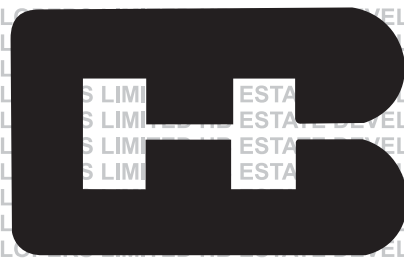


# 19th Annual Report 2012 - 13



**HB ESTATE DEVELOPERS LIMITED**



Company's Hotel Project- **"VIVANTA BY TAJ - GURGAON, NCR"** located at Plot No. 1, Sector 44, Gurgaon, Haryana

**BOARD OF DIRECTORS**

**Mr. Lalit Bhasin** *Chairman*

**Mrs. Asha Mehra**

**Mr. Anil Goyal**

**Mr. J. M. L. Suri**

**Mr. Rajesh Jain**

**AUDIT COMMITTEE**

Mrs. Asha Mehra *Chairperson*

Mr. J. M. L. Suri

Mr. Rajesh Jain

**CHIEF FINANCIAL OFFICER (CFO)**

Mr. Praveen Gupta

**COMPANY SECRETARY**

Mrs. Arpita B. Malhotra

**STATUTORY AUDITORS**

**M/s P. Bholusaria & Co.**

Chartered Accountants,

26/11, Shakti Nagar,

Delhi - 110 007

**REGISTERED OFFICE**

Plot No. 31, Echelon Institutional Area,  
Sector-32, Gurgaon - 122 001

Ph : 0124-4675500, Fax : 0124-4370985

E-mail : corporate@hbestate.com

**WEBSITE**

www.hbestate.com

**REGISTRAR & SHARE TRANSFER AGENT**

**RCMC Share Registry Pvt. Ltd.**

B-106, Sector - 2, Noida - 201 301

Ph : 0120-4015880, Fax : 0120-2444346

E-mail : shares@rcmcdelhi.com

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## HB ESTATE DEVELOPERS LIMITED

### NOTICE

**NOTICE** is hereby given that the 19<sup>th</sup> Annual General Meeting of the Company will be held as follows:

Day : Thursday  
Date : 21<sup>st</sup> November 2013  
Time : 11.00 A. M.  
Place : GIA House, I.D.C. Mehrauli Road, Opp. Sector-14,  
Gurgaon-122 001, Haryana.

to transact the following business:

#### AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2013 and the Audited Profit & Loss Account for the year ended on that date, together with the Reports of Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Lalit Bhasin, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.M.L. Suri, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint Auditors and to fix their remuneration.

**BY ORDER OF THE BOARD  
For HB ESTATE DEVELOPERS LTD.**

Place : Gurgaon  
Date : 30<sup>th</sup> September 2013

**ARPITA B. MALHOTRA  
COMPANY SECRETARY**

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 16<sup>th</sup> November 2013 to 21<sup>st</sup> November 2013 (both days inclusive).
3. Dividend, if declared at the Annual General Meeting, will be paid within 30 days thereof to those members whose names appear on the Register of Members of the Company after giving effect to all valid requests for transfer of shares lodged with the Company on or before the close of business hours on 15<sup>th</sup> November 2013 or to their mandates. The dividend in respect of Shares held in dematerialised form would be payable to the beneficial owners of Shares recorded with the depositories as of the end of 15<sup>th</sup> November 2013 as per the details furnished by the Depositories for the purpose.
4. Securities and Exchange Board of India (SEBI) has made mandatory for all Companies to use the bank account details furnished by the shareholders for distributing dividend through Electronic Clearing Service (ECS), wherever ECS and Bank Details are available. In the absence of ECS facility being made available for any reason, the Companies are required to print the bank account details on the payment instrument for distribution of dividend to the investors. Accordingly, shareholders holding shares in physical form are requested to notify their bank details giving the name of the bank, the branch, the account number to the Company's Registrar and Share Transfer Agent, M/s RCMC Share Registry Private Limited. In case the holdings are in dematerialised form, the said details should

be conveyed to their Depository Participant. Shareholders who wish to avail the ECS facility offered by the Company should in addition to the aforesaid bank details also furnish a photocopy of the cheque leaf to Company's Registrar and Share Transfer Agent in case of holding in physical mode and to the Depository Participant in case of Dematerialised holding.

