

ElH Associated Hotels Limited

A member of  *The Oberoi Group*

Annual Report 2017-2018

CONTENTS

The Board of Directors	3
The Oberoi Dharma	4
The Oberoi Group Mission	5
Highlights	6
Directors' Report	7
Management Discussion and Analysis	24
Report on Corporate Governance	31
Secretarial Audit Report	47
Independent Auditor's Report	50
Balance Sheet	58
Statement of Profit and Loss	59
Cash Flow Statement	60
Statement of Changes in Equity	62
Notes to Financial Statements	63

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. Surin Shailesh 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
Deloitte Haskins & Sells LLP
Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
Gurugram - 122 002
Haryana, India

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

CORPORATE OFFICE
7, Shamnath Marg
Delhi - 110 054

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 unrelenting 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 14, 15, 16 & 17

		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
FOR THE YEAR											
1	GROSS REVENUE	1,604.89	1,489.96	1,763.42	1,904.54	2,129.53	2,163.79	2,315.35	2,482.94	2,716.77	2,692.67
2	PROFIT BEFORE TAX	142.77	81.92	182.86	196.56	298.10	382.30	399.61	547.07	649.34	586.60
3	PROFIT AFTER TAX	98.98	52.88	120.17	133.55	205.02	235.61	247.27	389.39	427.80	377.94
4	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	-	-	386.09	419.74	377.34
5	DIVIDEND (INCLUDING TAX)	34.37	34.26	56.91	68.29	35.65	106.94	110.01	146.68	165.02	165.29
6	RETAINED EARNINGS	179.69	132.45	190.71	192.50	301.82	262.71	326.84	394.74	396.65	352.93
7	FOREIGN EXCHANGE EARNINGS	910.03	744.37	875.16	1,133.13	1,225.19	1,088.33	1,233.40	1,236.49	873.79	794.93
AT YEAR END											
8	GROSS FIXED ASSETS	3,778.45	3,791.08	3,868.19	3,905.17	4,464.99	4,510.07	4,718.50	2,719.35	2,794.95	2,886.22
9	SHARE CAPITAL	195.87	195.87	195.87	195.87	304.68	304.68	304.68	304.68	304.68	304.68
10	RESERVES AND SURPLUS	847.32	865.93	929.21	994.47	1,679.77	1,807.98	1,857.00	2,122.62	2,505.69	2,718.01
11	NET WORTH	1,043.19	1,061.80	1,125.08	1,190.34	1,984.45	2,112.66	2,161.68	2,427.30	2,810.37	3,022.69
12	BORROWINGS	2,491.42	2,489.26	2,407.00	2,280.00	1,003.10	725.87	621.21	345.43	-	-
13	CAPITAL EMPLOYED	3,114.61	3,131.06	3,532.08	3,470.34	2,987.55	2,838.53	2,782.89	2,772.73	2,810.37	3,022.69
PER SHARE											
14	NET WORTH PER EQUITY SHARE	53.26	54.21	57.44	60.77	65.13 **	69.34 **	70.95 **	79.67 **	92.24 **	99.21 **
15	EARNINGS PER EQUITY SHARE	5.05	2.70	6.14	6.19 *	8.01 **	7.73 **	8.12 **	12.78 **	14.04 **	12.40 **
16	DIVIDEND PER EQUITY SHARE	1.50	1.50	2.50	3.00	1.00 **	3.00 **	3.00 **	4.00 **	4.50 **	4.50 **
RATIO											
17	DEBT : EQUITY RATIO	2.39 : 1	2.34:1	2.14:1	1.92:1	0.51:1	0.34:1	0.29:1	0.14:1	-	-

*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 :

- a) Serial nos. 8, 10, 11, 13, 14 and 17 are inclusive of Revaluation Reserve balance, if any, as at year end.
- b) Figures for previous year(s) have been regrouped / rearranged, wherever necessary.
- c) Figures pertaining to the years 2015-16, 2016-17 and 2017-18 are in accordance with Ind AS while figures pertaining to the years upto 2014-15 are in accordance with previous GAAP

DIRECTORS' REPORT

The Board presents the Thirty-fifth Annual Report together with the Audited Financial Statement and the Auditor's Report in respect of the Financial Year ended 31st March, 2018.

Financial Highlights

The financial highlights are set out below:

	Rupees in Million	
	2017-18	2016-17
Total Revenue	2692.67	2716.77
Earnings Before Interest, Depreciation, Taxes and Amortisations (EBIDTA)	731.45	810.53
Interest and Finance Charges	3.97	19.26
Depreciation and Amortisation Expenses	140.88	141.93
Profit before Tax	586.60	649.34
Tax including Deferred Tax	208.66	221.54
Profit after Tax	377.94	427.80
Other Comprehensive Income / (Loss), net of tax	(0.60)	(8.06)
Total Comprehensive Income	377.34	419.74
Balance brought forward	694.75	361.68
Dividend on Equity Shares	137.11	30.47
Dividend Distribution Tax	27.91	6.20
Transfer to General Reserve	-	50.00
Balance carried forward	907.07	694.75

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 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;

- e) the Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Performance

The annexed Management Discussion and Analysis forms part of this report and covers *inter alia* the performance of the Company during the Financial Year 2017-18 as well as the future outlook.

Corporate Governance Report

In accordance with Regulation 34(3) read with Schedule V(C) of The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"), the Report on Corporate Governance along with the Auditor's Certificate is attached to this Report.

Dividend

The Board recommends a Dividend of ₹ 4.50 per equity share of ₹ 10 each for the Financial Year 2017-18 for approval by the Shareholders at the forthcoming Annual General Meeting. The dividend, if declared at the forthcoming Annual General Meeting will be paid on 4th August, 2018 to the Shareholders whose names appear in the Register of Shareholders / Beneficial owners as on 26th July, 2018. In accordance with the Income Tax Act, 1961, the tax on dividend will be borne by the Company.

