



ROYAL ORCHID  
HOTELS

# ANNUAL REPORT 2010



#### **HOTEL ROYAL ORCHID, BANGALORE**

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#### **HOTEL ROYAL ORCHID CENTRAL, BANGALORE**

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#### **ROYAL ORCHID RESORT & CONVENTION CENTRE, BANGALORE**

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Marisoft Annexe, Kalyani Nagar, Pune 411014, Maharashtra, India Tel: +91 20 4000 3000, Fax: +91 20 4000 3111



#### **ROYAL ORCHID CENTRAL, JAIPUR**

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#### **ROYAL ORCHID METROPOLE, MYSORE**

5, Jhansi Lakshmibai Road, Mysore - 570005, Karnataka, India Tel: +91 821 425 5566, Fax: +91 821 425 5555



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# ROYAL ORCHID HOTELS LIMITED

## Annual Report 2009-10

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## ROYAL ORCHID HOTELS LIMITED

Registered Office: No.1, Golf Avenue,  
Adjoining KGA Golf Course,  
Bangalore 560 008

### BOARD OF DIRECTORS

Mr. C K Baljee	:	Chairman & Managing Director
Mr. Sunil Sikka	:	Whole time Director
Mr. Naresh K Malhotra	:	Director
Mr. Jaithirth Rao	:	Director
Mr. R V S Rao	:	Director

### COMMITTEES OF THE BOARD

#### Audit Committee

Mr. Naresh K Malhotra	:	Chairman of the Committee
Mr. Jaithirth Rao	:	Member
Mr. R V S Rao	:	Member

#### Remuneration Committee

Mr. Jaithirth Rao	:	Chairman of the Committee
Mr. Naresh K Malhotra	:	Member
Mr. R V S Rao	:	Member

#### Investors' Grievances & Share Transfer Committee

Mr. R V S Rao	:	Chairman of the Committee
Mr. Naresh K Malhotra	:	Member
Mr. C K Baljee	:	Member

**Company Secretary:** Mr. B Chandrasekaran

**Statutory Auditors:** M/s. Walker, Chandiok & Co.  
Chartered Accountants  
WINGS, First Floor, 16/1, Cambridge Road,  
Halasuru, Bangalore 560008.

**Internal Auditors:** M/s. P Chandrasekar  
Chartered Accountants  
S-616, Manipal Centre  
No. 47, Dickenson Road  
Bangalore – 560 042

**Bankers:** IDBI Bank Limited  
State Bank of Hyderabad  
State Bank of India  
State Bank of Mysore  
State Bank of Travancore  
Syndicate Bank Limited  
Axis Bank Limited  
Corporation Bank Limited

**Registrar & Share Transfer Agent:** Alpha Systems Private Limited,  
30, Ramana Residency,  
4<sup>th</sup> Cross, Sampige Road,  
Malleswaram, Bangalore – 560003.  
080 - 23460815 – 818  
[alfint@vsnl.com](mailto:alfint@vsnl.com)



**ROYAL ORCHID HOTELS LIMITED**  
Registered Office: No.1, Golf Avenue,  
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Bangalore 560 008

### REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We have pleasure in presenting the Twenty Fourth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2010.

#### Financial Results:

The performance of the Company for the financial year ended 31st March 2010 is summarized below:

			(Rs. in Crores)	
	CONSOLIDATED		STANDALONE	
Particulars	2009 –10	2008 – 09	2009 –10	2008 – 09
Income from Operations	119.27	140.16	77.83	94.32
Other Income	3.52	3.17	1.14	2.19
Total Income	122.79	143.33	78.97	96.51
Gross Operating Profit	28.82	45.96	19.35	32.38
Interest	(7.59)	(6.71)	(2.41)	(1.65)
Depreciation	(12.37)	(11.09)	(5.61)	(5.69)
Prior period income	---	1.11	---	1.11
Profit before Tax	8.86	29.27	11.33	26.15
Provision for Taxation	(3.93)	(8.13)	(3.05)	(6.86)
Minority Interest and Share of Profit in Associate	2.04	(1.15)	----	----
Net profit after tax	6.97	19.99	8.28	19.29

Your Company has earned total consolidated revenue of Rs. 122.79 Crores during the year under review, as against the previous year's revenue of Rs. 143.33 crores, a decrease of 14%. The Net Profit after tax was lower by Rs. 13.02 Crores as compared to the previous year, mainly due to reduction in the Total Revenue to the extent of Rs. 20.54 Crores. The recessionary trends prevailed during a major part of the financial year 2009-10 and the impact caused by the terror attacks on hotel properties in Mumbai during the previous year continued its negative impact on the hospitality industry to a substantial extent and thus, affected the business performance of your Company.

### **Dividend**

In view of the reduction in the profits and also with an intention to conserve the resources for the Company's ongoing new hotel projects, the Board of Directors has recommended not to propose any dividend for the financial year 2009-10.

### **Existing Hotels**

During the year under review, the Company has completed the renovation work pertaining to 39 rooms and Lobby at Royal Orchid Galaxy Resort, Goa and the renovation work for the rest of the rooms is in progress. The expansion work at Royal Orchid Resort, Bangalore with respect to Coffee Shop was also completed, during the year. The Company terminated the operations of Peppermint Hotel at Hyderabad effective 28<sup>th</sup> February 2010 for business reasons.

### **New Hotels Opened**

#### **Ahmedabad**

During the year Royal Orchid Central, Ahmedabad, with 104 rooms, commenced its operations in December 2009.

#### **Navi Mumbai**

Hotel Royal Orchid Central Grazia, Vashi, Navi Mumbai with 67 rooms, commenced its operations in April 2010.

### **New Hotel Projects in progress**

#### **Jaipur**

The construction of the Five Star Hotel with 139 rooms at Jaipur is progressing well as per plans and the Company has already obtained the sanction of Long Term Loan of Rs.70 Crores required for the project from IDBI Bank Limited. The Hotel is likely to commence its operations in the current financial year.

#### **Hyderabad**

The Construction of the Five Star Hotel with 233 rooms at Hyderabad is progressing well as per plans and the Company has already obtained the sanction of Long Term Loan of Rs.100 Crores required for the project from the Consortium of State Bank of Hyderabad, State Bank of India and State Bank of Mysore. The hotel is likely to commence its operations in the current financial year.

### **Upcoming Projects**

#### **Mumbai**

During the year, the Company has entered into a Joint Venture with Amartara Hospitality Private Limited, for constructing and operating a 4 star hotel under the brand name, Royal Orchid Central, with 260 rooms and other facilities, at Powai, Mumbai. The hotel is likely to commence its operations by 2012.

#### **Shimoga, Hospet & Mussoorie**

The Company has already entered into agreements for operating New Hotels under the brand name, Royal Orchid Central, in Shimoga, Hospet and Mussoorie, which are likely to commence their operations during the current financial year.

### **Business Expansion**

Your Company presently controls room inventory of 1,104 through its 13 hotels across 7 major cities in India and has drawn ambitious expansion plans to add about 1,000 rooms by the end of the next financial year and to reach the size of 4000 rooms by the year 2015. This will be achieved by using both organic and inorganic approaches. The Company is in the process of concluding a few more management contracts for operating hotels at certain strategic locations, during the current year.



**Subsidiary Companies**

During the year under review, Satkar Realities Private Limited, Ahmedabad had become a wholly owned subsidiary of the Company and the name of the said Company was subsequently changed as Royal Orchid Ahmedabad Private Limited.

Your Company has already acquired 64.5% of paid up Equity Capital of Amartara Hospitality Private Limited, the owner of the land at Powai, Mumbai.

With the above, your Company has 14 Subsidiary Companies as at the year ended 31st March 2010 and of which, 11 are wholly owned subsidiaries.

**Central Government Approvals**

The Company has obtained the required approval from the Central Government, Ministry of Corporate Affairs (MCA) exempting from attaching the detailed financial statements of each Subsidiary Company with this Annual Report, pursuant to the provisions of Section 212(8) of the Companies Act, 1956 and accordingly, only a Consolidated Financial Statement is presented with this Annual Report, along with the Standalone Financial Results of the Company. However, in compliance with the terms of the said exemption approval of MCA, a statement showing the relevant details of the Subsidiary Companies is enclosed as a part of this Annual Report. The annual accounts of the Subsidiary Companies shall be made available to the interested members at any time. The company also received the approval of MCA for the remuneration of Rs. 120 Lacs paid to Managing Director during the financial year 2009-10 on 21st June 2010.

**Awards**

During the year, the Hotel Royal Orchid Central, Pune was declared as winner of the National Tourism Award 2008-09, for the best hotel by the Ministry of Tourism, Government of India. The Hotel also received the Golden Star Award, for excellence in food hospitality, service and food retailing, which is one of the highest honors in the hotel industry.

**Directors**

The Director Mr. Naresh K Malhotra retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**Auditors**

The Statutory Auditors M/s. Walker, Chandio & Co., Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

**Public Deposits**

The Company has not accepted any fixed deposits during the year.

**Management Discussion and Analysis Report**

The Report as required under the Listing Agreements with the Stock Exchanges is annexed and forms part of the Directors' Report.

**Corporate Governance**

The Report on Corporate Governance along with a Certificate from a Practicing Company Secretary confirming the Compliance is annexed and forms part of the Directors' Report.

**Employees Stock Option Scheme (ESOS)**

The details of the ESOS as required under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed and form part of the Directors' Report.

### Personnel

The details of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed and forms part of the Directors' Report.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

Your Company continues to put in its best efforts to bring in considerable savings in power consumption and also ensuring optimum utilisation of available resources. A well documented Standard Operating Procedure is already in place in this regard and the operation of the same is closely monitored by the senior management of the company.

Your Company has been consistently upgrading its technical equipment with the use of state of the art technologies in most of the functional areas relating to the operations of the Company. All the Hotels managed by the Company are well equipped with wi-fi internet connectivity, offering utmost comforts to its valuable customers.

During the year under review, your Company earned Foreign Exchange of Rs. 30.87 Crores as against Rs. 47.37 Crores in the previous year. The outgo on account of commission and others is Rs. 2.56 Crores as against Rs. 3.09 Crores the previous year.

### Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operations Management, hereby confirms that:

- I. In the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2010, the applicable accounting standards have been followed and that there are no material departures.
- ii. It has in the selection of the accounting policies, consulted the Statutory Auditors and has 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 31st March 2010 and of the profit of the Company for that period.
- iii. It has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records.
- iv. It has prepared the annual accounts for the year ended 31<sup>st</sup> March 2010, 'on a going concern basis'.

### Acknowledgments

Your Directors wish to place on record their sincere thanks for the support extended by the customers, suppliers, investors, bankers, Central and State Governments and other statutory authorities. Your Directors acknowledge with appreciation the dedicated services rendered by the employees of the Company.

Your Directors express their sincere thanks to all the shareholders for the confidence reposed in the Management and look forward to their continued support.

For and on behalf of the Board of Directors,

Bangalore,  
31<sup>st</sup> July 2010

Chander K Baljee  
Chairman & Managing Director





## ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

The Royal Orchid Hotels Limited Employees Stock Option Plan 2006 was approved by the Members of the Company at the Annual General Meeting held on 13<sup>th</sup> September 2006 and was subsequently amended to include the employees of the subsidiaries of the Company in the said ESOP scheme and also to increase the period available to exercise the options, with the approval of the Members of the Company at the Annual General Meeting held on 8<sup>th</sup> August 2007. The plan provides for the issuance of stock options to eligible employees (including Directors of the Company and employees of subsidiaries) not exceeding 2,723,300 options and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and the same can be exercised within a period of one year from the date of vesting. As per the plan, all the taxes, including FBT are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

Details of the Employees Stock Option Scheme as required under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as at 31<sup>st</sup> March 2010.

a. options Granted	5,12,500
b. the pricing formula	Intrinsic value
c. options vested	nil
d. options exercised	nil
e. the total number of shares arising as a result of exercise of option	Not applicable
f. options lapsed	2,22,000
g. variation of terms of options	Not applicable
h. money realized by exercise of options	Not applicable
i. total number of options in force	2,90,500
j. employee wise details of options granted to: (i) senior managerial personnel (ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year (iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	(please refer below)  Nil  Nil
k. diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	Not applicable
l. Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the company.	Net Profit: Rs. 7.87 Crs  EPS Rs. 2.89
m. Weighted –average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Rs.165
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk free interest rate (ii) expected life (iii) expected volatility (iv) expected dividends (yield %) (v) the price of the underlying share in market at the time of option grant	7.34% to 7.63% 18 to 42 months 40.37% 3.28% Rs.168

### Details regarding options granted to Directors and Senior Managerial Personnel

Sl.No.	Name of Director or Senior Managerial Personnel	No. of options granted
1	Mr. Naresh K Malhotra (Director)	12500
2	Mr. Jaithirth Rao (Director)	12500
3	Mr. R V S Rao (Director)	12500
4	Mr. K V Rao	7500
5	Mr. Shekar Bhargava	7500

**ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS**  
**Information as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and**  
**forming part of Directors' Report, for the year ended 31<sup>st</sup> March, 2010**

S No	Name	Designation	Remuneration -Rs.	Qualification	Experience in Years	Date of Commencement of Employment	Age years	Last employment held
1	C K Baljee	Managing Director	1,20,00,000	MBA (IIM-A)	36	01.07.2000	59	----
2	Keshav Baljee	President	49,33,104	BS (Econ) from Wharton BS (Computer Science) from University of Pennsylvania MBA from ISB Hyderabad	4	15.06.2007	26	Lehman Brothers, New York, USA
3	Shankar Mani*	President	11,00,000	Bachelor Degree in Engineering (IIT), MBA (IIM), Post Graduate Diploma in Hotel Management	36	01.02.2010	60	Consultant – Hotel Design & Development
4	Shekhar Bhargava	Exe. V.P - Development	35,43,654	BSc and Degree from IHM, Mumbai	31	06.09.1999	54	Choice Hotels
5	Dhiraj Jopat*	Chief Financial Officer	3,81,000	B. Com (Hons), PGDFM, AICWA, FCA, Grad. CS, AMP (IIM-B)	20	15.02.2010	38	Mantri Developers Private Limited
6	K V Rao	Vice President - Finance	25,09,000	M.A. Economics (BITS Pilani)	36	01.02.2003	61	Resident Director, Manipal Group
7	Amarendra Singh Walla	Vice President - Projects	26,67,412	Degree in Marine Engineering,	38	22.04.2009	64	Colombia Asia Hospital
8	Amarendra Kumar Sinha	Vice President - HR	27,94,853	PG Degree from Xavier Institute of Social Services	15	07.03.2009	40	Schneider Electric
9	Pankaj Mathur*	Vice President - West	19,40,300	Diploma in Hotel Management	22	23.07.2009	47	Gold Resorts & Hotels
10	Rajinder Prabhakar*	Vice President - Sales	16,00,804	PG in Business Management	13	01.09.2009	37	American Express Banking Corp.
11	Prakash Kumar*	Asst Vice President - Projects	23,70,000	B.E., Civil	25	07.02.2007	47	Unicon Holdings Private Limited

**Note:**

- The nature of Employment in all cases is contractual
- Except Mr. Keshav Baljee, none of the employees listed above is related to any Director of the Company
- Mr. C K Baljee holds 47.66% of equity shares in the Company. None of the other employees hold more than 2% of equity shares in the Company

\* Employed only for part of the year



# ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

Details of Directors seeking re appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

<b>Name of the Director</b>	<b>Naresh K Malhotra</b>
Date of Birth	5 <sup>th</sup> June 1947
Date of Appointment	18 <sup>th</sup> June 2005
Qualifications	Chartered Accountant
Expertise in specific functional areas	Vast experience in Finance and Management functions
List of Companies in which outside Directorship held as on 31.03.2010	<ol style="list-style-type: none"> <li>1.Cotton County Retail Limited</li> <li>2.Tarang Software Technologies Private Limited</li> <li>3.Balan Natural Food (P) Limited</li> <li>4.Blue Star Infotech Limited</li> <li>5.On Mobile Global Limited</li> <li>6.NM Properties &amp; Consulting Private Limited</li> <li>7.AB Holdings Private Limited</li> <li>8.Printo Document Services Private Limited</li> <li>9.Genesis Colors Private Limited</li> <li>10.DerivIT Solutions Private Limited, Bangalore</li> <li>11.DerivIT Solutions Private Limited, Singapore</li> </ol>
Chairman / Member of the Committees of other Companies on which he is a Director as on 31.03.2010	<p><b><u>Audit Committee:</u></b>  Blue Star Infotech Limited (Chairman)  Cotton County Retail Limited (Member)  Genesis Colors Private Limited (Member)  On Mobile Global Limited (Member)</p> <p><b><u>Remuneration Committee:</u></b>  On Mobile Global Limited (Member)  Blue Star Infotech Limited</p> <p><b><u>Investors' Grievances and Share Transfer Committee:</u></b>  On Mobile Global Limited (Chairman)</p>

<b>Name of the Director</b>	<b>Chander K Baljee</b>
Date of Birth	21st February 1951
Date of Appointment	3rd January 1986
Qualifications	Post Graduate Management Degree from IIM-A
Expertise in specific functional areas	More than 30 years of experience in Hotel Industry
List of Companies in which outside Directorship held as on 31.03.2010	<ol style="list-style-type: none"> <li>1.Royal Orchid Jaipur Private Limited</li> <li>2.Royal Orchid Hyderabad Private Limited</li> <li>3.Royal Orchid South Private Limited</li> <li>4.Royal Orchid East Private Limited</li> <li>5.Royal Orchid Maharashtra Private Limited</li> <li>6.Royal Orchid Goa Private Limited</li> <li>7.Royal Orchid Shimla Private Limited</li> <li>8.Royal Orchid Mumbai Private Limited</li> <li>9.Royal Orchid Ahmedabad Private Limited</li> <li>10.Icon Hospitality Private Limited</li> <li>11.Maruti Comforts and Inn Private Limited</li> <li>12.Cosmos Premises Private Limited</li> <li>13.Parsvnath Royal Orchid Hotels Limited</li> <li>14.Baljees Hotels and Real Estates Private Limited</li> <li>15.Hotel Stay Longer Private Limited</li> <li>16.Royal Orchid West Private Limited</li> <li>17.Royal Orchid Resorts Private Limited</li> <li>18.Harsha Farms Private Limited</li> <li>19.Trans Himalayan Power Private Limited</li> </ol>
Chairman / Member of the Committees of other Companies on which he is a Director as on 31.03.2010	Nil

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

During the year under review, the Company has stepped up its efforts to expand its business to newer markets and also consolidated the existing business by employing a multipronged strategy, thereby, minimized to a reasonable extent, the adverse impact caused to the Hospitality Industry, due to global economic slowdown prevailed during the major part of the financial year 2009-10.

### 1. Industry Structure and Developments

#### Tourism

One of the major significant drivers for the growth of the Hospitality Industry is 'Tourism' and India being a popular tourist destinations across the globe, every decline in foreign tourist inflow, causes an adverse impact on the business of the Industry. In addition to adverse impact caused by the recessionary trends due to general global economic slowdown, India had to face the other risks too, such as terrorist acts, health scare, to name a few. These adverse market conditions made a deep dent to the business potential of Indian travel and tourism industry as the foreign tourist inflows dwindled drastically, even in most popular leisure destinations.

Only during the third quarter of the financial year 2009-10, the overall foreign tourist arrivals showed a positive growth rate of about 7% as compared to the third quarter of the previous financial year. And this trend continued during the fourth quarter of the financial year 2009-10 also with a positive growth rate of about 13% as compared to the fourth Quarter of the previous year. In fact for the month of December 2009, tourist arrivals showed a substantial growth rate of 21% as compared to December 2008 and this positive trend has clearly shown the upsurge in the foreign tourist arrivals in to the country. As the Commonwealth Games are scheduled to be held from October 3 to October 14, it is estimated that about 2 million foreign tourists and 3.5 million tourists from within India are likely to visit New Delhi around that time and it is most likely that this will have a very positive impact on the hotel business in host of other popular leisure destinations in India.

#### Hospitality

It is a reality that with every adverse impact on the Tourism Industry, the Hotel business gets the beating. With the general recessionary trends, both corporate business travels and leisure travels reduced substantially and also with the health scare and terrorist acts, the hotel business had to experience a negative growth during the first two quarters of the financial year 2009-10. Though the economy started showing the signs of recovery in the later part of the calendar year 2009, the recovery was in slow pace; however, the business outlook has been showing improvements and the feel good factor has set in the market.

During the fiscal year 2009-10, the occupancy levels and Average Room Revenue (ARR) of most of the leading Hotels declined and a positive correction started happening only during the end of third quarter of 2009-10.

The Reserve Bank of India has removed hotels from the Commercial Real Estate classification, thereby, facilitating the availability of credit at lower rate of interest to Hospitality Industry. Also the Income tax benefit such as Five Year Tax Holiday as envisaged under Section 35AD of the Income Tax Act, will promote the growth of many more new hotels. The above initiatives were welcomed by the hospitality industry as the same are expected to offer some impetus for the growth in the long run.

### 2. Outlook

With the economic conditions slowly limping back to normalcy, the outlook for the Hotel business looks positive in the near future. With various initiatives of the Ministry of Tourism to promote the tourism in India such as 'Visa on Arrival' for citizens of five countries viz., Finland, Japan, Luxembourg, New Zealand and Singapore and various safety measures put in place, the foreign tourist arrivals are likely to go up substantially, which will directly benefit the Hotel business.

Royal Orchid Group, with its 13 hotels situated across 7 major cities in India (5 in Bangalore, 2 in Mysore, 2 in Pune, 1 in Jaipur, 1 in Goa, 1 in Ahmedabad, 1 in Navi Mumbai), has drawn an aggressive expansion plan, to have pan-India presence in the next one year. The total room inventory is likely to go up from the present level of 1104 keys to 4000 keys by 2015. The Company is persistently looking for opportunities to add on many more hotels under Management Contract.