The bank particulars of the Shareholders recorded with the Depository Participant as of the book closure date, the data of which will be received through Depositories will be used by the Company for printing on the dividend warrants. This would ensure that the dividend warrants cannot be deposited in any account other than the one specified on the warrants. For safety and in the interest of the shareholders, it is important that bank account details are correctly provided to the Depository Participants. The bank details (mandate) for shares held in physical form will not be applicable/applied for shares held in dematerialised form and vice versa.

5. Members/Proxies should bring Attendance Slips duly filled in for attending the meeting.
6. Shareholders seeking any information with regard to Accounts are requested to write to the Company at least 7 days before the date of the meeting so as to enable the management to keep the information ready.
7. **Members are requested to:**
  - (a) notify any change in their address to the Company including PINCODE or to the Registrar and Share Transfer Agent of the company namely :  
RCMC Share Registry Pvt. Ltd.  
B-106, Sector-2, Noida - 201 301  
Phones: 0120-4015880  
Fax: 0120-2444346  
E-mail: shares@rcmdlhi.com  
Members whose shareholding is in the dematerialised mode are requested to direct change of address notifications to their respective Depository Participant.
  - (b) bring their copies of Annual Report with them to the meeting as the same will not be supplied again at the Meeting as a measure of economy.

8. **The Company is implementing the "Green Initiative" as per Circular Nos. 17/2011 dated 21<sup>st</sup> April 2011 and 18/2011 dated 29<sup>th</sup> April 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/ documents and annual reports to shareholders. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be periodically downloaded from NSDL/ CDSL will be deemed to be your registered email address for serving notices/ documents including those covered under Section 219 of the Companies Act, 1956. The Notice of AGM and the copies of Audited Financial Statements, Directors' Report, Auditors' Report etc. will also be displayed on the website [www.hbestate.com](http://www.hbestate.com) of the Company and the other requirements of the aforesaid MCA circular will be duly complied with.**

**Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participant.**

**Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company at the address mentioned in 7(a) above quoting their folio number(s).**

9. Details of Directors seeking appointment / re-appointment at the ensuing 19<sup>th</sup> Annual General Meeting (Pursuant to clause 49 of the Listing Agreement) are as under:

#### PROFILE OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING (19<sup>th</sup>) AGM (Refer Note No. 3 and 4 of the Notice for AGM)

Name of the Director	Mr. Lalit Bhasin	Mr. J.M.L. Suri
Date of Birth	14 <sup>th</sup> August 1968	27 <sup>th</sup> April 1938
Date of Appointment	20 <sup>th</sup> September 1994	20 <sup>th</sup> September 1994
Expertise in specific functional areas	Entrepreneur having more than 20 years of rich experience in the field of Stock Market operations, Strategic Investment and management.	Administration
Qualifications	Bachelor of Commerce	Engineer
List of Directorships in other Public Limited Companies (As on 31 <sup>st</sup> March 2013)	<ol style="list-style-type: none"> <li>1. HB Stockholdings Limited</li> <li>2. HB Portfolio Limited</li> <li>3. RRB Securities Limited</li> <li>4. HB Securities Limited</li> <li>5. HB Leasing &amp; Finance Company Limited</li> <li>6. Bhasin Share &amp; Stock Brokers Limited</li> <li>7. AHL Hotels Limited</li> <li>8. Raja Ram Bhasin Share &amp; Stock Brokers Limited</li> <li>9. CHL (South) Hotels Limited</li> <li>10. Mansingh Hotels and Resorts Limited</li> <li>11. Taurus Asset Management Company Limited</li> <li>12. RRB Master Securities Delhi Limited</li> <li>13. Har Sai Investments Limited</li> <li>14. CHL Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. HB Stockholdings Limited</li> <li>2. HB Portfolio Limited</li> <li>3. RRB Securities Limited</li> <li>4. Mount Finance Limited</li> <li>5. HB Corporate Services Limited</li> <li>6. RRB Master Holdings Limited</li> <li>7. HB Insurance Advisors Limited</li> <li>8. Bhasin Investments Limited</li> <li>9. HB Telecommunications Limited</li> <li>10. HB Prima Capital Limited</li> <li>11. AHL Hotels Limited</li> <li>12. Raja Ram Bhasin Share &amp; Stock Brokers Limited</li> <li>13. Bhasin Share &amp; Stock Brokers Limited</li> </ol>
Membership of Committees in other Public Limited Companies (As on 31 <sup>st</sup> March 2013)	<u>Audit Committee</u> <ol style="list-style-type: none"> <li>1. HB Leasing &amp; Finance Company Limited</li> <li>2. Mansingh Hotels and Resorts Limited</li> <li>3. CHL Limited</li> </ol> <u>Shareholders/Investors Grievance Committee</u> <ol style="list-style-type: none"> <li>1. HB Leasing &amp; Finance Company Limited</li> <li>2. RRB Securities Limited</li> <li>3. CHL Limited</li> </ol>	<u>Audit Committee</u> <ol style="list-style-type: none"> <li>1. HB Portfolio Limited</li> <li>2. RRB Securities Limited</li> </ol> <u>Shareholders/Investors Grievance Committee</u> <ol style="list-style-type: none"> <li>1. HB Portfolio Limited</li> <li>2. HB Stockholdings Limited</li> </ol>
No. of Shares held	7414473	500

