

Annual Report
2012-2013



ROYAL ORCHID
HOTELS

Hospitality
uncompromised...



ROYAL ORCHID
HOTELS

THE IDEAL HOLIDAY DESTINATIONS



ROYAL ORCHID
METROPOLE
MYSORE



ROYAL
BEACH RESORT & SPA
GOA



ROYAL ORCHID
BRINDAVAN GARDEN
MYSORE

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.



Just a short drive away from the Hampi Ruins, one can witness the lost Vijaynagar Empire.



Beach front resorts with plunge pool suites, Goa.



Check into the Grandeur of Royal Era at the Hotel Royal Orchid, Jaipur.



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



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



ROYAL ORCHID
CENTRAL KEERTI
HOSPET (HAMPI)



HOTEL ROYAL ORCHID
JAIPUR

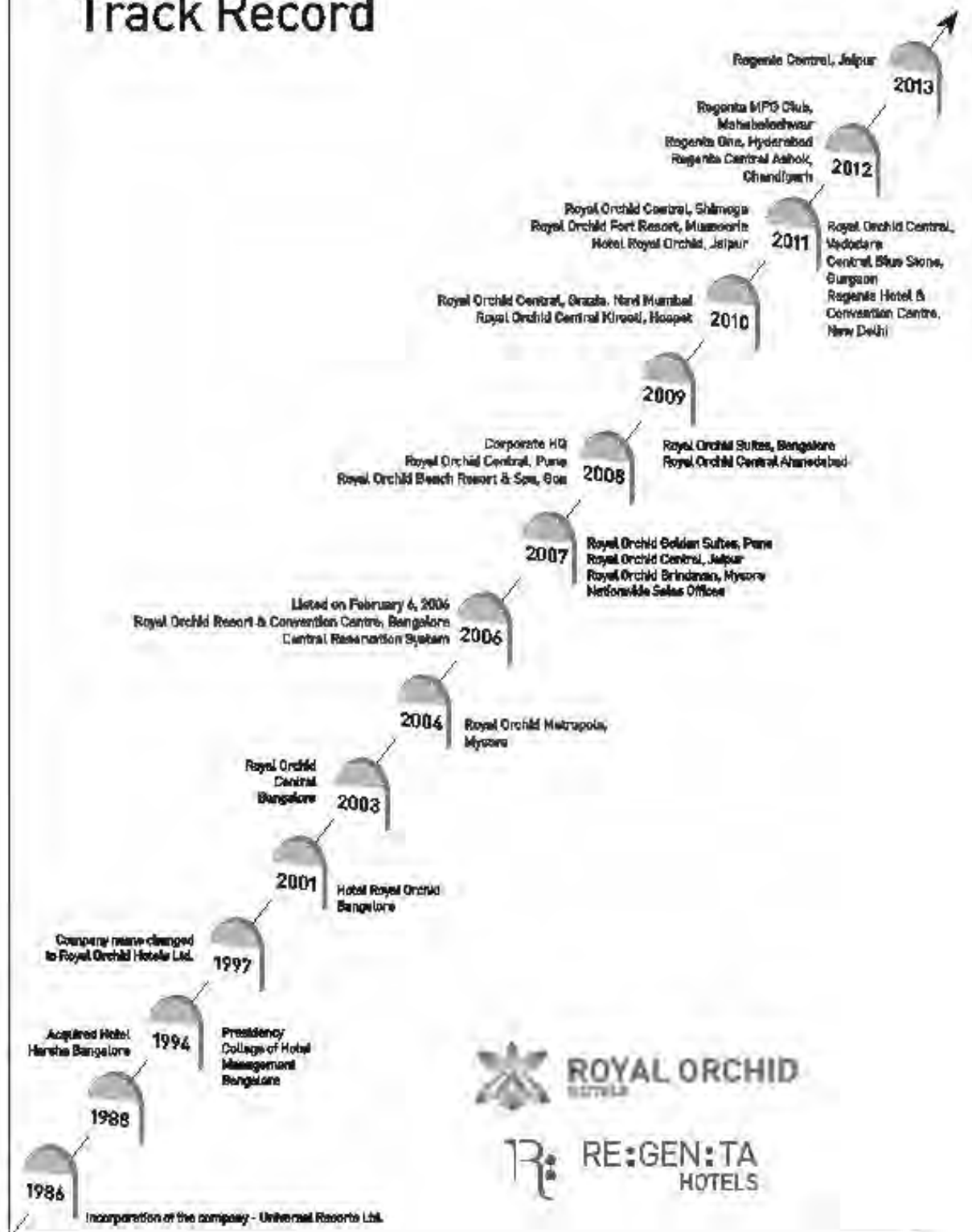


ROYAL ORCHID
FORT RESORT
MUSSOORIE

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



Track Record



BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Chander K Baljee

Whole time Director

Mr. Sunil Sikka

Independent Directors

Mr. R. V. S. Rao

Mr. Vijay K Rekhi

Mr. K Jairaj (w.e.f 05.08.2013)

