A member of @ The Oberoi Group

Annual Report 2005-2006

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Associated Hotels Limited

A member of @ The Oberoi Group

Annual Report 2005-2006

## **CONTENTS**

| BOARD                              | 3  |
|------------------------------------|----|
| THE OBEROI DHARMA                  | 4  |
| THE OBEROI GROUP MISSION           | 5  |
| HIGHLIGHTS                         | 6  |
| DIRECTORS' REPORT                  | 7  |
| MANAGEMENT DISCUSSION AND ANALYSIS | 10 |
| REPORT ON CORPORATE GOVERNANCE     | 13 |
| AUDITOR'S REPORT                   | 22 |
| BALANCE SHEET                      | 28 |
| PROFIT AND LOSS ACCOUNT            | 29 |
| SCHEDULES TO ACCOUNTS              | 30 |
| CASH FLOW STATEMENT                | 43 |

### **BOARD**

Mr. P.R.S. Oberoi, *Chairman*Mr. Vikram Oberoi, *Managing Director*Mr. S.S. Mukherji
Mr. L. Ganesh
Mr. Rajan Raheja
Mr. Anil Nehru

COMPANY SECRETARY Mr. R. Mitra

REGISTRAR AND SHARE TRANSFER AGENT EIH Limited 4, Mangoe Lane Kolkata 700 001

AUDITORS Ray & Ray Chartered Accountants 6, Church Lane Kolkata 700 001

REGISTERED OFFICE 1/24, G.S.T. Road Meenambakkam Chennai 600 027

HEAD OFFICE 4, Mangoe Lane Kolkata 700 001

CORPORATE OFFICE Maidens Hotel 7, Sham Nath Marg Delhi 110 054

# The Oberoi Dharma

#### FUNDAMENTAL CODE OF CONDUCT

We, as members of OBEROI Organisation are committed to display through our behaviour and actions the following CONDUCT which applies to all aspects of our Business:

CONDUCT which is of the highest ethical standards-intellectual, financial and moral and reflects the highest levels of courtesy and consideration to others.

CONDUCT which builds and maintains Team work, with mutual trust as the basis of all working relationship.

CONDUCT which puts the customer first, the Company second and the self last.

CONDUCT which exemplifies care for the customer through anticipation of need, attention to detail, excellence, aesthetics and style and respect for privacy along with warmth and concern.

CONDUCT which demonstrates two-way communication accepting constructive debate and dissent whilst acting fearlessly with conviction.

CONDUCT which demonstrates that people are our key asset, through respect for every employee, and leading from the front regarding performance achievements as well as individual development.

CONDUCT which at all times safeguards the safety, security, health and environment of customers, employees and the assets of the Company.

CONDUCT which eschews the short-term quick-fix for the long-term establishment of healthy precedent.

# The Oberoi Group Mission

### **OUR GUESTS**

We are committed to meeting and exceeding the expectations of our guests through our unremitting dedication to perfection, in every aspect of service.

#### **OUR PEOPLE**

We are committed to the growth, development and welfare of our people upon whom we rely to make this happen.

### **OUR DISTINCTIVENESS**

Together we shall continue the Oberoi tradition of pioneering in the hospitality industry, striving for unsurpassed excellence in high potential locations all the way from the Middle East to Asia Pacific.

#### **OUR SHAREHOLDERS**

As a result, we will create extraordinary value for our stakeholders.