**BY ORDER OF THE BOARD  
For HB ESTATE DEVELOPERS LTD.**

**ARPITA B. MALHOTRA  
COMPANY SECRETARY**

Place : Gurgaon  
Date : 30<sup>th</sup> September 2013



## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 19<sup>th</sup> Annual Report of the Company, together with the Audited Statements of Accounts for the year ended 31<sup>st</sup> March 2013.

### FINANCIAL RESULTS:

The financial results of the Company during the year under review are summarized hereunder:

PARTICULARS	(Amount in ₹ lakhs)	
	Year Ended 31.03.2013	Year Ended 31.03.2012
<b>Total Turnover</b>	<b>1175.95</b>	<b>1827.96</b>
<b>Gross Profit/ (Loss)</b>	<b>568.11</b>	<b>1288.09</b>
<b>Add : Exceptional Items</b>	<b>—</b>	<b>—</b>
<b>Less :</b>		
(a) Depreciation	<b>95.20</b>	<b>15.18</b>
(b) Finance Cost	<b>618.22</b>	<b>395.58</b>
(c) Provision for Income Tax	<b>535.62</b>	<b>168.33</b>
<b>Net Profit/(Loss)</b>	<b>(680.93)</b>	<b>708.99</b>
<b>Appropriations :</b>		
General Reserve	<b>0.00</b>	<b>100.00</b>
Proposed Dividend	<b>62.43</b>	<b>120.42</b>
Tax on Dividend	<b>10.61</b>	<b>19.53</b>
<b>Accumulated Profits</b>	<b>1429.43</b>	<b>2183.40</b>

### DIVIDEND

Although your Company has incurred a loss of ₹ 680.93 lakhs during the accounting year 2012-2013, it has distributable profits after providing depreciation and other provisions. Therefore, your Directors are pleased to recommend Dividend @ 5% on Equity Share (i.e. ₹ 0.50 per Equity Share of face value ₹ 10/- each) (previous year ₹ 1.00 per Equity Share) and @ 9% per annum on Redeemable Non-Convertible Non-Cumulative Preference Share (i.e. ₹ 0.073 per Redeemable Non-Convertible Non-Cumulative Preference Share of face value ₹ 100/- each) for the year ended 31<sup>st</sup> March 2013.

### PERFORMANCE REVIEW

The total income for the year under review was ₹ 1175.95 lakhs as against ₹ 1827.96 lakhs in the previous year. The said reduction in income was due to global slowdown which has affected the real estate sector. Many cities including NCR region have observed fall in prices in the real estate sector.

Your directors are pleased to inform you that during the year under review, the Company's hotel project ("VIVANTA BY TAJ - GURGAON, NCR") located at Plot No. 1, Sector 44, Gurgaon, Haryana has commenced its commercial operations w.e.f. 8<sup>th</sup> March 2013.

During the year under review, the entire business of "Parsvnath Developers (AOP)", an Association of Persons formed in the year 2005 between the Company and Parsvnath Developers Limited for undertaking the business of real estate development, has been transferred as a going concern to M/s Gazala Promoters and Developers Private Limited and the AOP has been wound up. The Company and its nominees acquired 49% Equity Shares in M/s Gazala Promoters and Developers Private Limited and the remaining 51% was acquired by M/s Parsvnath Developers Limited and its nominees. Further, name of Gazala Promoters & Developers Private Limited has been changed to "Parsvnath HB Projects Private Limited" with effect from 9<sup>th</sup> May 2013.

