

HOWARD HOTELS LIMITED

ANNUAL REPORT
2011-2012



Board of Directors

Chairman & Managing Director

Nirankar Nath Mittal

Executive Directors

Nirvikar Nath Mittal

Shri Kant Mittal

Non-Executive Directors

Uday Bhan Singh Sikarwar

Rakesh Kumar Agarwal

Ravi Kant Bansal

Statutory Auditors

P. C. Bindal & Co.

Chartered Accountants

718 /21, Joshi Road, Karol Bagh,

New Delhi-110 005

Secretarial Auditors

Satyendra Sharma & Associates

IInd Gali, Pt. Jangeet Nagar, Rajpur,

Agra-282001

Bankers

Punjab National Bank

HDFC Bank Limited

IDBI Bank Limited

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.

A-40, 2nd Floor, Naraina Industrial Area,

Phase-II, Near Batra Banquet Hall,

New Delhi-110028

Registered Office

Howard Hotels Limited

20, Maurya Complex,

B-28 Subhash Chowk,

Laxmi Nagar,

New Delhi-110092

Corporate Office

Howard Plaza

Fatehabad Road,

Agra-282001

Company's Website: www.howardhotelsltd.com

Email-Id: cs@howardhotelslimited.com

: (0562) 4048600

Facsimile : (0562) 4048666

Stock Exchange Where Company's Securities Are Listed

Bombay Stock Exchange Limited

Contents

Notice of Annual General Meeting	01
Directors' Report	03
Management Discussion & Analysis Report	06
Report on Corporate Governance	09
Auditors' Certificate on Corporate Governance	21
CEO/CFO Certification	22
Auditors' Report	23
Annexure to the Auditors' Report	24
Balance Sheet	26
Statement of Profit & Loss	27
Notes to Financial Statement	28
Significant Accounting Policies & Notes to Accounts	35
Cash Flow Statement	39
Attendance Slip and Proxy Form	40

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd (Twenty Third) Annual General Meeting of **HOWARD HOTELS LIMITED** will be held on Wednesday, September 5, 2012 at the Executive Club C/o Dolly Farms and Resorts Private Limited, 439, Village Shahoorpur, P.O. Fatehpurber, New Delhi -74 at 10:00 A.M. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended March 31, 2012 and the Balance Sheet as at that date, together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Shri Kant Mittal, who retires by rotation and is being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ravi Kant Bansal, who retires by rotation and is being eligible offers himself for re-appointment.
4. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration and to pass following resolution thereof:

"Resolved that M/s P. C. Bindal & Co., Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors."

Notes:

1. The register of the members and share transfer books of the Company shall remain closed from Saturday, September 1, 2012 to Wednesday, September 5, 2012 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing the proxy must reach the registered office of the Company, NOT LATER THAN 48 HOURS before the time fixed for holding the meeting.
3. Corporate members are requested to send a duly certified copy of the Board resolution authorizing representative to attend and vote at the annual general meeting.
4. Members/ proxies should bring the attendance slip sent herewith duly filled in for attending the meeting along with their copies of annual reports to the meeting.
5. Members desiring any information on the accounts are requested to write to the Company at its registered office at least 6 days before the date of the Annual General Meeting to enable the management to collect and keep the information ready.
6. Members are requested to kindly notify the company of any change in their address so as to enable the Company to address future communication to their changed addresses.
7. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
8. Keeping in view of **"Green Initiative in Corporate Governance"** taken by Ministry of Corporate Affairs vide their circular no. 17/2011 date 21/04/2011 and 18/2011 dated 29/04/2011, your Company has decided to send henceforth, all documents, required to be sent to the shareholders like General Meeting Notice (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc. in electronic form on the e-mail Id provided and made available to us by the Depository. In case you have not registered your E-mail ID or you desire to have different E-mail ID to be registered, please update the same with your Depository Participant and E-mail us also at cs@howardhotelslimited.com
9. Details of additional Directors/Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director	Shri Kant Mittal	Ravi Kant Bansal
Date of Birth	26/03/1976	20/06/1954
Date of appointment/re-appointment	04/01/2003	23/09/2011
Qualifications	M.Com, M.B.A	Post Graduate
Expertise in specific functional areas	Experience in Hotel & Tourism	Experience in Hotel Industry
List of other Indian Public Limited Companies in which Directorship held as on 31.03.2012	NIL	NIL
Shareholdings in the company as on 31.03.2012	62,000	NIL
Inter-se relationship	YES	NO

Place: Agra
Date: August 2, 2012

By order of the Board
HOWARD HOTELS LIMITED

Registered office:
Howard Hotels Limited
20, Maurya Complex,
B-28 Subhash Chowk,
Laxmi Nagar,
Delhi-110092

Sd/-
[Nidhi Agarwal]
Company Secretary

DIRECTORS' REPORT

TO THE MEMBERS,

Your Director's have pleasure in presenting the Twenty Third Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2012.

