

ElH Associated Hotels Limited

A member of  *The Oberoi Group*

Annual Report 2014-15

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THE BOARD OF DIRECTORS

Mr. P.R.S. Oberoi

Chairman

Mr. S.S. Mukherji

Vice Chairman

Mr. Vikram Oberoi

Managing Director

Mr. L. Ganesh

Mr. Akshay Raheja

Mr. Anil Nehru

Mr. Sudipto Sarkar

Mr. Rajesh Kapadia

Ms. Radhika Vijay Haribhakti

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Indrani Ray

SHARE TRANSFER AGENT

EIH Limited

7, Sham Nath Marg

Delhi 110 054

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

We, as members of The Oberoi Group 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 relationships.
- 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 achievement as well as individual development.
- Conduct which at all times safeguards the safety, security, health and environment of guests, 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 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 the Asia-Pacific.

Our Shareholders

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

HIGHLIGHTS

		Rupees in Million except item nos. 13, 14, 15 & 16									
FOR THE YEAR		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	GROSS REVENUE	1,108.30	1,610.39	1,783.30	1,604.89	1,489.96	1,763.42	1,904.54	2,129.53	2,163.79	2,315.35
2	PROFIT BEFORE TAX	82.92	217.59	251.04	142.77	81.92	182.86	196.56	298.10	382.30	399.61
3	PROFIT AFTER TAX	89.92	137.10	146.54	98.98	52.88	120.17	133.55	205.02	235.61	247.27
4	DIVIDEND (INCLUDING TAX)	-	19.11	60.56	34.37	34.26	56.91	68.29	35.65	106.94	110.01
5	RETAINED EARNINGS	177.67	242.18	215.33	179.69	132.45	190.71	192.50	301.82	262.71	326.84
6	FOREIGN EXCHANGE EARNINGS	599.16	936.63	1,050.01	910.03	744.37	875.16	1,133.13	1,225.19	1,088.33	1,233.40
AT YEAR END											
7	GROSS FIXED ASSETS	2,764.41	3,580.95	3,716.42	3,778.45	3,791.08	3,868.19	3,905.17	4,464.99	4,510.07	4,718.50
8	SHARE CAPITAL	195.87	295.87	195.87	195.87	195.87	195.87	195.87	304.68	304.68	304.68
9	RESERVES AND SURPLUS	580.02	696.74	782.71	847.32	865.93	929.21	994.47	1,679.77	1,807.98	1,857.00
10	NET WORTH	769.82	988.56	978.58	1,043.19	1,061.80	1,125.08	1,190.34	1,984.45	2,112.66	2,161.68
11	BORROWINGS	1,876.68	2,515.68	2,517.96	2,491.42	2,489.26	2,407.00	2,280.00	1,003.10	725.87	621.21
12	CAPITAL EMPLOYED	2,511.00	2,664.31	2,876.54	3,114.61	3,131.06	3,532.08	3,470.34	2,987.55	2,838.53	2,782.89
PER SHARE											
13	NET WORTH PER EQUITY SHARE	39.30	50.47	49.96	53.26	54.21	57.44	60.77	65.13**	69.34	70.95
14	EARNINGS PER EQUITY SHARE	4.59	6.96	7.31	5.05	2.70	6.14	6.19*	8.01**	7.73	8.12
15	DIVIDEND PER EQUITY SHARE	-	0.80	2.50	1.50	1.50	2.50	3.00	1.00**	3.00	3.00
RATIO											
16	DEBT: EQUITY RATIO	2.44:1	2.55:1	2.57:1	2.39 : 1	2.34:1	2.14:1	1.92:1	0.51:1	0.34:1	0.29:1

* EPS reinstated pursuant to Rights Issue of Equity Shares on 21st October, 2012.

** Consequent upon the Rights Issue of 10,881,481 Equity Shares on 21st October, 2012, Net Worth per Equity Share, Earnings per Equity Share and Dividend per Equity share are not comparable with that of previous year(s).

Notes :

- Serial nos. 7, 9, 10, 12, 13 and 16 are inclusive of Revaluation Reserve balance as at year end.
- Figures for previous year(s) have been regrouped / rearranged, wherever necessary.