The Industry Trends and outlook are summed up in the Management Discussion and Analysis which forms part of this report.

### MAJOR EVENTS OF THE COMPANY

#### Change in Capital Structure

With your approval given at the Extra-ordinary General Meeting held on 20<sup>th</sup> March 2013, the Authorized Share Capital of the Company was increased and re-classified from ₹ 30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crores) Equity Shares of ₹ 10/- each and 1,00,00,000 (One Crore) Preference Shares of ₹ 10/- each to ₹ 50,00,00,000/- (Rupees Fifty Crores only) divided into 2,00,00,000 (Two Crores) Equity Shares of ₹ 10/- each and 30,00,000 (Thirty Lakhs) Preference Shares of ₹ 100/- each.

#### Allotment of Redeemable Non-Cumulative Non-Convertible Preference Shares

Pursuant to your approval given at the Extra-ordinary General Meeting of the Company held on 20<sup>th</sup> March 2013, the Board on 29<sup>th</sup> March 2013 allotted 30,00,000 (Thirty Lakhs) - 9% Redeemable Non-Cumulative Non-Convertible Preference Shares of face value of ₹ 100/- each at par aggregating to ₹ 30,00,00,000/- (Rupees Thirty Crore Only) which were issued on private placement basis.

#### Scheme of Amalgamation

The Board of Directors of your Company at its meeting held on 29<sup>th</sup> March 2013, subject to such approvals, orders and permissions as may be required, has approved the Scheme of Amalgamation through Draft Scheme of Arrangement (Scheme) under Section 391 to 394 of the Companies Act, 1956, wherein Pisces Portfolios Private Limited would be merged with the Company w.e.f 1<sup>st</sup> April 2012.

In terms of requirements of SEBI circular dated 4<sup>th</sup> February 2013 read with Circular dated 21<sup>st</sup> May 2013, Company has made an application for obtaining approval of Bombay Stock Exchange and Securities Exchange Board of India on 30<sup>th</sup> April 2013 under Clause 24(f) of the Listing Agreement.

Further, the Scheme along with required information/documents as envisaged in aforesaid SEBI circulars are available on Company's website [www.hbestate.com](http://www.hbestate.com) and also on the official website of BSE.

### Extension of time limit for holding the Annual General Meeting

The Registrar of Companies, NCT of Delhi and Haryana, vide letter dated 18<sup>th</sup> September 2013, has granted extension of time up to 30<sup>th</sup> November 2013 for holding the Annual General Meeting as per Section 166 (1) of the Companies Act, 1956.

### FIXED DEPOSITS

Your Company has not accepted any deposits from the public during the year.

### CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Since your Company does not own any manufacturing facility, the requirements pertaining to disclosure of particulars relating to conservation of energy, research & development and technology absorption, as prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable.

During the year under review, foreign exchange earnings were ₹ 31.15 lakhs. The foreign exchange outgo during the said period was ₹ 9.38 lakhs on account of travelling; ₹ 35.87 lakhs towards payment of Professional and Technical fees and ₹ 2.04 lakhs towards advertisement and other expenses.

### INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

The provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are not applicable, as there are no employees who were drawing or in receipt of remuneration of prescribed amount during the year under review.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently, and have made judgments 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 2013, and of the profit of the Company for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013;
- proper and sufficient care has been taken 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;
- the annual accounts have been prepared 'on a going concern basis'.

### CORPORATE GOVERNANCE

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed by the Listing Agreement with the Stock Exchanges have been complied with.

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company's Auditors confirming compliances of Corporate Governance norms, in terms of Clause 49 of the Listing Agreement, is annexed to the Annual Report.

### STATEMENT PURSUANT TO LISTING AGREEMENT

The Company's Equity shares are listed at Bombay Stock Exchange Limited (BSE), Mumbai. The listing fee for the year under review has been paid to BSE.

### AUDITORS' REPORT

Observations of the Auditors have been explained, wherever necessary, by appropriate notes to accounts.

### AUDITORS

M/s P. Bholusaria & Co., Chartered Accountants, the Statutory Auditors, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### DIRECTORS

Mr. Lalit Bhasin and Mr. J.M.L. Suri, Directors being longest in the office, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The brief resume and other details of the above directors, as stipulated under Clause 49(IV)(G) of the Listing Agreement, are provided in the Notice for convening the Annual General Meeting.