FINANCIAL HIGHLIGHTS

The Performance of the Company for the financial year ended 31st March 2012 is summarized below:

(` In Lacs)		
PARTICULARS	CURRENT YEAR (2011-12)	PREVIOUS YEAR (2010-11)
1. Total Income	1052.46	1049.73
Less: i) Operating, Administrative & other Exp.	847.43	805.22
2. Earning before interest and depreciation	205.03	244.71
Less: i) Interest	18.24	34.01
ii) Depreciation	69.58	62.19
3. Profit before Tax	117.21	148.31
Less: provision for Tax		
i) Current	23.45	29.60
iii) Deferred	34.67	48.93
iv) MAT Credit	(23.45)	(29.60)
4. Profit after Tax	82.54	99.38
Add: Balance of Profit as per last Balance Sheet	172.09	(72.71)
5. Balance available for appropriation	254.63	172.09

COMPANY'S PERFORMANCE

During the year under review, the Company has total revenues of ` 1052.46 Lacs as compared to ` 1049.73 Lacs during the previous year. The net profit for the year under review has been ` 82.54 Lacs as against ` 99.38 Lacs during the previous year. Your directors are continuously looking for avenues for future growth of the Company in Hotel Industry.

DELISTING

The Equity shares of the Company have been delisted from Delhi Stock Exchange Limited vide letter no. DSE/LIST/7625/15153/3525 Dated July 01, 2011.

However, the Equity Shares of the Company will continue to be listed on Bombay Stock Exchange.

DIRECTORS

At the ensuing Annual General Meeting Mr. Shri Kant Mittal and Mr. Ravi Kant Bansal, Directors of the Company, will retire by rotation and, being eligible; offer themselves for reappointment in terms of provisions of Companies Act, 1956 read with Articles of Association of the Company.

AUDITORS

M/s. P. C. Bindal & Co., Chartered Accountants, New Delhi, the Statutory Auditors of the Company are the retiring Auditors and being eligible, offers themselves for re-appointment. The Certificate u/s 224(1B) of the Companies Act, 1956 has been obtained from them and they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act. Your directors recommend their reappointment as Statutory Auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

ACCOUNTS & AUDIT

The observations of Auditors in their report, read with the relevant notes to accounts, are self explanatory and do not require further explanation.

CASH FLOW ANALYSIS

The Cash Flow Statement for the year, under reference in terms of Clause 32 of the Listing Agreement entered by the Company with the Stock Exchanges, is annexed with the Annual Accounts of the Company.

DIVIDEND

The Company has decided to plough back its entire profits for future developments. Hence no dividend is recommended for the year under review.

ACCEPTANCE OF DEPOSITS

The Company has not accepted any deposits from public within the meaning of Section 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposit) Rules, 1975, during the year under review.

PARTICULARS OF EMPLOYEES

During the year under review, no employee, whether employed for the whole or part of the year, was drawing remuneration exceeding the limits as laid down u/s. 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence the details required under Section 217 (2A) are not given.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, we hereby state:

- i. that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. that the directors have selected such accounting policies and applied them consistently and 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 March 31, 2012 and of the profit and loss of the Company for that period;
- iii. that the directors have 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;
- iv. that the directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement, a separate section on Corporate Governance forms part of the Annual Report. A certificate from the Auditors of the Company regarding compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is also separately given in Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis of financial condition and results of operation of the Company for the year under review, as required under clause 49 of the Listing Agreement with the stock exchanges, is given separately under the head "Management Discussion & Analysis Report" in Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given as under:

A. Conservation of Energy

The Energy Conservation efforts in the Company are being pursued on a continuous basis and the Company is making its full efforts to minimize wastage and to make optimum utilization of energy.

B. Technology Absorption

The Company is basically involved in the hotel business and as such the required particulars in term of rule 2 are not applicable.

C. Foreign Exchange Earnings & Outgo

	(` In Lacs)	
	March 31, 2012	March 31, 2011
Total Foreign Currency Earned	95.88	97.18
Total Foreign Currency Outgo (traveling)	21.94	--

INDUSTRIAL RELATIONS

The industrial relations remained cordial and peaceful throughout the year in the Company. The Directors wish to place on record their appreciation for the contribution of the workers and officers of the Company at all level.

DEPOSITORY SYSTEMS

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on March 31, 2012, 82.64% of the Company's paid-up capital representing 7531223 Equity Shares is in dematerialized form with both the depositories as compared to 82.26% representing 7496280 equity shares for the previous year ending March 31, 2011.

Your Company has established connectivity with both depositories - National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through RTA i.e. M/s. Link Intime India Pvt. Ltd.

