

**ElH** Associated Hotels Limited

A member of  *The Oberoi Group*

Annual Report 2010-11

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## 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

Mr. Sudipto Sarkar

Mr. Rajesh Kapadia

## COMPANY SECRETARY

Ms. Indrani Ray

## 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

# *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 unrelenting 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									
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
<b>FOR THE YEAR</b>										
1. GROSS REVENUE	330.09	277.51	361.10	512.26	1,108.30	1,610.39	1,783.30	1,604.89	1,489.96	1,763.42
2. PROFIT BEFORE TAX	(44.15)	(59.16)	(60.34)	(22.84)	82.92	217.59	251.04	142.77	81.92	182.91
3. PROFIT AFTER TAX	(34.16)	(39.13)	(58.05)	(12.28)	89.92	137.10	146.54	98.98	52.88	120.17
4. DIVIDEND (INCLUDING TAX)	-	-	-	-	-	19.11	60.56	34.37	34.26	56.91
5. RETAINED EARNINGS	9.08	4.36	-	30.74	177.67	242.18	215.33	179.69	132.45	190.71
6. FOREIGN EXCHANGE EARNINGS	244.60	198.77	191.06	245.08	599.16	936.63	1,050.01	910.03	744.37	875.16
<b>AT YEAR END</b>										
7. GROSS FIXED ASSETS	1,360.94	1,374.77	1,373.56	1,403.88	2,764.41	3,580.95	3,716.42	3,778.45	3,791.08	3,868.19
8. SHARE CAPITAL	105.00	105.00	105.00	105.00	195.87	295.86	195.86	195.86	195.86	195.86
9. RESERVES AND SURPLUS	151.70	126.01	127.51	127.51	580.02	696.74	782.72	847.33	865.94	929.21
10. NET WORTH	256.70	217.58	150.91	140.65	769.82	988.56	978.58	1,043.19	1,061.80	1,125.07
11. BORROWINGS	933.42	929.80	986.93	1,030.28	1,876.68	2,515.68	2,517.96	2,491.42	2,489.26	2,407.00
12. CAPITAL EMPLOYED	1,107.81	1,131.92	1,043.68	1,011.92	2,511.00	2,664.31	2,876.54	3,114.61	3,131.07	3,532.07
<b>PER SHARE</b>										
13. NET WORTH PER EQUITY SHARE	24.45	20.72	14.37	13.39	39.30	50.47	49.96	53.26	54.21	57.44
14. EARNINGS PER EQUITY SHARE	(3.25)	(3.73)	(5.53)	(1.17)	4.59	6.96	7.31	5.05	2.70	6.14
15. DIVIDEND PER EQUITY SHARE	-	-	-	-	-	0.80	2.50	1.50	1.50	2.50
<b>RATIO</b>										
16. DEBT : EQUITY RATIO	3.64 : 1	4.27 : 1	6.54 : 1	7.33 : 1	2.44 : 1	2.55 : 1	2.57 : 1	2.39 : 1	2.34 : 1	2.14 : 1

## DIRECTORS' REPORT

The Board presents the Twenty-eighth Annual Report together with the Audited Statement of Accounts and the Auditor's Report in respect of the year ended 31st March, 2011.

The financial highlights are set out below :

	Rupees in million	
	2010-11	2009-10
Total Revenue	<b>1,763.42</b>	1,489.96
Earnings before Interest, Depreciation, Taxes and Amortisations (EBIDTA)	<b>561.05</b>	472.21
Interest and Finance Charges	<b>250.69</b>	276.46
Depreciation	<b>127.45</b>	113.83
Profit before tax	<b>182.91</b>	81.92
Current tax	<b>2.45</b>	0.02
Deferred tax	<b>60.29</b>	29.02
Profit after tax	<b>120.17</b>	52.88
Dividend on Equity Shares	<b>48.97</b>	29.38
Dividend tax	<b>7.94</b>	4.88
Transfer to General Reserve	<b>22.98</b>	5.00
Balance carried over	<b>198.70</b>	158.42

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:

- in preparing the Annual Accounts, applicable Accounting Standards have been followed and there are no material departures;
- the Directors have selected such accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent 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 the year;
- the Directors have taken proper and sufficient care in maintaining 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;
- the Directors have prepared the Annual Accounts of the Company 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 2010-2011 as well as the future outlook.

