



ROYAL ORCHID
HOTELS

ROYAL ORCHID HOTELS LTD.

Annual Report 2010 - 2011



Hotel Royal Orchid, Bangalore



Royal Orchid Central Kireeti, Hospet (Hampi)



Royal Orchid Suites, Whitefield, Bangalore



Royal Orchid Resorts & Convention Centre, Bangalore

THE IDEAL HOLIDAY DESTINATIONS



ROYAL ORCHID
METROPOLE
MYSORE



ROYAL
BEACH RESORT & SPA
GOA



ROYAL ORCHID
BRINDAVAN GARDEN
MYSORE



ROYAL ORCHID
CENTRAL KEERITI
HOSPET (Hampi)

A grand heritage hotel formerly owned by the Maharaja of Mysore for his Distinguished British Guests



A century old hotel, set by the inspiring Cauvery River and overlooking the breathtaking Brindavan Garden



HOTEL
ROYAL ORCHID
JAIPUR

Only five star hotel in Hospet. Just a short drive away from the Hampi Ruins, the lost Vijaynagar empire



Beach front resorts with plunge pool suites, Goa



ROYAL ORCHID
CENTRAL
SHIMOGA

Check into the grandeur of a royal era at the Royal Orchid, Jaipur



Shimoga's finest business / leisure hotel. Close proximity to JOG FALLS, Agumbe, Kollur & Sringeri



ROYAL ORCHID
FORT RESORT
MUSSOORIE

Check into Royal Orchid Fort Resort, Mussoorie and step into the glory of the bygone British colonial era



For reservations call: 080 4127 6667
e-mail: rooms@royalorchidhotels.com
website: www.royalorchidhotels.com



ROYAL ORCHID
HOTELS



Track Record

Royal Orchid Shimoga
Resort Mussorie
HRO Jaipur
Royal Orchid Central, Vadodara

2011

Royal Orchid Central, Grazia, Navi Mumbai
Royal Orchid Central Kireeti, Hospet

2010

2009

Corporate HQ
Royal Orchid Central, Pune
Royal Orchid Resorts, Goa

2008

Royal Orchid Suites, Bangalore
Royal Orchid Central Ahmedabad

2007

Royal Orchid Golden Suites, Pune
Royal Orchid Central, Jaipur
Royal Orchid Brindavan, Mysore
Nationwide Sales Offices

Listed on February 6, 2006
Royal Orchid Resort, Bangalore
Central Reservation System

2006

2004

Royal Orchid
Metropole

Royal Orchid
Central
Bangalore

2003

2001

Hotel Royal Orchid
Bangalore

Company name changed
to Royal Orchid Hotels Ltd.

1997

Acquired Hotel
Harsha Bangalore

1994

Presidency
College of Hotel
Management
Bangalore

1988

1986

Incorporation of the company - Universal Resorts Ltd.



ROYAL ORCHID HOTELS LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Chander K Baljee

Whole time Director

Mr. Sunil Sikka

Independent Directors

Mr. Naresh K Malhotra

Mr. R V S Rao

Mr. Vijay K Rekhi

COMPANY SECRETARY

Mr. B Chandrasekaran

STATUTORY AUDITORS

M/s. Walker, Chandiook & Co.

Chartered Accountants

WINGS, First Floor, 16/1, Cambridge Road,
Halasuru, Bangalore 560008.

INTERNAL AUDITORS

M/s. P Chandrasekar

Chartered Accountants

S-512, S-514, 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

Axis Bank Limited

REGISTRAR &

SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited,

30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram, Bangalore – 560003.

080 - 23460815 – 818

alfint@vsnl.com

ROYAL ORCHID HOTELS LIMITED

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ROYAL ORCHID HOTELS LIMITED
Annual Report 2010-11

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We have pleasure in presenting the Twenty Fifth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2011.

Financial Results:

The performance of the Company for the financial year ended 31st March 2011 is summarized below:

| | | | (₹ in Crores) | |
|--|---------------------|------------------|-------------------|------------------|
| | CONSOLIDATED | | STANDALONE | |
| Particulars | 2010 –11 | 2009 – 10 | 2010 –11 | 2009 – 10 |
| Income from Operations | 152.07 | 120.45 | 92.87 | 77.83 |
| Other Income | 2.67 | 1.42 | 2.14 | 1.14 |
| Total Income | 154.74 | 121.87 | 95.01 | 78.97 |
| Gross Operating Profit | 42.07 | 28.82 | 22.58 | 19.35 |
| Interest | (11.28) | (7.59) | (2.26) | (2.41) |
| Depreciation | (13.71) | (12.37) | (5.61) | (5.61) |
| Profit before Tax | 17.08 | 8.86 | 14.71 | 11.33 |
| Provision for Taxation | (5.61) | (3.93) | (5.05) | (3.05) |
| Minority Interest and Share of Profit in Associate | 0.75 | 2.04 | ---- | ---- |
| Net profit after tax | 12.22 | 6.97 | 9.66 | 8.28 |

With total consolidated revenue of ₹154.74 Crores, your Company has for the financial year under review reported an increase in its total consolidated revenue by 27% as compared to the previous financial year. The Gross Operating Profit has also shown an increase of 46% as compared to 2009-2010. The Profit after Tax stood at ₹12.22 Crores, as against ₹6.97 Crores of previous year, showing an increase by 75%. With improving economic conditions and several new hotel projects in progress, your Company is hopeful of continuing this trend in the current financial year also.

Dividend

The Board of Directors recommends the payment of ₹1.50 (one rupee and fifty paise) per equity share (15% on face value ₹10) for the year ended 31st March 2011, subject to the approval of shareholders. The outflow of funds on account of payment of dividend, including tax on dividend would be ₹476 Lacs.

NEW HOTELS OPENED

During the year, your Company widened its network and added the following 5 new hotel properties to its portfolio:

> Hospet

Royal Orchid Central Kireeti, Hospet, with 135 rooms commenced its operations in October, 2010.

> Mussoorie

Royal Orchid Fort Resort, Mussoorie, with 60 guest rooms, commenced its operations in December 2010.

> Shimoga

Royal Orchid Central, Shimoga, with 108 guest rooms, commenced its operations in March, 2011.

> Jaipur

Hotel Royal Orchid, Jaipur, a Five Star Hotel, with 139 guest rooms, commenced its operations in March, 2011.

> Vadodara

Hotel Royal Orchid, Vadodara with 81 guest rooms, commenced its operations in May, 2011.

NEW HOTEL PROJECTS IN PROGRESS**> Hyderabad**

The Construction of the Five Star Hotel with 233 rooms at Hyderabad and a Suites hotel with 49 rooms in the same location is in the advanced stages of completion. The first phase of the Five Star Hotel with 108 rooms and the Suites Hotel are likely to commence their operations by October, 2011.

> Mumbai

The Construction of the Four Star Hotel at Powai, Mumbai with 260 rooms has commenced and the hotel is likely to commence its operations by 2013.

UPCOMING PROJECTS

Your Company is in the process of establishing new hotels in the following locations, in near future:

| SI No | <i>Location</i> |
|--------------|------------------------|
| 1 | Mumbai |
| 2 | Surat |
| 3 | Delhi |
| 4 | Bharuch |
| 5 | Greater Noida (UP) |
| 6 | Faridabad |
| 7 | Chennai |
| 8 | Kolkata |
| 9 | Shimla |



Business Expansion

The Company has drawn ambitious expansion plans so as to reach a target of 4000 keys by the year 2015. This will be achieved by using both organic and inorganic approaches.

Awards

- i. During the year, Hotel Royal Orchid Central, Pune was declared as "Hotel of the Year" in the First Class Business Hotel Category at the GOLDEN STAR AWARDS 2010. The award was presented by the Ministry of Tourism, Government of India.
- ii. Royal Orchid Central Grazia, Navi Mumbai won the "Best Emerging Hotel of the Year- 2010-11" at the GOLDEN STAR AWARDS, instituted by Stars of the Industry Group.
- iii. Royal Orchid Beach Resort & Spa, Goa won the Pegas Award for Excellence.
- iv. Your Company is also proud that an executive of Royal Orchid Hotel was awarded the "Most Admired Executive House Keeper" award at the GOLDEN STAR AWARDS 2010
- v. Royal Orchid Central Ahmedabad was awarded the "Most Admired General Manager of the Year" at the GOLDEN STAR AWARDS.
- vi. Royal Orchid Central Grazia, Navi Mumbai won the "Most admired GM of the year" award at the GOLDEN STAR AWARDS, instituted by Stars of the Industry Group.

Subsidiary Companies

Your Company has 14 subsidiary companies as at 31st March 2011, of which 11 are wholly owned subsidiaries. Your 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 (letter dated 17/01/2011 vide No. 47/5/2011-CL-III) 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 and the related detailed information will be made available to the holding and subsidiary company investors seeking such information at any point of time and also on the website of the Company, www.royalorchidhotels.com

Central Government Approvals

During the year, your company has obtained the approval of Central Government for payment of remuneration to Mr. C K Baljee, Chairman & Managing Director and Mr. Keshav Baljee, President of the Company, for the year ended 31st March 2011.

Directors

The Director Mr. Jaithirth Rao resigned with effect from 16th May 2011 and the Directors wish to place on record their sincere thanks for his valuable contribution to the Board, during his tenure.

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

Mr. Vijay K Rekhi was appointed as an Independent Director of the Company effective 6th July 2011. As Mr. Vijay K Rekhi shall hold office, up to the date of the ensuing Annual General Meeting, the consent of Shareholders is sought for his appointment at the said meeting.

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.

Auditors' Report to Shareholders

In respect of the comments of the Auditors on the frequency of the physical verification of fixed assets, as advised by the Audit Committee of Directors, physical verification of fixed assets would be carried out once in a year, hereinafter.

Public Deposits

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

Management Discussion and Analysis Report

The Report as required under the Clause 49 of the Listing Agreement 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed and form part of the Directors' Report.

Personnel

In terms of Companies (Particulars of Employees) Rules, 1975 read with the Notification dated 31st March 2011, issued by the Ministry of Corporate Affairs, New Delhi, the details of employees as required to be furnished under Section 217 (2A) of the Companies Act, 1956 are not applicable to the Company.

Additional Information in accordance with the provisions of section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

- **Conservation of Energy**

Your company is continuously putting its efforts towards conservation of energy across all its units and in the process, has implemented a well documented Energy Conservation Program, which includes use of:

- > Energy efficient lighting- LED
- > BMS – Building automation system
- > VFD –Variable frequency drive for motors
- > Modulating valves to control the flow
- > Heat exchanger systems for utilizing the waste heat
- > Solar system for generating hot water
- > Sewerage Treatment Plants – for reuse of water for gardening, Cooling tower, flushing and cleaning purpose
- > Latest energy conservation gadgets

- **Technology absorption**

In the opinion of the Board, the required particulars pertaining to technology absorption as per Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as the hotel forms a part of the service industry and the company does not have any significant manufacturing operations.

- **Foreign Exchange Earnings and Outgo**

During the year under review, your Company earned Foreign Exchange Revenue of ₹ 37.41 Crores (Previous Year ₹ 30.87 Crores) and the Foreign Exchange outgo on account of commission and others is ₹ 2.26 Crores (Previous year ₹ 0.85 Crores).

Safety and security

Keeping in mind the security threats to the hospitality industry in India, your Company has stepped up its efforts to ensure an environment of well being, safety and security for all its guests and co-workers. Our guest floors as well as all public areas are well equipped with closed circuit cameras and alarm system. Moreover, guest room doors are installed with computerized electronic card locking system to enhance security. Safety deposit lockers have been placed in all rooms to store valuables. Movement of all vehicles, employees, vendors and guests is monitored, scanned and electronic data preserved in our archives. An Emergency Response Team exists in all the hotels, which is always on a standby mode to respond immediately to any unforeseen emergency in the hotel.



Trade Mark Case

In a suit filed by Kamat Hotels (India) Limited against the Company for alleged infringement and passing off of Trade Mark 'the Orchid', a single Judge of the Hon'ble High Court of Bombay vide its Interim Order dated 5th April 2011, has allowed our Company to continue with its existing hotels and business under its Trade Mark but restrained the use of the same, for any new hotel or line of business. A division bench of the Bombay High Court has admitted the appeal filed by the Company against the above interim order and granted a partial stay allowing the Company to open its new hotel at Vadodara in May 2011. The appeal is now posted for hearing in July 2011.

Briefly, it is the case of our Company that we are the prior adopter and user of the mark 'the Orchid' in relation to Hotel Business and that there has been inordinate delay in filing the suit and acquiescence by Kamat Hotels, disentitling it to the reliefs claimed.

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 31st March 2011, 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 2011 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 31st March 2011, 'on a going concern basis'.

Acknowledgments

Your Directors record their sincere thanks for the valuable support extended by the customers, suppliers, investors, bankers and other statutory authorities. Your Directors acknowledge with deep 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,
6th July 2011

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 13th 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 8th August 2007. Also at the Annual General Meeting held on 24th September 2010, with the consent of the shareholders, the Board was authorised to fix the exercise price based on the prevailing market price and the validity period for exercising the options was amended. 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. As per the plan, 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.

Details of the Employee Stock Option Scheme as required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as at 31st March 2011.

| | |
|--|--------------------------------------|
| 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 | 3,81,823 |
| g. variation of terms of options | Not applicable |
| h. money realized by exercise of options | Not applicable |
| i. total number of options in force | 1,30,677 |
| j. employee wise details of options granted to: | |
| (i) senior managerial personnel | (please refer below) |
| (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 | Nil |
| (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 | 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: ₹ 9.56 Crs EPS ₹ 3.51 |
| 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. | ₹ 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 | 7.34% to 7.63% |
| (ii) expected life | 18 to 42 months |
| (iii) expected volatility | 40.37% |
| (iv) expected dividends (yield %) | 3.28% |
| (v) the price of the underlying share in market at the time of option grant | ₹ 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

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

| | |
|--|--|
| Name of the Director | Mr. R V S Rao |
| Date of Birth | 15.03.1944 |
| Date of Appointment | 10.09.2009 |
| Qualifications | Commerce & Law Graduate and a Fellow of Indian Institute of Bankers |
| Expertise in specific functional areas | Served as Executive Director of HDFC Limited |
| List of other Companies in which he is a Director | Icon Hospitality Private Limited Puravankara Projects Limited Sobha Developers Limited Compassites Software Solutions Private Limited Avon FMS Private Limited |
| Chairman / Member of the Committees of other Companies in which he is a Director | NIL |

| | |
|--|--|
| Name of the Director | Mr. Vijay K Rekhi |
| Date of Birth | 14.09.1945 |
| Date of Appointment | 06.07.2011 |
| Qualifications | MBA |
| Expertise in specific functional areas | General Management |
| List of other Companies in which he is a Director | Four Seasons Wines Limited, Bangalore, India United Spirits Nepal Private Limited, Kathmandu, Nepal Bouvet Ladubay SA, Saumur, France Whyte & Mackay Limited, Glasgow, UK Liquidity Inc., Los Angeles, USA Royal Challengers Sports Pvt. Ltd. Bangalore, India. Whyte & Mackay Group Limited, UK United Spirits (Shanghai) Trading Company Limited, China Whyte & Mackay Warehousing Limited, UK |
| Chairman / Member of the Committees of other Companies in which he is a Director | NIL |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

This discussion aims to present a macro view of the operations of the Company, in the light of general socio, economic and political conditions prevailed during major part of the year and with their impact on the hospitality Industry.

During the year under review, the Company continued its efforts towards achieving its vision ***'to be the preferred group of hotels for the discerning global traveler'***, by ensuring highest quality service levels across all its units. The Company expanded its operations into newer markets in India, besides ensuring, timely completion of various ongoing hotel projects.

1. Industry Structure and Developments

Tourism

Tourism Sector is recognized as a major driver for economic growth of a country as it generates wide scale employment and facilitates national integration by removing regional imbalances, besides earning valuable foreign exchange

In the Asia pacific region, India has emerged as one of the most popular tourist locations along with China in recent times, due to its geographical diversity. The fiscal year 2010-11 witnessed a momentum of growth in Indian Tourism Industry, after a turbulent period of two years. As per the Ministry of Tourism, Government of India, Foreign Tourist Arrivals (FTAs) in India during 2010 were 5.58 million with a growth rate of 8.1% as compared to FTAs of 5.17 million and growth rate of -2.2% during 2009.

According to the latest Tourism Satellite Accounting (TSA) research, released by the World Travel and Tourism Council (WTTC), the demand for travel and tourism in India is expected to grow by 8.2 % between 2010 and 2019. This will place India at the third position in the world. India's travel and tourism sector is expected to be the second largest employer in the world. Capital investment in India's travel and tourism sector is expected to grow at 8.8 % between 2010 and 2019. The WTTC also forecasts India to get more capital investment in the travel and tourism sector and is projected to become the fifth fastest growing business travel destination from 2010 through 2020.

The availability of International quality Medical Treatment at a lower cost and also facilities for certain specialized Indian Traditional Yoga & Ayurvedic treatments, act as a major factor for increased FTAs, making India a preferred destination. In addition to this, Historical tourism in India holds major potential and has already got the attention of the Government and in the years to come, this is bound to bring in a substantial development to this sector.

Although the long term prospects of the Indian Tourism industry look promising but jolts like terrorist attacks, civil disturbances such as Maoist attacks, health scars, natural disasters and increased abuse of women tourists in a few popular tourist destinations, continue to cause concerns.

The significant growth of major core infrastructure sectors in India has accelerated the recovery phase of the Indian Tourism industry. Besides the welcome improvement of spending power of the consumers, the development and marketing of newer tourist destinations, along with improvements in road and air connectivity across major business and tourist locations, have facilitated growth of domestic tourism.

During the year, the Commonwealth Games held in Delhi in 2010, though did not bring expected levels of FTAs, it accelerated the recovery process of Indian Tourism Sector. The much acclaimed Cricket Tournament under Indian Premier League (IPL) banner too provided the required impetus to it..



Hospitality

The Hospitality Industry is one of the fastest growing sectors of the Indian economy. In view of the economic growth, increasing disposable income and double income households, hospitality has emerged as one of the key sectors driving the country's economy. The current market size is estimated at US\$ 23 billion, accounting for 2.2% of India's GDP. With the increased business opportunities in India, many reputed global hotel chains are planning for major investments in India.

The launch of 3G services in India may pave the way for the entry of Hospitality sector in the virtual space through mobile marketing.

