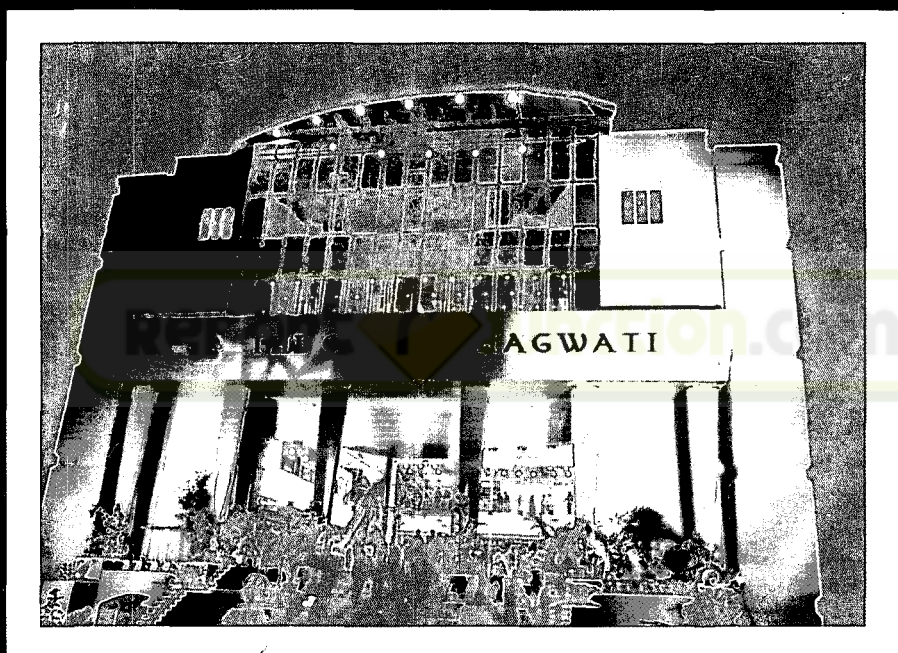


ANNUAL REPORT 2006-2007

BHAGWATI BANQUETS AND HOTELS LTD.



THE GRAND BHAGWATI
Hotels • Banquets • Conventions

BHAGWATI BANQUETS AND HOTELS LIMITED**BOARD OF DIRECTORS**

Mr. Narendra Somani	-	Chairman & Managing Director
Mr. Ramesh Motiani	-	Wholetime Director
Mr. Devanand Somani	-	Wholetime Director
Mr. Hemant Somani	-	Wholetime Director
Mr. Bakul Parikh	-	Director
Mr. Mangharam Sumani	-	Director
Mr. Rajratan Singhvi	-	Director
Mr. Ganesh K.	-	Director

AUDITORS

O. P. Bhandari & Co,
Chartered Accountants,
30, Omkar House,
C. G. Road, Navrangpura,
Ahmedabad - 380009

BANKERS :

Indian Overseas Bank
Bank of Baroda
Kotak Mahindra Bank

REGD. OFFICE

The Grand Bhagwati
Plot No. 380, S. G. Highway,
Bodakdev, Ahmedabad-380054.

REGISTRAR & SHARE TRANSFER AGENT :

Intime Spectrum Registry Limited,
211, Sudarshan Complex,
Nr. Mithakhali Underbridge,
Navrangpura, Ahmedabad - 380009

The ISIN of the Company's Equity shares is INE797H01018

Contents	Page No.
Notice	2-3
Directors' Report	4-6
Management Discussion & Analysis	7-8
Corporate Governance Report	9-14
Auditors' Report	15-17
Balance Sheet	18
Profit & Loss Account	19
Schedules & Notes	20-27
Cashflow Statement	28
Consolidated Financial Statement	29-42

BHAGWATI BANQUETS AND HOTELS LIMITED**NOTICE**

NOTICE is hereby give that the Eighth Annual General Meeting of the Members of **BHAGWATI BANQUETS AND HOTELS LIMITED** will be held at Mann Party Plot, Opp. Honest, Off S. G. Road, Ahmedabad - on Friday the 28th day of September, 2007 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007, the Profit and Loss Account for the year ended on that date together with the Schedules and Notes attached thereto, and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Devanand G. Somani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ramesh K. Motiani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ganesh K., who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office :
 "The Grand Bhagwati"
 Plot No. 380, Sarkhej Gandhinagar Highway,
 Bodakdev, Ahmedabad - 380 054

By Order of the Board

Chairman

Date : 31.07.2007

Place : Ahmedabad

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AT VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED.**
2. The Register of members and the Share Transfer Books of the Company will remain closed from the 22nd September, 2007 to 28th September, 2007 (both days inclusive)
3. Members desiring any information as regards accounts are requested to write to the Company atleast 7 days before the Meeting to enable the management to keep the information ready.
4. Members are requested to intimate change of registered address, if any, at the Registered office of the company or to the Company's Registrar and Share Transfer Agents at their address mentioned elsewhere in this report.
5. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the meeting are annexed.
6. Members are requested to bring their copy of the Annual Report to the meeting.
7. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.