During the year under review, Mrs. Arpita B. Malhotra was appointed as Company Secretary and Compliance Officer of the Company w.e.f 12<sup>th</sup> July 2012.

### ACKNOWLEDGEMENTS

Your Directors wish to thank and acknowledge the co-operation, assistance and support extended by the Company's associates, Bankers. Your Directors also wish to thank all the employees at all levels of the organization for their contribution and the trust and confidence reposed by the shareholders in the management of the company.

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place : Gurgaon  
Date : 30<sup>th</sup> September 2013

LALIT BHASIN  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Operating Results

The total income earned by the company during the year under review (Sales and Rental Income) was ₹ 1175.95 lakhs (₹ 1827.96 lakhs in the previous year). During the year under review, the total expenses amounted to ₹ 1321.26 lakhs (₹ 950.63 lakhs in the previous year).

### 2. Ongoing Projects

The company had entered into a long-term management agreement with The Indian Hotels Company Ltd. (IHCL) for operating company's Hotel ("VIVANTA BY TAJ - GURGAON, NCR") located at Plot No. 1, Sector 44, Gurgaon, Haryana. As per the agreement, the hotel is being operated in the Five Star category under the TAJ portfolio of hotels. Your directors are pleased to inform you that during the year under review, the said hotel project ("VIVANTA BY TAJ - GURGAON, NCR") has commenced its commercial operations w.e.f. 8<sup>th</sup> March 2013. Key features of the Hotel are as under :

- i. 208 Guest Rooms
- ii. Banquet Hall serving 600 people
- iii. One Specialty Restaurant in addition to Multi Cuisine All Day Dining
- iv. Bar with Alfresco Garden
- v. Spa with swimming pool
- vi. Height of the Tower Block is 60 meters
- vii. Floating Glass Façade introduced for the first time in the Hotel Industry in India

### 3. Industry Trends and Business Analysis

Economic activities in India in 2012-13 remained weak due to both domestic and global factors. Estimates from the Central Statistical Organisation (CSO), Government of India (GoI) suggest that real GDP growth reduced from 6.2% in 2011-12 to 5% in 2012-13. This is the lowest growth recorded in the last decade and far below the 8%-9% annual growth rates envisaged for the economy in the long term plans of the GoI. What is even more worrisome is the fact that over the last 10 quarters, the situation has gotten progressively worse.

Reflecting the trends of the overall economy, the year was not favourable for the real estate sector. It was received with a cautious sentiment amongst end-users and investors alike in the first half of the year, albeit with some momentum that began to build up in the third quarter with higher transactions in the commercial office sector while the residential sector saw more projects being launched, and the retail sector witnessed the introduction of 51% FDI in multi-brand retail. Developers found it difficult to raise debt from banks in India due to the tightening of the credit policy. Compounding their troubles, their cash flows were adversely affected due to slow off-takes on one hand and increase in input costs on the other.

In terms of hospitality industry performance in India, data from STR reports indicate that the overall rates, occupancies and RevPAR (revenue per available room) have seen a decline in 2012, owing to the impact of increased supply in the marketplace and this trend is expected to continue for the next few years, given the gestation period for new hotel supply.

### 4. Opportunities and Threats

Opportunities in all segments of real estate development are driven by the macroeconomic forces on account of the unique current situation where 54% of the population consists of people less than 24 years of age, that is people who are young and productive. The benefits to the economy, commonly termed as the demographic dividend is benefitting the real estate sector. The other macroeconomic force is the rapid rate of urbanization on account of migration of population to cities, the growth centres. The disposable income has been steadily increasing and there is easier availability of consumer finance. All the aforesaid aspects result in opportunities in all segments of real estate.

The hotel industry in specific, has its own set of constraints which include managing manpower, compensation issues, high attrition rate, regular employee training in order to maintain service standards, heavy costs for periodic renovation and repositioning of properties. Any adverse change in the general economic scenario and the demand supply situation, unhealthy competition and seasonal nature of hotel industry may affect the prospects of the hotel industry. Escalating cost of land in metros has been a major area of concern in addition to other threats and risk factors like limited availability of land and power, water shortage, procurement of multiple clearances / approvals required for hotel projects, rising interest cost, long gestation period, poor infrastructure facilities etc.