During the fiscal year 2010-11, though the occupancy levels have increased substantially as compared to previous year, the Average Room Revenue (ARR) witnessed only a very marginal increase, across the major markets of India.

2. Outlook

Substantial investment in tourism infrastructure is absolutely essential for Indian hotel industry to achieve its potential to an optimum extent. The various Governmental initiatives such as upgrading of national highways, 'Incredible India' destination campaigns, 'Atithi Devo Bhavah' campaigns, newly-evolved concept of transit hotels in airports, are expected to result in desired levels of growth in hotel industry. Across the markets in general, we experience the signs of improving occupancy rates, which are likely to result in higher ARR's in the near future.

Royal Orchid Group, with its 18 hotels situated across 11 major cities in India (5 in Bangalore, 2 in Mysore, 1 in Hospet, 1 in Shimoga, 2 in Pune, 2 in Jaipur, 1 in Goa, 1 in Ahmedabad, 1 in Navi Mumbai, 1 in Mussoorie, 1 in Vadodara), has been continuing its expansion drive and thus, many more new hotel projects are already in pipeline, to be established across major cities in India. The present room inventory of Royal Orchid group 1318 keys is set to expand to the level of 4000 keys by 2015. The group's initiative to add on more hotels under its brand through Management Contracts has evinced encouraging response across many newer potential markets.

3. Discussion on financial performance with respect to operational performance

During the year, the total consolidated revenue increased by ₹ 32.87 Crores, which is about 27% more than the previous year's revenue. The Gross Operating Profit also increased by 46% to ₹ 42.07 Crores. The Net Profit after Tax achieved for the year was ₹ 12.22 Crores, an increase of 75% as compared to previous year.

The Company is in the process of establishing its new Hotel at Powai, Mumbai with 260 rooms, under Joint Venture with Amartara Private Limited, Mumbai and during the year, has tied up the funding requirements for the project to the tune of ₹ 95 Crores with the Bankers. The Construction activities have started and the hotel is likely to commence its commercial operations by 2013.

The Company is in the process of establishing new hotels at Hyderabad, Mumbai, Surat, Delhi, Bharuch, Noida, Chennai, Faridabad, Kolkata, Shimla and continuously striving to penetrate into more potential markets across India, in near future.

4. Risks and Concerns

The Central Government in its Budget for 2011 has introduced a levy of 10% service tax on room accommodation in excess of ₹ 1000 per day and on services provided by air conditioned restaurants serving liquor. The above additional tax burden is likely to make India a destination less competitive than a few neighboring tourist destinations in Asia Pacific region and this will have an adverse impact on the revenues of the hotel industry.

During the current year, the number of Japanese tourists to visit India is estimated to be reduced to a great extent, due to the severe damage caused to the Japanese Economy by devastating earthquake and 'tsunami'. Also as many internationally reputed brands are planning to establish hotels across various cities in India, competition is likely to intensify in near future, in this sector.

With presence of 18 running hotels across 11 major cities and with the ongoing new hotel projects in major Tier-I and Tier-II cities which are recognized business / tourist locations, the Royal Orchid group is emerging as one of the fastest growing hotel chains in India. The spread of hotels across major business and tourist destinations is giving the required

advantage of balanced representation in key markets, thereby minimizing the risk factors associated with certain geographical locations.

The funding requirements of the ongoing new hotel projects which are under construction stage have been tied up fully with the Bankers and the senior management of the Company is monitoring very closely the implementation of the same, as per the schedule. However, the timely completion of the same is subject to various external risks beyond the control of the Company.

In a Trade Mark related litigation against the Company initiated by Kamat Hotels (India) Limited in the High Court of Bombay, the Company has obtained a partial stay from a Division Bench against a single Judge Order and the appeal is now posted for further hearing in July 2011.

5. Internal Control Systems and adequacy

The Company has already placed strict Internal Control Systems across various functions which are adequate and commensurate with the size of the operations. The operations of each of the individual hotel units are continuously monitored on a daily basis by various functional heads and a well structured Management Information System Report facilitates speedy identification and correction of deviations occur, if any. Under the guidance and reference of the Audit Committee of Directors, an independent firm of Chartered Accountants conducts the internal audits on monthly basis across all the units of the Company and reports generated are reviewed at every meeting of Audit Committee of Directors. The Audit Committee of Directors reviews the scope and extent of audit functions through periodical discussions with the Company's Statutory and Internal Auditors and advises the modifications / improvements in the same, as and when required.

6. Human Resources

The Company continues to maintain a very cordial and healthy relationship with its work force across all its units. The total number of permanent employees on roll as at 31st March 2011 was 1764 nos, across all its units. With the increase in work force due to expansion in business, envisaging the requirement of adequate on the job training across the various levels of employees, a major thrust to the training and development programme has been initiated. A dynamic and transparent performance appraisal system along with various positive initiatives towards employee welfare requirements ensured maintaining the employees' morale at greater heights. Under the 'Hotel Royal Orchid Employees Welfare Trust' the Company continues to offer financial support for medical and educational needs of certain category of employees.

Cautionary Statement

The business of the Hotel industry largely depends on the tourism and business related travel activities. Thus, any impact on the Tourism or general business related travelling activities affects the performance of the hotel industry. In view of the same, the 'forward looking statements' are to be understood in the right perspective.



CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31.03.2011 (As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company Philosophy on Code of Governance

The basic principles of good corporate governance are to maximize all the stakeholders' value and to ensure that transparency, integrity and accountability of highest order are maintained in all its transactions with the stakeholders both within and outside the Company, at all times. It has been the endeavor of the company to follow and practice the "principle of integrity" and its leadership is committed in following the Code of Conduct of the company in terms of Clause 49 of the Listing Agreement in letter and spirit.

In keeping with the above principles, the Board of Directors of your Company monitors the functions of the Management closely so that the interests of all the stakeholders of the Company are well protected at all times.

2. Board of Directors

● Composition of Board of Directors

The Board of Directors of the Company consists of an optimal combination of Executive and Independent directors.

The Managing Director of the company is also the Chairman of the Board. Apart from providing responsible leadership to the company, the Managing Director of the company also identifies the development opportunities and drives the company towards achieving its business goals.

The Whole-time Director of the company is dedicated to overseeing the performance of the company and identifies any threats or risks which the company may be vulnerable to.

The Independent Directors take active part at the Board and Committee meetings, which adds value to the decision making process. Two-thirds of the Board comprise of non-executive directors. As on 31st March, 2011, the composition of the Board is given herein below:

| Category | No. of Directors |
|---|-------------------------|
| Executive and Non-Independent Directors | 2 |
| Non-Executive and Independent Directors | 3 |

● Profile of Board of Directors

Mr. C K Baljee, a Management Graduate from IIM, Ahmedabad, is the Founder Chairman & Managing Director of Royal Orchid Hotels. He has over three decades of experience in hospitality. He has been featured in the IIM Ahmedabad book "Stay Hungry Stay Foolish" which chronicles the rise of 25 entrepreneurs. He is a certified Hotel Administrator from American Hotel and Lodging Association (AH & LA).

Mr. Sunil Sikka holds a Post Graduate Degree in Commerce and has an experience in the Export Business.

Mr. Naresh K Malhotra, an alumnus of St. Xavier's College, Kolkata, is a Chartered Accountant and an Operating Partner with Sequoia Capital India. He was the Former CEO of Café Coffee Day and his career included stints with ICI, Unilever Group and Colgate Palmolive in India and overseas. He was a Founding Partner of KPMG, India.

Mr. R V S Rao is a Commerce and Law Graduate and Fellow of Indian Institute of Bankers. He was Executive Director of HDFC.

Mr. Jaithirth Rao is a Management Graduate from IIM, Ahmedabad and has held several key positions in his career, including Country Head at Citicorp and CEO of Mphasis BFL Limited. He resigned as a Director of the Company effective 16th May 2011.

- **Board Meeting and attendance**

During the year 2010-2011, the Board met 5 times on 27.05.2010, 31.07.2010, 19.08.2010, 30.10.2010 and 22.01.2011.

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 Directorships | 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 | 4 | Yes | 13 | 3 | 2 |
| Mr. Jaithirth Rao | Independent Director | 3 | Yes | 13 | - | - |
| Mr. R. V. S. Rao | Independent Director | 4 | Yes | 5 | - | - |

* 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.

- **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 Director proposed to be appointed / re-appointed is given as an Annexure.

3. Audit Committee

- **Composition of 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.

- **Broad terms of reference**

The Audit Committee of the company looks into the following matters:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.



- iii. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - (a) Any changes in accounting policies and practices.
 - (b) Major accounting entries based on exercise of judgment by management.
 - (c) Qualifications in draft audit report.
 - (d) Significant adjustments arising out of audit.
 - (e) The going concern assumption.
 - (f) Compliance with accounting standards.
 - (g) Compliance with stock exchange and legal requirements concerning financial statements
 - (h) Any related party transactions
- iv. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- v. Reviewing the Internal Audit Reports and discussion with internal auditors for any significant findings and follow up there on.
- vi. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- vii. Reviewing the company's financial and risk management policies.
- viii. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate.

● Attendance of members

During the financial year 2010-11, the Audit Committee has met 4 times, i.e., 27.05.2010, 31.07.2010, 30.10.2010 and 22.01.2011.

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

| Name | Designation | Attendance |
|------------------------|---|------------|
| Mr. Naresh K. Malhotra | Chairman of the Committee - Independent, Non-Executive Director | 3 |
| Mr. Jaithirth Rao | Independent, Non-Executive Director | 3 |
| Mr. R. V. S. Rao | Independent, Non-Executive Director | 3 |

4. Remuneration Committee

● Composition of 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.

● Broad terms of reference

The Remuneration Committee on the basis of Company's policy decides on the remuneration of the directors and Personnel related to any of the Directors of the Company.

● Details of remuneration paid to the Directors for the year 2010-11: (₹ in Lacs)

| Sl. No. | Name of Director | Salary & Benefits (₹) | Commission (₹) |
|---------|------------------------|-----------------------|----------------|
| 1. | Mr. C K Baljee | 131.00 | nil |
| 2. | Mr. Sunil Sikka | nil | 4.02 |
| 3. | Mr. Naresh K. Malhotra | nil | 4.02 |
| 4. | Mr. Jaithirth Rao | nil | 4.02 |
| 5. | Mr. R. V. S. Rao | nil | 4.02 |

Details of shares held by Non-Executive Directors as on 31.03.2011

| | |
|------------------------|--------|
| Mr. Naresh K. Malhotra | 35,002 |
| Mr. R. V. S. Rao | 4,500 |
| Mr. Jaithirth Rao | 64,895 |

- Attendance**

During the financial year ended 31st March 2011, the Remuneration Committee met 4 times i.e. 27.05.2010, 31.07.2010, 30.10.2010 and 22.01.2011.

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

| Name | Designation | Attendance |
|-----------------------|---|-------------------|
| Mr. Jaithirth Rao | Chairman of the Committee - Independent, Non-Executive Director | 3 |
| Mr. Naresh K Malhotra | Independent, Non-Executive Director | 3 |
| Mr. R. V. S. Rao | Independent, Non-Executive Director | 3 |

5. Investors' Grievances and Share Transfer Committee

- Composition of 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 redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends among others. The Registrar and Share transfer agents of the Company, Integrated Enterprises (India) Limited, have sufficient infrastructure to process and resolve these complaints.

| No. of shareholders' complaints received during the year | No. not resolved to the satisfaction of shareholders during the year | No. of pending complaints during the year |
|---|---|--|
| 1 | NIL | NIL |

The Company Secretary & Compliance Officer of the Company acts as Secretary to all the Meetings of Committees of Directors.

6. 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 copy of the Code of Conduct is available at the Company's website <http://www.royalorchidhotels.com>

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 2010-2011.

C.K. Baljee
Managing Director



7. General Body Meetings

Annual General Meetings:

| Year | Date | Time | Venue | Special Resolutions passed |
|---------|------------|------------|-------------------|--|
| 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 and payment of remuneration. 3.Enhancement of Remuneration payable to Mr. Keshav Baljee |
| 2008-09 | 10.09.2009 | 11.00 A.M. | Registered Office | Nil |
| 2009-10 | 24.09.2010 | 11.00 A.M. | Registered Office | 1.Re-appointment of Mr. C K Baljee as Chairman and Managing Director. 2.Re-appointment of Mr.Keshav Baljee as President 3.Payment of commission to Non Executive Directors 4.Amendments to Royal Orchid Hotels Limited Employees Stock Option Plan 2006 5.Issue of convertible warrants 6.Raising funds for company by issue of permitted instruments |

Note: During the year 2010-11, no Extraordinary General Meeting was held. No Special Resolutions were passed during the year through Postal Ballot. A Special Resolution under Section: 372A of the Companies Act, 1956 is proposed to be passed through Postal Ballot, in terms of Sec: 192A read with Companies (passing of the resolution by postal ballot) Rules, 2001.

8. Disclosures

● Statutory compliances, penalties

There were no instances of non compliances nor have any penalties/ strictures been imposed by any stock exchange or SEBI or any statutory authority or any other matter related to capital markets during the last three years.

● Basis of related party transactions

There were no transactions of material nature with the promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company.

● Whistle Blower Policy

The Company has in place a Whistle Blower Policy and has established a mechanism for employees at all levels to report to the Independent Directors 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 of Directors.

9. Means of Communication

| | |
|---|---|
| Quarterly results | The Quarterly results of the company is published in news papers |
| Any website where displayed | http://www.royalorchidhotels.com Annual financial statements, Quarterly reports on financials and Corporate Governance and the Shareholding pattern of the company are posted on the Company Website regularly. |
| Whether website also displays official news Releases and the presentations made to Institutional investors or to the analysts | The official news releases are also displayed on the website of the company |
| Newspapers in which results are normally Published | The Financial Express / The Mint & Udayavani |

10. Subsidiary

The Company has a material non-listed Indian subsidiary company for the year ended 31st March 2011 and an Independent Director of the Company is on the Board of the subsidiary company also.

11. Certificate of Corporate Governance

A certificate from a Practicing Company Secretary regarding compliance by the company of the Listing Agreement is attached as an Annexure to this Report.

12. General Shareholder Information**12.1 Annual General Meeting:**

- Date and Time: 5th September 2011 at 11:00 am
- Venue: Hotel Royal Orchid
No. 1, Golf Avenue
Adjoining KGA Golf Course
Off Airport Road
Bangalore - 560 008

12.2 Financial Calendar

| | |
|------------------------------------|---|
| Financial Year | 2010-2011 |
| Book Closure Dates: | 3rd September 2011 to 5th September 2011 (both days inclusive) |
| Dividend: | The Board of Directors proposed a dividend of ₹ 1.50 per share (15% on face value of ₹10 per share) for the financial year 2010-11. |
| Listing of Equity Shares on | National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 Bombay Stock Exchange Limited Floor 25, P. J. Towers Dalal Street, Mumbai – 400 001 |

12.3 Stock Code

| | |
|---|-------------------|
| Particulars | Scrip Code |
| National Stock Exchange of India Limited: | ROHLTD |
| Bombay Stock Exchange Limited: | 532699 |
| SIN Numbers in NSDL & CDSL: | INE283H01019 |

12.4 Financial Calendar 2011-12*Financial Reporting (tentative)*

| | |
|--|--------------|
| For the quarter ended 30.06.2011 | July 2011 |
| For the quarter ending 30.09.2011 | October 2011 |
| For the quarter ending 31.12.2011 | January 2012 |
| For the quarter ending 31.03.2012 | May 2012 |

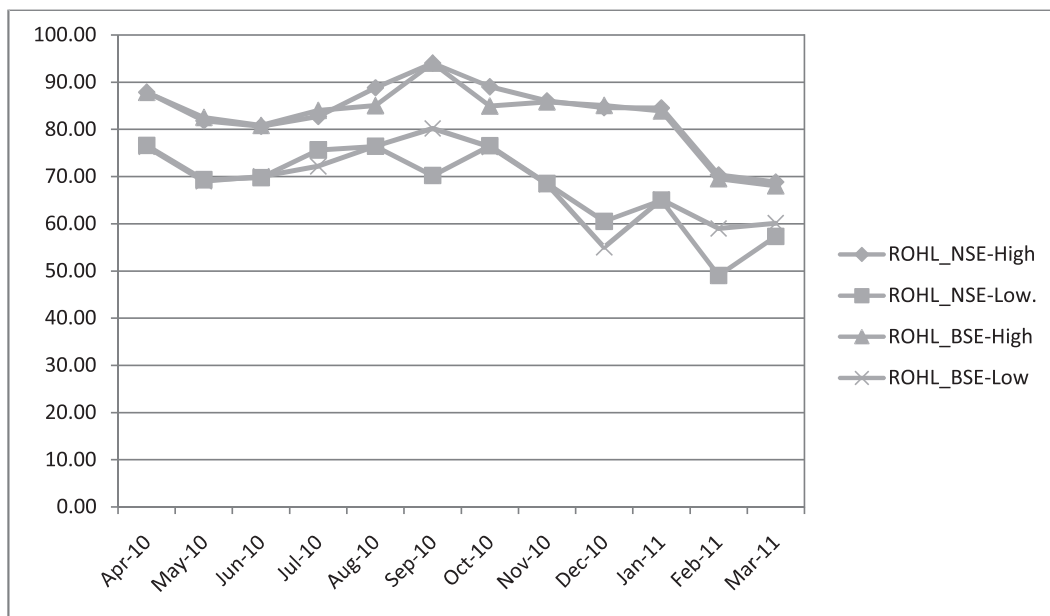
Listing fees for and up to the year 2011-2012 have been paid to both the Stock Exchanges where shares are listed.