ACKNOWLEDGEMENT

The Board acknowledges with gratitude the assistance, co-operation and encouragement extended to the Company by Central Government, State Government, Financial Institutions, SEBI, Stock Exchanges, Custodian, Regulatory/Statutory Authorities, Registrars & Share Transfer Agent and other related Department of Tourism. Your directors thank the customers, client, vendors, dealers, Company's bankers and other business associates for their continuing support and unstinting efforts in the Company's growth. The Board also wishes to place on record their deep appreciation for the commitment displayed by all the executives, officers and staff, resulting in successful performance during the year. The company has achieved impressive growth through the competence, hard work, solidarity, cooperation and support of employees at all levels. Your Directors are also thankful to the stakeholders, shareholder and depositors for their continued patronage.

**For & on behalf of
Board of Directors of
HOWARD HOTELS LIMITED**

**Place: Agra
Date: August 2, 2012**

**Sd /-
[Nirankar Nath Mittal]
Chairman & Managing Director**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Hospitality is about serving the guests to provide them with “feel good effect”. In India, the guest is treated with utmost warmth and respect and is provided the best services. India is an ideal destination for tourists. Approximately 4.4 million tourists visit India every year. The Indian hospitality industry has emerged as one of the key industries driving growth of the services sector in India. It has evolved into an industry that is sensitive to the needs and desires of people.

INDUSTRY STRUTURE AND DEVELOPMENT

ECONOMIC OVERVIEW

The Indian economic growth was slightly subdued in 2011-12 because of various factors, both global and internal. Slower economic expansion of world output and recent corporate governance issues are some of the main reasons. Headline inflation surged sharply to its highest level in more than a year, maintaining pressure on the RBI for a fresh dose of interest-rate hikes despite flagging economic growth. Sharp higher year-on-year inflation in food items, and fuel products led to the spike in the headline estimates. Industrial growth during the year slumped to 3.3 per cent with high interest rates affecting the factory output. Eight core infrastructure sectors of crude oil, petroleum refinery products, natural gas, fertilisers, coal, electricity, cement and finished steel logged a 3.5 per cent growth down from 4.4 per cent expansion witnessed in the previous year.

The services sector also witnessed a slow pace in growth on account of the lagged effects of monetary policy tightening, the elevated level of inflation and the heightened uncertainty about the global economic outlook. The Euro-zone crisis have had a negative impact on the Indian capital markets as Indian shares posted their biggest fall since the months following the Lehman Brothers collapse. Indian Rupee also weakened by close to 9 percent to the USD by the third quarter of the year.

HOSPITALITY & TOURISM INDUSTRY OVERVIEW

In India, the occupancy led recovery that started with the return of domestic travelers late in calendar 2010-11, received a boost with foreign tourist arrivals (FTAs) picking up in the year 2011-12. One of the key risks to recovery came from demand dampeners, namely, expectations of relatively mute corporate performance in fiscal 2011-12, increase in interest rates, rise in fuel and food prices and subdued macroeconomic signals from the developed markets. Additionally on the supply front, heavy supplies in markets like the National Capital Region (NCR), Hyderabad, Pune, Bangalore and Chennai suppressed pricing power to an extent.

With the latest technology and facilities, warm hospitality, rich heritage and natural beauty, India is an ideal destination for meetings and congresses and offers a unique and exotic destination that can be combined with a leisure holiday. India boasts many world-class convention centers as well as stunning scenery, transforming an annual business meeting into a glamorous and enjoyable event. India has now become an attractive destination for any global hotel company which is evidenced from the entry of a slew of international hotel brands in the country and other plotting their strategies for entry.

CONTRIBUTION TO THE ECONOMY

Combining unparalleled growth prospects and unlimited business potential, the industry is certainly on the foyer towards being a key player in the nation's changing face. The hotel and hospitality industries are among the biggest employment generators in the country. But in the year 2012, international tourism will grow at a slower rate.

The services sector (financial and non-financial) attracted cumulative foreign direct investments (FDI) worth US\$ 27,322 million between April 2000 and February 2012, accounting for 19 per cent of the total FDI inflows, according to data released by the Department of Industrial Policy and Promotion (DIPP).

FOREIGN TOURIST ARRIVALS

Hotel Industry depends largely upon the Foreign Tourist Arrivals. The domestic hospitality sector is expected to see investments at very slow rate by 2012,

- Ø Foreign tourist arrivals (FTAs) during the period January-March 2012 were 19.81 Lacs with a growth of 9.5 per cent, as compared to the FTAs of 18.09 Lacs with a growth of 10.8 per cent during January-March 2011.

- Ø FTA during the month of March 2012 was 6.23 Lacs as compared to FTAs of 5.50 Lacs during the month of March 2011. There has been a growth of 13.2% in March 2012 over March 2011 as compared to a growth of 7.4 % registered in March 2011 over March 2010.