### 3. Awards

The Company has been continuously striving to deliver quality services to its customers at all its units and the same was well recognized and fetched the National Tourism Award 2008-09 to the Hotel Royal Orchid Central, Pune, by the Ministry of Tourism, Government of India. The Hotel also received the Golden Star Award, for excellence in food hospitality, service and food retailing, which is one of the highest honors in the hotel industry.

### 4. Discussion on financial performance with respect to operational performance

The Company earned Total Consolidated Revenue of Rs. 122.79 Crores for the year under review, which was 14% down as compared to previous year. The Gross Operating Profit stood at Rs. 28.82 Crores which was 24% of the Income from Operations, as compared to Rs. 45.96 Crores of the previous year, which was 33% of the Income from operations of the previous year. Due to the reduction in the revenue to the extent of Rs. 20.54 Crores and with an increase of Rs. 0.88 Crores of Interest and Rs. 1.28 Crores of Depreciation for the year 2009-10, the Net Profit after tax achieved was Rs. 6.97 Crores, as compared to Rs. 19.99 Crores, which was down by Rs. 13 Crores.

Despite the adverse economic conditions, the company has put in its best efforts during the year thereby reducing the impact of it to the operations and focused on the expansion plans and was successful in commencing the operations of two new hotels, one at Ahmedabad and another at Mumbai.

During the year, the Company has tied up the Term Loan requirements for the new Five Star Hotel Projects coming up in Hyderabad and Jaipur to the tune of Rs. 170 Crores with the Bankers. The construction activities at the Project sites are in advanced stages of completion and the hotels are likely to commence their commercial operations in the current financial year.

The Company is in the process of establishing its new Hotel at Powai, Mumbai with 260 rooms, under Joint Venture with Amartara Group. The Hotel is likely to commence its commercial operations by 2012. The Company has entered into agreements for managing the operations of new hotels at Shimoga, Hospet and Mussoorie under Royal Orchid Central brand and the hotels would commence their commercial operations in the current financial year.

### 5. Risks and Concerns

Royal Orchid Group of Hotels has grown immensely in the last few years despite the recessionary trends of market and striving to emerge as one of the larger hotel chains in the country.

The hotels of the Company are situated across the major markets in India giving it an advantage of adequately balanced representation. With the new hotels of the Company coming up in Hyderabad, Jaipur, Shimoga, Hospet, Mussoorie, Mumbai, Delhi and Shimla, the Group is poised for a substantial growth in near future. The Company is adopting multiple marketing strategies in a focused manner to achieve the desired revenues. With the supply of rooms likely to exceed the demand in certain markets, in order to beat the competition, the Company has established strictest quality norms in servicing the customers to win their appreciation and loyalty, by offering the products at the right pricing with the desired value addition. Timely completion of new hotel projects, which are under construction stage and are part financed by Debt funding through banks, are subject to various external risks beyond the control of the Company.

### 6. Internal Control Systems and adequacy

The internal control systems in the Company are adequate and commensurate with the size of the operations. The Company is engaging the services of an independent firm of Chartered Accountants for conducting internal audits on a monthly basis, on various functional areas under the guidance and reference of the Audit Committee of the Directors of the Company. The Audit Committee of Directors reviews the Quarterly Internal Audit Reports at every Audit Committee meetings and advises the management for corrective actions required, if any. The Audit Committee of Directors also independently holds periodical discussions with the Company's Statutory Auditors and decides on the scope of the Statutory and Internal Audits regularly.

### **7. Human Resources**

The Company continues to maintain a very cordial and healthy relationship with its work force across all its hotels. The total number of permanent employees on roll as at 31st March 2010 was 1384 nos. across all levels. The Company has already in place, a well documented, dynamic and result oriented performance appraisal and reward system which is administered by the Human Resources Department of the individual hotel units. The Company has also established a Trust under the name 'Hotel Royal Orchid Employees Welfare Trust' through which medical and educational assistance is offered to employees of certain categories. The Company continues to monitor the training and development needs of the employees closely and accordingly, the employees are put through the well structured training programmes at regular intervals.

### **Cautionary Statement**

As the Hotel industry's very nature of business is seasonal and also hugely dependent on the status of Tourism and business travelling activities, the 'forward looking statements' are to be understood in the right perspective. Any major change in the economy on the whole with particular effect on the Tourism industry in India would have an impact on the hotel industry's performance.





## CORPORATE GOVERNANCE

Your company subscribes fully to the basic principles of good corporate governance, the objective of which is to maximize the shareholder value and continues to ensure that the transparency, integrity and accountability of high order is maintained in all its transactions with the stakeholders both within and outside the Company, at all times.

Your company is firmly committed towards the best of Corporate Governance practices and adheres to the highest standards of corporate values and ethics, while in the process of achieving maximum value for all its stakeholders.

### 1. Company Philosophy on code of Governance.

The Board of Directors of the Company oversees the functions of the Management closely so that the interests of all the stakeholders of the Company are well protected. The Board ensures that the Company achieves its performances by offering the best quality services to all its stakeholders efficiently, with strict compliance of the statutes as applicable to the Industry, from time to time.

### 2. Board of Directors:

The Board consists of 5 Directors (one managing director, one whole time director and three non-executive independent directors). The Independent Directors take active part at the Board and Committee meetings, which adds value in the decision making process. More than two-thirds of the Board comprise of non-executive directors. As on 31st March, 2010, the composition of the Board is given herein below:

- Two Promoters, Executive, Non-Independent Directors
- Three Non-Executive, Independent Directors

### 3. Board Meeting:

During the year 2009-10, the Board met 5 times on 21.05.2009, 19.06.2009, 28.07.2009, 31.10.2009, 30.01.2010. The maximum time gap between any two meetings was not more than four calendar months.

The names and categories of directors, their attendance at the board meetings, number of Directorships and Committee memberships held by them in other companies are given hereunder:

Name	Category	Board Meeting attendance	AGM attendance	No. of other Directorship	No. of other Committee positions held	
					Member	Chairman
Mr. C.K. Baljee	Promoter–Managing Director	5	Yes	19	-	-
Mr. Sunil Sikka	Promoter–Whole Time Director	2	Yes	1	-	-
Mr. Naresh K. Malhotra	Independent Director	5	Yes	11	4	2
Mr. Jaithirth Rao	Independent Director	2	Yes	15	-	1
Mr. R. V. S. Rao	Independent Director	3	Yes	5	1	-

None of the Directors is a member in more than ten committees and acts as a chairman in more than five committees across all companies in which he is a director.

### 4. Details of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement.

Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be appointed / re-appointed is given as an Annexure.

### 5. Audit Committee

The Audit Committee presently consists of Mr. Naresh K. Malhotra, Mr. R. V. S. Rao and Mr. Jaithirth Rao, all Non Executive Independent Directors and is headed by Mr. Naresh K. Malhotra. The Statutory Auditors and the Internal Auditors are also invited to the meeting.

During the financial year 2009-10, the Audit Committee has met 5 times, i.e., 21.05.2009, 19.06.2009, 28.07.2009, 31.10.2009, 30.01.2010. During these meetings, the Committee, inter alias, reviewed the financial statements including changes in accounting policies and practices before submission to the Board, recommended the appointment of statutory and internal auditors including fixation of audit fee, discussed the internal auditors findings and reviewed the company's financial and risk management policies.

**The attendance details for the Committee meetings are as follows:**

Name	Designation	Attendance
Mr. Naresh K. Malhotra	Chairman of the Committee - Independent, Non-Executive Director	5
Mr. Jaithirth Rao	Independent, Non-Executive Director	2
Mr. R. V. S. Rao	Independent, Non-Executive Director	4

**6. Remuneration Committee**

The Remuneration Committee comprises of Mr. Jaithirth Rao, Mr. Naresh K. Malhotra and Mr. R. V. S. Rao, all Non-executive Independent Directors and is headed by Mr. Jaithirth Rao. No remuneration committee meeting was held during the financial year 2009-10.

**Details of remuneration paid to the Directors for the year 2009-10: (Rs. In Lacs)**

Sl. No.	Name of Director	Salary & Benefits	Commission
1.	Mr. Chander K Baljee	120.00	—
2.	Mr. Sunil Sikka	—	—
3.	Mr. Naresh K. Malhotra	—	—
4.	Mr. Jaithirth Rao	—	—
5.	Mr. R. V. S. Rao	—	—

**7. Investors' Grievances and Share Transfer Committee**

The Investors' Grievances & Share Transfer Committee comprises of Mr. R. V. S. Rao, Mr. Naresh K. Malhotra and Mr. C K. Baljee and is headed by Mr. R. V. S. Rao. The responsibilities of the Committee include ensuring the complaints of the shareholders are resolved. The Company has addressed all the complaints received during the year ended 31.03.2010 and none were pending as at 31.03.2010.

Mr. B Chandrasekaran, Company Secretary is the Compliance Officer of the Company and is the Secretary to all the above Committees.

**8. Code of Conduct**

The Company has a Code of Conduct for Prevention of Insider Trading in place, as prescribed by the Securities and Exchange Board of India. The Board monitors the implementation of the Code and takes on record the status reports detailing the dealings in securities by the Specified Persons.

The Board of Directors has already adopted the Code of Conduct for Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all Directors, Executives and members of the Senior Management.

A declaration signed by the Managing Director in this regard is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Ethics and Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2009-10.

C.K. Baljee  
Managing Director



## 9. General Body Meetings

### Annual General Meetings

Year	Date	Time	Venue	Special Resolutions passed
2006-07	08.08.2007	11.00 A.M.	Registered Office	1.Appointment of Mr. Keshav Baljee as Vice President 2.Modification of terms of ROHL Employees Stock Option Plan 2006
2007-08	28.07.2008	11.00 A.M.	Registered Office	1.Enhancement of Remuneration payable to the Managing Director 2.Appointment of Mr. Arjun Baljee as President 3.Enhancement of Remuneration payable to Mr. Keshav Baljee
2008-09	10.09.2009	11.00 A.M.	Registered Office	Nil

Note: During the year 2009-10, no Extraordinary General Meeting was held. No Special Resolutions were passed during the year through Postal Ballot.

## 10. Disclosures

There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company. There were no instances of non compliances nor have any penalties/ strictures been imposed by any stock exchange or SEBI or any statutory authority during the last three years on any matter related to the capital markets. The Company has in place a Whistle Blower Policy and has established a mechanism for employees at all levels to report to the management about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy and no personnel is denied access to the Audit Committee.

## 11. Means of Communication

Quarterly results

The Quarterly results of the company is published in news papers

Half yearly results

The half yearly results of the company is published in news papers

Any website where displayed:

<http://www.royalorchidhotels.com>  
Annual financial statements, Quarterly reports and the Shareholding pattern etc., of the company are also posted on the Company Website.

Whether website also displays official news Releases and the presentations made to Institutional investors or to the analysts

The financial results and official news releases are also displayed on the website of the company

Newspapers in which results are normally Published

The Financial Express & Vijay Karnataka

Whether Management Discussion and Analysis is a part of Annual Report

Yes

## GENERAL SHAREHOLDER INFORMATION

## 1. Annual General Meeting:

Date and Time: 24.09.2010 at 11:00 am  
 Venue: Hotel Royal Orchid  
 No. 1, Golf Avenue  
 Adjoining KGA Golf Course  
 Off Airport Road  
 Bangalore - 560 008

2. Book Closure Dates: 24.09.2010

## 3. Dividend:

The Board of Directors proposed not to recommend any Dividend for the financial year 2009-10.

## 4. Financial Calendar 2010-11

Financial Reporting  
 For the quarter ended 30.06.2010 : July 2010  
 For the quarter ending 30.09.2010 : October 2010  
 For the quarter ending 31.12.2010 : January 2011  
 For the quarter ending 31.03.2011 : May 2011

## 5. Listing of Equity Shares on:

National Stock Exchange of India Limited  
 Exchange Plaza, 5th Floor  
 Plot No. C/1, 5th Block  
 Bandra-Kurla Complex, Bandra (E)  
 Mumbai – 400 051

Bombay Stock Exchange Limited  
 P. J. Towers  
 Dalal Street, Fort  
 Mumbai – 400 001

## 6. Stock Code

National Stock Exchange of India Limited: ROHLTD  
 Bombay Stock Exchange Limited: 532699  
 ISIN Numbers in NSDL & CDSL: INE283H01019  
 Listing fees for and up to the year 2009-10 have been paid to both the above Stock Exchanges where shares are listed.

## 7. Market Price Data

The following is the data of high and low closing quotations of Equity Shares of the Company during April 2009 to March 2010. The Equity shares of the Company got listed with Stock Exchanges on 06.02.2006.

Month	National Stock Exchange (NSE)		Bombay Stock Exchange (BSE)	
	Month's High Price Rs.	Month's Low Price Rs.	Month's High Price Rs.	Month's Low Price Rs.
Apr-09	54.70	40.75	55.90	41.00
May-09	68.50	46.35	71.05	46.80
Jun-09	77.40	51.30	80.00	55.00
Jul-09	61.80	47.50	61.50	47.60
Aug-09	70.00	53.10	64.00	53.00
Sep-09	76.35	58.00	76.00	58.05
Oct-09	88.25	60.10	83.45	63.00
Nov-09	79.50	59.80	79.20	60.10
Dec-09	83.70	70.50	84.50	70.20
Jan-10	88.80	69.25	88.40	69.15
Feb-10	85.45	69.50	85.80	69.20
Mar-10	82.60	73.30	82.70	74.00



# **8. Share Transfer System**

About 99% of the equity shares are held in dematerialized form. The share certificates in physical form are generally processed and returned within 30 days from the date of receipt, if the share transfer documents are clear in all respects.

# **9. Secretarial Audit**

Secretarial Audit is being carried out every quarter by a Practicing Company Secretary and the Audit Report is placed before the Board for its perusal and filed regularly with the Stock Exchanges within the stipulated time.

# **10. a. Distribution of Shareholding as on 31st March 2010**

Category	No of shares held	% to Paid up capital
Promoters	1,89,33,282	69.52%
Mutual Funds & Banks	19,27,772	7.08%
Bodies Corporate	8,73,790	3.21%
Overseas Corporate Bodies	37,094	0.14%
Non-Resident Indians	2,06,680	0.76%
Resident Individuals	51,53,388	18.92%
Trust	78	0.00%
Clearing Members	1,01,881	0.37%
<b>Total</b>	<b>2,72,33,965</b>	<b>100%</b>

# **b. Distribution Schedule as at 31.03.2010**

No. of shares held	No. of shares	% of share capital	No. of shareholders	% of total No. of shareholders
Up to 500	23,83,452	8.75%	23,986	92.85%
501 to 1000	8,16,595	3.00%	1,000	3.87%
1001 to 2000	6,95,973	2.55%	460	1.78%
2001 to 3000	3,31,180	1.22%	133	0.52%
3001 to 4000	2,57,330	0.94%	72	0.28%
4001 to 5000	2,25,171	0.83%	48	0.19%
5001 to 10000	5,40,767	1.99%	73	0.28%
10001 and above	2,19,83,497	80.72%	60	0.23%
<b>TOTAL</b>	<b>2,72,33,965</b>	<b>100%</b>	<b>25,832</b>	<b>100%</b>

# **11. Dematerialisation of Shares & Facility of simultaneous transfer**

About 99% of the paid-up equity share capital of the Company has been dematerialized as on 31st March 2010. Trading in equity shares of the company is permitted only in dematerialized form as per notification issued by SEBI. Shareholders interested in dematerializing their shares are requested to write to the Registrar & Transfer Agent through their Depository Participants.

# **12. Unit Locations:**

- HOTEL ROYAL ORCHID  
No. 1, Golf Avenue, Adjoining KGA Golf Course  
Airport Road, Bangalore – 560 008
- ROYAL ORCHID CENTRAL  
No. 47/1, Manipal Centre, Dickenson Road,  
Bangalore – 560 042
- HOTEL RAMADA  
No. 11, Park Road, Shivajinagar  
Bangalore – 560 051
- ROYAL ORCHID RESORT  
Allasandra, Bellary Road, Yelahanka  
Near Jakkur Flying Club  
Bangalore – 560 065
- ROYAL ORCHID SUITES, BANGALORE  
Vaswani Pinnacle Annexe, Whitefield Main Road,  
Bangalore – 560 066

6. ROYAL ORCHID METROPOLE  
No: 5, Jhansi Lakshmibai Road  
Mysore – 570 005
7. ROYAL ORCHID BRINDAVAN GARDEN  
Brindavan Garden, Krishna Raja Sagar  
Mandya District, Mysore – 571 607
8. ROYAL ORCHID CENTRAL JAIPUR  
1-26, A/2, Jaisingh Highway, Bani Park,  
Jaipur 302 016
9. ROYAL ORCHID CENTRAL PUNE  
Mary Soft Annex,  
Software –cum-Commercial Complex  
Kalyani Nagar, Pune 411 01410.
10. ROYAL ORCHID GOLDEN SUITES, PUNE  
Golden Nest – B, Marigold Complex  
Kalyani Nagar, Pune 411 014
11. ROYAL ORCHID GALAXY RESORT, GOA  
Uttorda Beach, Salcette, South Goa
12. ROYAL ORCHID CENTRAL, AHMEDABAD  
Opp: Gujarat College, Ellisbridge,  
Ahmedabad 380 006
13. ROYAL ORCHID CENTRAL GRAZIA, NAVI MUMBAI  
Plot No. L-3, Sector 19, Vashi,  
Navi Mumbai – 400 703

**13. Registrar & Share Transfer Agent**

Alpha Systems Private Limited,  
30, Ramana Residency,  
4th Cross, Sampige Road,  
Malleswaram,  
Bangalore – 560003.  
Tel No.080 - 23460815 – 818  
Fax No.080 – 23460819  
Email ID: alfint@vsnl.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

**14. Address for Correspondence:**

B Chandrasekaran  
Company Secretary & Compliance Officer  
Royal Orchid Hotels Limited  
No. 1, Golf Avenue  
Adjoining KGA Golf Course  
Bangalore – 560 008  
Tel No.080 - 40612345  
Fax No.080 - 40612346  
Email ID: cosec@royalorchidhotels.com





## CERTIFICATE ON CORPORATE GOVERNANCE

### To the Members of Royal Orchid Hotels Limited

I have reviewed the compliance of conditions of corporate governance by **Royal Orchid Hotels Limited** ("the Company"), for the year ended on 31 March 2010, as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

In my opinion and to the best of my information and according to the explanations given to me and based on the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Bangalore.  
27.05.2010

G SHANKER PRASAD  
Practicing Company Secretary  
CP.No - 6450

## CERTIFICATE BY CFO

Pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, it is hereby certified that for the financial year ended 31st March 2010:

1. I have reviewed financial statements and the cash flow statement for the year and that to the best of my knowledge and belief, these statements:
  - (i) Do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) Together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
3. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, the deficiencies in the design or operation of such internal controls, if any, of which I was aware and the steps I have taken or proposed to take to rectify these deficiencies.
4. I have indicated to the Auditors and the Audit Committee:
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud, of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Bangalore  
Date : 27.05.2010

Dhiraj Jopat  
Chief Financial Officer

**Auditors' Report**

**To,  
The Members of Royal Orchid Hotels Limited**

1. We have audited the attached Balance Sheet of Royal Orchid Hotels Limited, (the 'Company') as at 31 March 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that :
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the Directors, as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
    - i. the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - ii. the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii. the Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandio & Co  
Chartered Accountants  
Firm Registration No. 001076N

per Aashish Arjun Singh  
Partner  
Membership No. 210122

Bengaluru  
27 May 2010



## Annexure to the Auditors' Report of even date to the members of Royal Orchid Hotels Limited, on the financial statements for the year ended 31 March 2010

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) There are eight wholly owned subsidiaries and two subsidiaries covered in the register maintained under Section 301 of the Act to which the Company has granted unsecured loans. The maximum amount outstanding during the year was Rs. 558,390,762 and the year-end balance was Rs 302,552,589.
- (b) In our opinion, the rate of interest and the interest free nature where applicable and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
- (c) The principal amounts, are repayable on demand and there is no repayment schedule, the payment of interest, where applicable, has been regular.
- (d) In respect of the said loans, the same are repayable on demand and there are no overdue amounts.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (v) (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of the services rendered by the company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to any bank during the year. The Company has no dues payable to financial institutions or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

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- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by subsidiary and joint ventures from banks are not, prima facie, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandio & Co  
Chartered Accountants  
Firm Registration No. 001076N

per Aashish Arjun Singh  
Partner  
Membership No. 210122

Bengaluru  
27 May 2010



# Balance sheet

	Schedule	31 March 2010 Rs.	31 March 2009 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	272,339,650	272,339,650
Reserves and surplus	2	1,716,536,299	1,633,718,747
Employee stock options outstanding account		1,227,795	985,360
		<b>1,990,103,744</b>	<b>1,907,043,757</b>
<b>LOAN FUNDS</b>			
Secured loans	3	1,378,544,534	618,880,491
		<b>1,378,544,534</b>	<b>618,880,491</b>
<b>DEFERRED TAX LIABILITY, NET</b>			
	4	52,500,000	54,000,000
<b>TOTAL</b>		<b>3,421,148,278</b>	<b>2,579,924,248</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	5		
Gross block		801,350,478	773,776,937
Less: Accumulated depreciation / amortisation		253,097,448	198,421,855
Net block		548,253,030	575,355,082
Capital work-in-progress (including capital advances)		837,564,332	437,657,565
		<b>1,385,817,362</b>	<b>1,013,012,647</b>
<b>INVESTMENTS</b>			
	6	1,108,612,977	864,702,456
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	8,736,189	10,733,932
Sundry debtors	8	48,836,206	60,944,060
Unbilled revenues		6,899,939	7,620,321
Cash and bank balances	9	443,955,037	227,159,339
Loans and advances	10	569,652,597	571,510,827
		<b>1,078,079,968</b>	<b>877,968,479</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	11	136,915,544	115,249,720
Provisions	12	14,446,485	60,509,614
		<b>151,362,029</b>	<b>175,759,334</b>
<b>NET CURRENT ASSETS</b>		<b>926,717,939</b>	<b>702,209,145</b>
<b>TOTAL</b>		<b>3,421,148,278</b>	<b>2,579,924,248</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	20		

The schedules referred to above form an integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For Walker, Chandio & Co  
Chartered Accountants

For and on behalf of the Board of Directors

per Aashish Arjun Singh  
Partner

Chander K. Baljee  
Managing Director

Naresh K. Malhotra  
Director

Dhiraj Jopat  
Chief Financial Officer

B Chandrasekaran  
Company Secretary

Bengaluru  
27 May 2010

Bengaluru  
27 May 2010

## Profit and loss account

	Schedule	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>INCOME</b>			
Operating income	13	778,315,968	943,172,538
Other income	14	11,446,381	21,900,921
		<b>789,762,349</b>	<b>965,073,459</b>
<b>EXPENDITURE</b>			
Food and beverages consumed	15	86,025,162	84,169,657
Employee costs	16	154,795,082	144,122,876
Other operating expenses	17	204,981,356	221,255,538
Selling, general and administrative expenses	18	150,444,175	191,703,941
Finance charges	19	24,123,864	16,480,773
Depreciation/amortisation	5	56,075,158	56,988,124
		<b>676,444,797</b>	<b>714,720,909</b>
<b>PROFIT BEFORE TAX AND PRIOR PERIOD ITEMS</b>		113,317,552	250,352,550
Prior period income (Refer note 6 in Schedule 20)		-	11,137,847
<b>PROFIT BEFORE TAX AND AFTER PRIOR PERIOD ITEMS</b>		<b>113,317,552</b>	<b>261,490,397</b>
Tax expense			
- Current		32,000,000	50,000,000
- Fringe Benefit tax		-	1,800,000
- Prior years taxes		-	2,784,462
- Deferred tax charge / (credit)		(1,500,000)	14,000,000
<b>PROFIT AFTER TAX AND PRIOR PERIOD ITEMS</b>		<b>82,817,552</b>	<b>192,905,935</b>
Balance brought forward from the previous year		406,440,773	270,973,702
<b>Balance available for appropriation</b>		<b>489,258,325</b>	<b>463,879,637</b>
<b>APPROPRIATIONS</b>			
Proposed dividend		-	(40,850,948)
Tax on distribution of dividend		-	(6,942,619)
Transfer to general reserve		-	(9,645,297)
<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<b>489,258,325</b>	<b>406,440,773</b>
Basic and diluted Earnings per share (Par value – Rs.10) (Refer note 3 in Schedule 20)		3.04	7.08

### NOTES TO THE FINANCIAL STATEMENTS

20

The schedules referred to above form an integral part of the financial statements.