In accordance with the Listing Agreement with the Stock Exchanges, the following are attached :

- Consolidated Financial Statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006, along with the Auditor's Report.
- The Report on Corporate Governance in accordance with Clause 49 of the Listing Agreement along with the Auditor's Certificate.

The Board recommends a Dividend of ₹ 2.50 per Equity Share of ₹ 10 in respect of the Financial Year 2010-2011.

The Dividend, if approved at the forthcoming Annual General Meeting, will be paid on Tuesday, 16th August, 2011 to Shareholders whose names appear on the Register of Shareholders at the close of business on Tuesday, 26th July, 2011. As per the Income Tax Act, 1961, the Tax on the Dividend will be borne by the Company.

Energy conservation and responsible environmental practices continue to be an area of focus for the Company. New technology, equipment and processes are evaluated and energy sources such as solar and wind energy are under active evaluation and implementation. All hotels have energy conservation committees and periodic energy audits.

Energy conservation measures taken during the year include installation of variable speed drives, high efficiency boilers, occupancy sensors, energy efficient LED, fluorescent and IR lamps.

Measures planned include installation of heat pipes, additional occupancy sensors, higher efficiency air conditioning and more energy efficient lighting systems.

During the Financial Year 2010-2011, the Foreign Exchange earnings of the Company amounted to ₹ 875.16 million as against ₹ 744.37 million in the previous year. The expenditure in Foreign Exchange during the Financial Year was ₹ 25.08 million as compared to ₹ 20.83 million in the previous year.

Mr. Rajesh Kapadia and Mr. Sudipto Sarkar are due to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Approval has been received from the Central Government under Section 212(8) of the Act exempting the Company from attaching a copy of the Report and Accounts of Island Hotel Maharaj Limited (IHML), its Wholly Owned Subsidiary. In granting the exemption, the Central Government has directed that specified information on IHML be separately disclosed as a part of the Consolidated Financial Statements. This information has been incorporated on Page 52 of this Annual Report.

Subject to prior arrangement, the Audited Annual Accounts of IHML will be available for inspection by any Shareholder at the Company's Registered Office. Shareholders interested in obtaining a copy of the Audited Annual Accounts of IHML may write to the Company Secretary at the Registered Office.

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

During the Financial Year 2010-2011, none of the employees of the Company have received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

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

For and on behalf of the Board

Gurgaon  
29th May, 2011

VIKRAM OBEROI  
*Managing Director*

P.R.S. OBEROI  
*Chairman*



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

It was widely expected that the global economy would recover during the current year thus reversing the trend that has prevailed over the last two years. Unfortunately, this is not likely to happen. The US economy has continued to be slow with a recovery that remains elusive. Parts of Europe are still facing a debt crisis. Japan, with a severe earthquake, accompanying *tsunami* and nuclear accident may add to the world's economic problems. If the political upheavals in the Middle East and North African countries intensify, oil prices are likely to be even more volatile.

India's travel and hospitality industries continue to be dependent on visitors from the United States and from Europe. As recovery has been slow, inbound travel to India has been affected. However, there have been some signs of an upturn in the last quarter.

In contrast, the Indian economic environment continues to be buoyant. The Government's recent Economic Survey expects an 8.6% growth in GDP during the current year. Despite concerns over oil price volatility and rising inflation, the Indian economy is expected to continue to grow.

The World Economic Forum's Travel and Tourism Competitiveness Report for 2011 predicts that by 2015 the growth rate of each of China and India's travel and tourism industries will exceed or equal that of the United Kingdom, France and Japan. Such forecasts underscore the attraction of the Indian hospitality market from a global perspective. There has been a continued push by major international hospitality brands to either establish or expand their presence in India. Conservative estimates suggest a near doubling of quality branded hotel supply over the next five years. Though still nascent, numerous brands have made ambitious announcements regarding plans to establish a network of budget hotels. These developments are healthy.

