

# FOMENTO RESORTS AND HOTELS LTD.

40th Annual Report  
2010 - 2011



## **FOMENTO RESORTS AND HOTELS LTD.**

### **BOARD OF DIRECTORS**

MRS. ANJU TIMBLO, Managing Director  
MR. AUDUTH TIMBLO  
MR. V.P. RAIKAR  
MR. SHARDUL THACKER  
MR. P.G. KAKODKAR  
MR. JAMSHED DELVADAVALA  
MR. RAGHUNANDAN MALUSTE  
MR. REYAZ RATAN MAMA

### **COMPANY SECRETARY**

I. B. MUCHANDI

### **AUDITORS**

H. K. APARANJI  
Chartered Accountants

### **BANKERS**

IDBI Bank  
HDFC Bank  
ICICI Bank

### **REGISTERED OFFICE**

CIDADE DE GOA  
VAINGUINIM BEACH,  
GOA - 403 004

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 40th Annual General Meeting of the Members of FOMENTO RESORTS AND HOTELS LIMITED will be held on Thursday, the 29<sup>th</sup> day of September, 2011 at 4.00 p.m. at Grand Sala, Cidade De Goa, Vainguinim Beach, Goa 403 004, to transact the following business:

**Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and the Profit and Loss Account for the year ended on that date together with the Directors Report and Auditors Report thereon.
2. To declare dividend for the year ended 31.3.2011.
3. To appoint a Director in place of Mr. Auduth Timblo who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shardul Thacker who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Reyaz Mama who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. H. K. Aparanji, Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxies need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not later than 48 hours before commencement of the Meeting.
2. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the Company Secretary at least seven days before the date of the meeting so that the information required by the members may be made available at the time of the meeting.
3. Members are requested to bring their Attendance Slip attached to the Annual Report and handover the same at the entrance of the hall, duly signed.
4. In pursuance to section 154 of the Companies Act, 1956 the Register of Members and Share Transfer Books of the company shall remain closed from 22<sup>nd</sup> September to 29<sup>th</sup> September, 2011 (both days inclusive) for the purpose of Annual General Meeting.

By order of the Board of Directors

I. B. Muchandi  
Company Secretary

Place: Vainguinim Beach, Goa  
Date : 6<sup>th</sup> August, 2011

***Fomento Resorts and Hotels Limited***

**Details of the Directors seeking appointment / reappointment in Annual General Meeting (Pursuant to Clause 49(VI) (G) of the listing Agreement)**

<b>Name of Directors</b>	<b>Mr. Auduth Timblo</b>	<b>Mr. Shardul Thacker</b>	<b>Mr. Reyaz Mama</b>
Date of Birth	01.03.1948	17.11.1947	17.11.1966
Date of Appointment	20.07.1976	30.09.1999	28.07.2008
Expertise in special functional areas	Industrialist	Corporate Law	Hotel Industries
Qualification	B.E., L.L.B.	B. Com. L.L.B	B. Sc (Eco Hons) England
List of Companies in which outside Directorship held	<ol style="list-style-type: none"> <li>1. Sociedade de Fomento Industrial Pvt. Ltd</li> <li>2. Fomento Barges Pvt. Ltd.</li> <li>3. Mormugao Maritima Limited</li> <li>4. Shelvona Riverside Railway Terminals Ltd.</li> <li>5. Fomento Green &amp; Waste Management Services Pvt. Ltd.</li> <li>6. Fomento Engineering &amp; Construction Pvt. Ltd.</li> <li>7. Fomar Pvt. Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ruby Mills Ltd.</li> <li>2. RPG Enterprises Ltd</li> <li>3. South East Asia Marine Eng &amp; Const Ltd (SEAMEC Ltd)</li> <li>4. CGU Logistic Ltd</li> <li>5. Stream International Services Pvt. Ltd</li> <li>6. Infowavz Pvt. Ltd</li> </ol>	<ol style="list-style-type: none"> <li>1. Capricorn Lifestyle Ventures Pvt. Ltd.</li> <li>2. Ratan Mama Consultants Pvt. Ltd.</li> <li>3. Chiplun Hotels Pvt Ltd</li> <li>4. Shawman Software Pvt. Ltd</li> </ol>
Chairman/Member of the Committees of the Board of Directors of the Company	Member of Share Transfer Committee	Chairman of Shareholders Grievance Committee	Member of Audit Committee
Chairman/Member of the Committees of other Companies on which he is a Director			
a) Audit Committee	Nil	Member- 1. Ruby Mills Ltd 2. SEAMEC Ltd	Nil
b) Investor Grievances Committee	Nil	Chairman - SEAMEC Ltd	Nil
c) Remuneration Committee	Nil	Member – Ruby Mills Ltd	Nil
Details of shares held in the company	21,12,139	Nil	Nil

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 40th Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2011.