This is the Profit & Loss account  
referred to in our report of even date.

For Walker, Chandio & Co  
Chartered Accountants

For and on behalf of the Board of Directors

per Aashish Arjun Singh  
Partner

Chander K. Baljee  
Managing Director

Naresh K. Malhotra  
Director

Dhiraj Jopat  
Chief Financial Officer

B Chandrasekaran  
Company Secretary

Bengaluru  
27 May 2010

Bengaluru  
27 May 2010





## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
30,000,000 ( 31 March 2009 – 30,000,000) Equity Shares of Rs. 10 each	300,000,000	300,000,000
<b>Issued, subscribed and paid up</b>		
27,233,965 (31 March 2009 – 27,233,965) equity shares of Rs. 10, each fully paid up	272,339,650	272,339,650
	<b>272,339,650</b>	<b>272,339,650</b>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium</b>	1,130,684,095	1,130,684,095
<b>Foreign Exchange Earnings Reserve</b>	1,100,000	1,100,000
<b>General Reserve</b>		
Balance at the beginning of the year	95,493,879	85,848,582
Add : Transfer from Profit and Loss account during the year	-	9,645,297
Balance at the end of the year	95,493,879	95,493,879
<b>Profit and Loss Account</b>		
Balance at the beginning of the year	406,440,773	270,973,702
Add : Net profit for the year	82,817,552	192,905,935
	489,258,325	463,879,637
Less: Proposed dividend	-	40,850,948
Less : Tax on distribution of dividend	-	6,942,619
Less: Transfer to general reserve	-	9,645,297
Balance at the end of the year	489,258,325	406,440,773
	<b>1,716,536,299</b>	<b>1,633,718,747</b>

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## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>From banks</b>		
Term loans	874,654,352	113,650,992
Short term corporate loan	500,000,000	500,000,000
Vehicle loans	3,890,182	4,024,749
<b>From others</b>		
Vehicle loans	-	1,204,750
	<b>1,378,544,534</b>	<b>618,880,491</b>

**Note:**

- a) In December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for Rs 300 million which is fully drawn. This loan is secured by way of an equitable mortgage of the building and lease hold rights of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company.

Additionally, this borrowing has also been backed by the personal guarantees of Mr Chander K. Baljee, the Managing Director and Mrs. Sunita Baljee and a corporate guarantee from Baljee Hotels and Real Estate Private Limited. This loan is repayable in 24 quarterly installments of Rs 12.5 million each, commencing from 31 December 2005. The balance outstanding as at 31 March 2010 - Rs.62.65 million (31 March 2009: Rs. 113.65 million).

- b) In January 2008, the Company was sanctioned a short term corporate loan ('corporate loan') from the bank for Rs.500 million which has been renewed for a period of one year. The credit facility is secured by way of an equitable mortgage of lease hold property of Hotel Royal Orchid and an equitable charge on all present and future fixed assets of the Company.

Additionally, the corporate loan has also been backed by the personal guarantees of Mr. Chander K. Baljee, the Managing Director and a corporate guarantee from Baljee Hotels & Real Estate Private Limited. The balance outstanding as at 31 March 2010 - Rs.500 million (31 March 2009: Rs. 500 million).

- c) In March 2010, the Company was sanctioned a Rupee Term Loan of Rs. 400 million, for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank Limited. The loan is repayable in 20 quarterly instalments. The loan is secured by a first Paripassu charge on equitable mortgage of Leasehold property of Hotel Royal Orchid. Additionally the loan is backed by the Corporate Guarantee of Baljee Hotels & Real Estates Private Limited and the personal guarantees of Mr. Chander K Baljee, the Managing Director of the Company. The balance outstanding as at 31 March 2010 - Rs.400 million.

- d) In April 2009, the Company was sanctioned a consortium term loan from State Bank of India, State Bank of Hyderabad and State Bank of Mysore for Rs. 1,000 million to finance the hotel project at Hyderabad. The loan is secured by an exclusive first charge on moveable and immovable properties of the Hyderabad project. Additionally, personal guarantee of Mr. C K Baljee, Managing Director has been provided. The balance outstanding as at 31 March 2010 - Rs. 275 million.

- e) In April 2009, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from State Bank of Hyderabad amounting to Rs. 194.50 million from which the Company has drawn down Rs. 164.50 million. This loan is secured by extending its equitable mortgage of the building of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company. The balance outstanding as at 31 March 2010 - Rs. 137 million.

- f) Vehicle loans are secured by the hypothecation of the vehicles concerned.

Principal amounts due in one year are as follows:

Term loan	207,273,000	50,000,000
Short term corporate loan*	500,000,000	-
Other loans	2,543,254	2,323,287
	<b>709,816,254</b>	<b>52,323,287</b>

\* The short term corporate loan of Rs. 500 million has been repaid on 4 April 2010



## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 4</b>		
<b>DEFERRED TAX LIABILITY, NET</b>		
Deferred tax liability arising on account of :		
Depreciation	56,536,140	57,619,084
Less: deferred tax asset arising on account of		
Employee benefits	3,771,938	3,340,304
Provision for doubtful debts	264,202	278,780
	<b>52,500,000</b>	<b>54,000,000</b>

The Company is eligible for a deduction of 30 percent of its profits from the Hotel Royal Orchid, Bangalore; being a new industrial undertaking as defined under Section 80IB of the Income-tax Act, 1961. This benefit was utilised for a period of ten consecutive years ending on 31 March 2010.

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## Schedules forming part of the financial statements

### Schedule 5 FIXED ASSETS

Amount in Rs.

Category of assets	Gross block			Accumulated Depreciation/Amortization			Net block	
	As at 1 April 2009	Additions during the year	Deletions during the year	As at 31 March 2010	Charge for the year	Deletions during the year	As at 31 March 2010	As at 31 March 2009
<b>Tangible assets</b>								
Freehold land *	2,430,000	-	-	2,430,000	-	-	2,430,000	2,430,000
Leasehold buildings (including improvements)	303,625,707	23,582,566	-	327,208,273	13,674,533	-	269,887,815	259,979,782
Plant and machinery	190,855,286	2,135,951	440,067	192,551,170	11,170,034	54,771	143,571,756	152,991,135
Furniture and fixtures	196,295,770	1,034,601	-	197,330,371	20,913,108	-	90,271,514	110,150,021
Computers and related equipment	16,432,898	906,179	87,028	17,252,049	2,239,832	31,949	7,941,685	9,330,417
Office equipments	14,047,876	2,463,673	24,908	16,486,641	783,817	2,458	10,767,348	9,109,942
Vehicles	45,534,948	1,048,920	3,046,346	43,537,522	6,382,944	1,310,387	22,472,021	29,542,004
<b>Intangible assets</b>								
Goodwill	4,554,452	-	-	4,554,452	910,890	-	910,891	1,821,781
<b>Total</b>	<b>773,776,937</b>	<b>31,171,890</b>	<b>3,598,349</b>	<b>801,350,478</b>	<b>56,075,158</b>	<b>1,399,565</b>	<b>548,253,030</b>	<b>575,355,082</b>
<b>Prior Year</b>	<b>681,598,763</b>	<b>93,525,897</b>	<b>1,347,723</b>	<b>773,776,937</b>	<b>56,988,124</b>	<b>521,418</b>	<b>198,421,855</b>	<b>575,355,082</b>

#### Note:

\* Freehold land represents the Company's share of land jointly owned with its subsidiary, Royal Orchid Jaipur Private Limited.



## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (LONG TERM, UNQUOTED, AT COST)</b>		
<b>Investment in Government Securities</b>	225,000	225,000
<b>Investment in Subsidiaries (trade, unquoted and fully paid up)</b>		
Icon Hospitality Private Limited (95,889 (31 March 2009 – 95,889) Equity Shares of Rs.100 each)	192,032,412	192,032,412
Maruti Comforts and Inn Private Limited (209,100 (31 March 2009 - 209,100) Equity Shares of Rs.100 each)	58,849,000	58,849,000
Royal Orchid Hyderabad Private Limited ( 1,760,200 (31 March 2009 - 1,760,200) Equity Shares of Rs.10 each)	17,602,000	17,602,000
Royal Orchid Jaipur Private Limited (1,650,000 (31 March 2009 – 1,650,000) Equity Shares of Rs 10 each)	16,500,000	16,500,000
AB Holdings Private Limited (250,000 (31 March 2009 – 250,000) Equity Shares of Rs 10 each)	2,500,000	2,500,000
Royal Orchid South Private Limited (900,000 (31 March 2009 – 900,000) Equity Shares of Rs 10 each)	9,000,000	9,000,000
Multi Hotels Limited (30 (31 March 2009 – 30) Equity Shares of Tanzanian Shillings 1,000 each)	74,060,100	74,060,100
Royal Orchid Shimla Private Limited (5,000 (31 March 2009 – 5000) Equity Shares of Rs 100 each)	500,000	500,000
Royal Orchid Goa Private Limited (5,000 (31 March 2009 – 5000) Equity Shares of Rs 100 each)	500,000	500,000
Royal Orchid Maharashtra Private Limited (5,000 (31 March 2009 – 5000) Equity Shares of Rs 100 each)	500,000	500,000
Royal Orchid Mumbai Private Limited (5,000 (31 March 2009 – NIL) Equity Shares of Rs 100 each)	500,000	-
Royal Orchid Ahmedabad Private Limited ( <i>Formerly known as Satkar Realities Private Limited</i> )* (1,510,000 (31 March 2009 - Nil) Equity Shares of Rs 10 each)	128,900,000	-
Amar Tara Hospitality Private Limited (18,040,000 (31 March 2009 - NIL) Equity Shares of Rs 10 each)	180,400,000	-
<b>Investment in Joint ventures (trade, unquoted and fully paid up)</b>		
Rajkamal Buildcon Private Limited (5,000 (31 March 2009 – 5,000) Equity Shares of Rs 10 each)	52,820,000	52,820,000
Ksheer Sagar Buildcon Private Limited (5,000 (31 March 2009 – 5,000) Equity Shares of Rs 10 each)	52,820,000	52,820,000
J H Builders Private Limited (5,000 (31 March 2009 – 5,000) Equity Shares of Rs 10 each)	52,820,000	52,820,000
Ksheer Sagar Developers Private Limited (5,000 (31 March 2009 – 5,000) Equity Shares of Rs 10 each)	52,820,000	52,820,000
Cosmos Premises Private Limited (202,381 (31 March 2009 – 202,381) Equity Shares of Rs 10 each)	170,000,040	170,000,040
<b>Share application money pending allotment</b>		
Rajkamal Buildcon Private Limited	1,117,162	1,117,162
Ksheer Sagar Buildcon Private Limited	1,115,640	1,115,640
J H Builders Private Limited	1,165,683	1,165,683
Ksheer Sagar Developers Private Limited	41,640,940	38,930,419
<b>Investment in Associates (trade, unquoted and fully paid up)</b>		
Royal Orchid Ahmedabad Private Limited ( <i>Formerly known as Satkar Realities Private Limited</i> )* (Nil (31 March 2009 - 392,599) Equity Shares of Rs 10 each)	-	68,600,000
Parsvnath Royal Orchid Hotels Limited (22,500 (31 March 2009 – 22,500) Equity Shares of Rs 10 each)	225,000	225,000
	<b>1,108,612,977</b>	<b>864,702,456</b>

**Note:**

The Company acquired the entire share capital of Royal Orchid Ahmedabad Private Limited (*Formerly known as Satkar Realities Private Limited*) on 12 December 2009. Hence it became a subsidiary of the Company during the year ended 31 March 2010.

## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
Food and beverages	6,171,828	8,489,970
Stores and spare parts	2,564,361	2,243,962
	<b>8,736,189</b>	<b>10,733,932</b>

**SCHEDULE 8**  
**SUNDRY DEBTORS**  
(Unsecured)

Debts outstanding for a period exceeding six months		
-considered good	8,335,523	-
-considered doubtful	1,625,720	1,171,688
	9,961,243	1,171,688
Other debts		
-considered good	40,500,683	60,944,060
	50,461,926	62,115,748
Less: Provision for doubtful debts	1,625,720	1,171,688
	<b>48,836,206</b>	<b>60,944,060</b>

**Note:**

The above debtors include dues from Companies under the same management

Icon Hospitality Private Limited	8,335,523	3,795,990
Maruti Comforts and Inn Private Limited	-	14,515,587
Cosmos Premises Private Limited	326,652	4,213,500

**Maximum amounts outstanding during the year**

Icon Hospitality Private Limited	8,335,523	9,566,221
Maruti Comforts and Inn Private Limited	15,060,149	15,060,149
Cosmos Premises Private Limited	4,213,500	4,213,500

**SCHEDULE 9**  
**CASH & BANK BALANCES**

Cash balances on hand	1,793,649	1,964,296
Bank balances with scheduled banks:		
- In current accounts	437,950,324	46,029,442
- In exchange earners foreign currency accounts	-	77,205
- In deposit account	3,979,724	171,873,320
- In margin money	231,340	7,215,076
	<b>443,955,037</b>	<b>227,159,339</b>

**Note:**

Margin money represents deposits placed with banks as security against guarantee issued by the bank in favour of Department of Customs for imports at concessional duty rates under various Export Promotion Capital Goods ('EPCG') licenses.





## Schedules forming part of the financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or kind, or for value to be received		
- Prepaid expenses	11,651,689	4,499,165
- Advances to suppliers	3,725,304	2,692,715
- Project advances	9,381,407	73,707,844
- Other advances	5,321,428	5,846,829
- Dues from employees	1,213,366	6,271,534
- Dues from directors (refer Note 9 Schedule 20)	9,600,000	-
Loans to subsidiaries (refer Note 8 Schedule 20)	302,552,589	188,696,811
Loans to associates	-	34,300,000
Advance tax (net of provisions)	27,035,973	44,487,505
Interest accrued but not due on fixed deposit with bank	14,503	625,365
Security deposits	199,156,338	210,383,059

<b>569,652,597</b>	<b>571,510,827</b>
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### SCHEDULE 11 LIABILITIES

Sundry creditors		
- total outstanding dues to micro enterprises and small enterprises (a)		
- total outstanding dues to creditors other than micro enterprises and small enterprises	42,161,257	38,106,210
Accrued expenses	44,575,523	28,774,465
Dues to employees	19,016,280	15,919,870
Duties, taxes and other statutory dues payable	13,286,125	15,054,718
Security deposit received (b)	3,067,170	3,002,315
Dues to directors	-	5,510,222
Dues to Companies under the same management	4,338,514	750,376
Unclaimed dividend (c)	1,206,888	1,010,802
Other liabilities	9,263,787	7,120,742

<b>136,915,544</b>	<b>115,249,720</b>
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#### Note:

- Based on the information available with the Company, there are no outstanding dues in respect of Micro, Small and Medium enterprises at the Balance Sheet date. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
- Security deposit includes Rs 3,000,000 (31 March 2009 – Rs 3,000,000) received from an entity under the same management for premises space provided to them for no charge. This amount is repayable on vacation of the aforesaid premises.
- Not due for credit to Investor Education & Protection Fund.

### SCHEDULE 12 PROVISIONS

Gratuity	6,359,518	5,092,026
Leave encashment	8,086,967	7,624,021
Proposed dividend	-	40,850,948
Tax on proposed dividend	-	6,942,619

<b>14,446,485</b>	<b>60,509,614</b>
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## Schedules forming part of the financial statements

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>SCHEDULE 13</b>		
<b>OPERATING INCOME</b>		
Room revenues	490,706,456	631,624,209
Food and beverages	254,914,284	250,508,474
Management & technical fees	13,442,869	41,357,337
Other service charges	19,252,359	19,682,518
	<b>778,315,968</b>	<b>943,172,538</b>
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest income [Gross of tax deducted at source - Rs. 745,520 (2009 – Rs. 1,414,299)]		
From banks	1,122,307	7,085,604
From subsidiaries	2,084,548	2,581,025
From associate	1,924,559	2,465,693
Provision no longer required written back	137,192	479,356
Gain on foreign exchange fluctuation, net	-	1,808,977
Miscellaneous income	6,177,775	7,480,266
	<b>11,446,381</b>	<b>21,900,921</b>
<b>SCHEDULE 15</b>		
<b>FOOD AND BEVERAGES CONSUMED</b>		
Opening stock	8,489,970	7,690,734
Add: Purchases during the year	83,707,020	84,968,893
	92,196,990	92,659,627
Less: Closing stock	6,171,828	8,489,970
<b>Consumption for the year</b>	<b>86,025,162</b>	<b>84,169,657</b>
<b>Note:</b>		
Consumption above is net of Rs. 5,926,339 for the year ended 31 March 2010 (31 March 2009 – Rs 5,283,743), representing amounts utilised for internal consumption which has been classified under staff welfare.		
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, wages and bonus	131,141,995	117,749,597
Contribution to provident fund	4,592,039	5,158,077
Staff welfare	16,989,769	18,263,306
Employee stock based compensation expense	242,435	386,464
Gratuity	1,828,844	2,565,432
	<b>154,795,082</b>	<b>144,122,876</b>



## Schedules forming part of the financial statements

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>SCHEDULE 17</b>		
<b>OTHER OPERATING EXPENSES</b>		
Linen and room supplies	12,199,837	21,426,209
Catering and other kitchen supplies	8,624,900	10,467,888
Laundry & washing expenses	6,510,553	7,650,329
Power and fuel	53,688,720	55,678,652
Water	3,982,930	4,475,707
Lease rent for hotel properties	73,952,556	74,913,666
Hire charges	5,943,047	6,160,050
Guest transportation expenses	4,257,955	5,253,763
Management fees	415,405	297,223
Repairs and maintenance		
- Leasehold buildings	8,132,555	22,881,757
- Machinery	7,400,696	2,391,962
- Others	6,652,211	4,472,229
Other miscellaneous expenses	13,219,991	5,186,103
	<b>204,981,356</b>	<b>221,255,538</b>

## **SCHEDULE 18** **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Advertisement and business promotion	24,326,040	34,077,304
Commission, brokerage and discount	19,063,019	25,641,515
Legal and professional charges	16,707,994	23,917,540
Rates and taxes	16,242,259	16,768,354
Rent	12,078,982	14,651,589
Communication expenses	9,985,441	10,039,738
Director's remuneration	2,400,000	12,000,000
Director's commission	-	5,553,518
Printing and stationery	5,531,559	6,021,329
Travelling and conveyance	12,295,421	10,388,736
Security charges	6,232,071	6,915,926
Audit fees	1,500,000	1,480,005
Provision for doubtful debts	621,187	552,013
Insurance	3,295,138	4,219,966
Music and entertainment charges	1,627,338	2,146,497
Loss on sale of fixed assets	690,126	177,561
Miscellaneous expenses	17,847,600	17,152,350
	<b>150,444,175</b>	<b>191,703,941</b>

## **SCHEDULE 19** **FINANCE CHARGES**

Interest on term loan	91,005,747	39,667,227
Less: Interest capitalised	68,100,878	24,471,410
	22,904,869	15,195,817
Interest on vehicle loan	680,949	470,507
Bank charges	538,046	814,449
	<b>24,123,864</b>	<b>16,480,773</b>

## SCHEDULE - 20

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Background

Royal Orchid Hotels Limited ('the Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997. The Company currently operates five hotel properties - Royal Orchid Hotel, Bangalore, Ramada, Bangalore, Royal Orchid Metropole, Royal Orchid Brindavan Gardens and Royal Orchid Central, Pune. Additionally the Company has also entered into an agreement to manage and operate hotels for Royal Orchid Golden Suites, Pune and Royal Orchid Golden Suites, Bangalore.

