

ANNUAL REPORT FOR THE YEAR 2009-2010

HOWARD HOTELS LIMITED

CORPOARATE INFORMATION

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

Pawan Kumar

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. Jangjeet Nagar, Rajpur,

Agra-282001

Bankers

Punjab National Bank

HDFC Bank Limited

Canara Bank

IDBI Bank Limited

Registrar & Share Transfer Agent

Link Intime India Private Limited

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

Phase-II, Near Batra Banquet Hall,

New Delhi-110028

Registered Office

Howard Hotels Limited

805, New Delhi House,

27, Barakhamba Road,

New Delhi-110001

Corporate Office

Hotel Howard Park Plaza

Fatehabad Road,

Agra-282001

Company's Website: www.sarovarhotels.com

Email-Id: hpp@sarovarhotels.com

cs@howardhotelslimited.com

' : (0562)-4048600-699

Contents

Notice of Annual General Meeting	01
Directors' Report	03
Management Discussion & Analysis Report	07
Report on Corporate Governance	11
Auditors' Certificate on Corporate Governance	24
CEO/CFO Certification	25
Auditors' Report	26
Annexure to the Auditors' Report	28
Balance Sheet	31
Profit and Loss Account	32
Schedule Forming Part of Balance Sheet	33
Significant Accounting Policies & Notes to Accounts	37
Balance Sheet Abstract and Company's General Profile	42
Cash Flow Statement	43
Attendance Slip and Proxy Form	44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st (Twenty First) Annual General Meeting of **HOWARD HOTELS LIMITED** will be held on Friday, September 17, 2010 at the Executive Club C/o Dolly Farms and Resorts Private Limited, 439, Village Shahoorpur, P.O. Fatehpurberi, 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, 2010 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. Pawan Kumar, who retires by rotation and is being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Shri Kant Mittal, 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 Tuesday, September 14, 2010 to Friday, September 17, 2010 (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. 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	Pawan Kumar	Shri Kant Mittal
Date of Birth	01/04/1961	26/03/1976
Date of appointment	15/03/2004	04/01/2003
Qualifications	Post Graduate	M.Com.
Expertise in specific functional areas	Marketing	Hotel & Tourism
List of other Indian Public Limited Companies in which Directorship held as on 31.03.2010	NIL	NIL
Shareholdings in the company as on 31.03.2010	NIL	62000

Place: Agra
Date: August 9, 2010

Registered office:
Howard Hotels Limited
805, New Delhi House,
27, Barakhamba Road,
New Delhi-110001

By order of the Board

Sd/-
Pallavi Agarwal
(**Company Secretary**)

DIRECTORS' REPORT

TO THE MEMBERS,

We are delighted to present the 21st Annual Report together with the Audited Accounts and Auditor's Report of the Company on the business and operations of the Company for the financial year ended March 31, 2010.

FINANCIAL HIGHLIGHTS

A summarized position of the profits/losses and taxation for the year under review as compared to the previous year is given below:

(Rs. In Lacs)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR (2009-2008)
1. Total Income	892.25	822.98
Less: i) Operating, Administrative & other Exp.	653.32	627.59
2. Earning before interest and depreciation	238.93	195.39
Less: i) Interest	38.44	48.89
ii) Depreciation	54.57	56.43
3. Profit before Tax	145.92	90.07
Less: provision for Tax		
i) Current	24.94	9.13
ii) Wealth	0.14	0.15
iii) Deferred	50.47	31.72
iv) Fringe Benefit	-	1.39
v) Earlier Year	0.47	1.13
vi) MAT Credit	(24.94)	(9.13)
4. Profit after Tax	94.84	55.68
Add: Balance of Profit as per last Balance Sheet	(22.13)	(77.81)
5. Balance available for appropriation	72.71	(22.13)

COMPANY'S PERFORMANCE

During the year under review, the Company has total revenues of Rs. 892.25 Lacs as compared to Rs. 822.98 Lacs during the previous year. The net profit for the year under review has been Rs.94.84 Lacs as against Rs. 55.68 Lacs during the previous year. It shows increase of 70% in the net profit of the Company. Your directors are continuously looking for avenues for future growth of the Company in Hotel Industry.

PUBLIC ANNOUNCEMENT OF OPEN OFFER

Consequent on the approval of shareholders, 18,00,000 convertible warrants were issued to Promoter group carrying the rights to subscribe to equal number of Equity Shares of the Company on conversion within a period of 18 months from the date of allotment. The warrant holders have sent notice to the Company to convert the warrants into equity shares.

As a result of proposed conversion, the shareholding of Promoter Group will increase beyond their present holding of 14.53% thereby triggering the provisions of SEBI(SAST) REGULATIONS.

Therefore, this mandatory public announcement of Open Offer has been given by the promoters on April 08, 2010 to the Equity Shareholders of Howard Hotels Limited for acquisition of 1822640 Equity Shares of the Company representing 20% of the fully paid up expanded equity share capital and voting capital in compliance with Regulations 10 & 11 and other applicable Regulations of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendment thereto.

DIRECTORS

At the ensuing Annual General Meeting Mr. Pawan Kumar and Mr. Shri Kant Mittal, Directors of the Company, will retire by rotation and, being eligible; offer themselves for re-appointment 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 in Schedule-13, 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, 2010 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

(Rs. In Lacs)

	March 31, 2010	March 31, 2009
Total Foreign Currency Encashed	107.00	123.27
Total Foreign Currency Earned	110.93	65.04
Total Foreign Currency Outgo	--	3.27

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, 2010, 61.93% of the Company's paid-up capital representing 4528931 Equity Shares is in dematerialized form with both the depositories as compared to 57.38% representing 4196314 equity shares for the previous year ending March 31, 2009.