Mr. Naresh K. Malhotra (Resigned on 30.03.2013)

COMPANY SECRETARY

Mr. K B Shyam Kumar

STATUTORY AUDITORS

M/s. Walker, Chandio & 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,

47, Dikenson Road,

Bangalore 560 042

BANKERS

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

IDBI Bank Limited

Tourism Finance Corporation of India

REGISTRAR & SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited,

30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram, Bangalore – 560003.

080 - 23460815 – 818

alfint@vsnl.com

REGISTERED OFFICE

Royal Orchid Hotels Limited

No. 1, Golf Avenue,

Adj. KGA Golf Course, Airport Road,

Bengaluru - 560 008.



ROYAL ORCHID HOTELS LIMITED

CONTENTS

| Description | Page No. |
|--|----------|
| Report of the Board of Directors | 4 |
| Management Discussion and Analysis Report | 9 |
| Report on Corporate Governance | 12 |
| Independent Auditors Report | 24 |
| Balance Sheet of Royal Orchid Hotels Limited | 27 |
| Statement of Profit & Loss of Royal Orchid Hotels Limited | 28 |
| Cash Flow Statement of Royal Orchid Hotels Limited | 29 |
| Notes to the Financial Statements of Royal Orchid Hotels Limited | 31 |
| Auditors' Report to Consolidated Financial Statements | 57 |
| Consolidated Balance Sheet | 58 |
| Statement of Consolidated Profit and Loss Account | 59 |
| Consolidated Cash Flow Statement | 60 |
| Notes to the Consolidated Financial Statements | 62 |
| Summarised Statement on the Financials of Subsidiaries | 84 |
| Notice | 87 |

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We have pleasure in presenting the Twenty Seventh Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2013.

Financial Results:

The performance of the Company for the financial year ended 31st March 2013 is summarized below:

(₹ In Crores)

| Particulars | CONSOLIDATED | | STANDALONE | |
|--|--------------|---------|------------|---------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Income from Operations | 169.41 | 160.56 | 111.70 | 93.29 |
| Other Income | 30.30 | 1.86 | 31.17 | 1.68 |
| Total Income | 199.71 | 162.42 | 142.87 | 94.97 |
| Gross Operating Profit | 47.95 | 28.01 | 34.99 | 11.45 |
| Interest | (29.40) | (16.29) | (17.32) | (4.27) |
| Depreciation | (27.36) | (14.15) | (15.99) | (5.37) |
| Profit/Loss before Tax | (9.07) | (2.43) | 1.68 | 1.81 |
| Provision for Taxation | (0.05) | 2.51 | 0.25 | (0.61) |
| Minority Interest and Share of Profit in Associate | 1.27 | 2.31 | - | - |
| Net profit/Net Loss after tax | (7.75) | (2.63) | 1.43 | 1.20 |

With total consolidated revenue of ₹199.71 Crores, your Company has reported an increase in its total consolidated revenue about by 23% for the financial year under review as compared to the previous financial year. The Gross Operating Profit has increased by 71% as compared to 2011-2012. The Profit after Tax stood at (-₹7.75) Crores, as against (-₹2.63) Crores of previous year. Rising of interest rates, increase in depreciation and increase in the operating costs are the main reasons for the losses of the company. With several new hotel projects in progress, your Company is hopeful of turnaround in the current financial year.

Dividend

In view of the inadequate profits and also with an intention to conserve the resources for the company's business expansion, the Board of Directors has decided not to propose any dividend for the financial year 2012-13.

Corporate Debt Restructuring

The Company had filed its proposal with Corporate Debt Restructuring Cell, Mumbai for restructuring of its debts under the Corporate Debt Restructuring (CDR) mechanism. Please refer to the "Management Discussions and Analysis" for further details.