Directors

Mr. P.R.S. Oberoi and Mr. Akshay Raheja retire by rotation at the forthcoming Thirty-fifth Annual General Meeting. Both Mr. P.R.S. Oberoi and Mr. Akshay Raheja are eligible for reappointment. In accordance with Regulation 36(3) of the Listing Regulations, the particulars of the Directors are given in the annexure to the Notice convening the Annual General Meeting. The Directors recommend re-appointment of Mr. P.R.S. Oberoi and Mr. Akshay Raheja as Directors on the Board.

As required under Section 149(7) of the Act, Mr. Anil Nehru, Mr. L. Ganesh, Mr. Sudipto Sarkar, Mr. Surin Shailesh Kapadia and Ms. Radhika Vijay Haribhakti, the Independent Directors, have given their "declaration of independence" for the Financial Year 2017-18. The Board was also of the opinion that the Independent Directors meet the criteria of independence under sub-section (6) of Section 149 of the Act.

Corporate Social Responsibility ("CSR")

In accordance with Section 135 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company had formulated a Corporate Social Responsibility Policy in 2014-15. The CSR Policy can be accessed on the Company's website www.eihassociatedhotels.in.

The Annual Report on Corporate Social Responsibility activities for the Financial Year 2017-18 is given in *Annexure 1*, which forms a part of this Report. The Annexure also gives the composition of the CSR Committee.

In addition to the mandatory CSR spend in accordance with the Act, during the year, the Company's Hotels have also taken the following CSR initiatives:

- a. The Oberoi Rajvilās, Jaipur extends assistance to "With care" programmes for the under privileged sections of the society. The hotel also supports Mother Teresa Foundation. Staff from the hotel visited schools in nearby villages to spread awareness of environmental conservation, hygiene and wellness.
- b. The Oberoi Cecil, Shimla extends its support to Sarvodaya Bal Ashram for orphaned children in Shimla. On 15th August, 2017, the hotel organized an annual blood donation camp for the local blood bank. The World Environment Day was commemorated by observing an Environment Week to create awareness on global warming, pollution and ecological balance.
- c. Trident Hotels at Agra and Udaipur extend assistance to local chapters of Mother Teresa's Missionaries of Charity.
- d. 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.

Audit Committee

The composition of the Audit Committee is as under:

Mr. Sudipto Sarkar	– Independent Director & Chairperson
Mr. Anil Nehru	– Independent Director
Mr. L. Ganesh	– Independent Director
Ms. Radhika Vijay Haribhakti	– Independent Director
Mr. Akshay Raheja	– Non-executive Non-Independent Director
Mr. S.S. Mukherji	– Non-executive Non- Independent Director

For other details relating to the Audit Committee, please refer page nos. 32 and 33.

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

The Company's Policy on Directors' Appointment and Remuneration ("Directors' Policy") was formulated in the year 2014-15 in accordance with Section 178 of the Act. Proviso to sub-section 4 of Section 178 of the Act has been amended by the Companies (Amendment) Act, 2017 with effect from 7th May, 2018 and no longer requires the entire policy to be disclosed in the Board Report but only the salient features of the policy and the changes, if any, along with the web address where the policy is placed.

The salient features of the Directors' Policy are as under:

- The Policy aims to engage Directors (including non-executive and independent non-executive directors) who are highly skilled, competent and experienced persons within one or more fields of business, finance, accounting, law, management, sales, marketing, administration, corporate governance, technical operations or other disciplines related to the business of the Company. The Directors shall be able to positively carry out their supervisory role on the management and the general affairs of the Company;

- assessing the individual against a range of criteria including but not limited to industry experience, background, and other qualities required to operate successfully in the position, with due regard to the benefits of diversity of the Board;
- the extent to which the individual is likely to contribute to the overall effectiveness of the Board and work constructively with existing Directors;
- the skills and experience the individual brings to the role and how these will enhance the skill sets and experience of the Board as a whole;
- the nature of positions held by the individual including directorships or other relationships and the impact they may have on the Director's ability to exercise independent judgment;
- the time commitment required from a Director to actively discharge his or her duties to the Company.

The Directors' Policy can be accessed on the Company's website www.eihassociatedhotels.in

The Senior Management & Key Managerial Personnel (excluding Executive Directors) Appointment and Remuneration Policy (the "Senior Management Policy") was formulated in the year 2014-15. The salient features of the "Senior Management Policy" are as under:

- The objective of this Policy is to provide a framework and set standards for the appointment, remuneration and termination of Key Managerial Personnel (KMP) and Senior Management Personnel who have the capacity and responsibility to lead the Company towards achieving its long term objectives, development and growth;
- Appointment & Remuneration of Key Managerial Personnel and Senior Management Personnel are aligned to the interests of the Company and its Shareholders within an appropriate governance framework;
- Remuneration is structured to align with the Company's interests, taking into account the Company's strategies and risks;
- Remuneration is linked to individual and Company performance, which, in turn, impacts the quantum of variable pay;
- Remuneration is designed to be competitive within the hospitality industry or general industry for applicable roles;
- Executives performing similar complexity of jobs are paid similar compensation.

The remuneration paid by the Company is categorised under the following major heads:

Total Fixed Cost: This includes basic salary, other cash allowances, perquisites and retirement benefits;

Variable Cost: This includes variable pay linked to Company and Individual performance.

The sum total of the Total Fixed Cost and Variable Cost is called the Cost to Company in the relevant executive's remuneration package.

The Senior Management Policy can be accessed on the Company's website www.eihassociatedhotels.in