DIRECTORS' REPORT

The Board presents the Thirty-second Annual Report together with the Audited Statement of Accounts and the Auditor's Report in respect of the year ended 31st March, 2015.

Financial Highlights

The financial highlights are set out below:

	Rupees in Million	
	2014-2015	2013-2014
Total Revenue	2315.35	2163.79
Earnings Before Interest, Depreciation, Taxes and Amortisations (EBIDTA)	677.75	627.63
Interest and Finance Charges	88.56	111.29
Depreciation	189.58	134.04
Profit before Tax	399.61	382.30
Tax including Deferred Tax	152.34	146.69
Profit After Tax	247.27	235.61
Balance brought forward	116.01	22.34
Carrying amount of Fixed Assets where remaining useful life as on 01.04.2014 is Nil	88.24	-
Dividend on Equity Shares	91.40	91.40
Dividend Distribution Tax	18.61	15.54
Transfer to General Reserve	25.00	35.00
Balance carried forward	140.03	116.01

Directors' Responsibility Statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 ("the Act") and, based upon 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 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 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 Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively; and

- f) the Directors have devised proper systems to ensure proper compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Performance

The annexed Management Discussion and Analysis forms a part of this report and covers, *inter alia* the performance of the Company during the financial year 2014-2015 as well as the future outlook.

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance along with the auditor's certificate is also annexed herewith.

Dividend

The Board recommends a dividend of ₹ 3.00 per equity share of ₹ 10.00 each in respect of the financial year 2014-2015. The dividend, if approved at the forthcoming Annual General Meeting, will be paid on 8th August, 2015 to shareholders whose names appear on the register of shareholders at the close of business on 23rd July, 2015. As per the Income Tax Act, 1961, the tax on the dividend will be borne by the Company.

Directors

The tenure of Mr. Vikram Oberoi, Managing Director, expires at close of business on 22nd June, 2015. The Board recommends renewal of his appointment, as Managing Director, for a further period of five years effective 23rd June, 2015. Mr. Vikram Oberoi will not receive any remuneration. The re-appointment requires the approval of the Shareholders for which a Resolution has been included in the Notice convening the Annual General Meeting.

Mr. S.S. Mukherji retires by rotation at the forthcoming thirty-second Annual General Meeting. He is eligible for re-appointment. The Directors recommend re-appointment of Mr. Mukherji as a Director on the Board. The particulars of the Director are given in the Annexure to the Notice convening the Meeting.

Mr. Rajan Raheja, a Non-Executive Non-Independent Director resigned from the Board, effective 28th April, 2015. The Board of Directors wish to place on record its deep appreciation of the valuable contributions made by Mr. Raheja during his tenure of directorship in the Company.

Mr. Akshay Raheja has been appointed as a Non-executive Non-Independent Director on the Company's Board, effective 28th May, 2015.

Ms. Radhika Vijay Haribhakti was appointed by the Board as an Additional Director on 8th August, 2014. Pursuant to Sections 149 and 152 read with Schedule IV of the Companies Act, 2013 and Clause 49II(B)(3) of the Listing Agreement, Ms. Haribhakti was proposed to be appointed as an Independent Director for a term of five years subject to approval of the Shareholders by means of postal ballot. Ms. Radhika Vijay Haribhakti's appointment was confirmed by the Shareholders by passing a resolution by way of postal ballot on 22nd May, 2015.

Mr. Anil Nehru, Mr. L. Ganesh, Mr. Sudipto Sarkar and Mr. Rajesh Kapadia were appointed as Independent Directors for a term comprising of five consecutive years by the shareholders at the Annual General Meeting held on 8th August, 2014.

The Board was of the opinion that the aforesaid Directors meet the criteria of independence under sub-section (6) of Section 149 of the Act. They have also confirmed that they would give a declaration of independence as required under sub-section (7) of Section 149 of the Companies Act, 2013 at the first meeting of the Board held in every financial year.

Key Managerial Personnel

Mr. Samidh Das was appointed as the Chief Financial Officer of the Company with effect from 1st December, 2014.

Corporate Social Responsibility

In accordance with Section 135 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has formulated a Corporate Social Responsibility Policy.