NEW HOTELS OPENED

During the year, your Company widened its geographical presence and added the following 3 new hotel properties to its portfolio:

- **Hyderabad**
Hotel Regenta One, with 158 guest rooms commenced its operations in August, 2012.
- **Chandigarh**
Hotel Regenta Central Ashok, Chandigarh, with 66 guest rooms commenced its operations in September, 2012
- **Jaipur**
Hotel Regenta Central, with 70 guest rooms commenced its operations in February, 2013.



NEW HOTEL PROJECTS IN PROGRESS

➤ Mumbai

The Construction of the Four Star Hotel at Powai, Mumbai with 220 rooms has commenced and the hotel is likely to commence its operations by 2015.

UPCOMING HOTELS

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

| SI No | Location |
|-------|-------------|
| 1 | Surat |
| 2 | Bharuch |
| 3 | Lokhandwala |
| 4 | Kolkata |
| 5 | Tanzania |

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.

Sale of stake in Parsvnath Royal Orchid Hotels Limited, Delhi

In the process of reorganization of geographical representation of our brand, the company has sold the entire stake in Parsvnath Royal Orchid Hotels Limited and the JV Cancellation Agreement was executed on March 30, 2013.

Awards

1. During the year, Hotel Royal Orchid, Bangalore was awarded Hotel of the year 2012-13 under Luxury Business by Golden Star Awards
2. Royal Orchid Central, Pune was awarded Best Business Hotel of the year 2012-13 under Midscale by Golden Star Awards.
3. EDGE 2012 Award for cloud-based CRM for Royal Orchid Hotels.
4. TIMES FOOD Awards for 'Best World Cuisine' and 'Best Resto-bar' – 2012.
5. Limca Book of Records for making of "Maki Sushi", a traditional Japanese festive food
6. 16 Certificates of Excellence awards from Trip Advisor for its various hotels.

Subsidiary Companies

Your Company has 14 subsidiary companies as at 31st March, 2013, of which 10 are wholly owned subsidiaries. The Ministry of Corporate Affairs vide its General Circular No.2/2011 dated 08th February, 2011 has exempted the companies for not attaching the detailed financial statements of each subsidiary company with this report.

During the year under review, Cosmos Premises Private Limited had become a subsidiary of your Company by virtue of composition of Board of Directors.

Your company had increased its stake in one of its subsidiaries viz., Maruti Comforts & Inn Private Limited by acquiring 1,98,536 shares. Further, the company had also acquired 15,00,000 shares in Amartara Hospitality Private Limited.

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

Change in Directorate

Mr. Naresh K Malhotra resigned from the Board on March 30, 2013. The Board wish to place on record the valuable contribution made by Mr. Naresh K Malhotra to the Company and to the deliberations of the Board and its Committees.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, the Board of Directors at their meeting held on 05th August, 2013 appointed Mr. K Jairaj as an additional Director. Mr. K Jairaj holds office up to the date of the ensuing

ANNUAL REPORT 2012 - 2013

Annual General Meeting. The Company has received a notice of candidature in writing under Section 257 of the Companies Act, 1956 proposing for the office of director.

Mr. R V S Rao retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

A brief resume of the said directors is annexed to this report. The Board recommends their appointments by the members at the ensuing Annual General Meeting.

Auditors

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

Auditors' Report

Auditors' Report as issued by M/s. Walker, Chandiok & Co., Chartered Accountants, Bengaluru, contains certain observations and which are replied by the Board as provided u/s. 217(3) of the Companies Act, 1956.

In respect of the comments of the Auditors on the frequency of the physical verification of fixed assets, effective steps would be taken to complete the same

As regards to comment on internal controls with respect to purchase and recording of fixed assets, the effective steps have already been taken to correct and strengthen the same.

In respect of delay in remittance of statutory dues, the Audit Committee advised to take the corrective steps. Subsequently, the necessary arrangements have been made to remit the same to the respective departments.

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.

Personnel

The details of employees as specified under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended upto date is not applicable.

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 ₹20.57 Crores (Previous Year ₹37.03 Crores) and the Foreign Exchange outgo on account of commission and others is ₹0.81 Crores (Previous year ₹1.82 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 wellbeing, 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, metal detectors 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.

Further, Intellectual Property Appellate Board (IPAB) had passed favourable orders on which Kamat Hotels (India) Limited has filed suits against our company in the Hon'ble High Court of Chennai.

In addition to the above, IPAB, vide its order dated 18.06.2013, has allowed the Company's appeal against the refusal of the Registrar of Trademarks to register the trademarks.