### 1. FINANCIAL RESULTS

	For the year ended 31/03/11	For the year ended 31/03/10
	(Rs. In 000)	(Rs. In 000)
<b>Income</b>	<b>452008</b>	<b>424776</b>
Operating Expenses	325272	289679
Gross Operating Profit	126736	135097
<b>Less:</b>		
Interest and Financial Charges	2156	1886
Depreciation	30078	28509
<b>Profit before tax</b>	<b>94502</b>	<b>104702</b>
<b>Less : Provision for tax</b>		
Current	33500	37080
Deferred (net)	957	(2152)
<b>Profit/ (Loss) after tax</b>	<b>61959</b>	<b>69774</b>
Add Surplus/ (Deficit) brought forward from the previous year	238766	204048
<b>Profit available for appropriation</b>	<b><u>300725</u></b>	<b><u>273822</u></b>
<b>Appropriations</b>		
a) General Reserve	6196	6977
b) Dividend	16000	24000
c) Tax on Dividend	2657	4079
d) Balance carried to Balance Sheet	<u>275872</u>	<u>238766</u>

During the financial year under review, the Company's total income was Rs. 4520.08 lakhs as against the previous year income of Rs. 4247.76 lakhs. The turnover increased by 6% with improved domestic tourism and corporate travel which favorably impacted average room revenue. However, the net profit after providing for depreciation and taxation stood at Rs. 619.59 lakhs as against Rs. 697.74 lakhs for the previous year. This reduction in net profit is due to increase in salary, wages and benefits to employees and also on account of increase in repairs and renovation cost coupled with general inflation.

#### **OUTLOOK:**

Overall business environment in the country has been changing. Along with this, the Goan hotel industry is also witnessing emergence of few key trends:

- A. Domestic travelers:** Domestic travelers were earlier ignored by the hotels in Goa. In the past few years, their perception of money is however undergoing a shift with rise in the educated, middle class with disposable incomes. This in turn is driving domestic tourism in Goa for the last two years and is likely to rise by 4% this year too. This segment will remain to be the best contributor of occupancies and average revenues.
- B. Emerging MICE (Meeting, Incentives, Conferences & Exhibitions) and Destination weddings opportunity:** Convention or meetings or destination weddings accounts for over 30% of our occupancies. A well planned strategy has been put in place to tap these clients. The average spending of these clients can sometimes be more than a FIT segment (Foreign Individual Travelers).
- C. Key Risks**
  - a) Terrorism acts:** Due to the unrest all over the world on account of terrorism, many countries issued travel warnings to their citizens, advising them against traveling to India. Considering the elasticity of demand in this industry, such acts of terrorism impact the sentiments and inflow of tourists into the country.
  - b) Competition from South Asian countries:** Many South Asian countries are now consciously trying to increase their tourism activities by offering world-class facilities at highly competitive prices. These destinations pose threat to the Goan leisure hotels.
  - c) Competition from domestic destination:** Competition is also growing from other domestic destination for holidays and leisure with the emergence of the concept of boutique hotels and resorts.

- d) Employee cost:** Employee cost is the largest cost component in the overall cost structure with competing additional star hotels in Goa. We expect a lot of pressure on hiring and retaining trained manpower resulting increase in cost.

## **2. DIVIDEND**

Your Directors are pleased to recommend a dividend of 10% which is Rs. 1/- per equity share on the face value of Rs. 10/- each.

## **3. AUDITORS**

Auditors of the company, M/s. H. K. Aparanji, will retire as auditors of the Company and being eligible offers themselves for re-appointment.

## **4. FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosures of particulars in the report of Board of Directors) Rules 1988, the information relating to foreign exchange earnings and outgo is given in the Notes to the Profit and Loss Account and Balance Sheet.

## **5. TECHNOLOGY ABSORPTION:**

The Company being in the hospitality industry, technology developments connected with industry are adopted.

## **6. CONSERVATION OF ENERGY:**

Solar Panels are used for generating hot water consumed by the Central kitchen thereby reducing the diesel consumption of the main boiler. Wherever feasible, the incandescent lamps have been replaced by CFL's. We are also aiming at the next stage of going for LED Lighting in phases.