BHAGWATI BANQUETS AND HOTELS LIMITED**THE GRAND BHAGWATI****INFORMATION AS REQUIRED UNDER CLAUSE 49(IV) (G) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING**

Name of Director	Mr. Devanand Somani	Mr. Ramesh Motiani	Mr. Ganesh K.
Date of Birth	22.04.1971	22.05.1949	04.04.1966
Date of appointment	04.03.2000	22.07.2002	10.01.2006
Qualification	F.Y.B.Com	9th Pass	Diploma in Hotel Management
Expertise in specific functional area	Experience of 15 years in catering and Hotel Industry	Varied experience of more than 35 years in wholesale & retail business	Experience of about 20 years in the Hotel Industry
Directorship held in other companies (excluding private & foreign companies)	Rising Hotel Limited	None	None
Membership/ Chairmanship of committees in other public company	None	None	None
Shareholding in the company	10,33,400	4,91,500	Nil

BHAGWATI BANQUETS AND HOTELS LIMITED**DIRECTORS' REPORT**

To,
The Members,
BHAGWATI BANQUETS AND HOTELS LIMITED

Your Directors have pleasure in presenting herewith the Eighth Annual Report and the Audited Statement of Accounts for the Financial Year ended 31st March, 2007.

FINANCIAL RESULTS

Particulars	(Rupees in Lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Sale and Other Income	3579.37	2312.94
Profit from Operations	799.79	518.16
Financial Charges	156.55	108.84
Depreciation and Amortization	239.53	160.26
Profit/(Loss) before tax	403.71	249.06
Provision for taxation	83.50	20.96
Deferred tax liability	27.32	90.34
Income Tax for earlier years	0.93	1.07
Profit/(Loss) after tax	291.96	136.68
Profit /(Loss) brought forward from previous year	298.19	161.50
Profit /(Loss) carried to Balance Sheet	590.14	298.19

FINANCIAL REVIEW

Sales and other income during the year under review has increased to Rs. 3579.37 lacs in comparison to Rs. 2312.94 lacs in the previous year. During the year under review the Profit of the Company before tax has increased from Rs. 249.06 lacs to Rs. 403.71 lacs. Profit after tax is Rs. 291.96 Lacs during the year as compared to Profit after tax of Rs. 136.68 Lacs of previous year.

Construction work for the Five Star Hotel project at Surat has started. During the year your Company has entered into a tie-up with the Rajpath Club, one of the prestigious club of Ahmedabad, to provide F&B services to members. Company has secured a contract from the Gujarat Cricket Association to manage rooms and provide catering services at their club. Company has also undertaken the F&B management of the revolving restaurant, Patang, in Ahmedabad.

INITIAL PUBLIC OFFER

In April, 2007, your Company has successfully completed its Initial Public Offer (IPO) and the shares were listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) on 17th May, 2007. It was a Book Building Issue consisting of a fresh issue of 2,30,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per share aggregating to Rs. 9200 Lacs. The IPO received good response from the investors and the issue was oversubscribed.

The company has allotted 2,30,00,000 shares on 8th May, 2007 subsequent to which the company's paid up share capital has increased from Rs. 628.64 Lacs to Rs. 2928.64 Lacs and share premium account has increased to Rs. 739.75 Lacs to Rs. 7639.75 Lacs.

BHAGWATI BANQUETS AND HOTELS LIMITED**DIVIDEND**

To conserve resources and to augment liquidity, the Board recommended not to declare dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report has been enclosed herewith as per Annexure "A" and forming part of the Directors' Report.

DIRECTORS

In terms of the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Devanand Somani, Mr. Ramesh Motiani and Mr. Ganesh K., directors retire at the ensuing Annual General Meeting and being eligible offered themselves for reappointment. All other directors continue to hold their office.

FIXED DEPOSITS

Company has not accepted any Deposits from the Public during the year under review.

AUDITORS

Shareholders are requested to appoint the auditors of the company M/s O. P. Bhandari & Co, Chartered Accountants, Ahmedabad, who retire as auditors of the company at ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS REPORT

The Auditors report is self explanatory and so far there is no negative remark by the Auditors.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration exceeding the monetary ceiling prescribed under Section - 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Section 217(1)(e) of the Companies Act, 1956 relating to disclosure of particulars of energy conservation & technology absorption pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 is not applicable to the Company.