12.5 Market Price Data

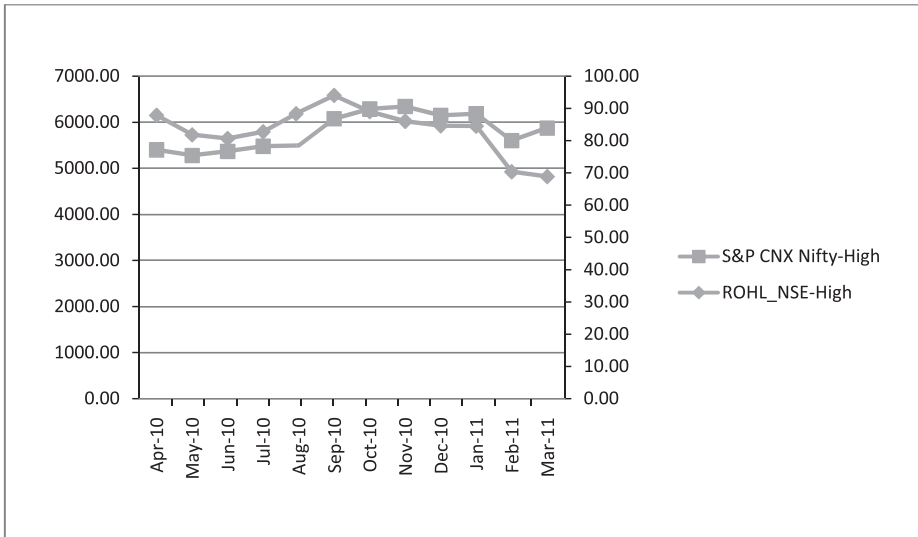
The following is the data of high and low closing quotations of Equity Shares of the Company during April 2010 to March 2011. The Equity shares of the Company got listed with Stock Exchanges on 06.02.2006.

| Month | National Stock Exchange (NSE) | | Bombay Stock Exchange (BSE) | |
|--------|-------------------------------|---------------|-----------------------------|--------------|
| | ROHL_NSE-High | ROHL_NSE-Low. | ROHL_BSE-High | ROHL_BSE-Low |
| Apr-10 | 87.85 | 76.55 | 87.80 | 76.30 |
| May-10 | 81.80 | 69.30 | 82.50 | 69.00 |
| Jun-10 | 80.65 | 69.75 | 80.80 | 70.00 |
| Jul-10 | 82.75 | 75.60 | 84.00 | 72.15 |
| Aug-10 | 88.80 | 76.40 | 85.00 | 76.40 |
| Sep-10 | 94.00 | 70.20 | 94.00 | 80.15 |
| Oct-10 | 89.00 | 76.50 | 84.90 | 76.25 |
| Nov-10 | 86.00 | 68.50 | 85.80 | 68.35 |
| Dec-10 | 84.60 | 60.50 | 85.05 | 55.00 |
| Jan-11 | 84.50 | 65.00 | 83.85 | 65.10 |
| Feb-11 | 70.35 | 49.05 | 69.50 | 59.00 |
| Mar-11 | 68.85 | 57.30 | 68.00 | 60.10 |

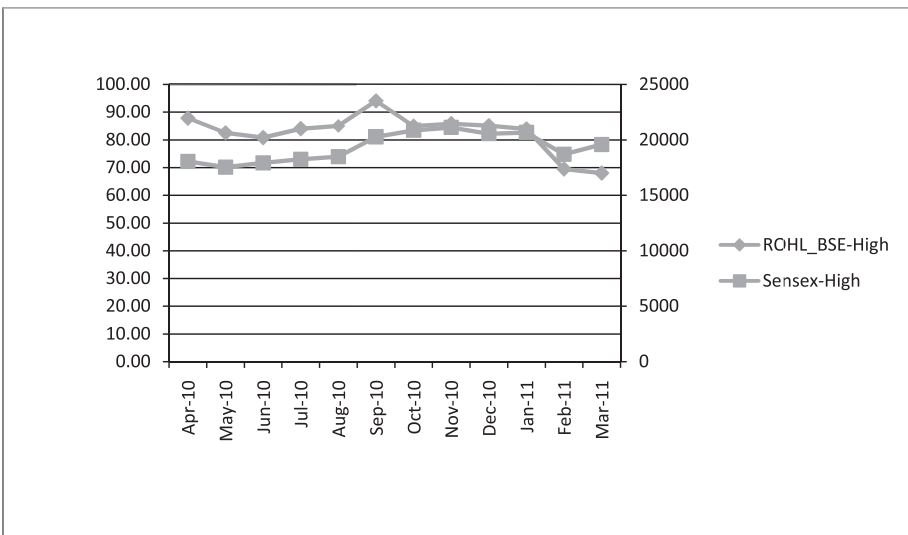
(Source: www.nseindia.com and www.bseindia.com)



12.6 Performance in comparison to other Broad-based indices



(Performance in Comparison to S&P CNX Nifty for the period April 2010 to March 2011.
Only last financial year's monthly high figures of the Index have been considered)



(Performance in Comparison to Sensex for the period April 2010 to March 2011.
Only last financial year's monthly high figures of the Index have been considered)

12.7 Registrar & Share Transfer Agent

Integrated Enterprise (India) Limited (**formerly: 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

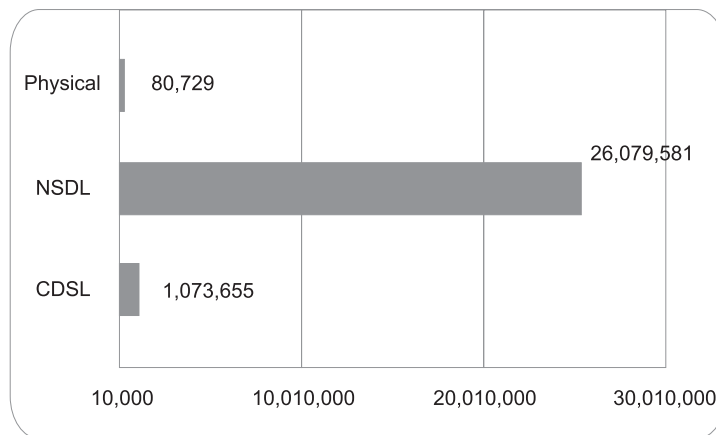


Note1: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

Note 2: In view of merger of Alpha Systems Private Limited with Integrated Enterprises (India) Limited, the Registrars and Share Transfer activities pertaining to the Company are now carried out by Integrated Enterprises (India) Limited.

12.8 Dematerialization 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 2011. Shareholders interested in dematerializing their shares are requested to write to the Registrar & Share Transfer Agent through their respective Depository Participants.

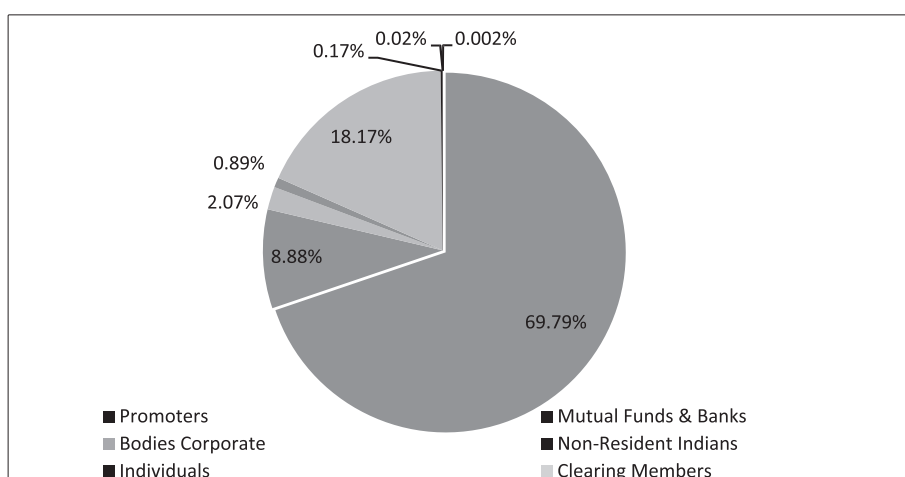


The share certificates in physical form are generally processed and returned within 30 days from the date of receipt, if the share transfer documents are valid in all respects.

12.9 Distribution of shares and liquidity

a. Distribution of Shareholding as on 31st March 2011

| Category | No of shares held | % to Paid up capital |
|-----------------------------------|-------------------|----------------------|
| Promoters | 19006744 | 69.79% |
| Mutual Funds & Banks | 2419048 | 8.88% |
| Bodies Corporate | 563971 | 2.07% |
| Non-Resident Indians | 241202 | 0.89% |
| Individuals | 4949445 | 18.35% |
| Clearing Members | 46953 | 0.17% |
| Foreign Venture Capital Investors | 6000 | 0.02% |
| Others | 602 | 0.002% |
| Total | 27233965 | 100% |



b. Distribution Schedule as at 31st March 2011

| No. of shares held | No. of Members | % of total | No. of shares | % of total |
|--------------------|----------------|---------------|-----------------|---------------|
| Up to 500 | 21511 | 92.67 | 2122957 | 7.80 |
| 501 to 1000 | 876 | 3.77 | 707312 | 2.60 |
| 1001 to 2000 | 445 | 1.92 | 673714 | 2.47 |
| 2001 to 3000 | 132 | 0.57 | 335801 | 1.23 |
| 3001 to 4000 | 73 | 0.31 | 264649 | 0.97 |
| 4001 to 5000 | 40 | 0.17 | 188826 | 0.69 |
| 5001 to 10000 | 76 | 0.33 | 550697 | 2.02 |
| 10001 and above | 60 | 0.26 | 22390009 | 82.21 |
| TOTAL | 23213 | 100.00 | 27233965 | 100.00 |

c. Top ten shareholders of the Company (excluding promoters) as at 31st March 2011

| SI No. | Name of Shareholder | No. of shares | Percentage of total shares (%) |
|--------|---|---------------|--------------------------------|
| 1 | SBI MF Magnum Sector Fund Umbrella Contra | 19,06,970 | 7.00 |
| 2 | SBI Mutual Fund – Magnum Monthly Income Plan | 4,62,078 | 1.70 |
| 3 | Rahul Goenka | 95,000 | 0.35 |
| 4 | Jaithirth Rao | 64,895 | 0.24 |
| 5 | SBI Mutual Fund Magnum Childrens Benefit Plan | 50,000 | 0.18 |
| 6 | Suyesh Finance Private Limited | 35,083 | 0.13 |
| 7 | Anindita Das Venkataraman | 35,077 | 0.13 |
| 8 | Naresh Malhotra | 35,002 | 0.13 |
| 9 | S Venkata Narayana | 30,400 | 0.11 |
| 10 | Jhaveri Bullion Private Limited | 30,300 | 0.11 |



12.10 Unit Locations:

| | |
|--|--|
| 1. HOTEL ROYAL ORCHID | No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore – 560 008. |
| 2. ROYAL ORCHID CENTRAL, BANGALORE | No. 47/1, Manipal Centre, Dickenson Road, Bangalore – 560 042 |
| 3. HOTEL RAMADA, BANGALORE | No. 11, Park Road, Shivajinagar Bangalore – 560 051 |
| 4. ROYAL ORCHID RESORT & CONVENTION CENTRE, BANGALORE | Allalasandra, Bellary Road, Yelahanka Near Jakkur Flying Club Bangalore – 560 065 |
| 5. ROYAL ORCHID SUITES, BANGALORE | Vaswani Pinnacle Annexe, Whitefield Main Road, Bangalore – 560 066 |
| 6. ROYAL ORCHID METROPOLE, MYSORE | No: 5, Jhansi Lakshmibai Road Mysore – 570 005 |
| 7. ROYAL ORCHID BRINDAVAN GARDEN, MYSORE | Brindavan Garden, Krishna Raja Sagar Mandya District, Mysore – 571 607 |
| 8. ROYAL ORCHID CENTRAL, JAIPUR | A-26, A/2 Banipark, Jaisingh Highway, Jaipur 302 016, India |
| 9. ROYAL ORCHID CENTRAL, PUNE | Mary Soft Annex, Software –cum–Commercial Complex Kalyani Nagar, Pune 411 014 |
| 10. ROYAL ORCHID GOLDEN SUITES, PUNE | Golden Nest – B, Marigold Complex Kalyani Nagar, Pune 411 014 |
| 11. ROYAL ORCHID RESORT GALAXY, GOA | Uttorda Beach, Salcette, South Goa-403173 |
| 12. ROYAL ORCHID CENTRAL, AHMEDABAD | Opp: Gujarat College, Ellis Bridge, Ahmedabad 380 006 |
| 13. ROYAL ORCHID CENTRAL GRAZIA, NAVI MUMBAI | Plot No. L-3, Sector 19, Vashi, Navi Mumbai – 400 703 |
| 14. ROYAL ORCHID CENTRAL KIREETI, HOSPET | Station Road Hospet, Bellary District, Karnataka - 583201 |
| 15. ROYAL ORCHID CENTRAL, SHIMOGA | B.H. Road Opposite Vinayak theatre, Near Shimoga Bus Stand, Shimoga – 577 201 |
| 16. HOTEL ROYAL ORCHID, JAIPUR | Opposite to BSNL Office, Tonk Road, Near Durgapura Flyover, Durgapura, Jaipur-302018 |
| 17. ROYAL ORCHID RESORT, MUSSORIE | Tara Hall Estate, Picture Palace Road. Mussorie, Uttarkhand |
| 18. ROYAL ORCHID CENTRAL, VADODARA | (Om Hospitality), Akota, MujMahuda Vadodara-390020 |

12.11 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

12.12 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.

12.13 Compliance with Clause 47 (f) of Listing Agreement

The Company in compliance with Clause 47 (f) of Listing Agreement has a designated email - id cosec@royalorchidhotels.com to register complaints by investors.



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 2011, 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.
30.05.2011

G SHANKER PRASAD
Practicing Company Secretary
CP.No - 6450

Certificate as per Clause 49 (V) of the Listing Agreement

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 2011:

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.

C K Baljee
Chairman & Managing Director

Amit Jaiswal
General Manager-Accounts

Place : Bangalore
Date : 30.05.2011

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 2011, 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;
 - 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, Chandiok & Co
Chartered Accountants
Firm Registration No. 001076N

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

Bengaluru
30 May 2011



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 2011

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 fixed assets have not been physically verified by the management during the year and we are therefore unable to comment on the discrepancies, if any, which could have arisen on such verification. In our opinion, the frequency of verification of the fixed assets is also not reasonable having regard to the size of the Company and nature of its assets*
- (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 ₹ 315,945,334 and the year-end balance was ₹ 138,366,315.
- (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 taken loans, secured or unsecured from companies, covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was ₹ 33,006,444 and the year-end balance was ₹ Nil
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (g) In respect of the said loans the same are repayable on demand and there are no overdue amounts. The payment of interest has been regular.
- (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.
- (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) 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, have been regularly deposited *other than tax deducted at source and service tax which has not been regularly deposited 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. In respect of dues to banks, the lenders have rescheduled the repayments amounting to ₹ 151,875,000 that were due from the Company. The said approval for rescheduling the repayment was obtained from the lenders before the year end. 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.
- (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 subsidiaries and joint ventures of the company 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, Chandiok & Co
Chartered Accountants
Firm Registration No. 001076N

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

Bengaluru
30 May 2011



Balance sheet

| | Schedule | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|----------|----------------------|----------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Capital | 1 | 272,339,650 | 272,339,650 |
| Reserves and surplus | 2 | 1,766,288,812 | 1,716,536,299 |
| Employee stock options outstanding account | | 476,655 | 1,227,795 |
| | | 2,039,105,117 | 1,990,103,744 |
| LOAN FUNDS | | | |
| Secured loans | 3 | 1,220,712,519 | 1,378,544,534 |
| | | 1,220,712,519 | 1,378,544,534 |
| DEFERRED TAX LIABILITY, NET | | | |
| | 4 | 45,000,000 | 52,500,000 |
| TOTAL | | 3,304,817,636 | 3,421,148,278 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| | 5 | | |
| Gross block | | 813,886,642 | 801,350,478 |
| Less: Depreciation / amortisation | | 305,742,240 | 253,097,448 |
| Net block | | 508,144,402 | 548,253,030 |
| Capital work-in-progress (including capital advances) | | 1,329,202,894 | 837,564,332 |
| | | 1,837,347,296 | 1,385,817,362 |
| INVESTMENTS | | | |
| | 6 | 1,179,919,085 | 1,108,612,977 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 7 | 11,854,588 | 8,736,189 |
| Sundry debtors | 8 | 37,478,420 | 49,162,858 |
| Unbilled revenues | | 9,137,940 | 6,899,939 |
| Cash and bank balances | 9 | 73,515,196 | 443,955,037 |
| Loans and advances | 10 | 448,382,821 | 569,670,987 |
| | | 580,368,965 | 1,078,425,010 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| Liabilities | 11 | 224,840,630 | 137,260,586 |
| Provisions | 12 | 67,977,080 | 14,446,485 |
| | | 292,817,710 | 151,707,071 |
| NET CURRENT ASSETS | | 287,551,255 | 926,717,939 |
| TOTAL | | 3,304,817,636 | 3,421,148,278 |

NOTES TO THE FINANCIAL STATEMENTS

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, Chandiok & Co
Chartered Accountants

For and on behalf of the Board of Directors

per Aashish Arjun Singh
Partner

Chander K. Baljee
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Bengaluru
30 May 2011

Profit and loss account

| | Schedule | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------|----------------------------------|----------------------------------|
| INCOME | | | |
| Operating income | 13 | 928,704,134 | 778,315,968 |
| Other income | 14 | 21,436,102 | 11,446,381 |
| | | 950,140,236 | 789,762,349 |
| EXPENDITURE | | | |
| Food and beverages consumed | 15 | 99,482,243 | 86,025,162 |
| Employee costs | 16 | 221,074,191 | 157,195,669 |
| Other operating expenses | 17 | 268,854,779 | 230,038,748 |
| Selling, general and administrative expenses | 18 | 134,953,573 | 122,986,196 |
| Finance charges | 19 | 22,603,931 | 24,123,864 |
| Depreciation/amortisation | 5 | 56,076,670 | 56,075,158 |
| | | 803,045,387 | 676,444,797 |
| | | 147,094,849 | 113,317,552 |
| PROFIT BEFORE TAX | | | |
| Tax expense | | | |
| - Current (including interest on tax) | | 58,000,000 | 32,000,000 |
| - Deferred tax | | (7,500,000) | (1,500,000) |
| PROFIT AFTER TAX | | 96,594,849 | 82,817,552 |
| Balance brought forward from the previous year | | 489,258,325 | 406,440,773 |
| Balance available for appropriation | | 585,853,174 | 489,258,325 |
| APPROPRIATIONS | | | |
| Proposed dividend | | 40,850,948 | - |
| Tax on distribution of dividend | | 6,784,852 | - |
| Transfer to general reserve | | 4,829,742 | - |
| SURPLUS CARRIED TO BALANCE SHEET | | 533,387,632 | 489,258,325 |
| Basic and diluted Earnings per share (Par value – ₹ 10) (Refer note 3 in Schedule 20) | | 3.55 | 3.04 |

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
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Bengaluru
30 May 2011



Schedules forming part of the financial statements

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|--|--------------------|--------------------|
|--|--------------------|--------------------|

SCHEDULE 1

CAPITAL

Authorised

| | | |
|---|-------------|-------------|
| 50,000,000 (31 March 2010 – 30,000,000) Equity Shares of ₹ . 10 each | 500,000,000 | 300,000,000 |
|---|-------------|-------------|

Issued, subscribed and paid up

| | | |
|--|--------------------|--------------------|
| 27,233,965 (31 March 2010 – 27,233,965) equity shares of ₹ 10 each fully paid up | 272,339,650 | 272,339,650 |
| | 272,339,650 | 272,339,650 |

SCHEDULE 2

RESERVES & SURPLUS

| | | |
|--------------------|---------------|---------------|
| Securities Premium | 1,130,684,095 | 1,130,684,095 |
|--------------------|---------------|---------------|

| | | |
|-----------------------------------|-----------|-----------|
| Foreign Exchange Earnings Reserve | 1,100,000 | 1,100,000 |
|-----------------------------------|-----------|-----------|

General Reserve

| | | |
|---|-------------|------------|
| Balance at the beginning of the year | 95,493,879 | 95,493,879 |
| Add : Transfer from Profit and Loss account during the year | 4,829,742 | - |
| Add: Transfer from Employee stock options outstanding account on lapse of options | 793,464 | - |
| Balance at the end of the year | 101,117,085 | 95,493,879 |

Profit and Loss Account

| | | |
|--|----------------------|----------------------|
| Balance at the beginning of the year | 489,258,325 | 406,440,773 |
| Add : Net profit for the year | 96,594,849 | 82,817,552 |
| | 585,853,174 | 489,258,325 |
| Less: Proposed dividend | 40,850,948 | - |
| Less : Tax on distribution of dividend | 6,784,852 | - |
| Less: Transfer to general reserve | 4,829,742 | - |
| Balance at the end of the year | 533,387,632 | 489,258,325 |
| | 1,766,288,812 | 1,716,536,299 |

31 March 2011
₹

31 March 2010
₹

SCHEDULE 3

SECURED LOANS

From banks

| | | |
|---------------------------|----------------------|----------------------|
| Term loans | 1,216,281,900 | 874,654,352 |
| Short term corporate loan | - | 500,000,000 |
| Vehicle loans | 4,430,619 | 3,890,182 |
| | 1,220,712,519 | 1,378,544,534 |

Schedules forming part of the financial statements

Note:

- a) On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for ₹ 300 million which was fully drawn. This loan is secured by way of an equitable mortgage of the building of the Hotel Royal Orchid, Bengaluru 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 ₹ 12.5 million each, commencing from 31 December 2005. The balance outstanding as at 31 March 2011 ₹ 12.5 million (31 March 2010: ₹ 62.65 million).