#### 2. Significant accounting policies

##### a. Basis of preparation

The financial statements have been prepared and presented on an accrual basis under the historical cost convention and in accordance with the applicable accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied unless otherwise stated.

##### b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provision for bad and doubtful debts and accruals for employee benefits.

##### c. Revenue recognition

Revenues comprise income from the sale of room nights, food and beverages and allied services during a guest's stay at the hotel. Room revenue is recognized based on occupation and revenue from sale of food and beverages and other allied services, as the services are rendered.

Unbilled revenues represent revenues recognised which have not been billed to the customers at the balance sheet date and are billed subsequently.

Income from management and technical services are recognised as the services are rendered based on agreements with the concerned parties.

##### Interest Income

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

##### d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation / amortisation and impairment losses. All costs relating to acquisition and installation of fixed assets are capitalised.

Advances paid towards acquisition of fixed assets before the financial year-end and the cost of the fixed assets not ready for their intended use, are disclosed as capital work-in-progress.

Expenditure directly relating to expansion is capitalized only if it increases the life or functionality of an asset beyond its original standard of performance.

##### e. Borrowing Costs

Borrowings costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets for the period up to the completion of their acquisition or construction. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.



*f. Depreciation*

Depreciation on fixed assets is provided on the Straight Line method, using the higher of rates specified in Schedule XIV to the Companies Act, 1956 or the management estimates of the economic useful lives of such assets. These rates are specified below:

<b>Asset category</b>	<b>Rates of depreciation used (%)</b>
Plant and machinery	4.75 -20
Furniture and fixtures	9.50 – 20
Computers and related equipment	16.21
Office equipment	4.75
Vehicles	9.50-16.21

Assets individually costing less than Rs 5,000 are fully depreciated in the year of purchase. Leasehold buildings (including improvements) are amortized over the period of the lease.

*g. Goodwill*

Goodwill on acquisition of the business of entities is amortised over a period of five years.

*h. Impairment of assets*

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

*i. Investments*

Long term investments are valued at cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried at the lower of cost and fair value.

*j. Inventory*

Inventory comprises stock of food and beverages and stores and spare parts and is carried at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the goods to their present location and condition and is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

*k. Foreign currency transactions*

*(a) Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

*(b) Conversion*

Foreign currency monetary items are reported using the closing rate. The resultant exchange differences are recognised in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### *l. Leases*

For hotel properties i.e. land and buildings, taken on lease along with related assets as a part of a combined lease arrangement, the Company determines whether these assets acquired are integral to the land and building. If these assets are integral, the Company analyses the nature of the lease arrangement on a combined basis for all assets. If the assets are not integral to the land and building, the Company evaluates each asset individually, to determine the nature of the lease.

#### *Finance leases*

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

#### *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis.

### *m. Retirement benefits*

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.

#### *Provident fund*

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

#### *Gratuity*

Gratuity is a post employment benefit and is a defined benefit plan. The liability recognised in the balance sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and loss account in the year in which such gains or losses arises.

#### *Leave encashment*

Liability in respect of leave becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

### *n. Stock based compensation*

The Company accounts for stock based compensation based on the intrinsic value method. Option discount representing the excess of the fair value or the market value of the underlying shares at the date of the grant over the exercise price of the option is amortised on a straight line basis over the vesting period of the shares issued under the Company's Employee Stock Option Plan (ESOP).

### *o. Taxes on income*

#### *Current tax*

Provision is made for income tax under the tax payable method, based on the liability computed, after taking credit for allowances and exemptions



## Deferred tax

Deferred tax charge or credit reflects the tax effect of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

### *p. Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### *q. Provisions and contingent liabilities*

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### *r. Onerous contracts*

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## 3. Earnings per share ('EPS')

	Year ended 31 March 2010	Year ended 31 March 2009
Weighted average number of shares outstanding during the year	27,233,965	27,233,965
	(Rs)	(Rs)
Net profit after tax attributable to equity shareholders	82,817,552	192,905,935
Basic and diluted earnings per share	3.04	7.08
Nominal value per equity share	10	10



#### 4. Investment in joint ventures

Information as required by Accounting Standard – 27 – “Financial Reporting of Interest in Joint Ventures”.

The Company's share in the assets, liabilities, income and expenditure of its Joint Ventures in India under jointly controlled operations is as follows:

Amounts in Rs.

	Ksheer Sagar Buildcon Private Limited		Ksheer Sagar Developers Private Limited		Raj Kamal Buildcon Private Limited		J.H.Builders Private Limited		Cosmos Premises Private Limited	
	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
Equity interest	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Fixed Assets	52,752,698	53,455,521	145,522,585	85,030,095	52,752,698	53,270,355	52,752,753	53,270,409	92,730,382	79,159,097
Current assets, loans and advances	6,451	6,551	21,525,239	8,364,498	6,370	6,470	38,746	38,846	22,859,652	8,376,345
Secured Loan	-	-	70,000,000	-	-	-	-	-	34,284,273	12,178,136
Unsecured loans	-	-	-	-	-	-	-	1,168,829	3,155,490	2,800,000
Current liabilities and provisions	686,682	678,740	4,485,816	2,806,077	686,682	678,740	670,779	662,838	12,010,455	7,294,309
Income	-	-	-	354,634	-	-	-	-	33,768,594	21,709,557
Expenses	-	36,262	809	940,647	-	36,262	-	36,262	32,891,779	21,835,040



## 5. Leases

### *Operating leases*

The key operating lease arrangements entered into by the Company are summarised below:

#### *Hotel Royal Orchid*

The Company has entered into various non-cancellable tri-partite agreements along with its Managing Director and the Karnataka State Tourism Development Corporation ('KSTDC') to lease lands on which the hotel premises has been constructed and adjacent areas. The primary lease periods for these agreements is 30 years and are further extendable by a period between 10 to 30 years at the option of the Company and carry an escalation provision for the increase in annual rent by 15 % every 10 years thereafter.

Additionally, the Company has also entered into an agreement with its managing director for the use of his 50 % interest in the leased lands with the value of this consideration being determined at Rs 60 million, payable as an interest free security deposit repayable on the termination of the lease with KSTDC. This consideration could be discharged either in cash or through the issue of equity shares of the Company. The Company discharged this consideration through the allotment of 6 million equity shares at par through July 1999. (Refer Schedule 1 and Schedule 10).

#### *Ramada (formerly Royal Orchid Harsha)*

Effective July 2002, the Company entered into a tri-partite agreement with Hotel Stay Longer Private Limited and Baljee Hotels and Real Estates Private Limited, companies under the same management, to lease the hotel premises and related assets at Ramada. This agreement was for an initial period of 11 months, renewable at the option of the Company and it has deposited an interest-free security deposit of Rs 10 million with Baljee Hotels and Real Estate Private Limited which is repayable on the termination of the lease agreement.

This agreement has been revised effective 1 August 2008 for a period of eleven months with an option to renew for a further 3 terms of 11 months each. As per the agreement, the Company is required to make annual payments at a specified percentage of the gross room revenues or a minimum committed amount, whichever is higher. This lease charge is paid to Hotel Stay Longer Private Limited and Baljee Hotels and Real Estate Private Limited at a pre-determined ratio.

#### *Royal Orchid Metropole*

In May 2004, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Royal Orchid Metropole at Mysore for a non-cancellable period of 15 years. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share of the annual revenues in excess of a specified limit.

#### *Royal Orchid Brindavan*

In March 2006, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Hotel Krishna Raja Sagar at Mysore for a non-cancellable period of 15 years commencing from the readiness date. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share of the annual revenues in excess of a specified limit.

#### *Royal Orchid Central, Pune*

In July 2006, the Company entered into an agreement for the use of land and building representing the hotel property for a non-cancellable lease period of 5 years. The lease term for the said property is 10 years and extendable by another 10 years subject to conditions as per the agreement.

As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at an interval of every 3 years or increasing percentage of Net Room Revenue (NRR) whichever is higher.

#### *Corporate Office*

The Company has entered into a lease agreement for the corporate office premises and related assets. The agreement is for an initial period of 36 months, renewable at the option of the lessor's and the Company. As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at an interval of every 3 years.

*Lease expenses*

The lease expense for cancellable and non-cancellable operating leases during the year ended 31 March 2010 was Rs. 86,031,538 (31 March 2009 – Rs. 89,565,255).

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

	31 March 2010 Rs.	31 March 2009 Rs.
<b>Payments falling due:</b>		
Within 1 year	56,477,322	52,276,229
Later than one year but not later than five years	143,105,790	172,291,252
Later than 5 years	172,822,474	205,364,334
<b>TOTAL</b>	<b>372,405,586</b>	<b>429,931,815</b>

**6. Prior Period Income**

The Company has recorded interest income in the previous year amounting to Rs. 11,137,847 on account of an omission in the prior years. The consequent tax liability of Rs. Nil (2009 – Rs. 2,784,462) arising due to this omission has also been provided for in the financial statements.

**7. Commitments and contingencies***a) Litigation*

- i) The Company has been named as a defendant in two civil suits filed restraining the Company from using certain parts of land taken on lease from the KSTDC for the operation of the Royal Orchid Hotel, which are adjacent to the hotel premises. Consequently, these lands are currently not being utilised by the Company. These cases are pending with the Civil Courts and scheduled for hearings shortly. Management believes that these cases will be settled in its favour and will not adversely affect its operations.
- ii) During the year ended 31 March 2008, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction and assigned to its subsidiary Royal Orchid Hyderabad Private Limited. The Company had injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. During the year the matter was referred to the Arbitrator and subsequent to the year ended 31 March 2010 the Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor.



b) *Guarantees*

During the year the Company has given guarantees to banks for loans sanctioned to subsidiary and joint ventures amounting to Rs. 1,100,000,000 (31 March 2009- Nil). The loans availed and outstanding as at 31 March 2010 - Rs 397,404,965 (31 March 2009 – Nil)

c) *Capital commitments*

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs 296,286,302 (31 March 2009 – Rs 773,682,208)

d) *Export obligation*

The Company has received various Export Promotion Capital Goods ('EPCG') licenses which entitles it to import capital goods at a concessional rate of duty. Against these imports the Company has an export obligation equal to eight times the duty amount saved. The Company's export turnover till date is in excess of this obligation.

**8. Information pursuant to Clause 32 of the listing agreements with stock exchanges**

Disclosures of amounts at the year end and the maximum amount of loans outstanding during the year:

Loans and advances in the nature of loans to subsidiaries	Amount in Rs.			
	As at 31 March 2010	Maximum balance outstanding during the year ended 31 March 2010	As at 31 March 2009	Maximum balance outstanding during the year ended 31 March 2009
Royal Orchid Jaipur Private Limited*	26,651,016	27,290,304	27,290,304	48,804,919
Icon Hospitality Private Limited	12,671,875	12,671,875	-	-
A B Holdings Private Limited*	86,179,903	94,152,885	94,152,885	94,152,885
Maruti Comforts and Inn Private Limited	12,426,678	34,555,238	34,555,238	34,555,238
Royal Orchid South Private limited*	1,062,730	1,062,730	962,730	962,730
Royal Orchid Hyderabad Private Ltd*	657,194	670,100	670,100	670,100
Multihotels Limited*	11,344,583	11,344,583	10,361,036	10,361,036
Royal Orchid Maharashtra Private Limited*	22,993,860	22,993,860	20,593,860	20,593,860
Royal Orchid East Private Limited*	1,280,313	1,280,313	110,658	110,658
Royal Orchid Ahmedabad Private Limited (formerly known as Satkar Realities Private Limited) **	127,284,437	352,368,874	34,300,000	34,300,000

The above loan amounts are repayable on demand.

\* The loans are provided interest free to wholly owned subsidiaries of the Company.

\*\* This entity was an associate until 12 December 2009 and the loan carried interest until that date. Subsequently the entity has become a wholly owned subsidiary and no interest has been charged on the loan.

## 9. Related party transactions

### i. Parties where control exists includes:

<b>Name of party</b>	<b>Nature of relationship</b>
Icon Hospitality Private Limited	Subsidiary
Maruti Comforts and Inn Private Limited	Subsidiary
Royal Orchid Hyderabad Private Limited.	Subsidiary
Royal Orchid Jaipur Private Limited	Subsidiary
A B Holdings Private Limited	Subsidiary
Royal Orchid East Private Limited	Subsidiary (subsidiary of A B Holdings Private Limited)
Royal Orchid South Private Limited	Subsidiary
Royal Orchid Shimla Private Limited	Subsidiary
Royal Orchid Goa Private Limited	Subsidiary
Royal Orchid Maharashtra Private Limited	Subsidiary
Multihotels Limited	Subsidiary
Royal Orchid Ahmedabad Private Limited (Formerly known as Satkar Realities Private Limited)	Subsidiary (w.e.f. 12 December 2009)
Amartara Hospitality Private Limited	Subsidiary
Royal Orchid Mumbai Private Limited	Subsidiary
Chander K. Baljee	Managing Director and Key Management Personnel

### ii. Relatives of key management personnel (KMP)

Sunil Sikka  
Arjun Baljee  
Keshav Baljee  
Sunita Baljee

### iii. Entities controlled by KMP

Harsha Farms Private Limited  
Royal Orchid West Private Limited  
Baljee Hotels and Real Estate Private Limited  
Hotel Staylonger Private Limited  
Royal Orchid Resorts Private Limited



iv. The transactions with related parties for the year summarised below:

Nature of Transaction	Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Management and technical fee income</b>												
Maruti Comforts and Inn Private Limited	2,216,578	9,078,899	-	-	-	-	-	-	-	-	-	-
Icon Hospitality Private Limited	3,817,307	16,285,710	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited	-	-	-	-	699,411	6,011,065	-	-	-	-	-	-
<b>Interest income</b>												
Icon Hospitality Private Limited	329,789	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Ahmedabad Private Limited	-	-	1,924,559	2,465,693	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	1,754,759	2,581,025	-	-	-	-	-	-	-	-	-	-
<b>Expenses incurred by the Company on behalf of related parties recharged</b>												
Maruti Comforts and Inn Private Limited	408,932	-	-	-	-	-	-	-	-	-	-	-
Icon Hospitality Private Limited	772,096	1,190,988	-	-	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private limited	1,559,201	418,378	-	-	-	-	-	-	-	-	-	-
Royal Orchid South Private limited	-	490,118	-	-	-	-	-	-	-	-	-	-
Royal Orchid East Private limited	62,014	110,658	-	-	-	-	-	-	-	-	-	-
A B Holdings Private Limited	27,018	325,462	-	-	-	-	-	-	-	-	-	-
Royal Orchid Hyderabad Private Limited	-	670,100	-	-	-	-	-	-	-	-	-	-
Multihotels Limited	-	1,887,592	-	-	-	-	-	-	-	-	-	-
<b>Collections by related parties on behalf of the Company</b>												
Icon Hospitality Private Limited	548,677	3,131,955	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	-	3,121,927	-	-	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private limited	27,400	314,242	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited	-	-	-	-	159,116	517,386	-	-	-	-	-	-

Amount in Rs.







Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Investments made</b>												
Royal Orchid Shimla Private Limited	-	500,000	-	-	-	-	-	-	-	-	-	-
Royal Orchid Goa Private Limited	-	500,000	-	-	-	-	-	-	-	-	-	-
Royal Orchid Maharashtra Private Limited	-	500,000	-	-	-	-	-	-	-	-	-	-
Royal Orchid Mumbai Private Limited	500,000	-	-	-	-	-	-	-	-	-	-	-
Parsvnath Royal Orchid Hotels Limited	-	-	-	225,000	-	-	-	-	-	-	-	-
Amartara Hospitality Private Limited	180,400,000	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Ahmedabad Private Limited	-	-	60,300,000	32,200,000	-	-	-	-	-	-	-	-
<b>Share application money invested (Refer note 3 below)</b>												
Ksheersagar Developers Private Limited	-	-	-	-	2,710,521	28,809,670	-	-	-	-	-	-
<b>Loan to Joint venture converted to share application money pending allotment</b>												
J.H. Builders Private Limited	-	-	-	-	-	1,165,683	-	-	-	-	-	-
Ksheersagar Developers Private Limited	-	-	-	-	-	10,120,749	-	-	-	-	-	-
Rajkamal Buildcon Private Limited	-	-	-	-	-	1,117,162	-	-	-	-	-	-
Ksheersagar Buildcon Private Limited	-	-	-	-	-	1,115,640	-	-	-	-	-	-
<b>Remuneration including commission</b>												
Chander K. Bajlee	-	-	-	-	-	-	2,400,000	14,776,759	-	-	-	-
Sunil Sikka	-	-	-	-	-	-	-	699,541	-	-	-	-
Arjun Bajlee	-	-	-	-	-	-	-	-	-	2,592,000	-	-
Keshav Bajlee	-	-	-	-	-	-	-	-	-	1,779,996	-	-





Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled KMP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Security deposit given</b> Hotel Staylonger Private Limited Chander K. Baljee	-	-	-	-	-	-	-	-	-	-	10,000,000	10,000,000
<b>Security deposit received</b> Presidency College of Hotel Management	-	-	-	-	-	-	60,000,000	60,000,000	-	-	-	-
<b>Advances</b> (Refer note 2 below) Keshav Baljee (refer note 3 below) Arjun Baljee	-	-	-	-	-	-	-	-	2,802,416 293,858	-	-	-
<b>Dues payable</b> C.K.Baljee Sunil Sikka	-	-	-	-	-	-	-	2,733,463 699,541	-	-	-	-
<b>Dues receivable</b> C.K.Baljee (refer to note 2 below)	-	-	-	-	-	-	9,600,000	-	-	-	-	-

**Note:**

- For balances of investments at 31 March 2010 & 2009, refer Schedule 6 forming part of the financial statements.
- During the year ended 31 March 2010, the Company has paid remuneration payable to the Managing Director in excess of the limits defined in the Schedule XIII of Companies Act, 1956 amounting to Rs 9,600,000. These amounts have been approved by the shareholders of the Company. The Company had applied for the necessary approvals which are awaited pending which these amounts have been disclosed as recoverable from such persons and no adjustment has been made in these financial statements arising out of the potential outcome of the said approvals.
- In the previous year ended 31 March 2009 the Company had provided for remuneration payable to a relative of key management personnel in excess of the limits defined in the approvals from the Central Government by Rs 3,096,274. The Company has obtained necessary approvals from Ministry of Corporate Affairs on 24 June 2009 and the amount recoverable has been charged to the Profit and Loss Account during the year ended 31 March 2010.

**10. Employee Benefits****A Defined Benefit Plan**

The Company has gratuity as defined benefit retirement plans for its employees. Disclosures as required by AS-15 are as under:

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>1</b> The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	6,359,518	5,092,026
Fair value of plan assets as at the end of the year	-	-
Net liability/(asset) recognised in the Balance Sheet	<b>6,359,518</b>	<b>5,092,026</b>
<b>2</b> The amounts recognised in the Profit and Loss Account are as follows:		
Service cost	4,504,217	2,000,396
Interest cost	517,164	414,967
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognized in the year	(3,192,497)	150,069
Expense recognized in the Profit and Loss Account of the year	<b>1,828,884</b>	<b>2,565,432</b>
<b>3</b> Changes in the present value of defined benefit obligation		
Defined benefit obligation as at the beginning of the year	5,092,026	3,120,220
Service cost	4,504,217	2,000,396
Interest cost	517,164	414,967
Actuarial losses/(gains)	(3,564,127)	150,069
Benefits paid	(189,762)	(593,626)
Defined benefit obligation as at the end of the year	<b>6,359,518</b>	<b>5,092,026</b>
<b>4</b> Changes in the fair value of plan assets		
Contributions	189,762	593,626
Benefits paid	(189,762)	(593,626)
Fair value as at the end of the year	-	-
<b>Assumptions used in the above valuations are as under:</b>		
Interest rate	7%	7%
Discount rate	8.20%	8%
Future salary increase	7%	7%
Attrition rate	3%	3%
Retirement age	55 years	55 years

**B. Defined contribution plan**

The Company makes contribution to the statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952. This is a defined contribution plan as per AS 15. Contribution made during the year ended 31 March 2010 is Rs. 4,592,039 (2009 - Rs. 5,158,077)

**C. Leave encashment**

The Company permits encashment of leave accumulated by their employees on retirement, separation and during the course of service. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation performed by an independent actuary at the balance sheet date.

The actuarial assumptions used in accounting for the Compensated absence for the year ended 31 March 2009 were as follows:

	31 March 2010	31 March 2010
Discount rate	8.20%	8.00%
Rate of increase in compensation levels	7.00%	7.00%



# 11. Stock based compensation

The Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held in the month of September 2006 and was subsequently amended at the Annual General meeting held on 8 August 2007 to include the employees of the subsidiaries and also increase the period available to exercise the options.

The plan provides for the issuance of stock options to eligible employees (including directors of the Company and employees of the subsidiaries) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting.

As per the ESOP scheme of the Company, all the taxes, are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

The disclosures along with the weighted average price for options movement have been provided below:

	Year ended 31 March 2010		Year ended 31 March 2009	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
	(Numbers)	Rs	(Numbers)	Rs
Options outstanding at the beginning of the year	317,000	165	503,100	165
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Lapsed during the year	35,900	165	186,100	165
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
	<b>281,100</b>	<b>165</b>	<b>317,000</b>	<b>165</b>

Options exercisable at year end	281,100	165	146,167	165
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The weighted average exercise price of the options outstanding at 31 March 2010 is Rs 165 and they had weighted average remaining contractual life of 9.33 months (31 March 2009: 12 months).