However the company is committed to energy conservation at every stage of its operations. Various steps have been taken to reduce consumption of electrical energy by improved house keeping, monitoring the use of equipments etc.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earnings

Receipt from sale	Rs. 4.86 Lacs
-------------------	---------------

Foreign exchange out go	Rs. 3.31 Lacs
-------------------------	---------------

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, Board of Directors of the company hereby state & confirm that :

- a) in the preparation of Annual Accounts, the applicable Accounting Standards has been followed along with proper explanation relating to material departures, if any.
- b) 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 true & fair view of the state of affairs of the company at the end of the financial year and of the profit/ loss of the Company for the period.

BHAGWATI BANQUETS AND HOTELS LIMITED

- c) the Directors have taken proper care & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing & detecting frauds and irregularities.
- d) the Directors have prepared the Annual Accounts on a going concern basis.

INSURANCE

All insurable interests of the Company including, buildings, furniture and fixtures and other insurable interest are adequately insured.

LISTING

The shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company has paid the annual listing fees for the year 2007-08.

CORPORATE GOVERNANCE

A Separate section on Corporate Governance and a certificate from auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under Clause - 49 of the Listing Agreement with Stock Exchanges together with the Management Discussion and Analysis of the financial position of the Company forms part of the Annual Report.

ACKNOWLEDGMENTS

Your company & directors wish to extend their sincere thanks to the Investors, Bankers, Customers, Business Associates, Suppliers and government for their continuous co-operation and assistance. Directors would like to place on record their deep sense of appreciation and thanks to all the Government Authorities and Bankers Indian Overseas Bank, Employees, and Shareholders for their valuable assistance, support and co-operation and look forward to the same in the years to come.

For & on behalf of the Board

Place : Ahmedabad

Date : 31.07.2007

Narendra Somani

Chairman

BHAGWATI BANQUETS AND HOTELS LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****INDUSTRY STRUCTURE AND DEVELOPMENTS**

The Overall scenario of globalization has brought about a lot of business opportunities to the Indian Economy. The Demand for Hotel accommodation has remained buoyant. Statistics released recently by the Central Statistical Organisation indicate that the economy grew at a rate of 9.42% during the financial year 2006-07, the fastest in 18 years. The growth of the sector comprising services such as trade, hotels, transport and communication is reported to be in the range of 13%.

Success of "Incredible India" Campaign, low cost airline services, growing infrastructural development and outsourcing services have remarkably increased tourist arrivals. Similarly India has been recognized as a medical destination also thereby increasing the number of patients and flights. Privatisation and renovation of airport terminal buildings, runways, taxiways etc. throughout the country is also progressing fast.

Serious attention is being given to other areas of infrastructure viz., highways, power and water. The hotel industry expects bullishness in economy, to continue and increase the tourist flow into and out of the country.

OUTLOOK ON OPPORTUNITIES

At present, there is no organized player in the catering business in Ahmedabad and Surat with facilities of centralised kitchen and hence the company enjoys a healthy market share in the premium segment. There are other food caterers in the unorganized sector who undertake contracts for wedding and other functions. However, unorganized players do not have a centralized kitchen; hence, the cooking is done at the wedding site, resulting in hindrances and disturbances.

Company is setting up a 5-star hotel at Surat with 65,000 square feet (two halls of 32,500 square feet each) a convention and banqueting hall to accommodate at least 3,000 people at a time for any event. Construction work is in progress. This hotel will have 100 rooms (deluxe, suites and a presidential suite). It will have two large banquet halls, which can be partitioned into smaller halls as required, to accommodate at least 3,000 people. The hotel will also have a business center with boardroom, conference rooms, world-class spa, pub, discotheque, etc. The hotel is likely to commence operations in FY10.

The catering business is the driver of growth. The company is spreading its wings to other cities and seeks to become a national player, providing outdoor catering services in all major cities. With expertise in catering and the goodwill created over the years, it expects good growth from the catering business and plans to emerge as a national player and further consolidating itself as the only player with corporate identity.

THREATS, RISKS AND CONCERNS

Major part of revenue of company arises from catering contracts for managing various hotels/clubs and party plots. On expiry, these contracts might not be renewed, or might even be terminated before expiry, resulting in loss of revenue and profits. Some other potential risks are earthquakes, flood, staff attrition, terrorism attack, riots etc.

FINANCIAL REVIEW

Sales and other income during the year under review has been increased to Rs. 3579.37 lacs in comparison to Rs. 2312.94 lacs in the previous year. During the year under review the Profit of the Company before tax has increased from Rs. 249.06 lacs to Rs. 403.71 lacs. Profit after tax is Rs. 291.96 Lacs during the year as compared to Profit after tax of Rs. 136.68 Lacs of previous year.

INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

The company has adequate and well established internal control system commensurate with the size and nature of the business. The internal control system also ensures protection of assets of the company as well as overall productivity of its operations.