Besides, adverse advisories, natural calamities and competition from other tourist destinations offering attractive packages etc. are few other risk factors which may affect the hotel industry.

### 5. Future Prospects and Outlook

The change in demographics with rapid urbanization and the rise in the levels of income may keep up the demand for quality real estate space; however, the higher inflation coupled with hardening of interest rate may dent the demand. As such the outlook for the real estate industry in the long term remains positive though in the short term there may be stagnation/slow down in growth.

However, inspite of the problems the hospitality industry is facing today, the general outlook is very encouraging. The saving grace for the hotel industry appears to be domestic, business travelers, and domestic tourists and social functions. In trouble times, this is going to save the hotel industry from the state of collapse. There is a very good chance of the Indian Economy's revival and be in a position to achieve a decent rise in GDP growth. This will certainly boost the economy and hotel industry.

### 6. Risks and concerns

The real estate business is impacted by, inter alia, regulatory and monetary policies and investment outlook. The Company's operations and its ability for future development

has to be viewed in light of the above and many other resultant factors such as changes in government regulations, availability of real estate financing, uncertainty on monetary and fiscal policy actions, approval processes, environmental laws, actions of government land authorities and legal proceedings.

The undue increase in cost of raw materials such as cement, steels etc, and increase in the fuel prices and fluctuations in the market conditions are inherent to this industry. The rising costs and increase in inflation rate in the recent past, have posed concerns on the fate of this industry.

The hospitality industry is prone to impacts due to fluctuations in the economy caused by changes in global and domestic economies, changes in local market conditions, excess hotel room supply, reduced international or local demand for hotel rooms and associated services, competition in the industry, government policies and regulations, fluctuations in interest rates and foreign exchange rates and other social factors. Since demand for hotels is affected by world economic growth, a global recession could also lead to a downturn in the hotel industry. In addition to economic risks, your Company faces risks from the socio-political environment, internationally as well as within the country and is affected by events like political instability, conflict between nations, threat of terrorist activities, occurrence of infectious diseases, extreme weather conditions and natural calamities, etc. which may affect the level of travel and business activity.

Your Company aims to understand, measure and monitor the various risks to which it is exposed and to ensure that it adheres, as far as reasonably and practically possible, to the policies and procedures established by it to mitigate these risks.

The company has taken adequate preventive and precautionary measures to overcome all negative factors responsible for low trend to ensure steady growth.

### 7. Internal control system and their adequacy

The Company has adequate internal controls commensurate with its size to ensure protection of assets against loss from unauthorised use and all the transactions are authorised, recorded and reported correctly. The internal control is also supplemented by internal audit conducted by an external and independent firm of Chartered Accountants on an ongoing basis.

The Internal Audit Reports along with management comments thereon are reviewed by the Audit Committee of the Board. Besides, the Audit Committee reviews the internal controls at periodic intervals in close coordination with the Internal Auditors.

### 8. Financial performance

- a) **Share Capital:** The Company's issued and subscribed share capital consists of Equity and Redeemable Preference Share capital. The paid-up share capital of the company as at 31<sup>st</sup> March 2013 stood at ₹ 4231.60 lakhs which includes ₹1204.23 lakhs on account of 1,20,42,292 Equity Shares of ₹10/- each; ₹ 27.37 lakhs standing to the credit of shares forfeited account being the amount originally paid up on 8,29,338 partly paid up Equity Shares, which have not been reissued and ₹ 3000.00 lakhs on account of 30,00,000 Redeemable Non-Convertible Non-Cumulative Preference Shares of ₹ 100/- each.
- b) **Reserves and Surplus:** During the year under review, the reserves and surplus stood at ₹ 9608.84 lakhs as against ₹ 10362.81 lakhs during the previous year.
- c) **Non-current assets & Non-current Liabilities:** During the year under review, the non-current assets and non-current liabilities stood at ₹ 45594.02 lakhs and ₹ 29300.54 lakhs respectively against ₹ 40301.19 lakhs and ₹ 25827.22 lakhs respectively in the last year.
- d) **Current Assets & Current Liabilities:** During the year under review, the current assets and current liabilities stood at ₹ 2964.18 lakhs and ₹ 5417.22 lakhs respectively against ₹ 2426.33 lakhs and ₹ 5305.89 lakhs respectively in the last year.