- b) In January 2008, the Company was sanctioned a short term corporate loan ('corporate loan') from the bank for ₹ 500 million, which is renewable on an annual basis by the bank 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 2011 - ₹ Nil (31 March 2010: ₹ 500 million).

- c) 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 ₹ 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 above term loan has been rescheduled by way of extension of moratorium by 1 year and realignment of repayment schedule without any change in tenor. The balance outstanding as at 31 March 2011 - ₹ 689 million (31 March 2010: ₹ 275 million)

- d) 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 ₹ 194.50 million from which has been drawn down in full. 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 2011 - ₹ 137 million (31 March 2010 : ₹ 137 million)

- e) In March 2010, the Company was sanctioned a Rupee Term Loan of ₹ 400 million, for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank Limited. The loan is secured by a first Parrispassu 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 loan is repayable in 20 quarterly instalments. The above loan has been rescheduled with the change in quarterly instalments without any change in the original tenor and repayment dates. The balance outstanding as at 31 March 2011 - ₹ 377.5 million. (31 March 2010 - ₹ 400 million)

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

Principal amounts due in one year are as follows:

| | | |
|---------------------------|-------------------|--------------------|
| Term loan | 79,350,000 | 207,273,000 |
| Short term corporate loan | - | 500,000,000 |
| Other loans | 2,429,889 | 2,543,254 |
| | 81,779,889 | 709,816,254 |

31 March 2011
₹

31 March 2010
₹

SCHEDULE 4

DEFERRED TAX LIABILITY, NET

Deferred tax liability arising on account of :

| | | |
|--|-------------------|-------------------|
| Depreciation | 52,851,440 | 56,536,140 |
| Less: Deferred tax asset arising on account of | | |
| Employee benefits | 7,217,371 | 3,771,938 |
| Provision for doubtful debts | 634,069 | 264,202 |
| | 45,000,000 | 52,500,000 |

Schedules forming part of the financial statements

SCHEDULE 5 FIXED ASSETS

Amount in ₹

| Category of assets | Gross block | | | Depreciation/Amortization | | | | Net block | |
|---|-----------------------|---------------------------------|---------------------------------|---------------------------|--------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|
| | As at 1 April 2010 | Additions during the year | Deletions during the year | As at 31 March 2011 | As at 1 April 2010 | Charge for the year | Deletions during the year | As at 31 March 2011 | As at 31 March 2010 |
| Tangible assets | | | | | | | | | |
| Freehold land * | 2,430,000 | - | - | 2,430,000 | - | - | - | 2,430,000 | 2,430,000 |
| Leasehold buildings (including improvements) | 327,208,273 | 734,558 | - | 327,942,831 | 57,320,458 | 13,706,437 | - | 256,915,936 | 269,887,815 |
| Plant and machinery | 192,551,170 | 7,539,522 | 210,544 | 199,880,148 | 48,979,414 | 10,620,162 | 42,305 | 140,322,878 | 143,571,756 |
| Furniture and fixtures | 197,330,371 | 1,561,355 | - | 198,891,726 | 107,058,857 | 21,071,709 | - | 70,761,160 | 90,271,514 |
| Computers and related equipments | 17,252,049 | 1,314,066 | - | 18,566,115 | 9,310,364 | 2,373,165 | - | 6,882,585 | 7,941,685 |
| Office equipments | 16,486,641 | 1,064,003 | - | 17,550,644 | 5,719,293 | 926,947 | - | 10,904,403 | 10,767,348 |
| Vehicles | 43,537,522 | 4,128,816 | 3,595,611 | 44,070,727 | 21,065,501 | 6,467,359 | 3,389,573 | 19,927,440 | 22,472,021 |
| Intangible assets | | | | | | | | | |
| Goodwill | 4,554,452 | - | - | 4,554,452 | 3,643,561 | 910,891 | - | - | 910,891 |
| Total | 801,350,478 | 16,342,320 | 3,806,155 | 813,886,642 | 253,097,448 | 56,076,670 | 3,431,878 | 305,742,240 | 508,144,402 |
| Prior year | 773,776,937 | 31,171,890 | 3,598,349 | 801,350,478 | 198,421,855 | 56,075,158 | 1,399,565 | 548,253,030 | |

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 2011 ₹ | 31 March 2010 ₹ |
|---|----------------------|----------------------|
| SCHEDULE 6 | | |
| INVESTMENTS (LONG TERM, UNQUOTED, AT COST) | | |
| Investment in Government Securities | 225,000 | 225,000 |
| Investment in Subsidiaries (trade, unquoted and fully paid up) | | |
| Icon Hospitality Private Limited (95,889 (31 March 2010 – 95,889) Equity Shares of ₹ 100 each) | 192,032,412 | 192,032,412 |
| Maruti Comforts and Inn Private Limited (209,100 (31 March 2010 – 209,100) Equity Shares of ₹ 100 each) | 58,849,000 | 58,849,000 |
| Royal Orchid Hyderabad Private Limited (1,760,200 (31 March 2010 – 1,760,200) Equity Shares of ₹ 10 each) | 17,602,000 | 17,602,000 |
| Royal Orchid Jaipur Private Limited (1,650,000 (31 March 2010 – 1,650,000) Equity Shares of ₹ 10 each) | 16,500,000 | 16,500,000 |
| AB Holdings Private Limited (250,000 (31 March 2010 – 250,000) Equity Shares of ₹ 10 each) | 2,500,000 | 2,500,000 |
| Royal Orchid South Private Limited (900,000 (31 March 2010 – 900,000) Equity Shares of ₹ 10 each) | 9,000,000 | 9,000,000 |
| Multi Hotels Limited (30 (31 March 2010 – 30) Equity Shares of Tanzanian Shillings 1,000 each) | 74,060,100 | 74,060,100 |
| Royal Orchid Shimla Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 100 each) | 500,000 | 500,000 |
| Royal Orchid Goa Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 100 each) | 500,000 | 500,000 |
| Royal Orchid Maharashtra Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 100 each) | 500,000 | 500,000 |
| Royal Orchid Mumbai Private Limited (50,000 (31 March 2010 – 50,000) Equity Shares of ₹ 10 each) | 500,000 | 500,000 |
| Royal Orchid Ahmedabad Private Limited (1,510,000 (31 March 2010 – 1,510,000) Equity Shares of ₹ 10 each) | 128,900,000 | 128,900,000 |
| Amar Tara Hospitality Private Limited (25,160,000 (31 March 2010 – 18,040,000) Equity Shares of ₹ 10 each) | 251,600,000 | 180,400,000 |
| Investment in Joint ventures (trade, unquoted and fully paid up) | | |
| Rajkamal Buildcon Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 10 each) | 52,820,000 | 52,820,000 |
| Ksheer Sagar Buildcon Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 10 each) | 52,820,000 | 52,820,000 |
| J H Builders Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 10 each) | 52,820,000 | 52,820,000 |
| Ksheer Sagar Developers Private Limited (5,000 (31 March 2010 – 5,000) Equity Shares of ₹ 10 each) | 52,820,000 | 52,820,000 |
| Cosmos Premises Private Limited (202,381 (31 March 2010 – 202,381) Equity Shares of ₹ 10 each) | 170,000,040 | 170,000,040 |
| Share application money pending allotment | | |
| 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 | 41,747,048 | 41,640,940 |
| Investment in Associates (trade, unquoted and fully paid up) | | |
| Parsvnath Royal Orchid Hotels Limited (15,000 (31 March 2010 – 15,000) Equity Shares of ₹ 10 each) | 225,000 | 225,000 |
| | 1,179,919,085 | 1,108,612,977 |



Schedules forming part of the financial statements

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|------------------------|--------------------|--------------------|
| SCHEDULE 7 | | |
| INVENTORIES | | |
| Food and beverages | 8,709,348 | 6,171,828 |
| Stores and spare parts | 3,145,240 | 2,564,361 |
| | 11,854,588 | 8,736,189 |

SCHEDULE 8 **SUNDRY DEBTORS** (Unsecured)

| | | |
|---|-------------------|-------------------|
| Debts outstanding for a period exceeding six months | | |
| -considered good | 2,760,643 | 8,335,523 |
| -considered doubtful | 1,908,837 | 1,625,720 |
| | 4,669,480 | 9,961,243 |
| Other debts | | |
| -considered good | 34,717,777 | 40,827,335 |
| | 39,387,257 | 50,788,578 |
| Less: Provision for doubtful debts | 1,908,837 | 1,625,720 |
| | 37,478,420 | 49,162,858 |

Note:

The above debtors include dues from Companies under the same management

| | | |
|----------------------------------|---|-----------|
| Icon Hospitality Private Limited | - | 8,335,523 |
| Cosmos Premises Private Limited | - | 326,652 |

Maximum amounts outstanding during the year

| | | |
|---|-----------|------------|
| Icon Hospitality Private Limited | 8,335,523 | 8,335,523 |
| Maruti Comforts and Inn Private Limited | - | 15,060,149 |
| Cosmos Premises Private Limited | 326,652 | 4,213,500 |

SCHEDULE 9 **CASH & BANK BALANCES**

| | | |
|-------------------------------------|-------------------|--------------------|
| Cash balances on hand | 2,768,132 | 1,793,649 |
| Bank balances with scheduled banks: | | |
| - In current accounts | 46,835,540 | 437,950,324 |
| - In deposit account | 23,666,259 | 3,979,724 |
| - In margin money | 245,265 | 231,340 |
| | 73,515,196 | 443,955,037 |

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

SCHEDULE 10

LOANS & ADVANCES

(Unsecured, considered good)

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

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|--------------------|--------------------|
| - Prepaid Expenses | 10,070,203 | 11,651,689 |
| - Advances to suppliers | 4,340,203 | 3,725,304 |
| - Other advances | 3,576,539 | 5,339,818 |
| Dues from Employees | 2,046,141 | 1,213,366 |
| Dues from subsidiaries and Joint Ventures | 6,750,641 | - |
| Project advances | 32,862,923 | 9,381,407 |
| Dues from directors (refer Note 9 Schedule 20) | - | 9,600,000 |
| Loans to subsidiaries (refer note (a)) | 138,366,315 | 302,552,589 |
| Advance tax (net of provision) | 1,918,165 | 27,035,973 |
| Interest accrued but not due on fixed deposit with bank | 65,653 | 14,503 |
| Security deposits (refer note (b)) | 248,386,038 | 199,156,338 |

448,382,821

569,670,987

Note:

- a) For detail pertaining to balances as at 31 March 2011 and maximum amount outstanding during the year refer note 7 in Schedule 20.

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 | 109,630,981 | 42,161,257 |
| Accrued expenses | 48,124,963 | 44,575,523 |
| Dues to employees | 24,424,356 | 19,016,280 |
| Duties, taxes and other statutory dues payable | 15,947,496 | 13,286,125 |
| Security deposit received (b) | 3,079,061 | 3,067,170 |
| Dues to Directors | 1,609,951 | - |
| Dues to Companies under the same management | 9,901,090 | 4,683,556 |
| Unclaimed dividend © | 1,133,477 | 1,206,888 |
| Other liabilities | 10,989,255 | 9,263,787 |

224,840,630

137,260,586

Note:

- a) 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.
- b) Security deposit includes ₹ 3,000,000 (31 March 2010 – ₹ 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.
- c) Not due for credit to Investor Education & Protection Fund.

SCHEDULE 12

PROVISIONS

| | | |
|--------------------------|-------------------|-------------------|
| Gratuity | 10,605,726 | 6,359,518 |
| Vacation pay | 9,735,554 | 8,086,967 |
| Proposed dividend | 40,850,948 | - |
| Tax on proposed dividend | 6,784,852 | - |
| | 67,977,080 | 14,446,485 |



Schedules forming part of the financial statements

| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| SCHEDULE 13 OPERATING INCOME | | |
| Room revenues | 589,555,207 | 490,706,456 |
| Food and beverages | 296,028,281 | 254,914,284 |
| Management & technical fees | 19,997,790 | 13,442,869 |
| Other service charges | 23,122,856 | 19,252,359 |
| | 928,704,134 | 778,315,968 |
| SCHEDULE 14 OTHER INCOME | | |
| Interest income [Gross of tax deducted at source - ₹ 388,445 (2010 – ₹ 745,520)] | | |
| From banks | 1,514,043 | 1,122,307 |
| From subsidiaries | 3,830,392 | 2,084,548 |
| From associate | - | 1,924,559 |
| Provision no longer required written back | - | 137,192 |
| Miscellaneous income | 16,091,667 | 6,177,775 |
| | 21,436,102 | 11,446,381 |
| SCHEDULE 15 FOOD AND BEVERAGES CONSUMED | | |
| Opening stock | 6,171,828 | 8,489,970 |
| Add: Purchases during the year | 102,019,763 | 83,707,020 |
| | 108,191,591 | 92,196,990 |
| Less: Closing stock | 8,709,348 | 6,171,828 |
| Consumption for the year | 99,482,243 | 86,025,162 |
| Note: | | |
| Consumption above is net of ₹9,174,409 for the year ended 31 March 2011 (31 March 2010 – ₹5,926,339), representing amounts utilised for internal consumption which has been classified under staff welfare. | | |
| SCHEDULE 16 EMPLOYEE COSTS | | |
| Salaries, wages and bonus | 193,205,581 | 133,541,995 |
| Contribution to provident fund and other funds | 6,013,112 | 4,592,039 |
| Staff welfare | 17,322,179 | 16,990,356 |
| Employee stock based compensation expense | 42,324 | 242,435 |
| Gratuity | 4,490,995 | 1,828,844 |
| | 221,074,191 | 157,195,669 |

Schedules forming part of the financial statements

| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|---|----------------------------------|----------------------------------|
| SCHEDULE 17 | | |
| OTHER OPERATING EXPENSES | | |
| Linen and room supplies | 15,752,468 | 12,199,837 |
| Catering and other kitchen supplies | 10,582,729 | 8,624,900 |
| Laundry & washing expenses | 7,644,766 | 6,510,553 |
| Power and fuel | 67,681,726 | 53,688,720 |
| Water | 3,701,413 | 3,982,930 |
| Lease rent for hotel properties | 74,419,944 | 73,952,556 |
| Hire charges | 7,097,186 | 5,943,893 |
| Guest transportation expenses | 5,187,067 | 4,257,955 |
| Management fees | 652,119 | 415,405 |
| Music and entertainment charges | 2,387,207 | 1,627,338 |
| Repairs and maintenance | | |
| - Leasehold buildings | 10,813,887 | 8,132,555 |
| - Machinery | 9,023,538 | 7,400,696 |
| - Others | 8,333,650 | 6,652,211 |
| Communication expenses | 10,976,905 | 9,985,441 |
| Printing and stationery | 6,948,202 | 5,531,559 |
| Security charges | 6,725,548 | 6,232,071 |
| Contract Charges | 10,537,280 | 7,260,268 |
| Other miscellaneous expenses | 10,389,144 | 7,639,860 |
| | 268,854,779 | 230,038,748 |
| SCHEDULE 18 | | |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Legal and professional charges | 18,671,308 | 16,707,994 |
| Advertisement and business promotion | 19,608,427 | 24,326,040 |
| Commission, brokerage and discount | 23,622,268 | 19,063,019 |
| Travelling and conveyance | 16,729,714 | 12,295,421 |
| Insurance | 4,029,152 | 3,295,138 |
| Rates and taxes | 14,019,182 | 14,019,873 |
| Rent | 11,963,224 | 12,078,982 |
| Director's commission | 1,609,951 | - |
| Audit fees | 1,500,000 | 1,500,000 |
| Provision for doubtful debts | 283,117 | 621,187 |
| Loss on sale of fixed assets | - | 690,126 |
| Miscellaneous expenses | 22,917,230 | 18,388,416 |
| | 134,953,573 | 122,986,196 |
| SCHEDULE 19 | | |
| FINANCE CHARGES | | |
| Interest | | |
| - Term loan | 130,943,690 | 91,005,747 |
| Less: Capitalised | 113,552,611 | 68,100,878 |
| | 17,391,079 | 22,904,869 |
| - Others | 2,384,592 | - |
| - Vehicle loan | 622,029 | 680,949 |
| Bank charges | 2,206,231 | 538,046 |
| | 22,603,931 | 24,123,864 |



SCHEDULE - 20

NOTES TO THE FINANCIAL STATEMENTS

1. Background

Royal Orchid Hotels Limited ('the Company') was incorporated on 3rd 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 the following hotel properties - Royal Orchid Hotel, Bangalore, Ramada, Bangalore, Royal Orchid Metropole, Royal Orchid Brindavan Gardens, Royal Orchid Central, Pune and Royal Orchid Central Kireeti, Hospet. 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 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, carrying value of investments 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:

| Asset category | Rates of depreciation used (%) |
|---------------------------------|---------------------------------------|
| 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 ₹ 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

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

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

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 to the Profit and Loss Account. 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.