Had compensation cost been determined in a manner consistent with the fair value approach as prescribed under the fair value method, the Company's net profit and earnings per share as reported would have been adjusted to the pro-forma amounts indicated below:

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
Net profit, as reported	82,817,552	192,905,935
Add: Stock-based employee compensation expense included in the Profit and loss account	242,435	386,464
Less: Stock based employee compensation expense determined under the fair value method	4,312,429	8,982,465
<b>Pro forma net profit</b>	<b>78,747,558</b>	<b>184,309,934</b>
Earnings per share – Basic		
As reported	3.04	7.08
Pro forma	2.89	6.77
Earnings per share – Diluted		
As reported	3.04	7.08
Pro forma	2.89	6.77

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The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	31 March 2010	31 March 2009
Dividend yield %	3.28%	3.28%
Expected life	18 to 42 months	18 to 42 months
Risk free interest rate	7.34% to 7.63%	7.34% to 7.63%
Volatility	40.37%	40.37%

### 12. Segmental Information

The group's business comprises the operation of hotels, the services of which represent one business segment as they are subject to risks and returns that are similar to each other. Further the group derives its entire revenues from services rendered in India. Consequently, the disclosure of business and geographic segment - wise information is not applicable to the group.

### 13. Supplementary statutory information

- a) Determination of net profit in accordance with the provisions of Section 349 of Companies Act, 1956 and commission payable to directors

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
Profit before tax as per Profit and Loss Account	113,317,552	261,490,397
<b>Add:</b>		0
Managerial Remuneration	2,400,000	17,596,326
Provision for doubtful debts	621,187	552,013
Loss on sale of fixed assets	690,126	177,561
<b>Net Profit</b>	<b>117,028,865</b>	<b>279,816,297</b>

Remuneration Eligible under Section 309:

To Whole Time Directors 2,400,000 27,981,630

To Non Whole Time Directors - 2,798,163

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
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#### Managerial Remuneration

##### i. To Whole Time Directors

Salary and allowances	2,400,000	12,000,000
Commission	-	3,476,300
	<b>2,400,000</b>	<b>15,476,300</b>

##### i. To Non Whole Time Directors

Commission	-	2,077,218
	<b>-</b>	<b>2,077,218</b>

#### Note

- The Managing Director of the Company is entitled to remuneration of Rs 3,000,000 (31 March 2009 - Rs 3,000,000) from a subsidiary of the Company.
- During the year ended 31 March 2010, the Company has paid remuneration to the Managing Director in excess of the limits defined in the Schedule XIII of Companies Act, 1956. Consequently the Company has applied for approvals from the Central Government for the excess remuneration of by Rs 9,600,000, which is currently awaited.



	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>b) Payment to auditors</b>		
a) Audit fee	900,000	900,000
b) Limited Review	400,000	400,000
d) Out of pocket expenses	66,100	35,506
e) Service tax	133,900	144,499
	<b>1,500,000</b>	<b>1,480,005</b>

**c) Particulars relating to foreign exchange**
**Earnings in foreign exchange**

Income from operations	308,754,081	473,667,642
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**Expenditure in foreign currency**

Commission	5,137,422	5,000,416
Royalty	1,696,884	920,865

**Value of imports on a CIF basis**

Capital goods	1,717,198	25,014,288
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**d) Imported and indigenous food and beverages consumed**

	Year ended 31 March 2010 Amount (Rs.)	%	Year ended 31 March 2009 Amount (Rs.)	%
Imported	-	-	-	-
Indigenous	86,025,162	100	84,169,656	100
	<b>86,025,162</b>	<b>100</b>	<b>84,169,656</b>	<b>100</b>

Consumption above is net of Rs 5,926,339 for the year ended 31 March 2009 (2009 – Rs 5,283,743), representing amounts utilised for internal consumption which has been classified under staff welfare.

**Additional information pursuant to the provisions of paragraphs 3 of Part II of Schedule VI to the Companies Act, 1956**

Due to the volume and large number of insignificant transactions, management is unable to provide the quantitative information on the turnover and consumption of foods and beverages. On 20 June 2006, the Company has received the approval of the Central Government for an exemption from the presentation of this information, and therefore the additional information has not been presented.

**14. Prior year comparatives**

Prior year figures have been regrouped / reclassified wherever necessary to conform to the current year's presentation.

**For and on behalf of the board of directors**

**Chander K Baljee**  
Managing Director

**Naresh K Malhotra**  
Director

**Dhiraj Jopat**  
Chief Financial Officer

**B. Chandrasekaran**  
Company secretary

**Bengaluru**  
**27 May 2010**

# Cash Flow Statement

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>A. Cash flow from operating activities</b>		
<b>Net profit before taxation</b>	<b>113,317,552</b>	<b>261,490,397</b>
Adjustments for:		
Depreciation/ amortization	56,075,158	56,988,124
Provision no longer required write back	(137,192)	(479,356)
Gain on foreign exchange fluctuation	-	(1,584,139)
Interest income	(5,131,414)	(12,132,322)
Interest expense (net of interest capitalised)	23,585,818	15,666,324
Loss on sale of fixed assets	690,126	177,561
Provision for doubtful debts	454,032	552,013
Employee stock based compensation expense	242,435	386,464
<b>Operating profit before working capital changes</b>	<b>189,096,515</b>	<b>321,065,066</b>
Movements in working capital :		
(Increase)/Decrease in sundry debtors	11,653,822	(27,911,275)
(Increase)/Decrease in unbilled revenue	720,382	(958,956)
(Increase)/Decrease in inventories	1,997,743	920,280
(Increase)/Decrease in loans and advances	(11,716,352)	4,042,575
Increase/(Decrease) in current liabilities and provisions	23,337,368	10,454,324
<b>Cash generated from operations</b>	<b>215,089,478</b>	<b>307,612,014</b>
Direct taxes paid	(15,222,855)	(63,990,394)
Fringe benefit tax paid	-	(2,376,549)
<b>Net cash from operating activities</b>	<b>199,866,623</b>	<b>241,245,071</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets and increase in capital work-In-progress	(366,752,220)	(387,474,509)
Proceeds from sale of fixed assets	1,508,658	648,744
Net movement in term deposits & margin money	174,877,332	49,500,208
Project Advances	-	(56,169,566)
Investments made in subsidiaries	(241,200,000)	(1,500,000)
Purchase consideration for acquisition of additional interest in associate	-	(32,425,000)
Purchase consideration for acquisition of interest in joint ventures	-	(170,000,040)
Additional investment in joint ventures	(2,710,521)	(28,809,667)
Loans to subsidiaries	(244,239,862)	(47,655,249)
Loans repaid by subsidiaries	176,100,000	24,500,000
Loans to associates	-	(16,100,000)
Interest received	5,742,276	12,962,590
<b>Net cash (used in)/ from investing activities</b>	<b>(496,674,337)</b>	<b>(652,522,489)</b>
<b>C. Cash flows from financing activities</b>		
Dividend paid including taxes thereon	(47,793,567)	(190,163,462)
Proceeds from short term corporate loan	-	500,000,000
Proceeds from long-term borrowings	836,803,646	2,962,000
Repayment of term loans	(77,139,603)	(52,182,864)
Interest paid (net of interest capitalised)	(23,585,818)	(41,620,112)
<b>Net cash generated by /(used in) financing activities</b>	<b>688,284,658</b>	<b>218,995,562</b>
<b>Net increase/ (decrease) in cash and cash equivalents (A + B + C)</b>	<b>391,476,944</b>	<b>(192,281,856)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>47,060,141</b>	<b>239,341,997</b>
<b>Cash and cash equivalents at the end of the year (a)</b>	<b>438,537,085</b>	<b>47,060,141</b>





# Cash Flow Statement

Components of cash and cash equivalents as at year en	31 March 2010 Rs.	31 March 2009 Rs.
Cash and bank balances	443,955,037	227,159,339
Less : Margin monies and Deposits considered separately (Refer note below )	4,211,064	179,088,396
Less: Unclaimed dividend	1,206,888	1,010,802
	<b>438,537,085</b>	<b>47,060,141</b>

**Note:**

The Company considers all highly liquid investments with a remaining maturity, at the date of purchase/investment, of the three months or less to be cash equivalents.

This is the cash flow statement referred to in our respect of even date.

**For Walker, Chandiok & Co**  
Chartered Accountants

**For and on behalf of the Board of Directors**

per **Aashish Arjun Singh**  
Partner

**Chander K. Baljee**  
Managing Director

**Naresh K. Malhotra**  
Director

**Dhiraj Jopat**  
Chief Financial Officer

**B Chandrasekaran**  
Company Secretar

**Bengaluru**  
**27 May 2010**

**Bengaluru**  
**27 May 2010**

## AUDITORS' REPORT

The Board of Directors  
Royal Orchid Hotels Limited

1. We have audited the attached Consolidated Balance Sheet of Royal Orchid Hotels Limited ('the Company'), its subsidiaries and joint ventures (collectively referred to as 'the Group') as at 31 March 2010; the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We have not audited the financial statements of certain consolidated entities, whose financial statements reflect total assets of Rs 656,608,623 as at 31 March 2010, total revenue of Rs 49,997,334 and cash inflow amounting to Rs 13,738,985 for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting for interests in Joint Ventures, notified pursuant to the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:
  - (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2010;
  - (b) the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (c) the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For Walker, Chandiok & Co**  
Chartered Accountants  
Firm Registration No. 001076N

per **Aashish Arjun Singh**  
Partner  
Membership No. 210122

*Bengaluru*  
27 May 2010



# Consolidated Balance Sheet

	Schedule	31 March 2010 Rs.	31 March 2009 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	272,339,650	272,339,650
Reserves and surplus	2	1,832,805,268	1,775,772,859
Employee stock options outstanding account		1,227,795	985,360
		<b>2,106,372,713</b>	<b>2,049,097,869</b>
<b>MINORITY INTEREST</b>		<b>415,080,779</b>	<b>275,949,185</b>
<b>LOAN FUNDS</b>			
Secured loans	3	2,145,163,450	1,018,108,145
Unsecured loan		32,455,009	34,699,928
		<b>2,177,618,459</b>	<b>1,052,808,073</b>
<b>DEFERRED TAX LIABILITY, NET</b>	4	81,582,268	75,715,068
<b>TOTAL</b>		<b>4,780,654,219</b>	<b>3,453,570,195</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross block	5	3,125,893,780	2,458,983,982
Less: Accumulated depreciation / amortization		465,114,250	355,848,573
Net block		2,660,779,530	2,103,135,409
Capital work-in-progress (including capital advances)		963,650,207	482,943,187
		<b>3,624,429,737</b>	<b>2,586,078,596</b>
<b>GOODWILL (On Consolidation)</b>		<b>284,174,300</b>	<b>170,736,939</b>
<b>INVESTMENTS</b>	6	<b>450,000</b>	<b>69,050,000</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	15,437,346	17,752,315
Sundry debtors	8	80,088,923	98,293,876
Unbilled revenues		9,984,354	9,868,053
Cash and bank balances	9	618,660,664	271,145,757
Loans and advances	10	394,114,854	507,150,789
		<b>1,118,286,141</b>	<b>904,210,790</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	11	227,651,136	211,914,499
Provisions	12	19,034,823	64,591,631
		<b>246,685,959</b>	<b>276,506,130</b>
<b>NET CURRENT ASSETS</b>		<b>871,600,182</b>	<b>627,704,660</b>
<b>TOTAL</b>		<b>4,780,654,219</b>	<b>3,453,570,195</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The schedules referred to above form an integral part of the consolidated financial statements.

This is the Consolidated Balance Sheet  
referred to in our report of even date.

For Walker, Chandio & Co  
Chartered Accountants

For and on behalf of the Board of Directors

per Aashish Arjun Singh  
Partner

Chander K. Baljee  
Managing Director

Naresh K. Malhotra  
Director

Dhiraj Jopat  
Chief Financial Officer

B Chandrasekaran  
Company Secretary

Bengaluru  
27 May 2010

Bengaluru  
27 May 2010

# Consolidated Profit and Loss Account

	Schedule	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>INCOME</b>			
Operating income	13	1,192,735,429	1,401,587,996
Other income	14	35,232,208	31,751,250
		<b>1,227,967,637</b>	<b>1,433,339,246</b>
<b>EXPENDITURE</b>			
Food and beverages consumed	15	131,031,549	134,321,941
Employee costs	16	235,862,070	221,366,745
Other operating expenses	17	340,244,455	348,041,943
Selling, general and administrative expenses	18	232,602,070	269,821,995
Finance charges	19	75,927,335	67,070,991
Depreciation/amortization	5	123,701,859	110,919,607
		<b>1,139,369,338</b>	<b>1,151,543,222</b>
<b>PROFIT BEFORE TAX AND PRIOR PERIOD ITEMS</b>		<b>88,598,299</b>	<b>281,796,024</b>
Prior period income (Refer note 6 in Schedule 20)		-	11,137,847
<b>PROFIT BEFORE TAX AND AFTER PRIOR PERIOD ITEMS</b>		88,598,299	292,933,871
Tax expense			
- Current		33,050,000	56,427,025
- Fringe Benefit tax		-	2,688,629
- Prior years taxes		375,794	3,208,039
- Deferred tax charge		5,867,200	22,265,068
- Minimum Alternate Tax credit		-	(3,077,025)
<b>PROFIT AFTER TAX AND BEFORE MINORITY INTEREST</b>		<b>49,305,305</b>	<b>211,422,135</b>
<b>MINORITY INTEREST</b>		20,445,526	(11,494,124)
<b>NET PROFIT</b>		69,750,831	199,928,011
Balance brought forward from the previous year		481,158,710	338,669,563
<b>Balance available for appropriation</b>		<b>550,909,541</b>	<b>538,597,574</b>
<b>APPROPRIATIONS</b>			
Proposed dividend		-	(40,850,948)
Tax on distribution of dividend		-	(6,942,619)
Transfer to general reserve		-	(9,645,297)
<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<b>550,909,541</b>	<b>481,158,710</b>
Basic and diluted Earnings per share (Par value – Rs.10) (Refer note 4 in Schedule 20)		2.56	7.34

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The schedules referred to above form an integral part of the consolidated financial statements.

This is the Consolidated Profit and Loss account referred to in our report of even date.

For Walker, Chandio & Co  
Chartered Accountants

For and on behalf of the Board of Directors

per Aashish Arjun Singh  
Partner

Chander K. Baljee  
Managing Director

Naresh K. Malhotra  
Director

Dhiraj Jopat  
Chief Financial Officer

B Chandrasekaran  
Company Secretary

Bengaluru  
27 May 2010

Bengaluru  
27 May 2010



## Schedules forming part of the Consolidated financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorized</b>		
30,000,000 (31 March 2009 – 30,000,000) Equity Shares of Rs. 10 each	300,000,000	300,000,000
<b>Issued, subscribed and paid up</b>		
27,233,965 (31 March 2009 – 27,233,965) equity shares of Rs. 10 each, fully paid up	272,339,650	272,339,650
	<b>272,339,650</b>	<b>272,339,650</b>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium</b>	1,130,684,095	1,130,684,095
<b>Foreign Exchange Earnings Reserve</b>	1,750,000	1,750,000
<b>General Reserve</b>		
Balance at the beginning of the year	95,493,879	85,848,582
Add : Transfer from Profit and Loss Account during the year	-	9,645,297
Balance at the end of the year	95,493,879	95,493,879
Capital Reserve on consolidation	46,794,798	46,794,798
Foreign Exchange Translation Reserve on consolidation	7,172,955	19,891,377
<b>Profit and Loss Account</b>		
Balance at the beginning of the year	481,158,710	338,669,563
Add : Net profit transferred for the year	69,750,831	199,928,011
	550,909,541	538,597,574
Less: Proposed dividend	-	40,850,948
Less: Tax on distribution of dividend	-	6,942,619
Less: Transfer to general reserve	-	9,645,297
	550,909,541	481,158,710
<b>Balance at the end of the year</b>	<b>1,832,805,268</b>	<b>1,775,772,859</b>

(This section has been intentionally left blank)

## Schedules forming part of the Consolidated financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 3 SECURED LOANS</b>		
Term Loan	1,638,062,063	511,581,206
Short term Corporate loan	500,000,000	500,000,000
Vehicle loans	5,422,919	6,526,939
Interest accrued and due on term loan	1,678,468	-
	<b>2,145,163,450</b>	<b>1,018,108,145</b>

### Note:

- a) In December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for Rs 300 million which is fully drawn. This loan is secured by way of an equitable mortgage of the building and lease hold rights of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company. The balance outstanding as at 31 March 2010 - Rs.62.85 million (31 March 2009: Rs. 113.65 million).
- b) In January 2008, the Company was sanctioned a corporate loan ('corporate loan') from the bank for Rs.500 million, which is renewable on a annual basis by the bank for a period of one year and has been renewed subsequent to the year end. The credit facility is secured by way of an equitable mortgage of lease hold property of Hotel Royal Orchid and an equitable charge on all present and future fixed assets of the company.  
The balance outstanding as at 31 March 2010 - Rs.500 million (31 March 2009: Rs. 500 million).
- c) During the year ended 31 March 2008, Icon Hospitality Private Limited (a subsidiary) availed a term loan facility of Rs. 450 million from State Bank of Hyderabad and State Bank of Travancore [herein referred as SBH Consortium] for acquisition of the hotel premises. The loan is secured by way of Pari Passu charge in favour of SBH Consortium equitable mortgage of the hotel property and a first charge on all movable fixed assets of the Company both present and future. Additionally, these borrowing are secured by the personal guarantees of the directors Mr. C.K.Baljee, Mr. Dayanand Pai and Mr. Satish Pai. The balance outstanding as at 31 March 2010 - Rs. 317.51 million (31 March 2009: Rs. 365.56 million).
- d) Maruti Comforts and Inn Private Limited has availed a term loan facility of Rs. 150 Million from State Bank of Hyderabad. This loan is secured by way of first charge on all fixed assets of the company including equitable mortgage of lease hold rights of land and building. Additionally these borrowings are secured by the personal guarantees of the directors, Mr Chander K Baljee and Mr Ravi S Doddi. The balance outstanding as on 31 March 2010 - Rs. 82.56 million (31 March 2009 - 2.01 million)
- e) During the year ended 31 March 2009, Cosmos Premises Private Limited (a joint venture) has been sanctioned Rs 100 million of term loan facility by State Bank of Hyderabad. The Loan is secured against an equitable mortgage of specified property of the Company and guarantee by Royal Orchid Hotels Limited. The balance outstanding as on 31 March 2010 - Rs. 34.28 million (31 March 2009: 12.17 million)
- f) During the year ended 31 March 2010, Royal Orchid Ahmedabad Private Limited (*formerly known as Satkar Realities Private Limited*) availed a term loan of Rs. 300 million from IDBI Bank and has drawn down Rs. 260 million. This loan is secured by extending a first charge on all movable and immovable assets of the project. Additionally, a corporate guarantee has been provided by the Royal Orchid Hotels Limited. The balance outstanding as on 31 March 2010 - Rs. 260 million.
- g) During the year ended 31 March 2010, Ksheer Sagar Developers Private Limited availed a term loan of Rs. 700 million from IDBI Bank which has been completely drawn down. The balance outstanding as on 31 March 2010 - Rs. 70 million.
- h) In April 2009, the Company was sanctioned a consortium term loan from State Bank of India, State Bank of Hyderabad and State Bank of Mysore for Rs. 1,000 million to finance the hotel project at Hyderabad. The balance outstanding as at 31 March 2010 - Rs. 275 million.
- i) In April 2009, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from State Bank of Hyderabad amounting to Rs. 194.50 million from which the Company has drawn down Rs. 164.50 million. The balance outstanding as at 31 March 2010 - Rs. 137 million.
- j) In March 2010, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank. The loan is repayable in 20 quarterly instalments. The balance outstanding as at 31 March 2010 - Rs.400 million.
- k) Vehicle loans are secured by the hypothecation of the vehicles concerned. Balance as on 31 March 2010 is Rs. 5.4 million (31 March 2009: 6.5 million)

Principal amounts due in one year from the Balance Sheet date are as follows:

Term loan	306,404,914	128,848,000
Short term Corporate loan*	500,000,000	-
Other loans	2,754,479	2,873,564
	<b>809,159,393</b>	<b>131,721,564</b>

\* The short term corporate loan of Rs. 500 million has been repaid on 4 April 2010



## Schedules forming part of the Consolidated financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 4</b>		
<b>DEFERRED TAX LIABILITY, NET</b>		
Deferred tax liability arising on account of :		
Depreciation	104,708,179	93,739,494
Less: deferred tax asset arising on account of		
Tax losses carried forward	17,284,101	11,898,759
Employee benefits	5,412,488	5,783,405
Provision for doubtful debts	429,322	342,262
	<b>81,582,268</b>	<b>75,715,068</b>

The Company is eligible for a deduction of 30 percent of its profits from Hotel Royal Orchid, Bengaluru being a new industrial undertaking as defined under Section 80IB of the Income-tax Act, 1961. This benefit was utilised for a period of ten consecutive years ending on 31 March 2010.

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## Schedule forming part of the Consolidated financial statements

## SCHEDULE 5

## FIXED ASSETS

Amount in Rs.

