FOMENTO RESORTS AND HOTELS LTD.

41st Annual Report
2011 - 2012

CIDADE DE GOA®

Goa in a resort

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

MR. I. B. MUCHANDI

AUDITOR

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 41st Annual General Meeting of the Members of FOMENTO RESORTS AND HOTELS LIMITED will be held on Saturday, the 29th day of September, 2012 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 31st March, 2012 and the statement of Profit and Loss for the year ended on that date together with the Directors Report and Auditors Report thereon.
2. To declare dividend for the year ended 31.3.2012.
3. To appoint a Director in place of Mr. V. P. Raikar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jamshed Delvadavala who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Raghunandan Maluste 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 22nd September to 29th September, 2012 (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 : 14th July, 2012

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

Name of Directors	Mr. V.P. Raikar	Mr.Jamshed Delvadavala	Mr. Raghunandan Maluste
Date of Birth	20.05.1929	08.02.1948	30.03.1950
Date of Appointment	30.05.1992	11.03.2006	27.10.2007
Expertise in special functional areas	Business Executive	Wide experience in the field of Accountancy, Audit, Management	Business Executive
Qualification	Matriculate	B.Com, F.C.A.	C.A from England & Wales
List of Companies in which outside Directorship held	1. Maina Ore Transport Pvt. Ltd. 2. Hardesh Ores Pvt. Ltd. 3. M.S.Talaulicar & Sons Pvt. Ltd.	1. Premium Financial Services Limited 2. Varnilam Investment Trading Company Limited. 3. Subham Viniyog Private Limited. 4. Bhagwati Associates Private Limited.	Bombay Gymkhana Ltd.
Chairman / Member of the Committee of the Board of Directors of the Company	Member of Audit Committee	Chairman of Audit Committee	–
Audit Committee Investor Grievances Committee	Member	Chairman	–
Remuneration Committee	–	Member	–
Details of shares held in the company	6700	–	–

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 41st Annual Report and the Audited Accounts of the Company for the year ended 31st March 2012.

1. FINANCIAL RESULTS

(Rs. in Lakhs)

	For the year ended 31/03/2012	For the year ended 31/03/2011
Income	**4925.18**	**4520.08**
Operating Expenses	3718.16	3240.37
Gross Operating Profit	1207.02	1279.71
Less:		
Interest and Financial Charges	65.60	21.75
Depreciation	321.80	300.78
Profit before tax	**819.62**	**957.18**
Less : Provision for tax		
Current	296.00	347.16
Deferred (net)	(36.89)	(9.57)
Profit/ (Loss) after tax	**560.51**	**619.59**
Add Surplus/ (Deficit) brought forward from the previous year	2758.72	2387.66
Profit available for appropriation	**3319.23**	**3007.25**
Appropriations		
a) General Reserve	56.05	61.96
b) Dividend	160.00	160.00
c) Tax on Dividend	25.96	26.57
d) Balance carried to Balance Sheet	**3077.22**	**2758.72**
Total	**3319.23**	**3007.25**
Earnings per share (Rs.)	**3.50**	**3.87**

During the financial year under review, the Company's total income was Rs. 4925 lakhs as against the previous year income of Rs. 4520 lakhs. The turnover increased by 9% 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 560.51 lakhs as against Rs. 619.59 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:

Tourism will grow subject to the stability and growth of Indian Economy. Domestic travel is expected to be the primary driver of the sector's growth. High disposable income and the advent of better locations and products are driving this growth. Business travel, Leisure and Meetings, Incentives, Conferences, Exbition continue to be the possible growth segments.

The ongoing Euro crisis and the recessionary environment in other countries are likely to impact the Indian hospitality space. To substitute the lack of business coming in from traditional geographies such as the US and Europe, some CEOs are now focussing on other geographies such as East Asia. Despite this impact, the Indian hospitality sector is well poised to move ahead on its growth trajectory; with projected rise in domestic tourism in view of the rupee weakening.

For Goa, the competition is just not within the 5 star and luxury segment, it is also from boutique hotels, guest houses, and others in non organised sectors. There an unsteady feeling at this point of time. The pie of room base is getting larger, however the segments are not proportionately growing.

1. **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) **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. V.P.Raikar, Mr. Jamshed Delvadvala and Mr. Raghunandan Maluste 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 31st March, 2012 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 then two times of the votes casted by the public shareholders against it. Company and promoters complied with the requirements of Delisting Regulation but the 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 guidence on further action.

11. APPRECIATION FOR BANKS

The Company would like to express its appreciation for the support and asistance 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 esteemend Shareholders.

For and on behalf of the Board of Directors

ANJU TIMBLO	V. P. RAIKAR
MANAGING DIRECTOR	DIRECTOR

Place : Vainguinim Beach, Goa.
Date : 14th July, 2012

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 standards of living.

The Structure and Development.

Maximum investments are expected to take place in the Tier I towns followed by the Tier II towns. More Tier II towns will emerge. Budget and mid-market segments have emerged as the most preferred investment categories.

Opportunities and Threats

The ongoing Euro crisis and the recessionary environment in other countries are likely to impact the Indian hospitality space. To substitute the lack of business coming in from traditional geographies such as the US and Europe, some CEOs are now focussing on other geographies such as East Asia. Despite this impact, the Indian hospitality sector is well poised to move ahead on its growth trajectory; with projected rise in domestic tourism in view of the rupee weakening.

Outlook

For Goa, the competition is just not within the 5 star and luxury segment, it is also from boutique hotels, guest houses, and others in non organised sectors. There an unsteady feeling at this point of time. The pie of room base is getting larger, however the segments are not proportionately growing.

Airline Industry is not supporting the hotel Industry. The fares are again high and when clubbed with hotel rates, the consumer can afford a foreign destination.

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