guarantees that the required amount could be raised eventually. The entry of Private Equity (PE) funds into India has made the task of raising equity for projects much easier, as the major players have access to significant levels