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:

- In the preparation of the annual accounts for the year ended 31st March 2013, the applicable accounting standards have been followed and that there are no material departures.
- 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 2013 and of the profit of the Company for that period.
- 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.
- It has prepared the annual accounts for the year ended 31st March 2013, '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,

Bengaluru
05th August 2013

Chander K Baljee
Chairman & Managing Director

ANNUAL REPORT 2012 - 2013

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 | Mr. K. Jairaj |
|--|--|--|
| Date of Birth | 15.03.1944 | 25.05.1952 |
| Date of Appointment | 27.08.2005 | 05.08.2013 |
| Qualification | Commerce & Law Graduate & Fellow of Indian Institute of Bankers | Arts Graduate in the field of Economics, Public Policy and Management & a member of the Indian Administrative Service (IAS) of the 1976 batch (Retd.). |
| Expertise in specific functional areas | Vast experience in Finance, Banking and Management functions | Vast experience in Infrastructure, Energy, Transport & Urban Development. |
| List of other Companies in which he is a Director | 1. Icon Hospitality Private Limited 2. Puravankara Projects Limited 3. Sobha Developers Limited 4. Compassites Software Solutions Private Limited 5. Avon Facility Management Services Private Limited | 1. Manipal GreenTech India Private Limited 2. NEO Foods Private Limited |
| Chairman / Member of the Committees of other Companies in which he is a Director | Audit Committee Puravankara Projects Limited –Member Sobha Developers Limited – Chairman Remuneration Committee Sobha Developers Limited – Member Investors Grievance Committee Puravankara Projects Limited –Chairman Compensation Committee Puravankara Projects Limited –Member | Nil |
| Shareholding in the Company | 4,500 shares | 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 2012-13 witnessed a momentum of growth in Indian Tourism Industry. As per the Ministry of Tourism, Government of India, Foreign Tourist Arrivals (FTAs) in India during 2012 were 6.65 million with a growth rate of 5.4% as compared to FTAs of 6.31 million during 2011.

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.

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 7.8% between 2013 and 2023. 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 6.5% between 2013 and 2023. 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.

Although the long term prospects of the Indian Tourism industry look promising but jolts like slowdown in the economy, 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.

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.

During the fiscal year 2012-13, the occupancy levels and the Average Room Revenue (ARR) have witnessed marginal decrease, across the major markets of India as compared to previous year due to increase of new hotels and slowdown in economy.

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 in the near future.

Royal Orchid Group, with its 22 hotels situated across 14 major cities in India (5 in Bengaluru, 2 in Mysore, 1 in Hospet, 1 in Shimoga, 2 in Pune, 3 in Jaipur, 1 in Goa, 1 in Navi Mumbai, 1 in Mussoorie, 1 in Vadodara, 1 in Gurgaon, 1 in Mahabaleshwar, 1 in Hyderabad, 1 in Chandigarh), 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/abroad. The present room inventory of Royal Orchid group 1900 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 ₹37.29 Crores, which is about 23% more than the previous year's revenue. The Gross Operating Profit was increased to ₹47.95 Cr. The company made a net loss of ₹7.75 Cr. against a net loss of ₹2.63 Cr. in the previous year.

The Company is in the process of establishing its new Hotel at Powai, Mumbai with 220 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 ₹130 Crores with the Bankers. The Construction activities have started and the hotel is likely to commence its commercial operations by 2015.

The Company is in the process of opening of new hotels at Mumbai, Surat, Bharuch, Kolkata, Tanzania and continuously striving to penetrate into more potential markets across India/abroad, in near future.

4. Risks and Concerns

The increase in the lending rates by the commercial banks which leads to decrease in the bottom line of the company.

With presence of 22 running hotels across 14 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 project which is under construction stage have been tied up fully with the Banker 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.



6. 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.

7. 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 2013 was 2483 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.

8. Corporate Debt Restructuring

The expansion project in Hyderabad has undergone delays in implementation resulting in time and cost over run. The Company has invested about Rs.215.00 Crore for this luxury 5-star hotel in Hyderabad, Regenta-One, for which the company has borrowed Rs.93.50 Crores from a Consortium of 3 Banks. Hotel Regenta-One in Hyderabad has been operational since August 2012.

The combined effect of economic downturn, lower business sentiments, coupled with delayed project implementation and high borrowing costs had an impact on financials of the Company. Moreover, being a new hotel, it will take time to pick up the occupancy level for the breakeven. Company has suffered losses due to cost over run and delay in completion of the Hyderabad project. Restructuring was required to enable the Company to improve its liquidity position and thus become profitable, so as to generate sufficient cash flows to service interest and principal.