Category of assets	Gross block			Accumulated Depreciation/Amortization			Net block		
	As at 1 April 2009	Translation exchange difference	Additions during the year	Deletions during the year	As at 31 March 2010	Charge/adjust- ment for the year	Deletions during the year	As at 31 March 2010	As at 31 March 2009
<b>Tangible assets</b>									
Freehold land	650,166,716	(12,919,246)	355,386,939	-	992,634,409	-	-	992,634,409	650,166,716
Building	261,116,703	-	134,377,429	-	395,494,132	10,109,238	40,777	383,499,385	239,190,417
Leasehold buildings (including improvements)	426,757,003	-	23,926,502	-	450,683,505	25,619,125	-	348,454,895	350,147,518
Plant and machinery	637,560,131	-	81,838,139	7,020,801	712,377,469	85,883,939	34,327,622	596,248,789	551,676,192
Furniture and fixtures	293,960,651	-	86,240,122	12,009,604	368,191,169	119,374,639	33,987,920	223,790,363	174,586,012
Computers and related equipment	31,028,402	-	4,978,129	93,528	35,913,003	12,697,622	4,771,665	18,482,165	18,330,780
Office equipments	85,112,633	-	13,112,400	72,578	98,152,455	10,841,435	4,346,064	82,997,675	74,271,198
Vehicles	59,824,491	-	3,532,273	4,366,378	58,990,386	22,221,376	7,848,775	30,199,838	37,603,115
<b>Intangible assets</b>									
Goodwill	13,457,252	-	-	-	13,457,252	6,293,791	2,691,450	4,472,011	7,163,461
<b>Total</b>	<b>2,458,983,982</b>	<b>(12,919,246)</b>	<b>703,391,933</b>	<b>23,562,889</b>	<b>3,125,893,780</b>	<b>123,701,859</b>	<b>14,436,182</b>	<b>2,660,779,530</b>	<b>2,103,135,409</b>
<b>Prior Year</b>	<b>2,174,067,129</b>	<b>21,055,676</b>	<b>266,299,594</b>	<b>2,438,417</b>	<b>2,458,983,982</b>	<b>119,257,974</b>	<b>653,925</b>	<b>2,103,135,409</b>	<b>-</b>





## Schedules forming part of the Consolidated financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (LONG TERM, UNQUOTED, AT COST)</b>		
<b>Investment in Government Securities</b>	225,000	225,000
<b>Investment in Associates (unquoted and fully paid up)</b>		
Satkar Realities Private Limited (Refer note b)	-	68,600,000
(Nil (2009 – 739,942) Equity Shares of Rs 10 each)		
Parsvanath Royal Orchid Hotels Limited	225,000	225,000
(22,500 (2009 – 22,500) Equity Shares of Rs 10 each)		
	<b>450,000</b>	<b>69,050,000</b>

**Note:**

- (a) The goodwill on acquisition of the shares during the year is Nil (2009 : Rs 61,023,307)
- (b) The Company acquired the entire share capital of Royal Orchid Ahmedabad Private Limited (*Formerly known as Satkar Realities Private Limited*) on 12 December 2009. Hence it became a subsidiary of the Company during the year ended 31 March 2010.

### SCHEDULE 7 INVENTORIES

Food and beverages	10,027,323	11,693,495
Stores and spare parts	5,410,023	6,058,820
	<b>15,437,346</b>	<b>17,752,315</b>

### SCHEDULE 8 SUNDRY DEBTORS (Unsecured)

Debts outstanding for a period exceeding six months	2,418,071	1,303,237
Other debts	79,982,608	98,293,876
	82,400,679	99,597,113
Less: Provision for doubtful debts	2,311,756	1,303,237
	<b>80,088,923</b>	<b>98,293,876</b>

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## Schedules forming part of the Consolidated financial statements

	31 March 2010 Rs.	31 March 2009 Rs.
<b>SCHEDULE 9</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash balances on hand	4,109,217	5,431,642
Banks balances with banks:		
- In current accounts	600,958,736	69,211,372
- In exchange earners foreign currency accounts	-	77,205
- In deposit account	13,361,371	189,210,462
- In margin money	231,340	7,215,076
	<b>618,660,664</b>	<b>271,145,757</b>

**Note:**

Margin money represents bank guarantee given by the Group for imports at concessional duty rates under various Export Promotion Capital Goods ('EPCG') licenses.

**SCHEDULE 10**  
**LOANS & ADVANCES**

(Unsecured, considered good)

Advances recoverable in cash or kind, or for value to be received

- Prepaid Expenses	15,906,774	8,049,443
- Advances to suppliers	26,009,957	17,319,099
- Project advances	-	73,908,485
- Other advances	33,653,352	20,824,517
Loans to Associate	-	34,300,000
Dues from Directors	9,600,000	-
Mat Credit Entitlement	3,077,025	3,077,025
Advance tax (net of provision)	37,686,633	51,908,632
Interest accrued but not due on fixed deposit with bank	761,019	1,519,834
Security deposits	267,420,094	296,243,754
	<b>394,114,854</b>	<b>507,150,789</b>

**SCHEDULE 11**  
**LIABILITIES**

Sundry creditors	88,675,685	67,586,749
Accrued expenses	36,332,686	34,910,139
Dues to employees	29,001,508	24,352,637
Duties and taxes payable	20,948,004	25,346,558
Security deposit received	7,497,879	3,034,315
Dues to directors	3,037,424	8,451,398
Unclaimed dividend	1,206,888	1,010,802
Other liabilities	40,951,062	47,221,901
	<b>227,651,136</b>	<b>211,914,499</b>

**Note:**

Security deposit includes Rs 3,000,000 (31 March 2009 – Rs. 3,000,000) received from an entity under the same management for premises space provided to them for no charge. This amount is repayable on vacation of the aforesaid premises.

**SCHEDULE 12**  
**PROVISIONS**

Gratuity	8,827,905	7,124,696
Leave encashment	10,206,918	9,673,368
Proposed dividend	-	40,850,948
Tax on proposed dividend	-	6,942,619
	<b>19,034,823</b>	<b>64,591,631</b>



## Schedules forming part of the Consolidated financial statements

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>SCHEDULE 13</b>		
<b>OPERATING INCOME</b>		
Room revenues	766,746,178	974,297,881
Food and beverages	374,507,295	379,515,457
Management & technical fees	19,649,205	12,836,833
Other service charges	31,832,751	34,937,825
	<b>1,192,735,429</b>	<b>1,401,587,996</b>

<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest income from banks	158,025	10,021,603
Interest income on loans to associate	-	2,465,693
Foreign exchange fluctuation, net	892,590	1,584,139
Provision no longer required written back	21,278,587	1,669,674
Miscellaneous income	12,903,006	16,010,141
	<b>35,232,208</b>	<b>31,751,250</b>

<b>SCHEDULE 15</b>		
<b>FOOD AND BEVERAGES CONSUMED</b>		
Opening Stock	11,693,495	11,662,914
Add: Purchases during the year	129,365,377	134,352,522
	141,058,872	146,015,436
Less: Closing Stock	10,027,323	11,693,495
<b>Consumption for the year</b>	<b>131,031,549</b>	<b>134,321,941</b>

### Note:

Consumption above is net of Rs 10,058,157 for the year ended 31 March 2010 (31 March 2009 – Rs 8,733,626), representing amounts utilized for internal consumption which has been classified under staff welfare.

<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, wages and bonus	199,383,987	182,988,221
Contribution to provident fund	8,470,512	8,987,527
Staff welfare	25,242,815	25,317,848
Employee stock based compensation expense	242,435	386,464
Gratuity	2,522,321	3,686,685
	<b>235,862,070</b>	<b>221,366,745</b>

## Schedules forming part of the Consolidated financial statements

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>SCHEDULE 17</b>		
<b>OTHER OPERATING EXPENSES</b>		
Linen and room supplies	17,928,991	28,081,816
Catering and other kitchen supplies	15,898,492	15,717,822
Laundry & washing expenses	11,709,950	12,997,901
Power and fuel	88,545,304	89,454,965
Water	5,600,970	6,207,187
Lease rent for hotel properties	116,640,546	118,362,822
Hire Charges	11,880,546	16,474,293
Guest transportation expenses	7,637,986	9,042,150
Management fees	9,744,156	1,427,608
Repairs and maintenance		
- Leasehold buildings	13,894,675	27,499,042
- Machinery	12,360,008	5,700,650
- Others	10,269,971	6,943,989
Other miscellaneous expenses	18,132,860	10,131,698
	<b>340,244,455</b>	<b>348,041,943</b>

## **SCHEDULE 18**

### **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Advertisement and business promotion	36,393,454	40,017,078
Commission, brokerage and discount	26,240,872	37,548,390
Rates and taxes	26,444,251	29,935,751
Legal and professional charges	22,467,676	30,678,699
Communication expenses	14,960,483	15,457,378
Printing and stationery	7,943,568	8,422,769
Travelling and conveyance	15,908,552	13,758,548
Director's remuneration	11,400,000	21,000,000
Director's commission	-	5,460,459
Rent	14,543,730	16,985,874
Security charges	9,894,507	10,431,071
Audit fees	2,882,273	2,890,037
Provision for doubtful debts	1,120,459	617,113
Insurance	4,842,784	5,771,243
Security Deposit written off	-	2,000,000
Music and entertainment charges	6,394,535	5,894,416
Recruitment Expenses	2,222,386	1,223,404
Loss on sale of assets	5,834,139	-
Miscellaneous expenses	23,108,401	21,729,765
	<b>232,602,070</b>	<b>269,821,995</b>

## **SCHEDULE 19**

### **FINANCE CHARGES**

Interest on term loan	150,315,392	85,659,396
Less: Interest capitalised	76,171,133	24,471,410
	<b>74,144,259</b>	<b>61,187,986</b>
Interest on vehicle loan	866,353	764,326
Interest on unsecured loan	-	2,825,753
Interest on others	-	67,938
Bank charges	916,723	2,224,988
	<b>75,927,335</b>	<b>67,070,991</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE - 20

## 1. Background

Royal Orchid Hotels Limited ('the Company' or 'the Parent Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997. The Company together with its subsidiaries, joint ventures and associate (collectively referred to as the 'Group') currently operates hotel properties at Bangalore, Mysore, Pune, Jaipur, Ahmedabad and Goa.

## 2. Group structure

The list of the Company's subsidiaries, joint ventures and associates with the percentage holding is as follows:

		Percentage of share holding	
	Country of incorporation	31 March 2010	31 March 2009
<b>Subsidiaries</b>			
Icon Hospitality Private Limited	India	51.07%	51.07%
Maruti Comforts and Inn Private Limited	India	51%	51%
Royal Orchid Hyderabad Private Limited	India	100%	100%
AB Holdings Private Limited	India	100%	100%
Royal Orchid Jaipur Private Limited	India	100%	100%
Royal Orchid South Private Limited	India	100%	100%
Royal Orchid East Private Limited (subsidiary of AB Holdings Private Limited)	India	100%	100%
Multi Hotels Limited	Tanzania	100%	100%
Royal Orchid Shimla Private Limited	India	100%	100%
Royal Orchid Goa Private Limited	India	100%	100%
Royal Orchid Maharastra Private Limited	India	100%	100%
Royal Orchid Ahmedabad Private Limited (formerly known as Satkar Realities Private Limited)*	India	100%	-
Amartara Hospitality Private Limited	India	53.06%	-
Royal Orchid Mumbai Private Limited	India	100%	-
<b>Joint Ventures</b>			
Ksheer Sagar Buildcon Private Limited	India	50%	50%
Ksheer Sagar Developers Private Limited	India	50%	50%
Raj Kamal Buildcon Private Limited	India	50%	50%
J.H.Builders Private Limited	India	50%	50%
Cosmos Premises Private Limited	India	50%	50%
<b>Associates</b>			
Parsvnath Royal Orchid Hotels Limited	India	30%	30%
Royal Orchid Ahmedabad Private Limited (formerly known as Satkar Realities Private Limited)*	India	-	49%

\* The Company acquired the entire share capital of Royal Orchid Ahmedabad Private Limited (Formerly known as Satkar Realities Private Limited) on 12 December 2009. Hence it became a subsidiary of the Company during the year ended 31 March 2010.

### 3. Significant accounting policies

#### i. *Basis of preparation*

The financial statements have been prepared and presented on an accrual basis under the historical cost convention and in accordance with the applicable accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006. The accounting policies have been consistently applied unless otherwise stated.

#### ii. *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provision for bad and doubtful debts and accruals for employee benefits.

#### iii. *Principles of consolidation*

The consolidated financial statements include the financial statements of the Parent Company, its subsidiaries, joint venture and share of profits in associate. Please refer to Note 1 for the description of the Group. The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard -21 – "Consolidated Financial Statements". The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase in the relevant reserves of the consolidated entity.

Minority interest represents the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of subsidiaries over the amount of equity attributable to the minority on the date of investment is reflected under Reserves and Surplus.

Proportionate share of interest in joint ventures has been accounted for by the proportionate consolidation method in accordance with Accounting Standard - 27 - "Financial Reporting of Interests in Joint Ventures". An investment in an associate has been accounted for by the equity method of consolidation from the date on which it falls within the definition of associate in accordance with Accounting Standard - 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

#### iv. *Revenue recognition*

Revenues comprise income from the sale of room nights, food and beverages and allied services during a guest's stay at the hotel. Room revenue is recognized based on occupation and revenue from sale of food and beverages and other allied services, as the services are rendered.

Unbilled revenues represent revenues recognised which have not been billed to the customers at the balance sheet date and are billed subsequently.

Income from management and technical services are recognised as the services are rendered based on agreements with the concerned parties.

Interest Income



Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

v. *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation / amortisation and impairment losses. All costs relating to acquisition and installation of fixed assets are capitalised. Advances paid towards acquisition of fixed assets before the financial year-end and the cost of fixed assets not ready for their intended use, are disclosed as capital work in progress.

Expenditure directly relating to expansion is capitalized only if it increases the life or functionality of an asset beyond its original standard of performance.

vi. *Borrowing Costs*

Borrowings costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets for the period up to the completion of their acquisition or construction. All other borrowing costs are charged to Profit and Loss Account as incurred.

vii. *Depreciation*

Depreciation on fixed assets is provided on the Straight Line method, using the higher of the rates specified in Schedule XIV to the Companies, Act, 1956 or rates based on management estimates of the economic useful lives of such assets. These rates are specified below:

<b>Asset Category</b>	<b>Rates of Depreciation (%)</b>
Plant and machinery	4.75 - 20
Office equipment	4.75
Computers and related equipment	16.21
Furniture & fittings	9.50 - 20
Vehicles	9.50-16.21
Buildings	3.34

Assets individually costing less than Rs.5,000 are fully depreciated in the year of purchase. Leasehold buildings (including improvements) are amortized over the period of the lease.

viii. *Goodwill*

Goodwill on consolidation is not amortised and is tested for impairment on an annual basis. Goodwill on acquisition of business is amortised over a period of five years.

ix. *Impairment of assets*

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

x. *Investments*

Long term investments are valued at, cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried at the lower of cost and fair value.

xi. *Inventory*

Inventory comprises stock of food and beverages and stores and spare parts are carried at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the goods to their present location and condition and is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

### *xii. Foreign currency transactions*

#### *(a) Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### *(b) Conversion*

Foreign currency monetary items are reported using the closing rate. The resultant exchange differences are recognised in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and nonmonetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on a monetary item that, in substance, form part of Group's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

### *xiii. Leases*

For hotel properties i.e. land and buildings, taken on leases along with related assets as a part of a combined lease arrangement, the Group determines whether these assets acquired are integral to the land and building. If these assets are integral, the Group analyses the nature of the lease arrangement on a combined basis for all assets. If the assets are not integral to the land and building, the Group evaluates each asset individually, to determine the nature of the lease.

#### *Finance leases*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised. If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

#### *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis.

### *xiv. Retirement benefits*

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.

#### *Provident fund*

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

#### *Gratuity*

Gratuity is a post employment benefit and is a defined benefit plan. The liability recognised in the balance sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and loss account in the year in which such gains or losses arises.

#### *Leave encashment*

Liability in respect of leave becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year





after the balance sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

*xv. Stock based compensation*

The Group accounts for stock based compensation based on the intrinsic value method. Option discount representing the excess of the fair value or the market value of the underlying shares at the date of the grant over the exercise price of the option is amortised on a straight line basis over the vesting period of the shares issued under the Company's Employee Stock Option Plan (ESOP).

*xvi. Taxes on income*

*Current tax*

Provision is made for income tax under the tax payable method, based on the liability computed, after taking credit for allowances and exemptions

*Deferred tax*

Deferred tax charge or credit reflects the tax effect of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

*xvii. Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

*xviii. Provisions and contingent liabilities*

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

*xix. Onerous contracts*

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**4. Earnings per share ('EPS')**

	<b>Year ended 31 March 2010</b>	<b>Year ended 31 March 2009</b>
Weighted average number of shares outstanding (Nos.)	27,233,965	27,233,965
Net profit after tax and minority interest attributable to equity shareholders	<b>Rs.</b> 69,750,831	<b>Rs.</b> 199,928,011
Basic and diluted earnings per share	2.56	7.34
Nominal value per equity share	10	10

**5. Leases***Operating leases*

The key operating lease arrangements entered into by the Group are summarised below:

*Hotel Royal Orchid*

The Company has entered into various non-cancellable tri-partite agreements along with its Managing Director and the Karnataka State Tourism Development Corporation ('KSTDC') to lease lands on which the hotel premises has been constructed and adjacent areas. The primary lease periods for these agreements is 30 years and are further extendable by a period between 10 to 30 years at the option of the Company and carry an escalation provision for the increase in annual rent by 15 % every 10 years thereafter.

Additionally, the Company has also entered into an agreement with its managing director for the use of his 50 % interest in the leased lands with the value of this consideration being determined at Rs 60 million, payable as an interest free security deposit repayable on the termination of the lease with KSTDC. This consideration could be discharged either in cash or through the issue of equity shares of the Company. The Company discharged this consideration through the allotment of 6 million equity shares at par through July 1999. (Refer Schedule 1 and Schedule 10).

*Ramada (formerly Royal Orchid Harsha)*

Effective July 2002, the Company entered into a tri-partite agreement with Hotel Stay Longer Private Limited and Baljee Hotels and Real Estates Private Limited, Companies under the same management, to lease the hotel premises and related assets at Ramada. This agreement was for an initial period of 11 months, renewable at the option of the Company and it has deposited an interest-free security deposit of Rs 10 million with Baljee Hotels and Real Estate Private Limited which is repayable on the termination of the lease agreement.

This agreement has been revised effective 1 September 2007 for a period of eleven months with an option to renew for a further 2 terms of 11 months each. As per the agreement, the Company is required to make annual payments at 33 % of gross room revenues or a minimum committed amount, whichever is higher. This lease charge is paid to Hotel Stay Longer Private Limited and Baljee Hotels and Real Estate Private Limited at a pre-determined ratio of 20% and 80% respectively.

*Royal Orchid Metropole*

In May 2004, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Royal Orchid Metropole at Mysore for a non-cancellable period of 15 years. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million.

*Royal Orchid Brindavan*

In March 2006, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Hotel Krishna Raja Sagar at Mysore for a non-cancellable period of 15 years commencing from the readiness date. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million..

*Royal Orchid Central, Pune*

In July 2006, the Company entered into an agreement for the use of land and building representing the hotel property for a non-cancellable lease period of 5 years. The lease term for the said property is 10 years and extendable by another 10 years subject to conditions as per the agreement.

As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at a interval of every 3 years or 20% of Net Room Revenue (NRR) for first year and 22% of NRR for 2<sup>nd</sup> year to 4<sup>th</sup> year and 25% for the balance period of NRR which ever is higher.

*Royal Orchid Central, Jaipur*

Royal Orchid Jaipur Private Limited operates Royal Orchid Central in Jaipur, India and for the said property the Company has leased the land and building and related equipments under a lease arrangement for a period of 19 years and 11 months. The lease rent is enhanced at the rate of 3% over and above the last rent paid at the end of every year



*Corporate Office*

The Company has entered into a lease agreement for the corporate office premises and related assets. The agreement is for an initial period of 36 months, renewable at the option of the lessor's and the Company. As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at an interval of every 3 years.

*Lease expense*

The lease expense for cancellable and non-cancellable operating leases for the year ended 31 March 2010 was Rs. 131,184,276 (31 March 2009 – Rs. 135,348,696)

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

	31 March 2010 Amount (Rs.)	31 March 2009 Amount (Rs.)
<b>Payments falling due:</b>		
Within 1 year	59,853,635	95,432,689
Later than one year but not later than five years	219,666,810	342,035,213
Later than 5 years	284,402,439	244,948,366
<b>TOTAL</b>	<b>563,922,684</b>	<b>682,416,268</b>

## 6. Prior Period Income

The Company has recorded interest income of Rs. NIL in the current year (2009 – Rs. 11,137,847) on account of an omission in the prior years. The consequent tax liability of Rs. Nil (2009 – 2,784,462) arising due to this omission has been provided for in the financial statements.

## 7. Director remuneration

*Icon Hospitality Private Limited*

As per the provisions of Section 309 of the Companies Act, 1956, remuneration payable to directors not in the whole time employment of the Company cannot exceed 3 percent of the net profits for the year, without the prior approval of the Central Government. The total remuneration paid to the directors during the year ended 31 March 2009 exceeds the limits specified in Section 309 by Rs. 7,907,687. The Company has obtained the permission of the Central Government on 26 August 2009 under section 309 (4)(a) of the Companies Act, 1956. The approval was valid for a period of 5 years with effect from 25 March 2009 (as approved by the Directors and Members in their meetings held on 22 December 2005 and 20 January 2006 respectively).

## 8. Commitments and contingencies

*a) Litigation*

- i) The Company has been named as a defendant in two civil suits filed restraining the Company from using certain parts of land taken on lease from the KSTDC for the operation of the Royal Orchid Hotel, which are adjacent to the hotel premises. Consequently, these lands are currently not being utilised by the Company. These cases are pending with the Civil Courts and scheduled for hearings shortly. Management believes that these cases will be settled in its favour and will not adversely affect its operations.
- ii) During the year ended 31 March 2008, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction and assigned to its subsidiary Royal Orchid Hyderabad Private Limited. The Company had injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. During the year the matter was referred to the Arbitrator and subsequent to the year ended 31 March 2010 the Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor.

*b) Capital commitments*

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2010 – Rs. 307,481,210 (31 March 2009 – Rs 774,937,008).

*c) Export obligation*

The group has received various Export Promotion Capital Goods ('EPCG') licenses which entitles it to import capital goods at a concessional rate of duty. Against these imports the Group has an export obligation equal to eight times the duty amount saved. The group's export turnover till date is in excess of this obligation.