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

Sd /-

(Nirankar Nath Mittal)

Chairman & Managing Director

Place: Agra

Date: August 9, 2010

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. Indian hotel chains are also expanded internationally. Thus the growth prospects are very high.

INDUSTRY STRUTURE AND DEVELOPMENT

Global and Indian Economy

On the back of the global economic revival and the positive indicators emerging worldwide, the Indian economy has shown remarkable signs of improvement in recent months, with the promise of even better performance going ahead. Founded on a core of strong fundamentals, the Indian economy continued to post robust growth during the year, clocking a Gross Domestic Product (GDP) growth rate of around 7.5%. The situation is expected to be even better in the months to come and the World Bank’s ‘Global Economic Prospects 2010: South Asia’, in fact, has predicted that economic growth next year will be strongest in developing countries, especially in Asia.

In a post-Budget statement, India’s Finance Minister Pranab Mukherjee expressed confidence that the measures announced in the Budget for 2010-11 would revive private investment and put the economy back on a 9% growth trajectory. The International Monetary Fund (IMF) has gone even further in its World Economic Outlook (WEO) to peg India’s growth during FY11 at 9.5% as robust corporate profits and favourable financing conditions fuel investment.

The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9%. The economy is estimated to have grown at 7.2% in 2009-10 with the industrial and the service sectors growing at 8.2% and 8.7%, respectively.

As per the International Monetary Fund the advanced economies are expected to grow by 2.1% in 2010 while in the case of emerging and developing economies a rise of about 6% in 2010 is expected. The world as a whole is projected to grow 3.9% in 2010 driven by the extraordinary amount of monetary and fiscal stimulus.

An Overview of the Global & Indian Tourism Industry

The long term performance of the Indian Hotel Industry is linked to microeconomic factors related to general health of the economy and to micro market-specific, supply-demand gaps. ICRA expects demand in the long term to be driven by increasing travel volumes in tourist travel and rising affluence and improving lifestyles of the traveling population (which drive demand for branded rooms and quality F&B).

As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world’s attractive destinations. It is ranked the 14th best tourist destination for its natural resources and 24th for its cultural resources, with many World Heritage sites, both natural and cultural, rich fauna, and strong creative industries in the country. India also bagged 37th rank for its air transport network. The India travel and tourism industry ranked 5th in the long-term (10 year) growth and is expected to be the second largest employer in the world by 2019.

However, Indian fiscal deficit increased from the end of 2007-08, reaching 6.8% of GDP in 2009-10. A delayed and severely subnormal monsoon added to the overall uncertainty. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export performance and a slowdown in financial flows into the economy. Yet, over the span of the year the economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term.

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 tourism industry's contribution to the Indian economy by way of Foreign Direct Investments (FDI) inflows were pegged at US\$ 2.1 billion from April 2000 to March 2010, according to the Department of Industrial Policy and Promotion (DIPP).

According to the Travel & Tourism Competitiveness Report 2009 brought out by the World Economic Forum, the contribution of travel and tourism to GDP is expected to be at US\$ 187.3 billion by 2019. The report also states that real GDP growth for travel and tourism economy is expected to achieve an average of 7.7 per cent per annum over the next 10 years. Export earnings from international visitors and tourism goods are expected to generate US\$ 51.4 billion (nominal terms) by 2019. Furthermore, the sector which accounted for 6.4 per cent of total employment in 2009 is estimated to rise to 7.2 per cent of total employment by 2019. The hotel and hospitality industries are among the biggest employment generators in the country.

FOREIGN TOURIST ARRIVALS

Hotel Industry depends largely upon the Foreign Tourist Arrivals. As per the press release by Press Information Bureau dated 4th March, 2010, the monthly estimates for February 2010, compiled by the Ministry of Tourism on two important indicators of tourism sector, Foreign Tourist Arrivals (FTAs) and Foreign Exchange Earnings (FEEs) were as follows:

- FTAs during the Month of February 2010 were 601,000 as compared to FTAs of 547,000 during the month of February 2009. A growth of 9.9 per cent was registered in February 2010 over February 2009.
- FTAs during the period January-February 2010 were 1,092,000 with a growth rate of 12.7 per cent, as compared to the FTAs of 968,000 during January-February 2009.
- FEE during the month of February 2010 were US\$ 1.4 billion as compared to US\$ 923 million during the month of February 2009.
- The growth rate in US\$ terms in FEE touched in February 2010 over February 2009 was 55.4 per cent.

OPPORTUNITIES & STRENGTHS

India has a rich cultural heritage. The “unity in diversity” tag attracts most tourists. Taj Mahal in Agra is the most popular monument in India which attracts highest tourist's strength which is the plus point for your Company. Foreign hospitality players are heading towards Indian markets. Indian hotel industry is facing a mismatch between the demand and supply of rooms leading to higher room rates and occupancy levels. With the privilege of Hosting Commonwealth 2010, there will be more demand of rooms in hotels. It is expected that around 100 thousand persons would be visiting during the games. A series of promotional initiatives were taken to minimize the negative impact of the global economic slowdown and terrorist attack in Mumbai, which had an adverse effect on tourism in the country. This had led to the rapid expansion of the sector. India's share in international tourism and hospitality market is expected to increase over the long term.

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 for hotels is affected by world economic growth, a global recession could 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. The lack of adequate recognition for the tourism industry has been hampering its growth prospects. Whatever steps are