Vacation pay

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.

Minimum Alternate Tax

Minimum alternate tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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 2011 | Year ended 31 March 2010 |
|---|-----------------------------|-----------------------------|
| Weighted average number of shares outstanding during the year | 27,233,965 | 27,233,965 |
| | ₹ | ₹ |
| Net profit after tax attributable to equity shareholders | 96,594,849 | 82,817,552 |
| Basic and diluted earnings per share | 3.55 | 3.04 |
| 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 entities is as follows:

Amounts in ₹

| | 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 2011 | Year ended 31 March 2010 | Year ended 31 March 2011 | Year ended 31 March 2010 | Year ended 31 March 2011 | Year ended 31 March 2010 | Year ended 31 March 2011 | Year ended 31 March 2010 | Year ended 31 March 2011 | Year ended 31 March 2010 |
| Equity interest | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Fixed Assets | 52,121,007 | 52,752,698 | 367,676,309 | 145,522,585 | 52,121,007 | 52,752,698 | 52,121,062 | 52,752,753 | 111,288,201 | 92,730,382 |
| Current assets, loans and advances | 6,351 | 6,451 | 31,285,254 | 21,525,239 | 6,270 | 6,370 | 38,646 | 38,746 | 18,957,346 | 22,859,652 |
| Secured Loan | - | - | 290,000,000 | 70,000,000 | - | - | - | - | 45,493,311 | 34,284,273 |
| Unsecured loans | 561,370 | - | 20,810,375 | - | 561,761 | - | 585,987 | - | 3,155,490 | 3,155,490 |
| Current liabilities and provisions | 684,287 | 686,682 | 17,544,995 | 4,485,816 | 686,287 | 686,682 | 668,385 | 670,779 | 8,192,407 | 12,010,455 |
| Income | - | - | 11,893 | - | - | - | - | - | 52,187,980 | 33,768,594 |
| Expenses | - | - | 631,636 | 809 | - | - | - | - | 44,923,454 | 32,891,779 |
| Capital commitments | - | - | - | - | - | - | - | - | - | - |

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 ₹ 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.

Ramada

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 ₹ 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.

Hospet

In May 2010, the Company entered into lease agreement with Ennoble Hotels International Limited for the use of land and building representing the hotel property for a cancellable lease period of 3 years. The lease period is extendable for a further period of 5 years subject to other conditions. As per the agreement, the Company is required to make monthly payments at a specified percentage of sales revenue.



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 or 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 2011 was ₹ 86,383,168 (31 March 2010 – ₹ 86,031,538).

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

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|--------------------|--------------------|
| Payments falling due: | | |
| Within 1 year | 31,214,386 | 56,477,322 |
| Later than one year but not later than five years | 81,167,442 | 143,105,790 |
| Later than 5 years | 172,822,474 | 172,822,474 |
| TOTAL | 285,204,302 | 372,405,586 |

6. Commitments and contingencies

a) Litigations

- 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.
- During the year ended 31 March 2008, the Company 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 ₹ 10,000,000 as a refundable security deposit under this lease agreement. During the year the Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor which has been challenged by the lessor in the High court. The management believes that the case will be settled in their favour and hence will not affect its operations.
- The Company has been named as a defendant along with Cygnus Business Consulting & Research Private Limited in a suit filed around July 2008 by Kamat Hotels (India) Limited ('the plaintiff') restraining the alleged use of the trademark of the plaintiff by the Company since 1997. The plaintiff seeks a relief of a permanent injunction restraining the Company from using the trademark 'Royal Orchid'. The plaintiff had filed an application seeking an interim injunction during the pendency of the above proceedings. The Bombay High Court vide its interim order dated April 05, 2011, has allowed the Company to continue to operate its current hotels as on that date but at the same time restraining the Company from opening new hotels under the said brand. However, the Division bench of the Bombay High court vide its order dated May 06, 2011 has partially stayed operation of the said order and allowed opening of one of Company's proposed hotels in Vadodara under the 'Royal Orchid' brand. Based on a independent legal advise the management believes that the case will be settled in its favour and will not affect its current and future operations.

b) Guarantees

The Company has given guarantees to banks for loans sanctioned to subsidiary and joint ventures amounting to ₹ 2,200,000,000 (31 March 2010 - ₹ 1,250,000,000). The loans availed and outstanding as at 31 March 2011 - ₹ 1,111,699,985 (31 March 2010 - ₹ 489,893,499)

c) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 408,806,124 (31 March 2010 – ₹ 296,286,302)

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.

7. 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 ₹ | | | |
|---|---------------------------|---|---------------------------|--|
| | As at 31 March 2011 | Maximum balance outstanding during the year ended 31 March 2011 | As at 31 March 2010 | Maximum balance outstanding during the year ended 31 March 2010 |
| Royal Orchid Jaipur Private Limited* | 15,136,221 | 26,651,016 | 26,651,016 | 27,290,304 |
| A B Holdings Private Limited* | 49,37 9,903 | 86,179,903 | 86,179,903 | 94,152,885 |
| Royal Orchid South Private Limited* | 1,062,730 | 1,062,730 | 1,062,730 | 1,062,730 |
| Royal Orchid Hyderabad Private Ltd* | 669,853 | 669,853 | 657,194 | 670,100 |
| Multihotels Limited* | 11,930,717 | 12,866,583 | 11,344,583 | 11,344,583 |
| Royal Orchid Maharashtra Private Limited* | 23,798,060 | 23,798,060 | 22,993,860 | 22,993,860 |
| Royal Orchid East Private Limited* | 268,392 | 1,312,313 | 1,280,313 | 1,280,313 |
| Royal Orchid Ahmedabad Private Limited** | - | 127,284,437 | 127,284,437 | 352,368,874 |
| Icon Hospitality Private Limited | 23,171,875 | 23,171,875 | 12,671,875 | 12,671,875 |
| Maruti Comforts and Inn Private Limited | 12,948,564 | 12,948,564 | 12,426,678 | 34,555,238 |

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.

8. Related party transactionsi. *Parties where control exists includes:*

| Name of party | Nature of relationship |
|--|---|
| 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 |
| Royal Orchid Mumbai Private Limited | Subsidiary |
| Multihotels Limited | Subsidiary |
| Royal Orchid Ahmedabad Private Limited | Subsidiary |
| Amartara Hospitality 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
Trans Himalayan Power Private Limited

(This space has been intentionally left blank)

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

| Nature of Transaction | Subsidiaries | | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|--|--------------|-----------|----------------|---------|--------------------------|------|---------------------------------------|------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Management and technical fee income | | | | | | | | | | |
| Maruti Comforts and Inn Private Limited | - | 2,216,578 | - | - | - | - | - | - | - | - |
| Icon Hospitality Private Limited | - | 3,817,307 | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | - | 699,411 | - | - | - | - | - | - |
| Ksheersagar Developers Private Limited | - | - | 10,018,500 | - | - | - | - | - | - | - |
| Interest income | | | | | | | | | | |
| Icon Hospitality Private Limited | 1,969,101 | 329,789 | - | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | - | 1,924,559 | - | - | - | - | - | - | - | - |
| Maruti Comforts and Inn Private Limited | 1,861,291 | 1,754,759 | - | - | - | - | - | - | - | - |
| Interest expense | | | | | | | | | | |
| Royal Orchid Ahmedabad Private Limited | 1,929,994 | - | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | 454,598 | - | - | - | - | - | - | - |
| Expenses incurred by the Company Recharged | | | | | | | | | | |
| Maruti Comforts and Inn Private Limited | 1,609,054 | 408,932 | - | - | - | - | - | - | - | - |
| Icon Hospitality Private Limited | 1,890,688 | 772,096 | - | - | - | - | - | - | - | - |
| Royal Orchid Jaipur Private limited | 1,307,132 | 1,559,201 | - | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | 1,819,219 | - | - | - | - | - | - | - | - | - |
| Royal Orchid East Private limited | - | 62,014 | - | - | - | - | - | - | - | - |
| A B Holdings Private Limited | - | 27,018 | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | 1,503,074 | - | - | - | - | - | - | - |
| Collections by related parties on behalf of the Company | | | | | | | | | | |
| Icon Hospitality Private Limited | 2,901,076 | 548,677 | - | - | - | - | - | - | - | - |
| Royal Orchid Jaipur Private limited | - | 27,400 | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | - | 159,116 | - | - | - | - | - | - |
| Collections by the Company on behalf of related parties | | | | | | | | | | |
| Icon Hospitality Private Limited | 1,583,833 | 480,951 | - | - | - | - | - | - | - | - |
| Maruti Comforts and Inn Private Limited | 423,491 | 1,710,133 | - | - | - | - | - | - | - | - |
| Royal Orchid Jaipur Private limited | 164,588 | 81,173 | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | 256,096 | 210,904 | - | - | - | - | - | - |

| Nature of Transaction | Subsidiaries | | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|---|--------------|-------------|----------------|-----------|--------------------------|------|---------------------------------------|------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Loans advanced | | | | | | | | | | |
| Maruti Comforts and Inn Private Limited | - | 3,000,000 | - | - | - | - | - | - | - | - |
| Royal Orchid South Private limited | - | 100,000 | - | - | - | - | - | - | - | - |
| Multihotels Limited | 1,522,000 | 983,550 | - | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | - | 225,084,437 | - | - | - | - | - | - | - | - |
| Royal Orchid Hotels Maharashtra Private Limited | 800,000 | 2,400,000 | - | - | - | - | - | - | - | - |
| loon Hospitality Private Limited | 10,500,000 | 12,671,875 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 3,108,000 | - | - | - | - | - | - | - | - | - |
| Loans repaid | | | | | | | | | | |
| Royal Orchid Jaipur Private limited | 12,650,000 | 3,000,000 | - | - | - | - | - | - | - | - |
| AB Holdings Private Limited | 36,800,000 | 8,000,000 | - | - | - | - | - | - | - | - |
| Maruti Comforts and Inn Private Limited | - | 33,000,000 | - | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | 127,284,437 | 132,100,000 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 3,108,000 | - | - | - | - | - | - | - | - | - |
| Loan taken | | | | | | | | | | |
| Cosmos Premises Private Limited | - | - | 10,000,000 | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | 8,260,845 | - | - | - | - | - | - | - | - | - |
| Purchase of fixed assets | | | | | | | | | | |
| Royal Orchid Ahmedabad Private Limited | 341,860 | - | - | - | - | - | - | - | - | - |
| Loan repaid | | | | | | | | | | |
| Cosmos Premises Private Limited | - | - | 8,473,108 | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | 6,497,009 | - | - | - | - | - | - | - | - | - |
| Investments made | | | | | | | | | | |
| Royal Orchid Mumbai Private Limited | - | 500,000 | - | - | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | - | 60,300,000 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 71,200,000 | 180,400,000 | - | - | - | - | - | - | - | - |
| Share application money invested | | | | | | | | | | |
| Ksheersagar Developers Private Limited | - | - | 106,108 | 2,710,521 | - | - | - | - | - | - |

| Nature of Transaction | Subsidiaries | | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|---|--|--|--|--|--------------------------|----------------|---------------------------------------|--------|--------------------------|-------------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Remuneration Chander K. Baljee (Refer note 2 below) Keshav Baljee (including commission) | - - | - - | - - | - - | 13,100,000 - | 2,400,000 - | - - | - - | - - | - - |
| Rental Expenses to Baljee Hotels and Real Estate Private Limited Hotel Staylonger Private Limited | - - | - - | - - | - - | - - | - - | - - | - - | 14,170,629 3,542,657 | 14,344,201 3,268,142 |
| Corporate guarantees issued Amar Tara Hospitality Private Limited Royal Orchid Ahmedabad Private Limited Ksheer Sagar Developers Private Limited Cosmos Premises Private Limited | 950,000,000 - - - | - 300,000,000 - - | - - - - | - 700,000,000 - | - - | - - | - - | - - | - - | - - |
| Corporate guarantees taken Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | - | 400,000,000 |
| Balances payable/receivable to related parties | | | | | | | | | | |
| Loans to related parties Royal Orchid Ahmedabad Private Limited Royal Orchid Jaipur Private Limited A B Holdings Private Limited Maruti Comforts and Inn Private Limited Royal Orchid South Private limited Royal Orchid Hyderabad Private Limited Multihotels Limited Royal Orchid Maharashtra Private Limited Royal Orchid East Private Limited Ikon Hospitality Private Limited | - 15,136,221 49,379,903 12,948,564 1,062,730 669,853 11,930,717 23,798,060 268,392 23,171,875 | 127,284,437 26,651,016 86,179,903 12,426,678 1,062,730 657,194 11,344,583 22,993,860 1,280,313 12,671,875 | - - - - - - - - - - | - - - - - - - - - - | - - | - - | - - | - - | - - | - - |

| Nature of Transaction | Subsidiaries | | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|---|--------------|-------------|----------------|-------------|--------------------------|---------------|---------------------------------------|------------|--------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Debtors | | | | | | | | | | |
| Icon Hospitality Private Limited | - | 8,335,523 | - | - | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | - | 326,652 | - | - | - | - | - | - |
| Dues to entities controlled by KMP | | | | | | | | | | |
| Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | 7,925,171 | 3,484,102 |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | - | - | 1,975,919 | 854,412 |
| Security deposit given | | | | | | | | | | |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Chander K. Baljee | - | - | - | - | 60,000,000 | 60,000,000 | - | - | - | - |
| Security deposit received | | | | | | | | | | |
| Presidency College of Hotel Management | - | - | - | - | - | - | - | - | 3,000,000 | 3,000,000 |
| Dues Receivable | | | | | | | | | | |
| Chander K Baljee (refer note 2 below) | - | - | - | - | - | - | - | - | - | - |
| Security deposit received | - | - | - | - | - | 9,600,000 | - | - | - | - |
| Presidency College of Hotel Management | - | - | - | - | - | - | - | - | 3,000,000 | 3,000,000 |
| Corporate guarantee taken outstanding | | | | | | | | | | |
| Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | 390,000,000 | 963,000,000 |
| Personal guarantee taken outstanding | | | | | | | | | | |
| Chander K Baljee | - | - | - | - | 1,079,000,000 | 1,238,000,000 | - | - | - | - |
| Sunita Baljee | - | - | - | - | - | - | 12,500,000 | 62,500,000 | - | - |
| Corporate guarantee issued outstanding | | | | | | | | | | |
| Royal Orchid Ahmedabad Private Limited | 293,600,000 | 260,000,000 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 60,000,000 | - | - | - | - | - | - | - | - | - |
| Ksheersagar Developers Private Limited | - | - | 580,000,000 | 140,000,000 | - | - | - | - | - | - |
| Cosmos Premises Private Limited | - | - | 90,580,000 | 68,560,000 | - | - | - | - | - | - |

Note:

1. For balances of investments at 31 March 2011 & 2010, refer Schedule 6 forming part of the financial statements.
2. During the year ended 31 March 2010, the Company has paid remuneration payable to Managing director ('MD') in excess of the limits defined in Schedule XIII of Companies Act, 1956 amounting to ₹ 9,600,000. These amounts have been approved by the shareholders of the Company. The Company had provided for the remuneration payable in excess of the limits defined in the approvals from Central Government as recoverable from the MD. During the year ended 31 March 2011, the Company has obtained the necessary approvals for the said remuneration and the receivable of ₹ 9,600,000 has been charged to the Profit and loss Account. The amount disclosed in the schedule above does include the said amount.

9. 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 2011 ₹ | Year ended 31 March 2010 ₹ |
|---|----------------------------------|----------------------------------|
| 1 The amounts recognised in the Balance Sheet are as follows: | | |
| Present value of the obligation as at the end of the year | 10,605,726 | 6,359,518 |
| Fair value of plan assets as at the end of the year | - | - |
| Net liability/(asset) recognised in the Balance Sheet | 10,605,726 | 6,359,518 |
| 2 The amounts recognised in the Profit and Loss Account are as follows: | | |
| Service cost | 2,180,859 | 4,504,217 |
| Interest cost | 659,833 | 517,164 |
| Expected return on plan assets | - | - |
| Past Service Cost | 1,949,558 | - |
| Net actuarial (gain)/loss recognized in the year | (299,255) | (3,192,497) |
| Expense recognized in the Profit and Loss Account of the year | 4,490,995 | 1,828,884 |
| 3 Changes in the present value of defined benefit obligation | | |
| Defined benefit obligation as at the beginning of the year | 6,359,518 | 5,092,026 |
| Service cost | 2,180,859 | 4,504,217 |
| Interest cost | 659,833 | 517,164 |
| Past service cost | 1,949,558 | - |
| Actuarial losses/(gains) | (299,255) | (3,564,127) |
| Benefits paid | (244,787) | (189,762) |
| Defined benefit obligation as at the end of the year | 10,605,726 | 6,359,518 |

Assumptions used in the above valuations are as under:

| | | |
|------------------------|-------------|-------------|
| Interest rate | | 7% |
| Discount rate | 8.15% | 8.20% |
| Future salary increase | 7% | 7% |
| Attrition rate | 2-5% | 2-5% |
| Retirement age | 45-55 years | 45-55 years |

B. Defined contribution plan

The Company makes contribution to the statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952. Contribution made during the year ended 31 March 2011 is ₹ 6,013,112 (31 March 2010 - ₹ 4,592,039)

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 2011 | 31 March 2010 |
|---|---------------|---------------|
| Discount rate | 8.15% | 8.20% |
| Rate of increase in compensation levels | 7.00% | 7.00% |



10. Stock based compensation

The Royal Orchid Hotels Limited Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held on 13 September 2006. Subsequently at the Annual General Meeting held on 8 August 2007 the aforesaid scheme was amended to include the employees of the subsidiaries of the Company and to 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) 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.