The Flash Report for the restructuring was approved by the CDR Empowering Group (CDR EG) in its meeting held on December 15, 2012 with 1st October, 2012 as the cut-off date. The Final Restructuring Package was approved by the CDR EG in its meeting held on March 07, 2013. According to the Letter of Approval, the company would be benefitted with moratorium of payment of interest by one year, principal repayment by 18 months and sanction of need based loans for renovation of hotel properties etc., for which the Promoters have to pledge the stake to the Bankers. The Company is in the process of complying with the conditions precedent to the implementation of the CDR Scheme.

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 31.03.2013

(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 date, the composition of the Board is given herein below:

| <i>Category</i> | <i>No. of Directors</i> |
|---|-------------------------|
| 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. R V S Rao is a Commerce and Law Graduate and Fellow of Indian Institute of Bankers. He was Executive Director of HDFC.

Mr. Vijay K Rekhi is a master degree holder in Economics and MBA from IIM, Ahmedabad. He is having vast experience in beverage alcohol industry and holds directorships in few leading global companies and honorary positions in various trade unions.

Mr. K Jairaj was a Member of the Indian Administrative Service (IAS) of the 1976 batch and recently retired as Additional Chief Secretary of Karnataka. He is having vast experience in the fields of Infrastructure, Energy, Transport and Urban Development.



- Board Meeting and attendance**

During the year 2012-2013, the Board met 5 times on 30.05.2012, 06.08.2012, 30.10.2012, 04.02.2013 and 28.03.2013.

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

| Name | Category | Board Meeting attendance | AGM attendance | No. of other Directorship | No. of other Committee positions held* | |
|------------------------|-------------------------------|--------------------------|----------------|---------------------------|--|----------|
| | | | | | Member | Chairman |
| Mr. C.K. Baljee | Promoter–Managing Director | 5 | Yes | 14 | - | - |
| Mr. Sunil Sikka | Promoter– Whole Time Director | 2 | Yes | 1 | - | - |
| Mr. Naresh K. Malhotra | Independent Director | 4 | Yes | 11 | 4 | 4 |
| Mr. R. V. S. Rao | Independent Director | 3 | No | 5 | 2 | 1 |
| Mr. Vijay K Rekhi | Independent Director | 5 | Yes | 5 | 1 | 1 |

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

- 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 was reconstituted on resignation of Mr. Naresh K Malhotra and presently consists of Mr. R. V. S. Rao, Mr. Vijay K Rekhi and Mr. K Jairaj, all Non Executive Independent Directors and is headed by Mr. R V S Rao.

- 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.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the Internal Audit Reports and discussion with internal auditors for any significant findings and follow up there on.
- 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 2012-13, the Audit Committee has met 4 times, i.e., 30.05.2012, 06.08.2012, 30.10.2012 and 04.02.2013.

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 | 4 |
| Mr. R. V. S. Rao | Independent, Non-Executive Director | 2 |
| Mr. Vijay K Rekhi | Independent, Non-Executive Director | 4 |

4. Remuneration Committee

- **Composition of Committee**

The Remuneration Committee was reconstituted on resignation of Mr. Naresh K Malhotra and presently comprises of Mr. Vijay K Rekhi, Mr. R. V. S. Rao and Mr. K Jairaj, all Non-executive Independent Directors and is headed by Mr. Vijay K Rekhi.

- **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

- **Attendance of members**

During the financial year 2012-13, the Remuneration Committee has met once, i.e., 30.05.2012.

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

| Name | Designation | Attendance |
|------------------------|---|------------|
| Mr. Vijay K Rekhi | Chairman of the Committee - Independent, Non-Executive Director | 1 |
| Mr. R. V. S. Rao | Independent, Non-Executive Director | 1 |
| Mr. Naresh K. Malhotra | Independent, Non-Executive Director | 1 |

- **Details of remuneration paid to the Directors for the year 2012-13: (₹ In Lacs)**

| Sl. No. | Name of Director | Salary & Benefits (₹) | Commission (₹) |
|---------|------------------------|-----------------------|----------------|
| 1 | Mr. CK Baljee | 159 | nil |
| 2 | Mr. Sunil Sikka | nil | nil |
| 3 | Mr. Naresh K. Malhotra | nil | 1.21 |
| 4 | Mr. R. V. S. Rao | nil | 1.21 |
| 5 | Mr. Vijay K Rekhi | nil | 1.21 |

- **Details of shares held by Non-Executive Directors**

| | |
|-------------------|-------|
| Mr. RVS Rao | 4,500 |
| Mr. Vijay K Rekhi | NIL |
| Mr. K Jairaj | NIL |



5. Investors' Grievances and Share Transfer Committee

• Composition of Committee

The Investors' Grievances & Share Transfer Committee was reconstituted on resignation of Mr. Naresh K Malhotra and presently comprises of Mr. R. V. S. Rao, Mr. K Jairaj and Mr. C K. Baljee and is headed by Mr. K Jairaj. 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 |
|--|--|---|
| 3 | NIL | NIL |

Mr. K B Shyam Kumar, 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 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 2012-2013.