### 9. Human Resources

The Company considers its employees to be the most valuable asset and is committed to providing a conducive work environment to enable each individual employee to fully realise his or her potential.

The company has adequate human resources to man its various activities as of now. The company reviews its manpower requirement from time to time vis-à-vis current volume of activities and inducts suitable personnel as per requirement.

During the year under review, competent persons at senior and middle management levels with support staff were inducted for overseeing the Hotel at Gurgaon.

The company follows a sound man management practices as it recognizes that employees are the foremost assets and partners in its endeavors to achieve excellence in its operations and be a commercially successful organisation.

### 10. Cautionary Statement

*Statements in this management discussion and analysis, describing the Company's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downturn in the industry, significant changes in political and economic environment, tax laws, litigation, interests cost. In accordance with the Code of Corporate Governance approved by the Securities and Exchange Board of India, shareholders and readers are cautioned that in the case of data and information external to the Company, no representation is made on its accuracy or comprehensiveness though the same are based on sources thought to be reliable. The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time on behalf of the company.*

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance refers to a set of policies, principles, laws, rules, regulations and procedures that enable the company to attract best financial & human resources and to perform efficiently to maximise the long term value for the shareholders. Your company is committed to uphold good governance values and has been practicing the same over the years.

### 2. BOARD OF DIRECTORS

The Board of Directors provides strategic direction and thrust to the operations of the Company.

#### Composition of Board :

The Board of Directors of your company presently comprises of five (5) directors, all

being non-executive out of which four are independent directors. All Non-executive directors are proficient in their respective fields and bring with them decades of rich and varied experience in Finance, Income tax Laws, Money market operations, administration and management skill. Mr. Lalit Bhasin is the Non-executive Chairman of the Company and the Promoter. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

#### Board Meetings:

Eight (8) Meetings of the Board of Directors of the Company were held during the year under review, i.e. on 25<sup>th</sup> May 2012, 4<sup>th</sup> August 2012, 12<sup>th</sup> September 2012, 3<sup>rd</sup> November 2012, 6<sup>th</sup> February 2013, 19<sup>th</sup> February 2013, 20<sup>th</sup> March 2013 and 29<sup>th</sup> March 2013.

Composition of the Board of Directors, particulars of director's other directorships and membership in committees of other public limited companies and their attendance in the Board Meetings and in AGM held during the year under review are given hereunder:

Name of the Director & Category	*Directorships in other public companies		*Committee memberships in other public companies		No. of Board Meetings during the Year		Whether attended last AGM	Shares held in the company & % to the paid-up share capital
	Director	Chairman	Member	Chairman	Held	Attended		
Mr. Lalit Bhasin Promoter & Non-executive	14	4	6	—	8	7	Yes	7414473 (61.57%)
Mrs. Asha Mehra Independent & Non-executive	—	—	—	—	8	6	Yes	Nil
Mr. Anil Goyal Independent & Non-executive	11	—	5	1	8	8	Yes	Nil
Mr. J.M.L. Suri Independent & Non-executive	13	—	4	1	8	8	Yes	500# (not significant)
Mr. Rajesh Jain Independent & Non-executive	—	—	—	—	8	8	Yes	Nil

\*as on 31<sup>st</sup> March 2013

# Joint Holding

In terms of the provisions of the Articles of Association of the company, one-third of such of the directors as are liable to retire by rotation shall retire from office at every Annual General Meeting. Accordingly, Mr. Lalit Bhasin and Mr. J.M.L. Suri, both non-executive directors being longest in office retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### 3. BOARD COMMITTEES

The Board of Directors of the company at its meeting held on 20<sup>th</sup> December 2001 constituted two Board committees namely; Shareholders/Investors Grievance Committee in compliance to Clause 49 of the Listing Agreement and Audit Committee in due compliance with Section 292A of the Companies Act, 1956. The Board has also constituted a Remuneration Committee on 21<sup>st</sup> April 2004 in due compliance of Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Board has also constituted a Business Restructuring Committee on 6<sup>th</sup> February 2013 for the purpose of exploring various options in order to align and re-organize the existing business through merger, demerger, reverse merger etc. as permitted by the provisions of the Companies Act, 1956, Income Tax Act, 1961 and other enactment or Rules/ Regulations available. All of these committees are having their own terms of reference as approved by the Board from time to time.