At the Annual General Meeting held on 24 September 2010 the shareholders authorised the Board to fix the exercise price based on the prevailing market price and to amend the validity period for exercise of options.

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

| | Year ended 31 March 2011 | | Year ended 31 March 2010 | |
|--|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Shares arising out of options | Weighted average exercise price | Shares arising out of options | Weighted average exercise price |
| | (Numbers) | ₹ | (Numbers) | ₹ |
| Options outstanding at the beginning of the year | 281,100 | 165 | 317,000 | 165 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Lapsed during the year | 150,433 | 165 | 35,900 | 165 |
| Cancelled during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| | 130,677 | 165 | 281,100 | 165 |
| Options exercisable at year end | 130,677 | 165 | 281,100 | 165 |

The weighted average exercise price of the options outstanding at 31 March 2011 is ₹ 165 and they had weighted average remaining contractual life of Nil (31 March 2010: 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 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| Net profit, as reported | 96,594,849 | 82,817,552 |
| Add: Stock-based employee compensation expense included in the Profit and loss account | 42,324 | 242,435 |
| Less: Stock based employee compensation expense determined under the fair value method | 1,042,673 | 4,312,429 |
| Pro forma net profit | 95,594,500 | 78,747,558 |
| Earnings per share – Basic | | |
| As reported | 3.55 | 3.04 |
| Pro forma | 3.51 | 2.89 |
| Earnings per share – Diluted | | |
| As reported | 3.55 | 3.04 |
| Pro forma | 3.51 | 2.89 |

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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 2011 | 31 March 2010 |
|-------------------------|-----------------|-----------------|
| 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% |

11. Segmental Information

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

12. 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 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| Profit before tax as per Profit and Loss Account | 147,094,849 | 113,317,552 |
| Add: | | 0 |
| Managerial Remuneration | 13,100,000 | 2,400,000 |
| Commission to non executive directors | 1,207,463 | - |
| Commission to whole time director | 402,488 | - |
| Provision for doubtful debts | 283,117 | 621,187 |
| Loss on sale of fixed assets | - | 690,126 |
| Less: | | |
| Profit on sale of fixed assets | (1,092,861) | - |
| Net Profit | 160,995,056 | 117,028,865 |

Remuneration Eligible under Section 309:

| | | |
|-----------------------------|------------|-----------|
| To Whole Time Directors | 16,099,506 | 2,400,000 |
| To Non Whole Time Directors | 1,609,951 | - |

| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| Managerial Remuneration | | |
| i. To Whole Time Directors | | |
| Salary and allowances (Refer note b below) | 13,100,000 | 2,400,000 |
| Commission | 402,488 | - |
| | 13,502,488 | 2,400,000 |
| ii. To Non Whole Time Directors | | |
| Commission | 1,207,463 | - |
| | 1,207,463 | - |

Note

- a. The Managing Director of the Company is entitled to remuneration of ₹ 3,000,000 (31 March 2010 - ₹ 3,000,000) from a subsidiary of the Company.



- b. During the year ended 31 March 2010, the Company has paid remuneration payable to Managing director ('MD') in excess of the limits defined in Schedule XIII of Companies Act, 1956 amounting to ₹ 9,600,000. These amounts have been approved by the shareholders of the Company. The Company had provided for the remuneration payable in excess of the limits defined in the approvals from Central Government as recoverable from the MD. During the year ended 31 March 2011, the Company has obtained the necessary approvals for the said remuneration and the receivable of ₹ 9,600,000 has been charged to the Profit and loss Account. The amount disclosed in the schedule above does include the said amount.

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|-------------------------------|-----------------------------|-----------------------------|
| | ₹ | ₹ |
| b) Payment to auditors | | |
| a) Audit fee | 900,000 | 900,000 |
| b) Limited Review | 400,000 | 400,000 |
| d) Outofpocket expenses | 66,100 | 66,100 |
| e) Service tax | 133,900 | 133,900 |
| | 1,500,000 | 1,500,000 |

c) Particulars relating to foreign exchange

Earnings in foreign exchange

| | | |
|------------------------|-------------|-------------|
| Income from operations | 374,153,001 | 308,754,081 |
|------------------------|-------------|-------------|

Expenditure in foreign currency

| | | |
|------------------------|-----------|-----------|
| Commission | 3,428,901 | 5,137,422 |
| License & subscription | 5,492,530 | - |
| Royalty | 1,806,172 | 1,696,884 |
| Others | 4,645,241 | - |

Value of imports on a CIF basis

| | | |
|---------------|-----------|-----------|
| Capital goods | 7,233,662 | 1,717,198 |
|---------------|-----------|-----------|

d) Imported and indigenous food and beverages consumed

| | Year ended 31 March 2011 | | Year ended 31 March 2010 | |
|------------|-----------------------------|------------|-----------------------------|------------|
| | Amount (₹) | % | Amount (₹) | % |
| Imported | - | - | - | - |
| Indigenous | 99,482,243 | 100 | 86,025,162 | 100 |
| | 99,482,243 | 100 | 86,025,162 | 100 |

Consumption above is net of ₹ 9,174,409 for the year ended 31 March 2011 (31 March 2010 – ₹ 5,926,339), representing amounts utilised for internal consumption which has been classified under staff welfare.

13. The Ministry of Corporate Affairs vide its Notification no. S.O.301(E) dated 8th February 2011 has exempted Hotel Companies from disclosing the quantitative information as required under paragraphs 3(i)(a) and 3(ii)(d) of Part II of Schedule VI of the Companies Act, 1956 and accordingly, the same are not furnished

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
Chairman & Managing

Naresh K Malhotra
Director

B. Chandrasekaran
Company secretary

Bengaluru
30 May 2011

Cash Flow Statement

| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| A. Cash flow from operating activities | | |
| Net profit before taxation | 147,094,849 | 113,317,552 |
| Adjustments for: | | |
| Depreciation/ amortiza | 56,076,670 | 56,075,158 |
| Provision no longer required written back | - | (137,192) |
| Interest income | (5,344,435) | (5,131,414) |
| Interest expense (net of interest capitalised) | 22,603,931 | 23,585,818 |
| Loss/ (Gain) on sale of fixed assets | (1,127,296) | 690,126 |
| Provision for doubtful debts | 283,117 | 454,032 |
| Employee stock based compensation expense | 42,324 | 242,435 |
| Operating profit before working capital changes | 219,629,160 | 189,096,515 |
| Movements in working capital : | | |
| Decrease in sundry debtors | 11,401,321 | 11,653,822 |
| (Increase)/Decrease in unbilled revenue | (2,238,001) | 720,382 |
| (Increase)/Decrease in inventories | (3,118,399) | 1,997,743 |
| (Increase) in loans and advances | (44,534,400) | (11,716,352) |
| Increase in current liabilities and provisions | 41,838,126 | 23,337,368 |
| Cash generated from operations | 222,977,807 | 215,089,478 |
| Direct taxes paid | (25,117,808) | (15,222,855) |
| Net cash from operating activities | 197,859,999 | 199,866,623 |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets and increase in capital work-In-progress | (444,616,048) | (366,752,220) |
| Proceeds from sale of fixed assets | 1,501,573 | 1,508,658 |
| Net movement in margin money | (13,925) | 6,983,736 |
| Net movement in project advances | (23,481,516) | - |
| Investments made in subsidiaries | (71,200,000) | (241,200,000) |
| Additional investment in joint ventures | (106,108) | (2,710,521) |
| Loans given to subsidiaries | (12,548,163) | (244,239,862) |
| Loans repaid to subsidiaries | (11,654,710) | - |
| Loans repaid by subsidiaries | 176,734,437 | 176,100,000 |
| Interest received | 5,293,285 | 5,742,276 |
| Net cash (used in)/ from investing activities | (380,091,174) | (664,567,933) |
| C. Cash flows from financing activities | | |
| Dividend paid including taxes thereon | - | (47,793,567) |
| Repayment of short term corporate loan | (500,000,000) | - |
| Proceeds from long-term borrowings | 448,252,944 | 836,803,646 |
| Repayment of term loans | (110,212,566) | (77,139,603) |
| Interest paid (net of interest capitalised) | (26,189,558) | (23,585,818) |
| Net cash generated by /(used in) financing activities | (188,149,180) | 688,284,658 |
| Net increase/ (decrease) in cash and cash equivalents (A + B + C) | (370,380,355) | 223,583,348 |
| Cash and cash equivalents at the beginning of the year | 442,516,809 | 47,060,141 |
| Cash and cash equivalents at the end of the year (a) | 72,136,454 | 442,516,809 |
| | (370,380,355) | 395,456,668 |



Cash Flow Statement

| Components of cash and cash equivalents as at year end | 31 March 2011 ₹ | 31 March 2010 ₹ |
|--|--------------------|--------------------|
| Cash and bank balances | 73,515,196 | 443,955,037 |
| Less : Margin monies considered separately (Refer note below) | 245,265 | 231,340 |
| Less: Unclaimed dividend | 1,133,477 | 1,206,888 |
| | 72,136,454 | 442,516,809 |

Note:

a) 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, Chandio & Co
Chartered Accountants

For and on behalf of the Board of Directors

per **Aashish Arjun Singh**
Partner

Chander K. Baljee
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Bengaluru
30 May 2011

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 2011; the Consolidated Profit and Loss Account 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 ₹ 285,215,242 as at 31 March 2011, total revenue of ₹ 36,109,382 and cash inflow amounting to ₹ 2,267,766 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 2011;
 - (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
30 May 2011



Consolidated Balance Sheet

| SOURCES OF FUNDS | Schedule | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|----------|----------------------|----------------------|
| SHAREHOLDERS' FUNDS | | | |
| Capital | 1 | 272,339,650 | 272,339,650 |
| Reserves and surplus | 2 | 1,909,449,754 | 1,832,805,268 |
| Employee stock options outstanding account | | 476,655 | 1,227,795 |
| | | 2,182,266,059 | 2,106,372,713 |
| MINORITY INTEREST | | 336,492,463 | 415,080,779 |
| LOAN FUNDS | | | |
| Secured loans | 3 | 2,310,797,593 | 2,145,163,450 |
| Unsecured loan | | 42,054,953 | 32,455,009 |
| | | 2,352,852,546 | 2,177,618,459 |
| DEFERRED TAX LIABILITY, NET | 4 | 73,107,023 | 81,582,268 |
| TOTAL | | 4,944,718,091 | 4,780,654,219 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | 5 | | |
| Gross block | | 3,277,660,839 | 3,125,893,780 |
| Less: Depreciation / amortisation | | 595,944,055 | 465,114,250 |
| Net block | | 2,681,716,784 | 2,660,779,530 |
| Capital work-in-progress (including capital advances) | | 1,625,958,742 | 963,650,207 |
| | | 4,307,675,526 | 3,624,429,737 |
| GOODWILL (On Consolidation) | | 284,174,300 | 284,174,300 |
| INVESTMENTS | 6 | 450,000 | 450,000 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 7 | 19,504,571 | 15,437,346 |
| Sundry debtors | 8 | 92,500,617 | 80,088,923 |
| Unbilled revenues | | 13,603,859 | 9,984,354 |
| Cash and bank balances | 9 | 199,399,407 | 618,660,664 |
| Loans and advances | 10 | 425,391,354 | 394,114,854 |
| | | 750,399,808 | 1,118,286,141 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| Liabilities | 11 | 323,635,748 | 227,651,136 |
| Provisions | 12 | 74,345,795 | 19,034,823 |
| | | 397,981,543 | 246,685,959 |
| NET CURRENT ASSETS | | 352,418,265 | 871,600,182 |
| TOTAL | | 4,944,718,091 | 4,780,654,219 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 20 | | |

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

per **Aashish Arjun Singh**
Partner

Bengaluru

30 May 2011

For and on behalf of the Board of Directors

Chander K. Baljee
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Consolidated Profit and Loss Account

| INCOME | Schedule | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|---|----------|----------------------------------|----------------------------------|
| Operating income | 13 | 1,520,695,404 | 1,192,735,429 |
| Other income | 14 | 26,736,171 | 35,232,208 |
| | | 1,547,431,575 | 1,227,967,637 |
| EXPENDITURE | | | |
| Food and beverages consumed | 15 | 165,072,525 | 131,031,549 |
| Employee costs | 16 | 318,199,212 | 235,862,070 |
| Other operating expenses | 17 | 436,117,777 | 379,437,548 |
| Selling, general and administrative expenses | 18 | 207,331,663 | 193,408,977 |
| Finance charges | 19 | 112,843,611 | 75,927,335 |
| Depreciation/amortisation | 5 | 137,079,744 | 123,701,859 |
| | | 1,376,644,532 | 1,139,369,338 |
| PROFIT BEFORE TAX | | 170,787,043 | 88,598,299 |
| Tax expense | | | |
| - Current | | 64,597,900 | 33,050,000 |
| - Minimum Alternative Tax | | 1,266,701 | - |
| - Prior years taxes | | - | 375,794 |
| - Deferred tax charge / (credit) | | (8,475,251) | 5,867,200 |
| - Minimum Alternative | | (1,266,701) | - |
| PROFIT AFTER TAX AND BEFORE MINORITY INTEREST | | 114,664,394 | 49,305,305 |
| MINORITY INTEREST | | (7,546,098) | (20,445,526) |
| NET PROFIT | | 122,210,492 | 69,750,831 |
| Balance brought forward from the previous year | | 550,909,541 | 481,158,710 |
| Balance available for appropriation | | 673,120,033 | 550,909,541 |
| APPROPRIATIONS | | | |
| Proposed dividend | | 40,850,948 | - |
| Tax on distribution of dividend | | 6,784,852 | - |
| Transfer to general reserve | | 4,829,742 | - |
| SURPLUS CARRIED TO BALANCE SHEET | | 620,654,491 | 550,909,541 |
| Basic and diluted Earnings per share (Par value – ₹10) (Refer note 3 in Schedule 20) | | 4.49 | 2.56 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 20

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.

Chartered Accountants

For Walker, Chandiok & Co

For and on behalf of the Board of Directors

per Aashish Arjun Singh
Partner

Chander K. Baljee
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Bengaluru
30 May 2011



Schedules forming part of the Consolidated financial statements

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|----------------------|----------------------|
| SCHEDULE 1 | | |
| CAPITAL | | |
| Authorized | | |
| 50,000,000 (31 March 2010– 30,000,000) Equity Shares of 10 each | 500,000,000 | 300,000,000 |
| Issued, subscribed and paid up | | |
| 27,233,965 (31 March 2010– 27,233,965) equity shares of 10 each fully paid up | 272,339,650 | 272,339,650 |
| | 272,339,650 | 272,339,650 |
| SCHEDULE 2 | | |
| RESERVES AND SURPLUS | | |
| Securities Premium | 1,130,684,095 | 1,130,684,095 |
| Foreign Exchange Earnings Reserve | 1,750,000 | 1,750,000 |
| General Reserve | | |
| Balance at the beginning of the year | 95,493,879 | 95,493,879 |
| Add : Transfer from Profit and Loss account during the year | 4,829,742 | - |
| Add : Transfer from Employee Stock Options Outstanding Account | 793,464 | - |
| Balance at the end of the year | 101,117,085 | 95,493,879 |
| Capital Reserve | 46,794,798 | 46,794,798 |
| Foreign Exchange Translation Reserve | 8,449,285 | 7,172,955 |
| Profit and Loss Account | | |
| Balance at the beginning of the year | 550,909,541 | 481,158,710 |
| Add : Net profit transferred for the year | 122,210,492 | 69,750,831 |
| | 673,120,033 | 550,909,541 |
| Less: Proposed dividend | 40,850,948 | - |
| Less : Tax on distribution of dividend | 6,784,852 | - |
| Less: Transfer to general reserve | 4,829,742 | - |
| Balance at the end of the year | 620,654,491 | 550,909,541 |
| | 1,909,449,754 | 1,832,805,268 |

Schedules forming part of the Consolidated financial statements

| | 31 March 2011 | 31 March 2010 |
|---------------------------------------|----------------------|----------------------|
| | ₹ | ₹ |
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| From banks | | |
| Term loans | 2,293,933,467 | 1,638,062,063 |
| Vehicle loans | 11,857,641 | 5,422,919 |
| Short Term Corporate Loan | - | 500,000,000 |
| Interest accrued and due on term loan | 5,006,485 | 1,678,468 |
| | 2,310,797,593 | 2,145,163,450 |

Note:

- a) On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for ₹ 300 million which was fully drawn. This loan is secured by way of an equitable mortgage of the building 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 ₹ 12.5 million each, commencing from 31 December 2005. The balance outstanding as at 31 March 2011 - ₹ 12.5 million (31 March 2010: ₹ 62.65 million).

- b) In January 2008, the Company was sanctioned a short term corporate loan ('corporate loan') from the bank for ₹ 500 million, which is renewable on an annual basis by the bank 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.

- c) In March 2010, the Company was sanctioned a Rupee Term Loan of ₹ 400 million, for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank Limited. 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 loan is repayable in 20 quarterly instalments. The above loan has been rescheduled with the change in quarterly instalments without any change in the original tenor and repayment dates. The balance outstanding as at 31 March 2011 - ₹ 377.5 million. (31 March 2010 - ₹ 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 ₹ 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. Chander K. Baljee, Managing Director has been provided. The above term loan has been rescheduled by way of extension of moratorium by 1 year and realignment of repayment schedule without any change in tenor. The balance outstanding as at 31 March 2011 - ₹ 689 million (31 March 2010: ₹ 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 ₹ 194.50 million which has been drawn down in full. 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 2011 - ₹ 137 million (31 March 2010 : ₹ 137 million)

- f) During the year ended 31 March 2008, Icon Hospitality Private Limited (a subsidiary) availed a term loan facility of ₹ 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 repayable in 32 quarterly instalments ending in September 2015. 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 borrowings are secured by the personal guarantees of the directors Mr. Chander K Baljee, Mr. Dayanand Pai and Mr. Satish Pai. During the year ended 31 March 2011, the Company rescheduled the repayment of the loan by extending the tenor by 2 years ending in September 2017. The balance outstanding as at 31 March 2011 - ₹ 281.25 million (31 March 2010: ₹ 317.51 million).