### **9. Related party transactions**

*i) Key Management Personnel*

Chander K. Baljee

*ii) Relatives of key management personnel (KMP)*

Arjun Baljee

Keshav Baljee

Sunita Baljee

Sunil Sikka

*iii) Entities controlled by KMP*

Harsha Farms Private Limited

Royal Orchid West Private Limited

Baljee Hotels and Real Estate Private Limited

Hotel Staylonger Private Limited

Royal Orchid Resorts Private Limited



i. The transactions with related parties for the year summarised below:

Amount in Rs.

Nature of Transaction	Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Management and technical fee income</b>										
Cosmos Premises Private Limited	-	-	360,761	3,005,533	-	-	-	-	-	-
<b>Interest Income</b>										
Royal Orchid Ahmedabad Private Limited	-	2,465,693	-	-	-	-	-	-	-	-
<b>Loans advanced</b>										
Royal Orchid Ahmedabad Private Limited	-	16,100,000	-	-	-	-	-	-	-	-
<b>Investments made</b>										
Royal Orchid Ahmedabad Private Limited	-	32,200,000	-	-	-	-	-	-	-	-
<b>Remuneration including commission</b>										
Chander K. Baljee	-	-	-	-	5,400,000	17,776,759	-	-	-	-
Sunil Sikka	-	-	-	-	-	699,541	-	-	-	-
Arjun Baljee	-	-	-	-	-	-	-	3,492,503	-	-
Keshav Baljee	-	-	-	-	-	-	-	6,565,431	-	-
Sunita Baljee	-	-	-	-	-	-	2,400,000	2,400,000	-	-
<b>Rental Expenses to</b>										
Baljee Hotels and Real Estates Private Limited	-	-	-	-	-	-	-	-	14,344,201	12,310,954
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	3,268,142	3,077,739
<b>Advances received</b>										
Chander K. Baljee	-	-	-	-	-	2,430,000	-	-	-	-
<b>Balances payable/receivable</b>										
<b>Debtors</b>										
Cosmos Premises Private Limited	-	-	326,652	-	-	-	-	-	-	-

Amount in Rs.

Nature of Transaction	Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Dues to Companies under same management</b>										
Baljee Hotels and Real Estate Private Limited	-	-	-	-	-	-	-	-	3,382,571	596,596
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	568,294	153,780
<b>Security deposit given</b>										
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	10,000,000	10,000,000
Chander K. Baljee	-	-	-	-	60,000,000	60,000,000	-	-	-	-
<b>Loans advanced</b>										
Royal Orchid Ahmedabad Private Limited	-	34,000,000	-	-	-	-	-	-	-	-
<b>Security deposit received</b>										
Presidency College of Hotel Management	-	-	-	-	-	-	-	-	3,000,000	3,000,000
<b>Advances recoverable (Refer note 2 below)</b>										
Keshav Baljee	-	-	-	-	-	-	-	2,802,416	-	-
Arjun Baljee	-	-	-	-	-	-	-	293,858	-	-
<b>Amounts payable</b>										
C.K.Baljee	-	-	-	-	-	2,852,376	-	-	-	-
Sunil Sikka	-	-	-	-	-	699,541	-	-	-	-
Sunita Baljee	-	-	-	-	-	-	138,062	203,562	-	-
<b>Amounts recoverable</b>										
C.K.Baljee (refer to note 1 below)	-	-	-	-	-	-	9,600,000	-	-	-

**Note:**

- During the year ended 31 March 2010, the Company has paid remuneration payable to the Managing Director in excess of the limits defined in the Schedule XIII of Companies Act, 1956 amounting to Rs 9,600,000. These amounts have been approved by the shareholders of the Company. The Company had applied for the necessary approvals which are awaited pending which these amounts have been disclosed as recoverable from such persons and no adjustment has been made in these financial statements arising out of the potential outcome of the said approvals.
- In the previous year ended 31 March 2009 the Company had provided for remuneration payable to a relative of key management personnel in excess of the limits defined in the approvals from the Central Government by Rs 3,096,274. The Company has obtained necessary approvals from Ministry of Corporate Affairs on 24 June 2009 and the amount recoverable has been charged to the Profit and Loss Account during the year ended 31 March 2010.



## 10. Employee Benefits

### A. Defined Benefit Plan

The group has gratuity as defined benefit retirement plans for its employees. Disclosures as required by Revised AS 15 are as under:

	Year ended 31 March 2010	Year ended 31 March 2009 Rs.
1 The amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year	8,827,905	7,124,696
Fair value of plan assets as at the end of the year	-	-
Net liability/(asset) recognised in the Balance Sheet	<b>8,827,905</b>	<b>7,124,696</b>
2 The amounts recognised in the Profit and Loss Account are as follows:		
Service cost	4,688,355	3,113,711
Interest cost	563,977	467,650
Net actuarial (gain)/loss recognized in the year	(2,730,011)	105,324
Expense recognized in the Profit and Loss Account of the year	<b>(2,522,321)</b>	<b>3,686,685</b>
3 Changes in the present value of defined benefit obligation		
Defined benefit obligation as at the beginning of the year	7,124,696	4,071,698
Service cost	4,688,355	3,113,711
Interest cost	563,977	467,650
Actuarial losses/(gains)	(3,498,411)	105,324
Benefits paid	(50,712)	(633,687)
Defined benefit obligation as at the end of the year	<b>8,827,905</b>	<b>7,124,696</b>
4 Changes in the fair value of plan assets		
Contributions	50,712	633,687
Benefits paid	(50,712)	(633,687)
Fair value as at the end of the year	<b>-</b>	<b>-</b>

#### Assumptions used in the above valuations are as under:

Interest rate	7%%	7%-8%
Discount rate	8.20%	7%-8%
Expected return on plan assets	NA	NA
Future salary increase	7%	6%-7%
Attrition rate	3.34%	2%-5%
Retirement age	55-58 years	55-58 years

### B. Defined Contribution Plan

The Group makes contribution to the statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952. This is a defined contribution plan as per AS 15. Contribution made during the year ended 31 March 2010 is Rs.8,470,512 (2009- Rs 8,987,527)

### C. Leave encashment

The Company and some of its subsidiaries permit encashment of leave accumulated by their employees on retirement, separation and during the course of service. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation performed by an independent actuary at the balance sheet date.

The actuarial assumptions used in accounting for the Compensated absence plan were as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Discount rate	8.20%	8%
Rate of increase in compensation levels	7%	7%

## 11. Stock based compensation

The Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held in the month of September 2006 and was subsequently amended at the Annual General meeting held on 8 August 2007 to include the employees of the subsidiaries and also increase the period available to exercise the options.

The plan provides for the issuance of stock options to eligible employees (including directors of the Company and employees of the subsidiaries) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting.

As per the ESOP scheme of the Company, all the taxes, are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

The disclosures along with the weighted average price for options movement during the year have been provided below:

	Year ended 31 March 2010		Year ended 31 March 2009	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
	(Numbers)	Rs	(Numbers)	Rs
Options outstanding at the beginning of the year	317,000		503,100	
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Lapsed during the year	35,900	165	186,100	165
Cancelled during the year	-		-	
Exercised during the year	-		-	
	<b>281,100</b>	<b>165</b>	<b>317,000</b>	<b>165</b>
Exercisable at year end	281,100	165	146,167	165

The weighted average exercise price of the options outstanding at 31 March 2010 is Rs. 165 and they had weighted average remaining contractual life of 9.33 months.

Had compensation cost been determined in a manner consistent with the fair value approach as prescribed under the fair value method, the Company's net profit and earnings per share as reported would have been adjusted to the pro-forma amounts indicated below:

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
Net profit, as reported	69,750,831	199,928,012
Add: Stock-based employee compensation expense included in the Profit and loss account	242,435	386,464
Less: Stock based employee compensation expense determined under the fair value method	4,312,429	8,982,465
<b>Pro forma net profit</b>	<b>65,680,837</b>	<b>191,332,011</b>





	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
Earnings per share – Basic		
As reported	2.56	7.34
Pro forma	2.41	7.03
Earnings per share – Diluted		
As reported	2.56	7.34
Pro forma	2.41	7.03

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	3.28%	3.28%
Expected life	18 to 42 months	18 to 42 months
Risk free interest rate	7.34% to 7.63%	7.34% to 7.63%
Volatility	40.37%	40.37%

## 12. Segmental Information

The group's business comprises the operation of hotels, the services of which represent one business segment as they are subject to risks and returns that are similar to each other. Further the group derives its entire revenues from services rendered in India. Consequently, the disclosure of business and geographic segment - wise information is not applicable to the group.

## 13. Prior year comparatives

Prior year balances have been regrouped wherever necessary to conform to the current year's representation.

**For and on behalf of the board of directors**

**Chander K Baljee**  
Managing Director

**Naresh K Malhotra**  
Director

**Dhiraj Jopat**  
Chief Financial Officer

**B. Chandrasekaran**  
Company secretary

**Bengaluru**  
**27 May 2010**

# Consolidated Cash Flow Statement

	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
<b>A. Cash flow from operating activities</b>		
<b>Net profit before taxation</b>	<b>88,598,299</b>	<b>292,933,871</b>
Adjustments for:		
Depreciation	123,701,859	110,919,607
Provision no longer required written back	(21,278,587)	(1,669,674)
Interest income	(158,025)	(12,487,296)
Interest expense (net of interest capitalised)	75,010,612	64,846,003
Security deposit written off	-	2,000,000
Provision for doubtful debts	1,120,459	617,113
Loss on sale of assets	5,834,139	-
Employee stock based compensation expense	242,435	386,464
<b>Operating profit before working capital changes</b>	<b>273,071,191</b>	<b>457,546,088</b>
Movements in working capital :		
(Increase)/Decrease in sundry debtors	17,196,434	(55,262,413)
(Increase)/Decrease in unbilled revenue	(116,301)	(289,517)
(Increase)/Decrease in inventories	2,314,969	(894,587)
(Increase)/Decrease in Loans and Advances	25,967,180	(18,879,308)
Increase/(Decrease) in Current Liabilities and provisions	34,582,379	(831,475)
<b>Cash generated from operations</b>	<b>353,015,852</b>	<b>381,388,788</b>
Direct taxes paid	(17,475,000)	(50,414,000)
Direct taxes refund	990,183	-
Fringe benefit tax paid	-	(3,182,087)
<b>Net cash from operating activities</b>	<b>336,531,035</b>	<b>327,792,701</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets and decrease in capital work-In-progress	(995,427,829)	(752,522,302)
Net proceeds/ (investment) in term deposits & margin money	182,832,827	85,772,990
Purchase consideration for acquisition of interest in associates	-	(32,200,000)
Proceeds from sale of assets	3,292,568	-
Loans to associates	-	(16,100,000)
Interest received	916,840	12,779,111
<b>Net cash used in investing activities</b>	<b>(808,385,594)</b>	<b>(702,270,201)</b>
<b>C. Cash flows from financing activities</b>		
Dividend paid including taxes thereon	(47,793,567)	(190,163,462)
Proceeds from long-term borrowings	1,274,408,272	531,550,612
Repayments of long term borrowings	(163,676,354)	(109,998,481)
Proceeds from short term borrowings	12,400,000	-
Interest paid (net of interest capitalised)	(73,332,144)	(66,328,381)
<b>Net cash generated by /(used in) financing activities</b>	<b>1,002,006,207</b>	<b>165,060,288</b>
<b>Net increase/ (decrease) in cash and cash equivalents (A + B + C)</b>	<b>530,151,648</b>	<b>(209,417,212)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>73,709,417</b>	<b>283,126,629</b>
<b>Cash and cash equivalents at the end of the year (a)</b>	<b>603,861,065</b>	<b>73,709,417</b>



# Consolidated Cash Flow Statement

**Note:**

a) The Group considers all highly liquid investments with a remaining maturity, at the date of purchase/investment, of the three months or less to be cash equivalents.

**Components of cash and cash equivalents as at year end**

	<b>31 March 2010</b>	<b>31 March 2009</b>
Cash and bank balances at	618,660,664	271,145,757
Less : Margin monies and Deposits considered separately (Refer note above )	13,592,711	196,425,538
Less: unclaimed dividend	1,206,888	1,010,802
	<b>603,861,065</b>	<b>73,709,417</b>

This is the consolidated cash flow statement referred to in our respect of even date.

**For Walker, Chandiok & Co**  
Chartered Accountants

**For and on behalf of the Board of Directors**

per **Aashish Arjun Singh**  
Partner

**Chander K. Baljee**  
Managing Director

**Naresh K. Malhotra**  
Director

**Dhiraj Jopat**  
Chief Financial Officer

**B Chandrasekaran**  
Company Secretary

**Bengaluru**  
**27 May 2010**

**Bengaluru**  
**27 May 2010**

## SUMMARISED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES

[illegible]



**ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**i Registration details:**

Registration No:	<input type="text" value="7392"/>	State code	<input type="text" value="8"/>
Balance sheet date	<input type="text" value="31/03/2010"/>		

**ii Capital raised during the year**

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

**iii Position of Mobilisation and deployment of funds (Rs.)**

Total Liabilities	<input type="text" value="3,421,148,278"/>	Total Assets	<input type="text" value="3,421,148,278"/>
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**Sources of funds**

Paid up capital	<input type="text" value="272,339,650"/>	Reserves & Surplus (P & L a/c)	<input type="text" value="1,716,536,299"/>
Secured Loans	<input type="text" value="1,378,544,534"/>	Unsecured loans	<input type="text" value="0"/>

**Application of funds (Rs.)**

Net Fixed assets	<input type="text" value="548,253,030"/>	Investments	<input type="text" value="1,108,612,977"/>
Net current assets	<input type="text" value="926,717,939"/>	Preliminary expenses	<input type="text" value="0"/>
Accumulated losses	<input type="text" value="0"/>		

**iv Performance of the Company (Rs.)**

Turnover	<input type="text" value="789,762,349"/>	Total Expenditure	<input type="text" value="676,444,797"/>
Profit /(loss) after tax	<input type="text" value="828,17,552"/>	Earnings per share in Rs.	<input type="text" value="3.04"/>
Dividend rate%	<input type="text" value="nil"/>		

**v. Generic names of three principal products/services of the company (as per monetary terms)**

Item code No: (ITC code)	591001006
Product description	Hotel
Item code No.(ITC code)	390001002
Product description	Restaurant



## ROYAL ORCHID HOTELS

Email: [rooms@royalorchidhotels.com](mailto:rooms@royalorchidhotels.com)

Central Reservation: +91 80 412 76667/98451 76667 Fax: +91 80 414 76667

**Bangalore** : Hotel Royal Orchid, Airport Road + 91 80 25205566, Royal Orchid Central, Off MG Road +91 80 25584242, Hotel Ramada, Shivaji Nagar + 91 80 22865566, Royal Orchid Resort & Convention Centre, Yelahanka +91 80 28560668, Royal Orchid Suites, Vaswani Pinnacle Annexe, Whitefield Main Road, +91 80 42512345, **Mysore**: Royal Orchid Metropole, JLB Road +91 821 4255566, Royal Orchid Brindavan Garden, KRS +91 9945815566, **Jaipur**: Royal Orchid Central, Banipark: +91 141 4051234 **Pune**: Royal Orchid Golden Suites, Kalyani Nagar +91 20 40131234, Royal Orchid Central, Kalyani Nagar +91 20 4000 3000. **Goa**: Royal Orchid Beach Resort, Galaxy Goa, Uttorda Beach +91 832 2884400. **Mumbai**: Hotel Royal Orchid Central, Grazia, Vashi, Navi Mumbai +91 22 41712345.

[www.royalorchidhotels.com](http://www.royalorchidhotels.com)



#### HOTEL RAMADA, BANGALORE

No. 11, Park Road, Shivaji Nagar,  
Bangalore- 560051 Ph: +91 80 2286 5555, Fax: +91 80 2286 5943



#### ROYAL ORCHID BRINDAVAN GARDEN, MYSORE

Krishna Raja Sagar, Mandya-571607, Karnataka, India  
Tel: +91 99 4581 5566, Fax: +91 8236 257 000



#### ROYAL ORCHID GOLDEN SUITES, PUNE

Rose Premises, Golden Nest, Opp. Cerebrum IT Park,  
S.No. 15, Near Marigold, Kalyani Nagar  
Pune 411014, India Tel: +91 20 4013 1234, Fax: +91 20 4013 1300



#### ROYAL ORCHID CENTRAL GRAZIA, NAVI MUMBAI

Plot # 67, L-3, Sector 19, Palm Beach Road, Vashi,  
Navi Mumbai - 400705 Tel: +91 22 41712345, Fax: +91 22 41712346



#### ROYAL ORCHID SUITES, BANGALORE

Annexe of Vaswani Pinnacle, Nr. Forum Value Mall,  
Whitefield Main Road, Whitefield Bangalore 560066, India  
Tel: +91 80 4251 2345, Fax: +91 80 4251 2346



#### ROYAL ORCHID CENTRAL, AHMEDABAD

Opp. Gujrat College, Behind Aegis BPO,  
Essar House, Ellis Bridge, Ahmedabad-380006, India  
Tel: +91 79 3091 2345, Fax: +91 79 3091 2346



## NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of the Company will be held on Friday, the 24<sup>th</sup> day of September 2010 at 11:00 A.M. at the Registered Office of the Company at No.1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560 008 to transact the following business :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended 31st March, 2010 and the Balance Sheet as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Naresh K Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Walker, Chandiook & Co., Chartered Accountants, to hold office as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize, the Board of Directors, to fix their remuneration.

### SPECIAL BUSINESS:

#### **4. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, as may be required, the Consent of Shareholders of the Company be and is hereby accorded for the appointment of Mr. Chander K Baljee, as Chairman and Managing Director of the Company for a period of 5 (five) years with effect from 1st April 2010 and the remuneration payable to Mr. Chander K Baljee, during the term of his appointment shall be as follows:

- I. Salary - Rs.8,00,000/- per month
- II. Commission – 1% of the net profits of the company, with a maximum ceiling limit of Rs. 30 Lacs
- III. Perquisites and allowances:
  - a) Rent free furnished residential accommodation (or) HRA of Rs. 2, 00,000/- per month with all facilities and amenities including such services as Gas, Electricity, Water etc., along with maintenance, renovation of the house, furniture & white goods. b) Reimbursement of Medical Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three month's salary in a period of three years. c) Leave Travel concession for self and family in a year incurred, subject to a ceiling of two month's salary. d) Club fees subject to a maximum of five clubs, admission and life membership fee not being allowed. e) Personal Accident Insurance of an amount the premium of which shall not exceed Rs. 10,000/- per month. f) Contribution by the company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the company. g) Payment of Gratuity subject to an amount equal to half a month's salary for each completed year of service. h) The Managing Director shall be entitled to bonus/ex-gratia as may be declared by the Company in any financial year. i) Free use of Company's car with driver for Company's business. j) Free Telephone facility at residence and Mobile Telephone but personal long distance calls will be billed to him.





k) Reimbursement of entertainment expenses actually and properly incurred for the business of the Company. l) Reimbursement of Rs.5,000/- per month towards expenditure on books and periodicals.

RESOLVED FURTHER THAT subject to the applicable provisions of the Companies Act, 1956, in the event of loss or inadequacy of profits, in any financial year during the term of appointment, the above mentioned remuneration shall be paid to Mr. Chander K Baljee as and by way of minimum remuneration".

**5. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to Section 314(1B) and other applicable provisions of the Companies Act, 1956 and subject to approval of Central Government, the consent of the Shareholders of the Company, be and is hereby accorded, for the appointment of Mr. Keshav Baljee, a relative of Mr. C. K. Baljee, Chairman & Managing Director of the Company, as "President" of the Company with effect from 1st April 2010 for a period of three years on the below mentioned terms and conditions, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. Keshav Baljee:

I. Salary: Rs. 3,00,000/- per month

II. 0.5 % of the net profits of the company, with a maximum ceiling limit of Rs. 10Lacs.

III. Perquisites and allowances:

a) Rent free furnished residential accommodation (or) HRA to the extent of 20 % of the salary along with all facilities and amenities including such services as Gas, Electricity, Water etc., b) Reimbursement of Medical Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three month's salary in a period of three years. c) Leave Travel concession for self and family in a year incurred, subject to a ceiling of one month's salary. d) Club fees subject to a maximum of two clubs, admission and life membership fee not being allowed. e) Personal Accident Insurance of an amount the premium of which shall not exceed Rs.5000/- per month. f) Contribution by the company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the company. g) Payment of Gratuity subject to an amount equal to half a month's salary for each completed year of service. h) Free use of Company's car with driver for Company's business. i) Free Telephone facility at residence but personal long distance calls will be billed to his account and Mobile Telephone bill up to Rs.10000/- per month. j) Reimbursement of entertainment expenses to the extent of Rs.10000/- per month, actually and properly incurred for the business of the Company. k) Reimbursement of Rs.2000/-per month towards expenditure on books and periodicals."

**6. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to Section 309(4) and all other applicable provisions of the Companies Act, 1956 and subject to approval of Central Government, as may be required, the consent of shareholders of the Company, be and is hereby accorded, for payment of remuneration, by way of commission, a minimum sum of Rs. 5,00,000/- (Rupees Five Lakhs only) per annum, to each of the Non-Executive Directors of the company, which may, in aggregate, exceed one percent of the net profits of the company, for a period of five years commencing from the Financial year 2010-2011."



**7. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

“RESOLVED THAT in supersession of the Resolutions passed by the Shareholders of the Company, at the Twenty first Annual General Meeting held on 8<sup>th</sup> August 2007 and pursuant to Section 81 and other applicable provisions of the Companies Act, 1956 and relevant provisions of the Memorandum and Articles of Association of the Company and subject to Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, for the time being in force and as may be modified from time to time, the following amendments be made to the Royal Orchid Hotels Limited Employee Stock Option Plan, 2006:

- (i) Exercise Price for the options granted shall be amended as the Price fixed by the Board of Directors and as indicated in the notice of grant issued to eligible persons, based on the prevailing Market Price of the Shares of the Company;
- (ii) Vesting period for the options granted shall be amended to a minimum period of 36 months from the date of grant of options or such other period determined by the Board of Directors and indicated in the notice of grant to eligible persons;
- (iii) Options granted can be exercised by eligible persons at any time during their tenure of office with the Company.”