# **HIGHLIGHTS**

Rupees in Million except item nos. 13, 14, 15 & 16

|                                |           |           |           |                        |           |           |                         | F         | ,                      | ,         |
|--------------------------------|-----------|-----------|-----------|------------------------|-----------|-----------|-------------------------|-----------|------------------------|-----------|
|                                | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000              | 2000-2001 | 2001-2002 | 2002-2003               | 2003-2004 | 2004-2005              | 2005-2006 |
| FOR THE YEAR                   |           |           |           |                        |           |           |                         |           |                        |           |
| 1. GROSS REVENUE               | 250.547   | 240.578   | 320.280   | 315.006                | 371.760   | 330.091   | 277.514                 | 361.100   | 512.259                | 664.125   |
| 2. PROFIT BEFORE TAX           | 101.615   | 67.893    | 12.502    | (56.145)               | (15.447)  | (44.147)  | (59.157)                | (60.345)  | (22.836)               | 45.185    |
| 3. PROFIT AFTER TAX            | 87.115    | 60.758    | 11.189    | (56.145)               | (15.447)  | (34.160)  | (39.128)                | (58.054)  | (12.285)               | 28.963    |
| 4. DIVIDEND                    | 26.250    | 26.250    | 21.000    | -                      | -         | _         | _                       | _         | -                      | -         |
| 5. RETAINED EARNINGS           | 66.765    | 48.366    | 20.679    | ARA                    | 28.417    | 9.078     | 4.363                   | -         | 30.737                 | 74.839    |
| 6. FOREIGN EXCHANGE EARNINGS   | 192.697   | 172.914   | 248.003   | 258.482                | 234.800   | 244.604   | 198.771                 | 191.063   | 245.073                | 337.843   |
| AT YEAR END                    |           |           |           |                        |           |           |                         |           |                        |           |
| 7. GROSS FIXED ASSETS          | 582.891   | 994.743   | 1131.829  | 12 <mark>69.264</mark> | 1352.560  | 1360.937  | 13 <mark>7</mark> 4.771 | 1373.555  | 1403.87 <mark>9</mark> | 1401.873  |
| 8. SHARE CAPITAL               | 105.000   | 105.000   | 105.000   | 105.000                | 105.000   | 105.000   | 105.000                 | 105.000   | 105.000                | 105.000   |
| 9. RESERVES AND SURPLUS        | 267.765   | 299.648   | 287.527   | 231.382                | 215.934   | 151.703   | 126.006                 | 127.506   | 127.506                | 127.506   |
| 10. NET WORTH                  | 371.416   | 403.749   | 392.077   | 336.382                | 320.934   | 256.703   | 217.576                 | 150.911   | 140.648                | 171.633   |
| 11. BORROWINGS                 | 192.653   | 550.384   | 692.130   | 859.897                | 966.478   | 933.423   | 929.803                 | 986.935   | 1030.276               | 906.776   |
| 12. CAPITAL EMPLOYED           | 559.347   | 753.304   | 862.108   | 946.552                | 988.355   | 1107.806  | 1131.920                | 1043.684  | 1044.924               | 942.909   |
| PER SHARE (Rs.)                |           |           |           |                        |           |           |                         |           |                        |           |
| 13. NET WORTH PER EQUITY SHARE | 35.37     | 38.45     | 37.34     | 32.04                  | 30.57     | 24.45     | 20.72                   | 14.37     | 13.39                  | 16.35     |
| 14. EARNINGS PER EQUITY SHARE  | 8.30      | 5.79      | 1.07      | (5.35)                 | (1.47)    | (3.25)    | (3.73)                  | (5.53)    | (1.17)                 | 2.76      |
| 15. DIVIDEND PER EQUITY SHARE  | 2.50      | 2.50      | 2.00      | -                      | -         | -         | -                       |           | -                      | _         |
| RATIO                          |           |           |           |                        |           |           |                         |           |                        |           |
| 16. DEBT : EQUITY RATIO        | 0.52:1    | 1.36 : 1  | 1.77:1    | 2.56 : 1               | 3.01:1    | 3.64 : 1  | 4.27 : 1                | 6.54 : 1  | 7.33 : 1               | 5.28:1    |
|                                |           |           |           |                        |           |           |                         |           |                        |           |



## DIRECTORS' REPORT

The Board presents the Twenty-third Annual Report together with the Audited Statement of Accounts and Auditor's Report in respect of the year ended 31st March, 2006.

The financial highlights are set out below:

|  | Rupees       |                          |  |
|--|--------------|--------------------------|--|
| ·  | 2005-2006    | 2004-2005                |  |
| Revenue                                    | 664,124,862  | 512,258,655              |  |
| Profit before Interest, Depreciation & Tax | 237,630,526  | 149,082,187              |  |
| Interest & Finance Charges                 | 111,446,870  | 92,774,001               |  |
| Depreciation                               | 45,875,571   | 43,022,423               |  |
| Profit/(Loss) before Extraordinary Items   | 80,308,085   | 13,285,763               |  |
| Extraordinary Items                        | 35,123,185   | 36,122,260               |  |
| Profit/(Loss) before Tax                   | 45,184,900   | (22,836,497)             |  |
| Provision for Tax written back             | -            | 1,829,046                |  |
| Deferred Tax Asset/(Liability)             | (14,336,295) | 8, <mark>7</mark> 22,068 |  |
| Fringe Benefit Tax                         | (1,885,137)  | -                        |  |
| Net Profit/(Loss) after Tax                | 28,963,468   | (12,285,383)             |  |

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 ("the Act") and based on representations from the Management, the Board states that:

- a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and that there are no material departures;
- b) the Directors have 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 as at the end of the Financial Year and of the Profit of the Company for that period;
- the Directors have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- d) the Directors have prepared the Annual Accounts on a "going concern" basis.