BHAGWATI BANQUETS AND HOTELS LIMITED

The internal audit programme is finalized in consultation with the Internal Auditors and the audit committee of the Board. The Audit committee of the Board meets periodically to review various aspects of the performance of the company and also review the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them from time to time.

INDUSTRIAL RELATIONS AND HUMAN RESOURCE

The company has total staff strength of 459 employees. Employees are the key to the success of any organization, especially in a service oriented industry, wherein customer satisfaction is vital key for the growth of the business and organisation. To achieve high levels of customer satisfaction, your Company has been consistently investing in training and development programmes for the employees to meet the expectations of the customers. Your Company focuses on upgrading the skill and knowledge level of its existing human assets to meet the highest standards of service and also by providing appropriate leadership at all levels, motivating them and inspiring them to take responsibility.

The industrial relations throughout the year continued to remain cordial.

CAUTIONARY STATEMENT

The statements made and figures given in the various sections of "Management Discussion and Analysis" are keeping in mind the Company's objectives, estimates and expectation. The actual results may differ from those expected depending upon the economic conditions, changes in Govt. Regulations, amendments in tax laws and other internal and external factors.

The information pursuant to the provisions of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is as under.

Sr. No.	Name	Age	Qualification	Experience Yrs.	Designation / Nature of Duties	Remuneration Rs.	Date of commencement of employment	Particulars of last employment	% of Eq. Shares held
1	N. G. Somani	41	F. Y. Bcom.	21	Chairman Cum Managing Director	20,00,000	1-10-2005	N.A.	16.77

BHAGWATI BANQUETS AND HOTELS LIMITED**REPORT ON CORPORATE GOVERNANCE**

(Clause 49 of the listing agreement with the stock exchanges on corporate governance became effective from 17th May 2007 when the equity shares of the Company were listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. As such, the information in the report on corporate governance for the previous year ended on 31.03.2007 is given voluntarily.)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Board of Directors of the Company believes that the Corporate Governance is concerned with the creation of long term value for shareholders while also balancing interest of other stakeholders, viz. Employees, Creditors, Government and the Society at large. Its importance lies in the contribution it makes to the overall growth and direction of business, management accountability and transparency and above all, equitable treatment for its stakeholders. In this pursuit, Bhagwati Banquets and Hotels Limited believes that Corporate Governance is guided by a strong emphasis on transparency, accountability and integrity and the Company should develop the desired framework by adopting the best governance practices, so as to protect and achieve enhanced value for all its stakeholders i.e. shareholders, employees, customers and society in general.

2. BOARD OF DIRECTORS

The Board of Directors has proper composition consisting of Executive and non-executive independent directors to maintain the independence of the Board. As on 31st March, 2007, the strength of the Board of Directors was 8, comprising of 4 Executive Directors and 4 Non Executive Directors.

During the year 11 meetings of the Board of Directors were held on 2nd May, 2006, 29th May, 2006, 10th June, 2006, 5th July, 2006, 20th July, 2006, 31st July, 2006, 25th September, 2006, 14th October, 2006, 1st December, 2006, 31st January, 2007 and 12th February, 2007.

The attendance of each Director at the Board Meetings, last Annual General Meeting and details of number of other directorship and chairmanship/Membership of Committee of each Director is as under:

Name of Director	Category of Director	No. of Board Meetings Attended	Attendance at the last AGM	Directorships in other Indian Public Companies* as at 31st March, 2007	Other Mandatory Committee** membership as at 31st March, 2007	
					Chairman	Member
Mr. Narendra Somani	Promoter, Executive	11	Yes	1	Nil	Nil
Mr. Devanand Somani	Promoter, Executive	7	Yes	1	Nil	Nil
Mr. Hemant Somani	Promoter, Executive	11	Yes	1	Nil	Nil
Mr. Ramesh Motiani	Promoter, Executive	11	Yes	Nil	Nil	Nil
Mr. Bakul Parikh	Independent, NE	8	No	Nil	Nil	Nil
Mr. Mangharam Sumani	Independent, NE	3	Yes	Nil	Nil	Nil
Mr. Ganesh K.	Independent, NE	3	No	Nil	Nil	Nil
Mr. Rajratan Singhvi	Independent, NE	3	No	1	Nil	2

*Excludes Directorship in Private/Foreign Companies and Companies incorporated under section 25 of the Companies Act, 1956.

**Represents membership/Chairmanship of the Audit Committee, Shareholder / Investor Grievance Committee and Remuneration Committee of other companies.

NE - Non Executive

3. AUDIT COMMITTEE**Composition :**

The Audit Committee was constituted in conformity with the requirements of Section - 292A of the Companies Act, 1956 and Clause - 49 of the Listing Agreement with Stock Exchanges. At present the Audit Committee comprises of