#### (A) Audit Committee:

The Company has a duly constituted Audit Committee, the scope of which is quite comprehensive and is in conformity with the Clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956. The Committee comprises Mrs. Asha Mehra (Chairperson), Mr. J.M.L. Suri and Mr. Rajesh Jain. All members are non-executive Independent Directors of the Company and possess sound knowledge of accounts, audit, taxation etc. The Audit Committee has been empowered, inter-alia, to carry out the following functions:

- To lay down, review and revise the accounting policies of the company.
- To review the financial operations and performance of the company.
- To review quarterly, half-yearly and annual financial accounts and other financial reports and statements, before placement thereof before the Board of Directors.
- To consider and constitute sub-committees, wherever necessary for carrying out and/or monitoring the financial operations of the company.
- To appoint whenever deemed expedient, an independent internal auditor to carry out continuous audit of the accounts and systems of the company and also to consider and/or review the appointment and removal of auditors of the company.
- To consider and set up adequate internal control systems and review and monitor the same in consultation with the internal auditors and the auditors of the company and ensure compliance of the same.
- To receive, discuss and consider the observations and reports of the internal auditors and auditors of the company time to time.
- To review and investigate on the matter of financial nature, as and when deemed necessary and expedient.
- To give report and/or recommendations to the Board on the matters concerning financial operations of the company.
- To invite and summon any executive of the company and/or appoint experts, wherever necessary and discuss with them the matters relating to finance, audit and internal control system etc.

- To obtain legal and professional advice wherever deemed necessary and expedient.
- To consider and act on any matters as are included under Clause 49 of the Listing Agreement and/or as may be so included from time to time, whether provided here in above or not.
- To deal with any other matters related and/or incidental to the above or as may be assigned, in addition to the aforesaid, by the Board from time to time.

During the year under review, Audit Committee of the Board met five (5) times i.e. on 25<sup>th</sup> May 2012, 4<sup>th</sup> August 2012, 3<sup>rd</sup> November 2012, 6<sup>th</sup> February 2013 and 29<sup>th</sup> March 2013 and the same were attended by all committee members except Mrs. Asha Mehra who could not attend Audit Committee Meeting held on 6<sup>th</sup> February 2013.

#### (B) Shareholders/Investors Grievance Committee:

The Shareholders/Investors Grievance Committee comprises three members, headed by Mr. J.M.L. Suri as Chairman; Mr. Anil Goyal and Mr. Rajesh Jain as its two Members, all being non-executive Independent Directors. The committee has been empowered, inter-alia, to carry out the following functions:

- To consider and approve the transfer, transmission and issue of fresh/duplicate share certificates.
- To review the status of dematerialisation of company's shares and matters incidental thereto.
- To review and monitor the approval to the transfers and transmissions made by the Executive Director, under executive authority delegated to him from time to time.
- To monitor the matters of litigation related to shareholders and take decisions relating thereto.
- To consider, review and monitor the matters related to the shareholders grievances.
- To consider and finalise the Report on Corporate Governance to be annexed with the Annual Report of the company.
- To deal with any other matters related and/or incidental to the shareholders.

Mr. J.M.L. Suri, Director has been empowered to approve transfer of Equity Shares up to 10,000 shares at a time under one folio received and processed in between two Share Transfer Committee meetings.

During the year under review ten (10) meetings of the committee were held on 27<sup>th</sup> April 2012, 25<sup>th</sup> May 2012, 28<sup>th</sup> June 2012, 4<sup>th</sup> August 2012, 12<sup>th</sup> September 2012, 16<sup>th</sup> October 2012, 3<sup>rd</sup> November 2012, 26<sup>th</sup> December 2012, 6<sup>th</sup> February 2013 and 20<sup>th</sup> March 2013. These Committee meetings were attended by all the committee members.

#### (C) Remuneration Committee:

The Remuneration Committee of Directors has been constituted to consider, determine, approve and recommend to the Board of Directors the appointment and remuneration payable to Managerial Personnel (Managing/Whole-time Director). The Committee is Chaired by Mrs. Asha Mehra and other member is Mr. Rajesh Jain, both being non-executive Independent Directors.

**Remuneration Policy:** As per the remuneration policy of the Company, Managing Director / Whole-time Director(s) are to be remunerated by way of salary and perk as per the industry norms and within the limits specified under the Schedule XIII of