The details of the Policy and the Annual Report on Corporate Social Responsibility activities on or after 1st April, 2014 are given in the attached *Annexure 1* which forms part of this report. The Annexure also gives the composition of the CSR Committee. The policy can be accessed on the Company's website www.eihassociatedhotels.in

The Company's hotels have also undertaken a number of other CSR initiatives.

The Oberoi Rajvilas, Jaipur extends assistance to "With Care" programmes for the under privileged sections of society. The hotel also supports SOS Children's Village at Jaipur and Mother Teresa Foundation. Staff from the hotel visited schools in nearby villages to spread awareness of environmental conservation, hygiene and wellness.

The Oberoi Cecil, Shimla extends its support to Sarvodaya Bal Ashram for orphaned children in Shimla. On 15th August 2014, the hotel organised an annual blood donation camp for the local blood bank. The World Environment Day was commemorated by observing Environment Week to create awareness about global warming, pollution and ecological balance.

Trident Hotels in Agra and Udaipur extend assistance to local chapters of Mother Teresa's Missionaries of Charity.

Trident Jaipur supports Bhavani Child Development Centre, a school for dyslexic children. The school is involved in providing intensive early intervention for children showing signs of developmental delay and exposed to the risk of learning disability. Trident Jaipur also conducted 'Hunar Se Rozgar Tak' training scheme ("HSRT") which is a Government of India initiative to promote skill development in hospitality trade courses. Students were imparted training on different operational departments of the hotel.

Audit Committee

The Composition of the Audit Committee is as under:

- Mr. Anil Nehru – Independent Director & Chairperson
- Mr. L.Ganesh – Independent Director & Member
- Mr. Rajesh Kapadia – Independent Director & Member
- Mr. Sudipto Sarkar – Independent Director & Member
- Mr. Rajan Raheja – Non-executive Non-Independent Director & Member
[resigned from Directorship w.e.f. 28th April, 2015]

For other details relating to Audit Committee, please refer page 42

Company's Policy on Directors' Appointment and Remuneration and Senior Management Appointment and Remuneration.

In accordance with Section 178 of the Act read with clause 49 IV of the Listing Agreement, the Company's Nomination and Remuneration Committee has formulated a policy on Directors' Appointment and Remuneration and Senior Management Personnel Appointment and Remuneration. The policies are enclosed as *Annexures 2 and 3* and form part of this report.

Energy Conservation Measures

Energy conservation measures continue to be a focus area for the Company. Measures taken during the year include:

- replacement of incandescent, halogen and CFL lamps with energy efficient LED lamps
- replacement of reciprocating chillers with energy efficient screw chillers
- installation of variable frequency drives in exhaust fans and chilled water pumps
- installation of dimmers to reduce energy for lighting
- installation of occupancy sensors at the rear end of house areas and
- installation of digital timers on exhaust fans.

Besides these, various operational measures were taken to reduce energy consumption such as operation control on timing of lighting and other equipment, especially in off-season and timely preventive maintenance of equipment to enhance their efficiency.

Actions planned for next year include:

- replacement of old elevator machinery with energy efficient machinery
- installation of variable frequency drives for Air Handling Units (AHU)
- continued replacement of halogen and CFL lamps with energy efficient LED lamps.

Operational measures at hotels driven by focussed energy conservation committees continue to closely monitor and control energy consumption.

Foreign Exchange Earnings and Outgo

During the financial year 2014-2015, the foreign exchange earnings of the Company amounted to ₹ 1,233.40 million as against ₹ 1,088.33 million in the previous year. The expenditure in foreign exchange during the financial year was ₹ 24.36 million as compared to ₹ 24.45 million in the previous year.

Auditors

The auditors of the Company, Messrs. Ray and Ray, Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Confirmation has been received from the auditors that if reappointed, their appointment will be within the prescribed limits. The Directors recommend the re-appointment of the auditors of the Company for the financial year 2015-16.

Secretarial Auditor

In accordance with Section 204 of the Companies Act, 2013, the Company had appointed JUS & Associates as Secretarial Auditors for the financial year ended 31st March, 2015. The Secretarial Auditor's report is annexed as *Annexure 4*.