## **7. PARTICULARS OF EMPLOYEES**

None of the employees are covered by the provisions contained under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## **8. DIRECTORS**

Mr. Auduth Timblo, Mr. Shardul Thacker and Mr. Reyaz Mama Directors retire by rotation and being eligible, offers themselves for reappointment at the ensuing Annual General Meeting.

## **9. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a) In the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departure;
- b) The Directors had selected such accounting policies and applied them consistently and made judgment 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 31<sup>st</sup> March, 2011 and Profit and Loss of the company for that period;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The Directors had prepared the annual accounts on a going concern basis.

## **10. CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges a report on Corporate Governance along with Auditors Certificate on its compliance is annexed, forming part of the Annual Report.

Clause 40A of the Listing Agreement mandates minimum 25% public shareholding. Presently promoter holding is 95% and public holding is 5%. Company decided to follow SEBI (Delisting of Equity Shares), Regulation 2009; and to give exit opportunity to the public shareholders under regulation 8(1)(a) of voluntary delisting. As per the regulation, Board of Directors passed resolution giving approval for delisting. Approval of the shareholders of the company was obtained by special resolution through postal ballot. Votes casted by public shareholders in favour of the resolution were less than two times of the votes casted by the public shareholders against it. Company and promoters complied with the requirements of Delisting Regulation but attempt could not succeed. Therefore company approached Bombay Stock Exchange stating that the promoters are willing to pay fair price fixed by valuers appointed

by the Stock Exchange and ready to give exit option to shareholders who opt for it. Bombay Stock Exchange despite reminders did not respond. As a result Company has approached Securities and Exchange Board of India (SEBI) for guidance on further action.

#### **11. APPRECIATION FOR BANKS**

The Company would like to express its appreciation for the support and assistance rendered during the year by the Banks namely IDBI Bank Ltd., HDFC Bank Ltd., ICICI Bank Ltd.

#### **12. EMPLOYEES**

Your Directors are pleased to record their appreciation of the devotion and sense of commitment shown by the employees in the organization.

#### **13. ACKNOWLEDGEMENT**

Board of Directors gratefully acknowledge the support and goodwill extended by Government of Goa, Central Government, Commercial Banks, Tour Operators, Travel agents, Valued Guests and esteemed Shareholders.

For and on behalf of the Board of Directors

ANJU TIMBLO  
MANAGING DIRECTOR

V. P. RAIKAR  
DIRECTOR

Place : Vainguinim Beach, Goa.

Date : 6<sup>th</sup> August, 2011

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report which is part of the Annual Report include performance of the Company and developments that may affect the likely prospects for the future. Hospitality industry in India continues to emerge as one of the fast growing sectors. A number of well known international hotel brands have already entered the country and more are likely to follow. Many international hotel chains have set up resorts in Goa in the last few years.

The required infrastructure in the form of roads, public conveyance, medical facilities, airport services, safety and cleanliness as internationally expected by the discerning tourists of today needs to be planned at the earliest as the people of Goa have been naturally inclined towards tourism and hospitality. With the development in tourism skilled employment will be in demand leading to more education emphasis, revenue opportunities and better standard of living.

### **The Structure and Development**

There is an urgent need for the government to expedite action in the areas of infrastructure, tourism policy and regulations and encouragement of required education to service the demands. Such actions will also create more suitable employment and opportunities in the territory.

### **Opportunities and Threats**

The market for travel and tourism is growing rapidly in India and across various socio-economic segments. Disposable incomes have grown significantly during the period. Domestic tourism in India is in the rise, according to latest information from the Ministry of Tourism, Government of India, the number of domestic tourist in India will increase. The Tourism and Hospitality industry has attained an importance in the world economy and is expected to continuously grow in the future.

The threat to the industry is any delay in execution of planning as required for the industry to convert the opportunity into growth and have the strength to face any threats. Tourism business being fragile, it requires security and safety for visitors and investors.

### **Outlook**

The tourism and Hospitality industry has attained an importance in the world economy and is expected to grow in the future.

### **Risks and concerns**

Terrorist's threat has compelled to strengthen security arrangements. Company has established check posts and security equipments at critical areas and security checks are undertaken on an ongoing basis.

CCTV has been installed at strategic locations and monitored by security and can be viewed by concerned senior executives. Floor patrolling is being carried out at regular interval on all the floors of the building and in grounds of the property. Baggage screening has also been implemented.