However, there are some significant challenges as hotels constitute only one element of tourism infrastructural development. Modern airports, good air connectivity and a network of roads are all necessary to facilitate easy travel. Whilst considerable progress has been made in the last few years, much remains to be done to handle the anticipated increase in travel volumes, especially arising out of India's continued economic growth. We need to see that the pace of infrastructure development increases, thus facilitating access to a far greater range of destinations that are necessary for business and leisure travellers. A country that is as vast and diverse as India has the potential to be one of the world's major travel destinations. Governments across an increasing number of countries now recognise the role that the travel and tourism sector can play in creating jobs and become a catalyst for development. We hope that the prospect of realising the travel and tourism industry's latent potential seriously exercises the minds and imagination of planners within the Government.

Despite global uncertainty, we expect the overall outlook for the current Financial Year to be stable with a continued revival of demand for hotel rooms that has begun in the recent months.

Margins are likely to be impacted by continuing inflation, oil price volatility and rising payroll costs. The Company plans to offset pressure on margins through higher occupancies and modest increases in average room rates.

### Internal Control Systems and Risk Management

The Company has robust internal control systems. It continues to seek ways to further strengthen these systems. A well structured internal audit regularly reviews their efficacy and improves on them. The Company has developed and implemented a risk management framework to identify business risks and take measures to mitigate such risks. This is now an integral part of the overall management process. The Board is periodically informed regarding these risk management initiatives.

### Financial and Operating Performance

During the Financial Year 2010-2011, the Company's Total Revenue was ₹ 1763.42 million as compared to ₹ 1489.96 million in the previous year. This represents an increase of approximately 18%.

The Earnings before Interest, Depreciation, Taxation and other Amortisations (EBIDTA) were ₹ 561.05 million as compared to ₹ 472.21 million in the previous year which is an increase of over 19%.

The Profit before Tax was ₹ 182.91 million as compared to ₹ 81.92 million in the previous year.

The Profit after Tax was ₹ 120.17 million as compared to ₹ 52.88 million in the previous year.

The Company's business activity is limited to hotels.

### Awards

Mr. P.R.S Oberoi, Chairman was conferred the '2010 Corporate Hotelier of the World' award by *HOTELS* magazine in November 2010.

Hotels operated by the Company continue to receive unprecedented recognition. *Travel + Leisure's* World's Best Awards 2010 readers' poll ranked The Oberoi Rajvilās, Jaipur the 3rd and 13th in Asia and the world respectively.

Other major recognitions received by Oberoi Hotels and Resorts during the financial year have been:

Hotel	Award	Awarded By
The Oberoi Rajvilās, Jaipur	Best Leisure Hotels in Asia and the Indian Subcontinent (Ranked 9th)	<i>Condé Nast Traveller</i> , UK, Readers' Travel Awards 2010
	Top 100 Hotels in Asia (Ranked 8th)	<i>Condé Nast Traveler</i> , USA, Readers' Choice Awards 2010
	Top 100 Hotels in the World (Ranked 27th)	<i>Condé Nast Traveler</i> , USA, Readers' Choice Awards 2010
Wildflower Hall Shimla in the Himalayas	India's Leading Spa Resort	World Travel Awards 2010
	Best Leisure Hotels in Asia and the Indian Subcontinent (Ranked 2nd)	<i>Condé Nast Traveller</i> , UK, Readers' Travel Awards 2010
	Favourite Overseas Hotel Spa: Asia & the Indian Subcontinent (Ranked 2nd)	<i>Condé Nast Traveller</i> , UK, Readers' Spa Awards 2010
	Favourite Spas in the World (Ranked 6th)	<i>Condé Nast Traveller</i> , UK, Readers' Spa Awards 2010