- g) Maruti Comforts and Inn Private Limited (a subsidiary) has availed a term loan facility of ₹ 150 Million from State Bank of Hyderabad. The loan is repayable in 20 quarterly installments. 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 2011 - ₹ 107.5 million Rs. (31 March 2010 - ₹ 82.56 million)
- h) During the year ended 31 March 2009, Cosmos Premises Private Limited (a joint venture) has been sanctioned ₹ 100 million of term loan facility by State Bank of Hyderabad. The loan is repayable in 24 quarterly installments ending June 2015 commencing from September 2009. Additionally, in December 2010, Cosmos Premises Private Limited was sanctioned a short term corporate loan from State Bank of Hyderabad for ₹ 20 million and was drew down the same. The loan is repayable in 11 quarterly installments commencing from April 2011 and ending October 2013. The Loan is secured against an equitable mortgage of specified property of the Company and guarantee by Royal Orchid Hotels Limited and Vascon Engineers Limited. The balance outstanding as on 31 March 2011 - ₹ 45.29 million (31 March 2010: ₹ 34.28 million)
- i) During the year ended 31 March 2010, Royal Orchid Ahmedabad Private Limited (a subsidiary) availed a term loan of ₹ 300 million from IDBI Bank and has drawn down the entire amount for the purpose of construction of hotel property at Ahmedabad. The loan is repayable in 28 quarterly installments. 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 2011 - ₹ 293.6 million (31 March 2010 ₹ 260 million)
- j) During the year ended 31 March 2010, Ksheer Sagar Developers Private Limited (a joint Venture) availed a term loan of ₹ 700 million from IDBI Bank which has been completely drawn down. This loan is repayable in 84 monthly installments starting from 1 April 2012. The loan is secured by way of a first charge on all the movable and immovable assets of the project Royal Orchid Hotel, Jaipur, a corporate guarantee of Royal Orchid Hotels Limited and personal guarantee of Mr. Jagdish Tambi. The balance outstanding as on 31 March 2011 is ₹ 290 million (31 March 2010 - ₹ 70 million)
- k) During the year ended 31 March 2011, Amar Tara Hospitality Private Limited (a subsidiary) availed the term loan facility of ₹ 900 million from Axis bank limited. The loan is repayable in 33 quarterly installments ending on March 2022. The loan is secured by way of first charge on the fixed assets, current assets of the Company and the guarantees of Royal Orchid Hotels Limited and Amar Tara Private Limited. The balance outstanding as on 31 March 2011 - ₹ 60. million
- l) Vehicle loans are secured by the hypothecation of the vehicles concerned.

Principal amounts due in one year are as follows:

| | | |
|---------------------------|--------------------|--------------------|
| Term loan | 204,812,582 | 306,404,914 |
| Short Term Corporate Loan | - | 500,000,000 |
| Other loans | 4,623,177 | 2,754,479 |
| | 209,435,758 | 809,159,393 |

SCHEDULE 4 DEFERRED TAX LIABILITY, NET

| | | |
|--|-------------------|-------------------|
| Deferred tax liability arising on account of : Depreciation | 125,159,348 | 104,708,179 |
| Less: deferred tax asset arising on account of Tax losses carried forward | 41,026,325 | 17,284,101 |
| Employee benefits | 9,613,191 | 5,412,488 |
| Provision for doubtful debts | 1,412,809 | 429,322 |
| | 73,107,023 | 81,582,268 |

Schedule forming part of the Consolidated financial statements

Schedule 5 FIXED ASSETS

mount in ₹

| Category of assets | As at 1 April 2010 | Foreign Exchange Translation | Gross block Additions during the year | Deletions during the year | As at 31 March 2011 | As at 1 April 2010 | Depreciation/Amortization Charge / Adjustment for the year | Deletions during the year | As at 31 March 2011 | Net block As at 31 March 2011 | As at 31 March 2010 |
|--|-----------------------|------------------------------------|---|------------------------------|------------------------|-----------------------|---|------------------------------|------------------------|-------------------------------------|------------------------|
| | | | | | | | | | | | |
| Tangible assets | | | | | | | | | | | |
| Freehold land | 938,341,202 | (7,944,432) | 5,058,148 | - | 935,454,918 | - | - | - | - | 935,454,918 | 938,341,202 |
| Leasehold Land (Refer note) | 54,293,207 | - | - | - | 54,293,207 | - | 1,726,377 | - | 1,726,377 | 52,566,830 | 54,293,207 |
| Building | 395,494,132 | - | 7,600,074 | - | 403,094,206 | 31,994,747 | 15,459,319 | - | 47,454,066 | 355,640,140 | 363,499,385 |
| Leasehold buildings (including improvements) | 450,683,505 | - | 47,945,046 | - | 498,628,551 | 102,228,610 | 19,857,733 | - | 122,086,343 | 376,542,208 | 349,454,895 |
| Plant and machinery | 712,377,469 | - | 35,500,737 | 210,544 | 747,667,662 | 116,128,680 | 35,338,031 | 42,305 | 151,424,406 | 596,243,256 | 596,248,769 |
| Furniture and fixtures | 368,191,169 | - | 53,851,264 | 4,739,725 | 417,302,708 | 144,400,806 | 42,607,187 | 2,266,831 | 184,741,062 | 232,561,646 | 223,790,363 |
| Computers and related equipments | 35,913,003 | - | 3,321,350 | - | 39,234,353 | 17,430,838 | 5,232,085 | - | 22,662,923 | 16,571,430 | 18,482,165 |
| Office equipments | 98,152,455 | - | 2,828,479 | - | 100,980,934 | 15,154,780 | 5,718,979 | - | 20,873,759 | 80,107,175 | 82,997,675 |
| Vehicles | 59,990,386 | - | 13,168,256 | 4,611,594 | 67,547,048 | 28,790,548 | 8,448,583 | 3,940,703 | 33,298,428 | 34,248,620 | 30,199,838 |
| Intangible assets | | | | | | | | | | | |
| Goodwill | 4,554,451 | - | - | - | 4,554,451 | 3,643,561 | 910,890 | - | 4,554,451 | - | 910,890 |
| Brand usage rights | 8,902,801 | - | - | - | 8,902,801 | 5,341,680 | 1,780,560 | - | 7,122,240 | 1,780,561 | 3,561,121 |
| Total | 3,125,993,780 | (7,944,432) | 169,273,354 | 9,561,863 | 3,277,660,839 | 465,114,250 | 137,079,744 | 6,249,939 | 595,944,055 | 2,681,716,784 | 2,660,779,530 |
| Prior Year | 2,458,983,982 | (12,919,246) | 703,391,933 | 23,562,889 | 3,125,893,780 | 355,848,573 | 123,701,859 | 14,436,182 | 465,114,250 | 2,660,779,530 | - |

Note:

The leasehold land which is jointly held along with the joint venturers Ksheersagar Developers Private Limited, J.H. Builders Private Limited, Ksheer Sagar Buildcon Private Limited and Rajkamal Buildcon Private Limited has been revalued upwards by ₹ 104,088,097 during the year ended 31 March 2008 based on a valuation report by an approved valuer



Schedules forming part of the Consolidated financial statements

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|--|--------------------|--------------------|
| SCHEDULE 6 | | |
| INVESTMENTS (LONG TERM, UNQUOTED, AT COST) | | |
| Investment in Government Securities | 225,000 | 225,000 |
| Investment in Associates (unquoted and fully paid up) | | |
| Parsvanath Royal Orchid Hotels Limited | 225,000 | 225,000 |
| (15,000 (31 March 2010 – 15,000) Equity Shares of ₹ 10 each) | | |
| | 450,000 | 450,000 |
| SCHEDULE 7 | | |
| INVENTORIES | | |
| Food and beverages | 13,219,633 | 10,027,323 |
| Stores and spare parts | 6,284,938 | 5,410,023 |
| | 19,504,571 | 15,437,346 |
| SCHEDULE 8 | | |
| SUNDRY DEBTORS | | |
| (Unsecured) | | |
| Debtors considered good | 92,500,617 | 80,088,923 |
| Debtors considered doubtful | 3,993,422 | 2,311,756 |
| Less: Provision for doubtful debts | 3,993,422 | 2,311,756 |
| | 92,500,617 | 80,088,923 |
| SCHEDULE 9 | | |
| CASH & BANK BALANCE S | | |
| Cash balances on hand | 4,176,003 | 4,109,217 |
| Bank balances with scheduled banks: | | |
| - In current accounts | 132,639,358 | 600,958,736 |
| - In margin money | 245,265 | 231,340 |
| - In deposit account | 62,338,781 | 13,361,371 |
| | 199,399,407 | 618,660,664 |

Note:

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

(This space has been intentionally left blank)

Schedules forming part of the Consolidated financial statements

| | 31 March 2011 ₹ | 31 March 2010 ₹ |
|---|--------------------|--------------------|
| SCHEDULE 10 | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or kind, or for value to be received | | |
| - Prepaid expenses | 34,251,111 | 15,906,774 |
| - Advances to suppliers | 10,988,470 | 26,009,957 |
| - Other advances | 24,200,494 | 33,653,352 |
| Dues from employees | 2,046,141 | - |
| Project advances | 32,862,926 | - |
| Dues from directors | - | 9,600,000 |
| Advance tax (net of provision) | 9,020,736 | 37,686,633 |
| Interest accrued but not due on fixed deposit with bank | 912,361 | 761,019 |
| MAT Credit entitlement | 4,343,726 | 3,077,025 |
| Security deposits | 306,765,389 | 267,420,094 |
| | 425,391,354 | 394,114,854 |
| SCHEDULE 11 | | |
| LIABILITIES | | |
| Sundry creditors | 159,000,060 | 88,675,685 |
| Accrued expenses | 52,494,603 | 36,332,686 |
| Dues to employees | 35,163,402 | 29,001,508 |
| Duties and taxes payable | 34,353,223 | 20,948,004 |
| Security deposit received (refer note a) | 3,560,625 | 7,497,879 |
| Dues to directors | 1,609,951 | 3,037,424 |
| Unclaimed dividend | 1,133,477 | 1,206,888 |
| Other liabilities | 36,320,407 | 40,951,062 |
| | 323,635,748 | 227,651,136 |
| Note: | | |
| a) Security deposit includes ₹ 3,000,000 (31 March 2010 – ₹ 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 | 13,820,467 | 8,827,905 |
| Vacation pay | 12,889,528 | 10,206,918 |
| Proposed dividend | 40,850,948 | - |
| Tax on proposed dividend | 6,784,852 | - |
| | 74,345,795 | 19,034,823 |



Schedules forming part of the Consolidated financial statements

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|--|-----------------------------|-----------------------------|
| | ₹ | ₹ |
| SCHEDULE 13 | | |
| OPERATING INCOME | | |
| Room revenues | 975,071,959 | 766,746,178 |
| Food and beverages | 472,677,267 | 374,507,295 |
| Management & technical fees | 23,811,075 | 19,649,205 |
| Other service charges | 49,135,103 | 31,832,751 |
| | 1,520,695,404 | 1,192,735,429 |
| SCHEDULE 14 | | |
| OTHER INCOME | | |
| Interest income from banks | 4,497,114 | 158,025 |
| Provision no longer required written back | 740,110 | 21,278,587 |
| Gain on foreign exchange fluctuation, net | - | 892,590 |
| Miscellaneous income | 21,498,947 | 12,903,006 |
| | 26,736,171 | 35,232,208 |
| SCHEDULE 15 | | |
| Opening stock | 10,027,323 | 11,693,495 |
| Add: Purchases during the year | 168,264,835 | 129,365,377 |
| | 178,292,158 | 141,058,872 |
| Less: Closing stock | 13,219,633 | 10,027,323 |
| Consumption for the year | 165,072,525 | 131,031,549 |
| Note: | | |
| Security deposit includes ₹ 3,000,000 (31 March 2010 – ₹ 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 16 | | |
| EMPLOYEE COSTS | | |
| Salaries, wages and bonus | 275,433,159 | 199,383,987 |
| Contribution to provident and other funds | 10,804,522 | 8,470,512 |
| Staff welfare | 26,531,741 | 25,242,815 |
| Employee stock based compensation expense | 42,324 | 242,435 |
| Gratuity | 5,387,466 | 2,522,321 |
| | 318,199,212 | 235,862,070 |

Schedules forming part of the Consolidated financial statements

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|---|-----------------------------|-----------------------------|
| | ₹ | ₹ |
| SCHEDULE 17 | | |
| OTHER OPERATING EXPENSES | | |
| Linen and room supplies | 25,753,850 | 17,928,991 |
| Catering and other kitchen supplies | 19,222,277 | 15,898,492 |
| Laundry & washing expenses | 13,671,604 | 11,709,950 |
| Power and fuel | 112,033,429 | 88,545,304 |
| Water | 5,263,919 | 5,600,970 |
| Lease rent for hotel properties | 105,735,533 | 116,640,546 |
| Hire charges | 16,636,033 | 11,880,546 |
| Guest transportation expenses | 10,976,315 | 7,637,986 |
| Management fees | 652,119 | 9,744,156 |
| Repairs and maintenance | | |
| - Leasehold buildings | 18,644,911 | 13,894,675 |
| - Machinery | 17,265,123 | 12,360,008 |
| - Others | 11,512,873 | 10,269,971 |
| Communication expenses | 17,453,645 | 14,960,483 |
| Printing and stationery | 10,350,462 | 7,943,568 |
| Security charges | 10,232,845 | 9,894,507 |
| Music and entertainment charges | 7,519,712 | 6,394,535 |
| Other miscellaneous expenses | 33,193,127 | 18,132,860 |
| | 436,117,777 | 379,437,548 |
| SCHEDULE 18 | | |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Legal and professional charges | 22,752,173 | 22,467,676 |
| Advertisement and business promotion | 36,638,708 | 36,393,454 |
| Commission, brokerage and discount | 34,147,112 | 26,240,872 |
| Travelling and conveyance | 19,974,101 | 15,908,552 |
| Insurance | 6,448,407 | 4,842,784 |
| Rates and taxes | 26,247,309 | 26,444,251 |
| Rent | 14,762,262 | 14,543,730 |
| Director's remuneration | 9,000,000 | 11,400,000 |
| Director's commission | 1,609,951 | - |
| Audit fees | 3,074,796 | 2,882,273 |
| Provision for doubtful debts | 3,102,290 | 1,120,459 |
| Recruitment expenses | 2,712,567 | 2,222,386 |
| Loss on sale of fixed assets | 1,970,501 | 5,834,139 |
| Miscellaneous expenses | 24,891,486 | 23,108,401 |
| | 207,331,663 | 193,408,977 |
| SCHEDULE 19 | | |
| FINANCE CHARGES | | |
| Interest | | |
| - Term loan | 272,652,291 | 150,315,392 |
| Less: Capitalised | 167,873,204 | 76,171,133 |
| | 104,779,087 | 74,144,259 |
| -Vehicle loan | 1,324,508 | 866,353 |
| -Others | 1,951,626 | - |
| Bank charges | 4,788,390 | 916,723 |
| | 112,843,611 | 75,927,335 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE - 20

1. Background

Royal Orchid Hotels Limited ('the Company' or 'the Parent Company') was incorporated on 3rd 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, Hospet 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 2011 | 31 March 2010 |
| Subsidiaries | | | |
| 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 | India | 100% | 100% |
| Amartara Hospitality Private Limited | India | 74% | 53.06% |
| Royal Orchid Mumbai Private Limited | India | 100% | 100% |
| Joint Ventures | | | |
| 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% |
| Associates | | | |
| Parsvnath Royal Orchid Hotels Limited | India | 30% | 30% |

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 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, carrying value of goodwill and long lived 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:

| Asset Category | Rates of Depreciation (%) |
|---------------------------------|----------------------------------|
| 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 ₹ 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*

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

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.

Vacation pay

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

Minimum Alternate Tax

Minimum alternate tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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')

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|--|-----------------------------|-----------------------------|
| Weighted average number of shares outstanding (Nos.) | 27,233,965 | 27,233,965 |
| | ₹ | ₹ |
| Net profit after tax and minority interest attributable to equity shareholders | 122,210,492 | 69,750,831 |
| Basic and diluted earnings per share | 4.49 | 2.56 |
| 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 ₹ 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

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 ₹ 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 June 2010 for a period of eleven months. 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 ₹ 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 ₹ 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 an interval of every 3 years or 20% of Net Room Revenue (NRR) for first year and 22% of NRR for 2nd year to 4th year and 25% for the balance period of NRR which ever is higher

Hospet

In May 2010, the Company entered into lease agreement with Ennoble Hotels International Limited for the use of land and building representing the hotel property for a cancellable lease period of 3 years. The lease period is extendable for a further period of 5 years subject to other conditions. As per the agreement, the Company is required to make monthly payments at a specified percentage of sales revenue.

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 2011 was ₹ 120,497,795 (31 March 2010 – ₹ 131,184,276)

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

| Payments falling due: | 31 March 2011 Amount (₹) | 31 March 2010 Amount (₹) |
|---|---|---|
| Within 1 year | 61,050,509 | 59,853,635 |
| Later than one year but not later than five years | 204,458,251 | 219,666,810 |
| Later than 5 years | 403,758,289 | 284,402,439 |
| TOTAL | 669,267,049 | 563,922,684 |

6. Commitments and contingencies

a) Litigations

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 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 ₹ 10,000,000 as a refundable security deposit under this lease agreement. During the year the Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor which has been challenged by the lessor in the High court. The management believes that the case will be settled in their favour and hence will not affect its operations.

iii) The Company has been named as a defendant along with Cygnus Business Consulting & Research Private Limited in a suit filed around July 2008 by Kamat Hotels (India) Limited ('the plaintiff') restraining the alleged use of the trademark of the plaintiff by the Company since 1997. The plaintiff seeks a relief of a permanent injunction restraining the Company from using the trademark 'Royal Orchid'. The plaintiff had filed an application seeking an interim injunction during the pendency of the above proceedings. The Bombay High Court vide its interim order dated April 05, 2011, has allowed the Company to continue to operate its current hotels as on that date but at the same time restraining the Company from opening new hotels under the said brand. However, the Division bench of the Bombay High court vide its order dated May 06, 2011 has partially stayed operation of the said order and allowed opening of one of Company's proposed hotels in Vadodara under the 'Royal Orchid' brand. Based on a independent legal advise the management believes that the case will be settled in its favour and will not affect its current and future operations

b) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2011 – ₹ 579,078,161 (31 March 2010 – ₹ 307,481,210).

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.