**8. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

“RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956, if any, and in accordance with the provisions of the Memorandum and Articles of Association of the Company, Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the “ICDR Regulations”), the Listing Agreements entered into by the Company and subject to other approvals if any, which may be accepted by the Board of Directors of the Company (“the Board”) consent of Shareholders of the Company, be and is hereby accorded, for the Board to create, offer, issue and allot from time to time, up to 15,00,000 (Fifteen Lakhs) warrants in aggregate in one or more tranches on a preferential basis, with an option to convert into equal number of equity shares, in such manner and on such terms and conditions and at such price as may be determined by the Board in its absolute discretion; provided that the aggregate number of resultant equity shares of the Company to be issued against warrants shall not exceed 15,00,000 fully paid equity shares of Rs.10 each, at a minimum price not less than the price determined in compliance with the ICDR Regulations or other provisions of law as may be prevailing at the time to the following members of the Promoters Group:

SI No	Name	No of Warrants
1	Baljees Hotels and Real Estates Private Limited	14,40,000
2	Mr. Sunil Sikka	20,000
3	Mr. Arjun Baljee	20,000
4	Mr. Keshav Baljee	20,000
	<b>TOTAL</b>	<b>15,00,000</b>



RESOLVED FURTHER THAT the Relevant Date for the preferential issue of warrants, as per the ICDR Regulations, for determination of applicable price for issue of the above mentioned warrants is 25<sup>th</sup> August, 2010 i.e., 30 days prior to 24<sup>th</sup> September, 2010, the date of the Annual General Meeting of the Company..

RESOLVED FURTHER THAT the resultant equity shares to be issued and allotted upon exercise of right attached to the warrants in terms of this resolution shall rank *pari passu* in all respects with the then existing equity shares of face value of Rs. 10 each of the Company and subject to approval of the stock exchanges, be listed on stock exchanges where the equity shares of the Company are listed.

RESOLVED FURTHER THAT the Board in its absolute discretion, be and is hereby authorized to accept and make, in the interest of the Company, any alteration(s), modification(s) to the terms and conditions as it may deem necessary, concerning any aspect of the issue including the decrease in the aggregate quantum of the preferential issue and to do all such acts, deeds, matters and things in connection therewith and incidental thereto as the Board, may deem necessary expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in relation to the proposed issue, offer and allotment of the said warrants, including utilization of the issue proceeds at any stage without requiring the Board to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred as also to execute such documents, writings, etc., to any other Directors(s) or Officer(s) of the Company as may be necessary to give effect to the aforesaid resolution."

**9. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into with the Stock Exchanges where the Equity Shares of the Company are listed (the "Stock Exchanges"), Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), Foreign Exchange Management Act, 1999 (FEMA), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India, Reserve Bank of India, the Stock Exchanges, the Government of India or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions and sanctions as might be required and subject to such conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, the consent of the shareholders of the Company, be and is hereby accorded to the Board of Directors of the Company (the "Board") to create, issue, offer and allot, including providing for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons, as may be permitted, in the course of one or more public or private offerings in domestic and/or one or more international market(s) with or without a green shoe option, Equity Shares and/or convertible securities, including warrants, on Qualified Institutional Placement basis under



ICDR Regulations and/or Equity Shares through depository receipts, including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), and/or convertible bonds, including Foreign Currency Convertible Bonds (FCCBs), and/or other securities convertible into Equity Shares at the option of the Company and/or the holder(s) of such securities, and/or securities linked to Equity Shares, including non-convertible debentures with warrants or other securities with or without warrants, which may either be detachable or linked, and which warrant has a right exercisable by the warrant holder to subscribe for Equity Shares and/or warrants with an option exercisable by the warrant-holder to subscribe for Equity Shares and/or any instruments or securities representing either Equity Shares and/or convertible securities linked to Equity Shares (including the issue and allotment of Equity Shares pursuant to a Green Shoe Option, if any), (all of which are hereinafter collectively referred to as "Securities") to eligible investors, including Qualified Institutional Buyers, under applicable laws, regulations and guidelines (whether residents and/or non-residents and/or institutions/banks and/or incorporated bodies, mutual funds, venture capital funds and Indian and/or multi-lateral financial institutions and/or individuals and/or trustees and/or stabilizing agents or otherwise, and whether or not such investors are members of the Company), through prospectus and/or placement document and/or letter of offer or circular and/or on public and/or private/preferential placement basis, such issue and allotment to be made at such time/times, in one or more tranches, for cash, at such price or prices, in such manner and where necessary, in consultation with the Book Running Lead Managers, Merchant Bankers and/or other Advisors or otherwise, on such terms and conditions, including terms as to appointment of Lead Managers, Underwriters, Advisors, Guarantors, Depositories, Custodians and/or other agencies, as the Board, may, in its absolute discretion, decide at the time of issue of Securities, provided that the total amount raised through the issuance of such Securities shall not exceed Rs. 150 Crores or its equivalent in one or more currencies, including premium, if any, as may be decided by the Board.

RESOLVED FURTHER that without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices, etc.

RESOLVED FURTHER that the Company and/or any agency or body or person authorized by the Board, may issue depository receipts representing the underlying Equity Shares in the capital of the Company or such other Securities in negotiable, registered or bearer form (as may be permissible) with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchange(s) in or outside India).

RESOLVED FURTHER THAT the "Relevant Date" for determination of applicable price for issue of Equity Shares and / or convertible securities on Qualified Institutional Placement basis shall be as under : -

- a) In case of allotment of Equity Shares, the date of meeting in which the Board decides to open the proposed issue ;
- b) In case of allotment of convertible securities, either the date of the meeting in which the Board decides to open the issue or the date on which the holders of convertible securities become entitled to apply for Equity Shares.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and allotted, including issue and allotment of Equity Shares upon conversion of any Securities referred to above or as may be necessary in accordance with the terms of the offer, subject to the provisions of the



Memorandum and Articles of Association of the Company, all such Equity Shares ranking pari-passu inter se and with the then existing Equity Shares of the Company in all respects, including dividend, which shall be subject to relevant provisions in that behalf contained in the Articles of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Equity Shares or Securities or instruments representing the same, as described above, the Board be and is hereby authorized on behalf of the Company, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to the Chairman & Managing Director or any other Director(s) or Officer(s) of the Company to give effect to the aforesaid resolution."

**10. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as an Ordinary Resolution:**

RESOLVED THAT pursuant to Section 94 and other applicable provisions of the Companies Act, 1956, the Authorized share capital of the company be increased from Rs.30,00,00,000/- (Rupees Thirty Crores only) to Rs.50,00,00,000/- ( Rupees Fifty Crores Only) by the creation of 2,00,00,000 (Two Crores ) equity shares of Rs.10/- (Rupees Ten Only) each.

RESOLVED FURTHER THAT clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the same with the following:

'The Authorized share capital of the company is Rs.50,00,00,000/- ( Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores ) Equity Shares of Rs.10/- (Rupees Ten Only) each'.

RESOLVED FURTHER THAT the Chairman & Managing Director and the Company Secretary of the company, be and hereby severally authorized to do all such acts, deeds, matters and things as may be deemed necessary in this regard."

Place: Bangalore  
Date: 19.08.2010

By Order of the Board,  
for Royal Orchid Hotels Limited,

B Chandrasekaran  
Company Secretary

**NOTES:**

**1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

2. The Proxy form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.

3. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the meeting are annexed.

4. Members are requested to notify immediately the change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company's Registrars and Share Transfer Agents in respect of their shareholding in physical segment by mentioning the folio nos. etc.

5. Members/Proxies should bring the attendance slip sent herewith duly filled in, for attending the meeting.

6. The Register of Members and Share Transfer Books of the Company will remain closed on 24.09.2010 for the purpose of the Annual General Meeting of the Company.

7. Members desiring any information as regards to the accounts are requested to write to the Company Secretary at least 10 days before the date of the Meeting, so as to enable the Management to keep the information ready.

8. Members are requested to kindly bring their copies of the Annual Report to the Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956**

***Item No. 4***

Mr. Chander K Baljee's term of appointment expired on 21<sup>st</sup> June 2010 and as per the recommendation of the Remuneration Committee of Directors, the Board of Directors of the Company at the Board Meeting held on 27<sup>th</sup> May 2010, appointed Mr. Chander K Baljee, as the Chairman and Managing Director of the Company with effect from 1<sup>st</sup> April 2010, for a period of 5 years, subject to the approval of the Members of the Company, on such terms and conditions as agreed between the Board of Directors and Mr. Chander K Baljee.

Your Directors recommend this resolution for your approval.

Mr. Chander K Baljee, is considered as interested in the above resolution.

The details of the terms of the appointment as provided under the resolution may be treated as an abstract under Section 302 of the Companies Act, 1956.

***Item No. 5***

**Mr. Keshav Baljee** was appointed as Vice President-Corporate Affairs of the Company wef 15<sup>th</sup> June 2007 for a period of 3 years, on such terms and conditions as approved by the Shareholders, at the Annual General Meeting held on 8<sup>th</sup> August 2007. The Company has also received the approval of the Central Government for the said appointment and also for the subsequent revised terms of appointment as approved by the Shareholders at the Annual General Meeting held on 28<sup>th</sup> July 2008, in terms of the provisions of Section 314(1) (B) of the Companies Act, 1956. The Board of Directors of the Company at the Board Meeting held on 31<sup>st</sup> October 2009 re-designated him as 'President' of the Company.



Mr. Keshav Baljee's term of appointment expired on 14<sup>th</sup> June 2010 and as per the recommendation of the Remuneration Committee of Directors, the Board of Directors of the Company, at the Board Meeting held on 27<sup>th</sup> May 2010, appointed Mr. Keshav Baljee, as the "President "of the Company, with effect from 1<sup>st</sup> April 2010, for a period of 3(three) years, subject to the approval of the Shareholders and Central Government, on such terms and conditions as agreed between the Board of Directors and Mr. Keshav Baljee.

Your Directors recommend this resolution for your approval.

The Directors Mr. C K Baljee and Mr. Sunil Sikka are considered as interested in the above resolution. .

The details of the terms of the appointment as provided under the resolution may be treated as an abstract under Section 302 of the Companies Act, 1956.

***Item No. 6***

As Non-Executive Directors of the Company, devote considerable time for the business of the Company and their expertise helps the Company, to a great extent, the Board of Directors of the Company proposed to pay to each of the Non-Executive Directors, remuneration by way of commission, a minimum sum of Rs. 5,00,000/- (Rupees Five Lakhs only) per annum, which may, in aggregate, exceed one percent of the net profits of the Company, for a period of 5 years commencing from Financial Year 2010- 2011.

Your Directors recommend this resolution for your approval.

All Non-Executive Directors are considered as interested in the above resolution.

***Item No.7***

In order to make Royal Orchid Hotels Limited Employees Stock Option Plan, 2006 (ESOP) more attractive and beneficial to the employees of the Company, the Board of Directors recommended certain amendments to the said ESOP.

Your Directors recommend this resolution for your approval.

Directors who are eligible to get options are considered as interested in the above resolution to the extent of the benefits they may derive from the ESOP.

***Item No. 8***

In terms ICDR Regulations, the following disclosures set out all the material facts relating to the aforesaid Special Resolution.

**1. The objects of the issue through preferential offer**

A few members of the Promoters Group, with an object to extend the required financial support for the Company's ongoing new hotel projects and for strengthening the operations, proposed to bring in fresh equity funds to the Company by way of subscribing warrants to be issued to them on a preferential basis, which are convertible into equity shares within a period of 18 months from the date of allotment of the warrants. The proposed resolution intends to enable the Company and its Board of Directors to issue such warrants to a few members of





the Promoters Group, who currently in aggregate holds 68,07,064 equity shares of Rs.10 paid up value of each in the Company.

## **2. Proposal of Promoters, Directors or Key Management personnel of the issuer to subscribe to the offer**

The preferential offer is being made to a few members of the Promoters' group as mentioned in the resolution, who have given their consent to subscribe to the proposed issue. No other promoters or directors or key management personnel intend to subscribe to the offer.

## **3. Shareholding pattern before and after the offer**

Category	Pre-Issue		Post-Issue (after conversion of warrants into shares)	
	No. of shares	% of holding	No. of shares	% of holding
Promoters				
Baljees Hotels and Real Estates Private Limited	51,57,029	18.94%	65,97,029	22.96%
Mr. Sunil Sikka	7,946	0.03%	27,946	0.10%
Mr. Arjun Baljee	8,38,665	3.08%	8,58,665	2.99%
Mr. Keshav Baljee	8,03,424	2.95%	8,23,424	2.87%

Note:

Above shareholding pattern has been prepared on the basis of shareholding as on 31<sup>st</sup> July 2010.

The post issue shareholding pattern has been arrived on the assumption that the entire 15,00,000 warrants proposed to be issued to the aforesaid promoters would be converted into equity shares.

## **4. Terms of issue of Warrants**

(a) The proposed allottees of the warrant shall, on or before the date of allotment, pay an amount equivalent to at least 25% of the price fixed per warrant in terms of the ICDR Regulations.

(b) The warrant holders will be entitled to apply for and obtain one equity share of face value of Rs.10 each of the Company against each warrant at any time after the date of allotment of warrants, but on or before the expiry of 18 months from such date, in one or more tranches. At the time of exercise of entitlement, the warrant holders shall pay the balance consideration towards the subscription of each equity share. The amount so paid will be adjusted / set off against issue price of the resultant equity shares.

(c) If the entitlement against the warrants to apply for equity shares is not exercised within the aforesaid period, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.

(d) Upon receipt of the requisite payment as above, the Board of Directors shall allot one equity share per warrant by appropriating Rs.10 towards equity share capital and the balance amount paid against each warrant, towards the securities premium.

(e) In the event of the Company making a bonus issue by way of capitalization of its reserves prior to allotment of equity shares resulting from the exercise of the option under the





warrants, the number of shares to be allotted against such warrants shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium shall stand reduced pro tanto.

(f) In the event of the Company making a rights offer by way of issue of new equity shares prior to allotment of equity shares resulting from the exercise of the option under the warrants, the entitlement of the equity shares under the warrants shall stand increased in the same proportion in the rights offer and such additional equity shares will be offered to the warrant holders at the same price at which the existing members are offered equity shares.

(g) The warrant(s) by itself until converted into equity shares, does not give to the holder thereof any rights with respect to that of a shareholder of the Company except as specified above.

(h) The equity shares issued as above shall rank pari passu in all respects including with respect to dividend, with the then fully paid up equity shares of the Company, subject however to the provisions of the Memorandum & Articles of Association of the Company.

#### **5. Lock-in period**

The warrants allotted on a preferential basis and the shares allotted pursuant to exercise of options attached to warrants shall be subject to lock in for such period as specified under the ICDR Regulations.

#### **6. The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them**

The proposed allottees are a few members of the Promoters' Group and the percentage of their post preferential issue holding would be 28.91%. The proposed allottees have not sold any shares during the last six months.

#### **7. Change in control**

There will neither be any change in the composition of the Board nor any change in the control of the Company on account of the proposed preferential issue. However, there will be corresponding changes in the shareholding pattern as well as voting rights.

#### **8. Price**

Equity shares to be issued against warrants will be allotted at a price not less than higher of the following:

- (a) The average of the weekly high and low of the closing prices of the Company's shares quoted on BSE or NSE (in which the highest trading volume is recorded) during the six months preceding the relevant date; or
- (b) The average of the weekly high and low of the closing prices of the Company's shares quoted on BSE or NSE (in which the highest trading volume is recorded) during the two weeks preceding the relevant date.

#### **9. Proposed time within which the allotment shall be completed**

As required under the ICDR Regulations, the Company shall complete the allotment(s) of warrants as aforesaid on or before the expiry of 15 days from the date of passing of resolution by the shareholders of the Company at the Annual General Meeting (i.e. AGM date: 24.09.2010) or in the event allotment of warrants would require any approval(s) from any regulatory authority or the Central Government, within 15 days from the date of such approval(s) as the case may be.

**10. Others**

The Certificate of the Statutory Auditors of the Company to the effect that the present preferential issue is being made in accordance with the requirements contained in the ICDR Regulations will be open for inspection at the Registered Office of the Company on all working days between 10.00 am to 12.00 noon, till the date of the Annual General Meeting.

Your Directors recommend this resolution for your approval.

Mr. Chander K Baljee, Chairman & Managing Director and Mr. Sunil Sikka, Whole time Director of the Company, are considered as interested in the above resolution.

***Item No. 9***

The Company intends to raise funds to the extent of Rs. 150 Crores, from time to time, by way of issue of certain permitted financial instruments, as mentioned in the resolution, for the Company's various expansion and development plans.

Your Directors recommend this resolution for your approval.

None of the Directors are interested in the above resolution.

***Item No.10***

The Company is considering various options to raise funds for its expansion plans including by way of issue of convertible share Warrants on preferential basis. At present, the Authorized Share Capital of the Company is Rs.30 Crores divided into 3 Crores Equity Shares of Rs.10 each and out of which, already issued, subscribed and paid up capital is Rs. 27.23 Crores. In order to accommodate the fresh issue of capital as mentioned above, the Board considered it expedient to increase the Authorized Capital to Rs.50 Crores.

Your Directors recommend this resolution for your approval.

None of the directors are interested in the above resolution.



**ANNEXURE**

**Details of Directors seeking 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 the Director	Naresh K Malhotra
Date of Birth	5th June 1947
Date of Appointment	18th June 2005
Qualifications	Chartered Accountant
Expertise in specific functional areas	Vast experience in Finance and Management functions
List of Companies in which outside Directorship held as on 31.03.2010	<ol style="list-style-type: none"> <li>1. Cotton County Retail Limited</li> <li>2. Tarang Software Technologies Private Limited</li> <li>3. Balan Natural Food (P) Limited</li> <li>4. Blue Star Infotech Limited</li> <li>5. On Mobile Global Limited</li> <li>6. NM Properties &amp; Consulting Private Limited</li> <li>7. AB Holdings Private Limited</li> <li>8. Printo Document Services Private Limited</li> <li>9. Genesis Colors Private Limited</li> <li>10. DerivIT Solutions Private Limited, Bangalore</li> <li>11. DerivIT Solutions Private Limited, Singapore</li> </ol>
Chairman / Member of the Committees of other Companies on which he is a Director as on 31.03.2010	<b>Audit Committee:</b> Blue Star Infotech Limited (Chairman) Cotton County Retail Limited (Member) Genesis Colors Private Limited (Member) On Mobile Global Limited (Member) <b>Remuneration Committee:</b> On Mobile Global Limited (Member) Blue Star Infotech Limited (Member) <b>Investors' Grievances and Share Transfer Committee:</b> On Mobile Global Limited (Chairman)

Name of the Director	<b>Chander K Baljee</b>
Date of Birth	21st February 1951
Date of Appointment	3rd January 1986
Qualifications	Post Graduate Management Degree from IIM-A
Expertise in specific functional areas	More than 30 years of experience in Hotel Industry
List of Companies in which outside Directorship held as on 31.03.2010	<ol style="list-style-type: none"> <li>1. Royal Orchid Jaipur Private Limited</li> <li>2. Royal Orchid Hyderabad Private Limited</li> <li>3. Royal Orchid South Private Limited</li> <li>4. Royal Orchid East Private Limited</li> <li>5. Royal Orchid Maharashtra Private Limited</li> <li>6. Royal Orchid Goa Private Limited</li> <li>7. Royal Orchid Shimla Private Limited</li> <li>8. Royal Orchid Mumbai Private Limited</li> <li>9. Royal Orchid Ahmedabad Private Limited</li> <li>10. Icon Hospitality Private Limited</li> <li>11. Maruti Comforts and Inn Private Limited</li> <li>12. Cosmos Premises Private Limited</li> <li>13. Parsvnath Royal Orchid Hotels Limited</li> <li>14. Baljees Hotels and Real Estates Private Limited</li> <li>15. Hotel Stay Longer Private Limited</li> <li>16. Royal Orchid West Private Limited</li> <li>17. Royal Orchid Resorts Private Limited</li> <li>18. Harsha Farms Private Limited</li> <li>19. Trans Himalayan Power Private Limited</li> </ol>
Chairman / Member of the Committees of other Companies on which he is a Director as on 31.03.2010	Nil

**ATTENDANCE SLIP****ROYAL ORCHID HOTELS LIMITED**

Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560 008.

Please fill Attendance Slip and hand it over at the entrance of the Meeting Hall

DPID\*: Folio No. :

Client ID\*: No. of Shares:

Name and address of the Shareholder:

I/We hereby record my/our presence at the **24<sup>th</sup> ANNUAL GENERAL MEETING** of the Company held on Friday, the 24<sup>th</sup> day of September 2010 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560 008.

Signature of the Shareholder or Proxy: \_\_\_\_\_

\* Applicable for investors holding shares in Electronic Form.

**PROXY FORM****ROYAL ORCHID HOTELS LIMITED**

Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560 008.

DPID\*: Folio No. :

Client ID\*: No. of Shares:

I/We

\_\_\_\_\_ of \_\_\_\_\_ being a member/members of ROYAL ORCHID HOTELS LTD., hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 24<sup>th</sup> ANNUAL GENERAL MEETING to be held on Friday, the 24<sup>th</sup> September, 2010 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560008., or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

\* Applicable for investors holding shares in Electronic Form.

Re. 1  
Revenue  
Stamp

Note. I. The Proxy Form should be signed across the stamp as per specimen signature registered with the Company.

ii. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.

iii. The Proxy need not be a member of the Company.







**F & B  
DISCOUNT  
COUPON**

**Bill value upto Rs. 500/-  
Discount - 30%  
Valid upto 31-03-2011**

Please present this coupon while placing your order.  
Discount on listed price and cannot be clubbed with any other  
discount scheme.  
No cash refunds against any coupon or part use thereof.

Taxes as applicable



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