OPPORTUNITIES & STRENGTHS

The Indian hospitality industry has recorded healthy growth in recent years owing to a number of factors:

- Ø Increased tourist movement
- Ø Economic growth
- Ø Changing consumer dynamics and ease of finance

RISK AND CONCERNS

Hotel business in general is sensitive to fluctuations in the economy. The hotel sector may be unfavorably affected 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 natural and social factors. Since demand of hotel is affected by world economic growth, a global recession could lead to down turn in 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.

The hotel industry needs quality employees and with demand for the same improving across the industry, the Company feels that wage inflation would be a critical factor in determining costs for the company. Thus, your company will continue to focus on improving manpower efficiencies and creating a lean organization, while maximizing effectiveness in terms of customer service and satisfaction, which is an area of great importance for your company.

MEASURES UNDERTAKEN BY THE GOVERNMENT

The Ministry of Tourism continued its efforts to develop quality tourism infrastructure at tourist destinations and circuits across the country. The Ministry has sanctioned 160 tourism projects for an amount of Rs 710.02 crore (US\$ 132.18 million) for tourism infrastructure augmentation to States/UTs upto December 31, 2011, according to the Annual Report of the Ministry of Tourism for the year 2011-12.

The Ministry has given special focus on development of important destinations/circuits through sanction of mega projects. Mega tourism projects are a judicious mix of culture, heritage, spiritual and eco tourism and aim to give tourists a holistic experience. As on February 29, 2012, the Ministry has identified 53 mega tourism projects in consultation with State Governments, out of which 35 have been sanctioned.

According to the Consolidated FDI Policy, released by DIPP, Ministry of Commerce and Industry, Government of India, the government has allowed 100 per cent foreign investment under the automatic route in the hotel and tourism related industry. The term hotel includes restaurants, beach resorts and other tourism complexes providing accommodation and /or catering and food facilities to tourists. The term tourism related industry includes:

- Travel agencies, tour operating agencies and tourist transport operating agencies
- Units providing facilities for cultural, adventure and wildlife experience to tourists
- Surface, air and water transport facilities for tourists
- Convention/seminar units and organisations

FUTURE TRENDS & OUTLOOK

In the longer term, the growth potential is significant as evident from the continued global interest in the Indian hospitality Industry. With the huge figure of 4.4 million visitors every year, India is fast becoming the hottest tourist destination in the

region. Growth in tourism will definitely lead to boom in hotels and restaurants. Tourism is playing a pivotal role in growth of hotel industry.

Hotel companies and analysts believe occupancies will continue to grow, though additional supply of hotel rooms across several markets will put pressure on average room rates in the short term.

Another new and important trend that is gaining in importance in generating revenues in the hotel industry is social networking. In the upcoming two years, almost half of the travel industry will be using social media as a way of generating revenue and bookings. Currently more than one-fifth (22 percent) use social media as a revenue generating tool with a further 27 percent planning to do so over the next five years. Plus, social media will become more of a key component of Search Engine Results Page (SERP) algorithms. Hotels can no longer afford to linger over adding social media to their marketing mix. It's now a necessary element of traffic-driving success. Further, the Indian Hotel and Tourism sector successfully attracted 4,041 crore foreign direct investment (FDI) during April 2011-January 2012. In the recent times, Centre has announced that the Hotel and Tourism sector is a high priority sector. This highlights the confidence evinced in the Indian hospitality sector with the aim to boost investments in the sector and to develop job opportunities therefrom.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The Company's business activity falls within a single primary business segment viz. Hotel at Agra as such; there are no separate reportable segments as per Accounting Standard 17.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control system commensurate with its size and nature of business. Your Company's internal auditor carryout audit of the transactions of the Company, in order to ensure that recording and reporting are adequate and proper. The Audit Committee of the Company meets periodically to review and recommend quarterly and annual financial statements of the Company.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial performance of the Company with respect to operational performance has been steadily improving ensuring the Company's commitments of servicing its obligations for meetings its interest and principle repayments to financial Institutions / Banks and with a long term objective of shareholder's value.

HUMAN RESOURCES

In the service oriented industry the employee plays a key role in customer satisfaction and its most valuable resource. Adequate number of technically qualified and well experienced staff exists for the day-to-day operations of the Company. The Management' constant focus on employee engagement and satisfaction has contributed key talents in the businesses. Creativity & dedication of all the employees represent the most precious assets of the Company. The industrial relations continue to be cordial.

APPRECIATION

Your directors express their warm appreciation to all the employees for their diligence and contribution. Your Directors also wish to record their appreciation for the support and co-operation received from the dealers, business associates, agents, suppliers and the banks.

**For & on behalf of
Board of Directors of
HOWARD HOTELS LIMITED**

**Place: Agra
Date: August 2,2012**

**Sd /-
[Nirankar Nath Mittal]
Chairman & Managing Director**