7. Related parties

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

Trans Himalayan Power Private Limited

The transactions with related parties for the year summarised below:

Amount in ₹

| Nature of Transaction | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|--|----------------|-------------|--------------------------|-----------|---------------------------------------|-----------|--------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Management and technical fee income | | | | | | | | |
| Cosmos Premises Private Limited | - | 360,761 | - | - | - | - | - | - |
| Ksheersagar Developers Private Limited | 5,009,250 | - | - | - | - | - | - | - |
| Interest expense | | | | | | | | |
| Cosmos Premises Private Limited | 227,299 | - | - | - | - | - | - | - |
| Loans taken | | | | | | | | |
| Cosmos Premises Private Limited | 5,000,000 | - | - | - | - | - | - | - |
| Loans repaid | | | | | | | | |
| Cosmos Premises Private Limited | 4,236,554 | - | - | - | - | - | - | - |
| Remuneration | | | | | | | | |
| Chander K. Baljee (Refer Note 2) | - | - | 16,100,000 | 5,400,000 | - | - | - | - |
| Keshav Baljee (Including commission) | - | - | - | - | 5,050,696 | 4,924,694 | - | - |
| Sunita Baljee | - | - | - | - | 2,400,000 | 2,400,000 | - | - |
| Rental Expenses | | | | | | | | |
| Baljee Hotels and Real Estates Private Limited | - | - | - | - | - | - | 14,170,629 | 14,344,201 |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | 3,542,657 | 3,268,142 |
| Corporate guarantees issued | | | | | | | | |
| Ksheer Sagar Developers Private Limited | - | 350,000,000 | - | - | - | - | - | - |
| Corporate guarantees taken | | | | | | | | |
| Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | 400,000,000 |

Amount in ₹

| Nature of Transaction | Joint Ventures | | Key Management Personnel | | Relatives of Key Management Personnel | | Entity controlled by KMP | |
|--|----------------|------------|--------------------------|---------------|---------------------------------------|------------|--------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | | | | | | | | |
| Balances payable/receivable | | | | | | | | |
| Debtors | | | | | | | | |
| Cosmos Premises Private Limited | - | 163,326 | - | - | - | - | - | - |
| Dues to Companies under same management | | | | | | | | |
| Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | 7,925,171 | 3,382,571 |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | 1,975,919 | 568,294 |
| Security deposit given | | | | | | | | |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Chander K. Baljee | - | - | 60,000,000 | 60,000,000 | - | - | - | - |
| Security deposit received | | | | | | | | |
| Presidency College of Hotel Management | - | - | - | - | - | - | 3,000,000 | 3,000,000 |
| Amounts payable | - | - | - | - | 172,612 | 172,612 | - | - |
| Chander K. Baljee | - | - | - | - | 138,062 | 138,062 | - | - |
| Sunita Baljee | - | - | - | - | - | - | - | - |
| Amounts recoverable | | | | | | | | |
| Chander K. Baljee (refer to Note 2 below) | - | - | - | - | - | 9,600,000 | - | - |
| Corporate guarantee taken outstanding | | | | | | | | |
| Baljee Hotels and Real Estate Private Limited | - | - | - | - | - | - | 390,000,000 | 963,000,000 |
| Personal guarantee taken outstanding | | | | | | | | |
| Chander K Baljee | - | - | 1,079,000,000 | 1,238,000,000 | - | - | - | - |
| Sunita Baljee | - | - | - | - | 12,500,000 | 62,500,000 | - | - |
| Corporate guarantees issued outstanding | | | | | | | | |
| Ksheersagar Developers Private Limited | 290,000,000 | 70,000,000 | - | - | - | - | - | - |
| Cosmos Premises Private Limited | 45,290,000 | 34,280,000 | - | - | - | - | - | - |

Note:

- For balances of investments at 31 March 2011 & 2010, refer Schedule 6 forming part of the financial statements.
- During the year ended 31 March 2010, the Company has paid remuneration payable to Managing director ('MD') in excess of the limits defined in Schedule XIII of Companies Act, 1956 amounting to ₹ 9,600,000. These amounts have been approved by the shareholders of the Company. The Company had provided for the remuneration payable in excess of the limits defined in the approvals from Central Government as recoverable from the MD. During the year ended 31 March 2011, the Company has obtained the necessary approvals for the said remuneration and the receivable of ₹ 9,600,000 has been charged to the Profit and loss Account. The amount disclosed in the schedule above does include the said amount.



8. 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 2011 ₹ | Year ended 31 March 2010 ₹ |
|---|----------------------------------|----------------------------------|
| 1 The amounts recognised in the Balance Sheet are as follows: | | |
| Present value of the obligation as at the end of the year | 13,820,467 | 8,827,905 |
| Fair value of plan assets as at the end of the year | - | - |
| Net liability/(asset) recognised in the Balance Sheet | 13,820,467 | 8,827,905 |
| 2 The amounts recognised in the Profit and Loss Account are as follows: | | |
| Service cost | 5,447,549 | 4,688,355 |
| Interest cost | 961,048 | 563,977 |
| Net actuarial (gain)/loss recognized in the year | (1,051,131) | (2,730,011) |
| Expense recognized in the Profit and Loss Account of the year | 5,387,466 | 2,522,321 |
| 3 Changes in the present value of defined benefit obligation | | |
| Defined benefit obligation as at the beginning of the year | 8,827,905 | 7,124,696 |
| Service cost | 5,447,549 | 4,688,355 |
| Interest cost | 961,048 | 563,977 |
| Actuarial losses/(gains) | (1,051,131) | (3,498,411) |
| Benefits paid | (394,904) | (50,712) |
| Defined benefit obligation as at the end of the year | 13,820,467 | 8,827,905 |

Assumptions used in the above valuations are as under:

| | | |
|--------------------------------|-------------|-------------|
| Interest rate | - | 7% |
| Discount rate | 8.15% | 8.20% |
| Expected return on plan assets | NA | NA |
| Future salary increase | 7% | 7% |
| Attrition rate | 2-5% | 3.34% |
| Retirement age | 45-55 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. Contribution made during the year ended 31 March 2011 is ₹ 10,804,522 (31 March 2010- ₹ 8,470,512)

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 2011 | Year ended 31 March 2010 |
|---|-----------------------------|-----------------------------|
| Discount rate | 8.15% | 8.20% |
| Rate of increase in compensation levels | 7% | 7% |

9. Stock based compensation

The Royal Orchid Hotels Limited Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held on 13 September 2006. Subsequently at the Annual General Meeting held on 8 August 2007 the aforesaid scheme was amended to include the employees of the subsidiaries of the Company and to 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) 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.

At the Annual General Meeting held on 24 September 2010 the shareholders authorised the Board to fix the exercise price based on the prevailing market price and to amend the validity period for exercise of options.

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

| | Year ended 31 March 2011 | | Year ended 31 March 2010 | |
|--|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Shares arising out of options | Weighted average exercise price | Shares arising out of options | Weighted average exercise price |
| | (Numbers) | ₹ | (Numbers) | ₹ |
| Options outstanding at the beginning of the year | 281,100 | 165 | 317,000 | 165 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Lapsed during the year | 150,433 | 156 | 35,900 | 165 |
| Cancelled during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| | 130,677 | 165 | 281,100 | 165 |
| Exercisable at year end | 130,677 | 165 | 281,100 | 165 |

The weighted average exercise price of the options outstanding at 31 March 2011 is ₹165 and they had weighted average remaining contractual life of Nil (31 March 2010: 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 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| Net profit, as reported | 122,210,492 | 69,750,831 |
| Add: Stock-based employee compensation expense included in the Profit and loss account | 42,324 | 242,435 |
| Less: Stock based employee compensation expense determined under the fair value method | 1,042,673 | 4,312,429 |
| Pro forma net profit | 121,210,143 | 65,680,837 |



| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|------------------------------|----------------------------------|----------------------------------|
| Earnings per share – Basic | | |
| As reported | 4.49 | 2.56 |
| Pro forma | 4.45 | 2.41 |
| Earnings per share – Diluted | | |
| As reported | 4.49 | 2.56 |
| Pro forma | 4.45 | 2.41 |

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% |

10. Segmental Information

The Group's business comprises the operation of hotels and allied services, 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.

11. 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
Chairman & Managing
Director

Naresh K Malhotra
Director

B. Chandrasekaran
Company secretary

Bengaluru
30 May 2011

Consolidated Cash Flow Statement

| | Year ended 31 March 2011 ₹ | Year ended 31 March 2010 ₹ |
|--|----------------------------------|----------------------------------|
| A. Cash flow from operating activities | | |
| Net profit before taxation | 170,787,043 | 88,598,299 |
| Adjustments for: | | |
| Depreciation/ amortization | 137,079,744 | 123,701,859 |
| Provision no longer required write back | (740,110) | (21,278,587) |
| Interest income | (4,497,114) | (158,025) |
| Interest expense (net of interest capitalised) | 108,055,221 | 75,010,612 |
| Loss on sale of fixed assets | 1,970,501 | 5,834,139 |
| Provision for doubtful debts and advances | 3,102,290 | 1,120,459 |
| Employee stock based compensation expense | 42,324 | 242,435 |
| Operating profit before working capital changes | 415,799,899 | 273,071,191 |
| Movements in working capital : | | |
| (Increase)/Decrease in sundry debtors | (14,093,360) | 17,196,434 |
| (Increase)/Decrease in unbilled revenue | (3,619,505) | (116,301) |
| (Increase)/Decrease in inventories | (4,067,225) | 2,314,969 |
| (Increase)/Decrease in loans and advances | (41,355,421) | 25,967,180 |
| Increase/(Decrease) in current liabilities and provisions | 104,326,483 | 34,582,379 |
| Cash generated from operations | 456,990,871 | 353,015,852 |
| Direct taxes paid | (22,550,000) | (16,484,817) |
| Net cash from operating activities | 434,440,871 | 336,531,035 |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets and increase in capital work-In-progress | (893,796,875) | (995,427,829) |
| Proceeds from sale of fixed assets | 1,579,914 | 3,292,568 |
| Net movement in margin money | (13,925) | 6,983,736 |
| Project Advances | (32,862,926) | - |
| Interest received | 4,345,772 | 916,840 |
| Net cash (used in)/ from investing activities | (920,748,040) | (984,234,685) |
| C. Cash flows from financing activities | | |
| Dividend paid including taxes thereon | (73,411) | (47,793,567) |
| Proceeds from long-term borrowings | 853,210,090 | 1,274,408,272 |
| Repayment of term loans | (681,304,033) | (163,676,354) |
| Proceeds from short-term borrowings | - | 12,400,000 |
| Interest paid (net of interest capitalised) | (104,727,204) | (73,332,144) |
| Net cash generated by /(used in) financing activities | 67,105,442 | 1,002,006,207 |
| Net increase/ (decrease) in cash and cash equivalents (A + B + C) | (419,201,726) | 354,302,557 |
| Cash and cash equivalents at the beginning of the year | 617,222,436 | 262,919,879 |
| Cash and cash equivalents at the end of the year (a) | 198,020,665 | 617,222,436 |



Consolidated Cash Flow Statement

| Components of cash and cash equivalents as at year end | 31 March 2011 ₹ | March 2010 ₹ |
|--|--------------------|--------------------|
| Cash and bank balances | 199,399,407 | 618,660,664 |
| Less : Margin monies considered separately (Refer note below) | 245,265 | 231,340 |
| Less: Unclaimed dividend | 1,133,477 | 1,206,888 |
| | 198,020,665 | 617,222,436 |

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.

This is the cash flow statement 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
Chairman & Managing Director

Naresh K Malhotra
Director

B Chandrasekaran
Company Secretary

Bengaluru
30 May 2011

SUMMARISED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES

| Particulars | Icon Hospitality Private Limited | Maruti Comforts and Inn Private Limited | Royal Orchid Jaipur Private Limited | Royal Orchid Ahmedabad Private Limited | Amar Tara Hospitality Private Limited | Royal Orchid Hyderabad Private Limited | Royal Orchid South Private Limited | Royal Orchid East Private Limited | AB Holdings Private Limited | Multi Hotels Limited | Royal Orchid Shimla Private Limited | Royal Orchid Goa Private Limited | Royal Orchid Maharashtra Private Limited | Royal Orchid Mumbai Private Limited |
|--|----------------------------------|---|-------------------------------------|--|---------------------------------------|--|------------------------------------|-----------------------------------|-----------------------------|----------------------|-------------------------------------|----------------------------------|--|-------------------------------------|
| Capital | 18,776,200 | 41,000,000 | 16,600,000 | 15,100,000 | 340,000,000 | 17,700,000 | 9,100,000 | 5,000,000 | 2,600,000 | 967 | 500,000 | 500,000 | 500,000 | 500,000 |
| Reserves | 475,243,825 | (29,150,112) | 26,928,911 | (5,967,721) | (418,085) | (3,205,349) | (8,294,206) | 22,685,838 | (13,840,436) | 126,616,836 | (69,900) | (46,225) | (1,430,920) | (34,249) |
| Total Assets | 902,216,146 | 185,394,833 | 67,944,512 | 316,266,552 | 400,053,757 | 14,558,394 | 4,317,514 | 57,754,051 | 33,635,095 | 145,736,599 | 524,090 | 518,150 | 22,878,170 | 500,000 |
| Total Liabilities | 408,196,121 | 173,544,944 | 24,415,600 | 307,134,273 | 60,471,842 | 63,742 | 3,511,720 | 40,068,213 | 49,675,528 | 19,118,796 | 93,990 | 64,375 | 23,809,090 | 34,249 |
| Details of Investment (Except investments in subsidiaries) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Turnover | 229,089,404 | 125,847,421 | 78,117,414 | 111,691,726 | - | - | - | 35,757,009 | - | - | - | - | - | - |
| Profit Before Taxation | (14,456,589) | (4,170,414) | 8,033,480 | 1,684,941 | (335,360) | (51,564) | (1,813,950) | 30,714,884 | (90,348) | (168,375) | (6,190) | (5,940) | (471,152) | (7,484) |
| Provision for Taxation | (7,075,764) | 3,882,097 | 2,718,973 | - | - | - | - | 4,250,000 | - | - | - | - | - | - |
| Profit after taxation | (7,380,825) | (8,052,511) | 5,314,507 | 1,684,941 | (335,360) | (51,564) | (1,813,950) | 26,464,884 | (90,348) | (168,375) | (6,190) | (5,940) | (471,152) | (7,484) |
| Proposed Dividend | - | - | - | - | - | - | - | - | - | - | - | - | - | - |



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: State code
 Balance sheet date

ii Capital raised during the year

Public Issue Rights Issue
 Bonus Issue Private Placement

iii Position of Mobilisation and deployment of funds (₹)

Total Liabilities Total Assets

Sources of funds

Paid up capital Reserves & Surplus
 Secured Loans (P & L a/c)
 Unsecured loans

Application of funds (₹)

Net Fixed assets Investments
 Net current assets Preliminary expenses
 Accumulated losses

iv Performance of the Company (₹)

Turnover Total Expenditure
 Profit /(loss) after tax Earnings per share in ₹
 Dividend rate%

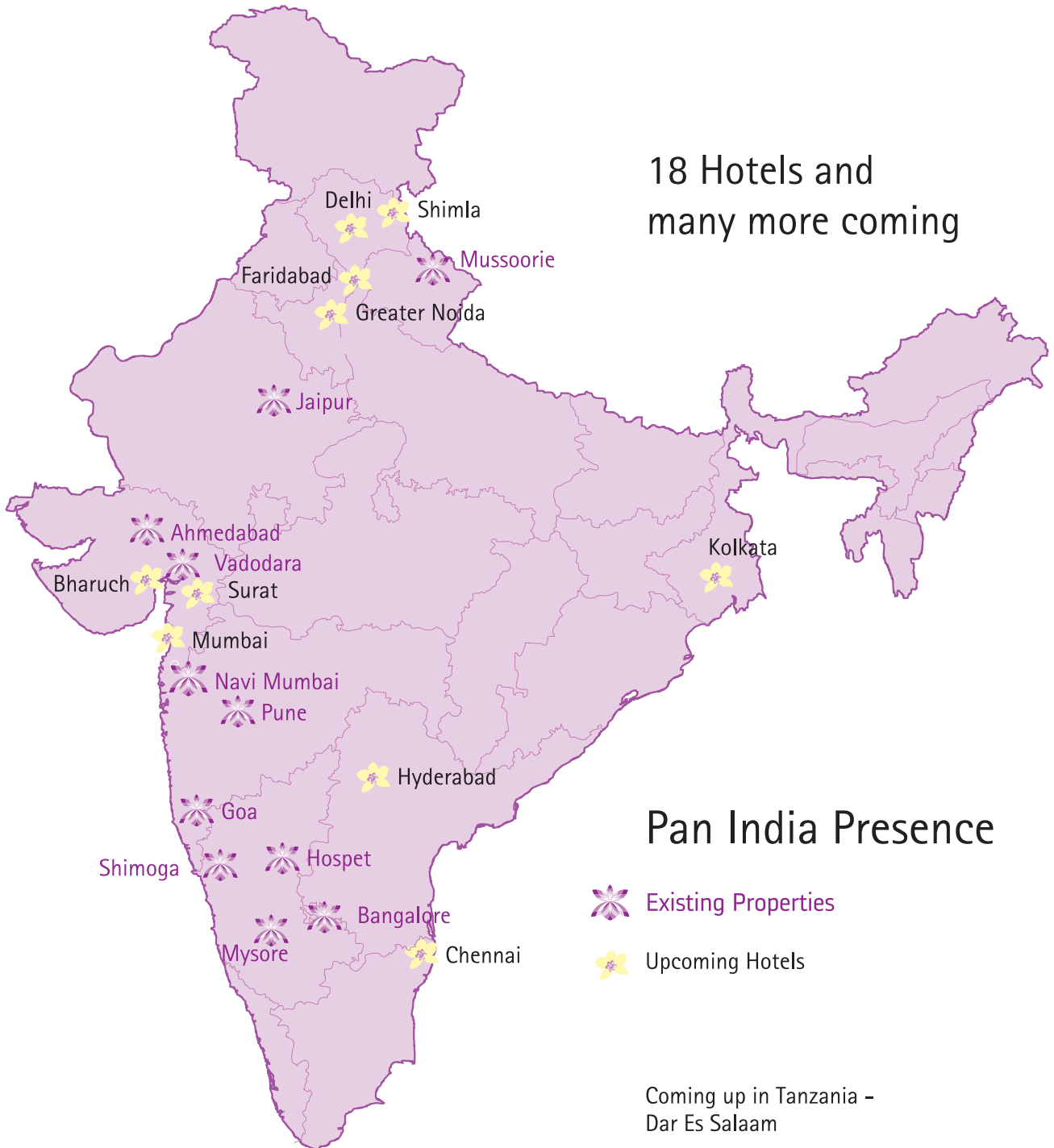
v. Generic names of three principal products/services of the company (as per monetary terms)

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



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