The annexed Management Discussion and Analysis forms a part of this Report and covers, amongst other matters, the performance of the Company during the Financial Year under review as well as future prospects.

The Report on Corporate Governance in accordance with Clause 49 of the Listing Agreement along with the Auditor's Report is enclosed.

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The Board has, through separate Schemes of Arrangement/Amalgamation, under Sections 391 and 394 of the Companies Act, 1956, approved of:

- (a) the amalgamation of Indus Hotels Corporation Limited with the Company with effect from 1st April, 2005; and
- (b) the acquisition from EIH Limited of two hotels, viz. The Oberoi Cecil, Shimla and Trident Hilton, Bhubaneswar with effect from 1st April, 2006 in consideration and exchange of fully paid up Preference Shares and Debentures to be issued and allotted by the Company to EIH Limited in terms of the Scheme.

The Schemes are subject to and will come into effect after receiving the necessary approvals on completing the requisite formalities for which steps and proceedings have already been initiated by all the companies concerned. Pending the above, no effect of the Scheme of Amalgamation has been given in the attached Accounts of the Company.

During the Financial Year, the Foreign Exchange earnings of the Company were Rs. 337,843,321 against Rs. 245,072,962 in the previous year. The outgoing in Foreign Exchange was Rs. 43,619,522.

Energy conservation continues to be a key focus activity of the Company.

Mr. S.S. Mukherji and Mr. L. Ganesh, Directors, are due to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Auditors of the Company, Messrs. Ray & Ray, Chartered Accountants, retire and are eligible for re-appointment.

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

The Board takes this opportunity to thank all employees for their commitment, dedication and co-operation.

For and on behalf of the Board

New Delhi 30th May, 2006 VIKRAM OBEROI Managing Director

P.R.S. OBEROI Chairman

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# INFORMATION PURSUA'NT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006

#### A. Employed throughout the year and were in receipt of remuneration for the year which in the aggregate was not less than Rs. 2,400,000

| Name of the Employee   | Age       | Designation/<br>Nature of Duties                   | Gross<br>Remuneration<br>(Rs.) | Qualification(s)/<br>Experience<br>(Years)               | Date of<br>Commencement<br>of Employment | Particulars of<br>Previous Employment |
|------------------------|-----------|--|--------------------------------|--|--|---------------------------------------|
| 1                      | 2         | 3  | 4                              | 5  | 6  | 7                                     |
| REITZ S.               | 49        | General Manager,<br>The Oberoi Rajvilās,<br>Jaipur | 6,326,587                      | ABITUR, Germany (30)                                     | April, 2005                              | Aman Resorts,<br>Bhutan               |
| WHIFFEN A.             | 37        | Executive Chef,<br>The Oberoi Rajvilās,<br>Jaipur  | 5,105,779                      | Trade School of<br>Chefs,<br>Bournemouth,<br>Dorset (20) | May, 2003                                | The Sandy<br>Lane Hotel,<br>Barbados  |
| B. Employed for a part | of the ye | ar and was in receipt of re                        | muneration which               | in the aggregate was not les                             | s than Rs. 200,000 per                   | r month                               |

| Name of the Employee | Age | Designation/<br>Nature of Duties                   | Gross<br>Remuneration<br>(Rs.) | Qualification(s)/<br>Experience<br>(Years)       | Date of<br>Commencement<br>of Employment | Particulars of<br>Previous Employment |
|----------------------|-----|--|--------------------------------|--|--|---------------------------------------|
| 1                    | 2   | 3  | 4                              | 5  | 6  | 7                                     |
| JONES P.             | 38  | General Manager,<br>The Oberoi Rajvilās,<br>Jaipur | 959,294                        | Higher National Diploma in Hotel Management (19) | March, 2003                              | EIH Limited                           |

#### NOTES:

- 1. The above employees are/were on lien from EIH Limited and are/were governed by individual service contracts.
- 2. No employee listed above is/was a relative of any Director of the Company.
- 3. The above employees have/had adequate experience to discharge their duties.
- 4. No employee listed above holds/held by himself or along with his spouse and dependent children 2% or more of the Equity Shares of the Company.

For and on behalf of the Board

New Delhi 30th May, 2006 Vikram Oberoi Managing Director P.R.S. Oberoi Chairman