C.K. Baljee
Managing Director

7. General Body Meetings

Annual General Meetings:

| Year | Date | Time | Venue | Special Resolutions passed |
|---------|------------|------------|-------------------|---|
| 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.. |
| 2010-11 | 05.09.2011 | 11.00 A.M. | Registered Office | Nil |
| 2011-12 | 26.09.2012 | 11.00 A.M. | Registered Office | 1. Appointment of Mr. Sunil Sikka as Whole Time Director for a period of 5 years, commencing from 08.08.2012 and ending on 07.08.2017 |

Note: During the year 2012-13, no Extraordinary General Meeting was held. A Special Resolution under Section: 372A of the Companies Act, 1956 was passed through Postal Ballot, in terms of Sec: 192A read with Companies (passing of the resolution by postal ballot) Rules, 2011.

7A. During the year under review, the Company passed the following Resolution through Postal Ballot:

A Special Resolution was passed for the following

- a. Approval of the proposal of the Company to offer Corporate Guarantee to Amar Tara Hospitality Private Limited, Mumbai, towards security for the additional Credit Facilities to be availed by the said Company, amounting to Rs.30 Crores.
- b. Approval of the proposal of the Company to offer Corporate Guarantee to Maruti Comforts & Inn Private Limited, Bengaluru, towards security for the Credit Facilities to be availed by the said Company, amounting to Rs. 25 Crores.
- c. Approval of the proposal of the Company to make loan to Amar Tara Hospitality Private Limited, Mumbai, an amount not exceeding Rs.5 Crores.
- d. Approval of the proposal of the Company to make loan to Maruti Comforts & Inn Private Limited, Mumbai, an amount not exceeding Rs.5 Crores.
- e. Approval of the proposal of the Company to make loan to Ksheer Sagar Developers Private Limited, Jaipur, an amount not exceeding Rs.15 Crores.

To enable the members to cast their votes by post on the aforesaid resolution, serially numbered Postal Ballot Forms along with the self-addressed envelopes for which the postage was borne by the Company were sent to all the members. The Postal Ballot voting process was conducted in a fair and transparent manner in accordance with the provisions of Section 192A of the Companies Act, 1956 and the rules framed there under. Mr. G Shanker Prasad, Practicing Company Secretary acted as scrutinizer for the Postal Ballot voting process. The voting pattern in respect of aforesaid resolution is given below:

| Resolution Item No. | No. of postal ballots in favour | Votes cast in favour of Resolution | No. of postal ballots against | Votes cast against the Resolution | Percentage of votes in favour of total votes |
|---------------------|---------------------------------|------------------------------------|-------------------------------|-----------------------------------|--|
| 1 | 225 | 1,92,08,705 | 56 | 16,272 | 99.92% |

The result of the Postal Ballot was announced on 24th December, 2012. After declaration, the result was communicated to the stock exchanges and also posted on the Company's website.

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 & Udayavani/Vijayavani |

10. Subsidiary

The Company has a material non-listed Indian subsidiary company for the year ended 31st March 2013 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 : **30th September 2013 at 11:00 am**
- Venue : Hotel Royal Orchid, No. 1, Golf Avenue
Adjoining KGA Golf Course, HAL Airport Road, Bengaluru - 560 008.

12.2 Financial Calendar

| | |
|-----------------------------|---|
| Financial Year | 2012-2013 |
| Book Closure Dates | 26th September 2013 to 30th September 2013 (both days inclusive) |
| 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 |
| ISIN Numbers in NSDL & CDSL | INE283H01019 |

12.4 Financial Calendar 2012-13

Financial Reporting (tentative)

| | |
|-----------------------------------|--------------|
| For the quarter ended 30.06.2013 | July 2013 |
| For the quarter ending 30.09.2013 | October 2013 |
| For the quarter ending 31.12.2013 | January 2014 |
| For the quarter ending 31.03.2014 | May 2014 |

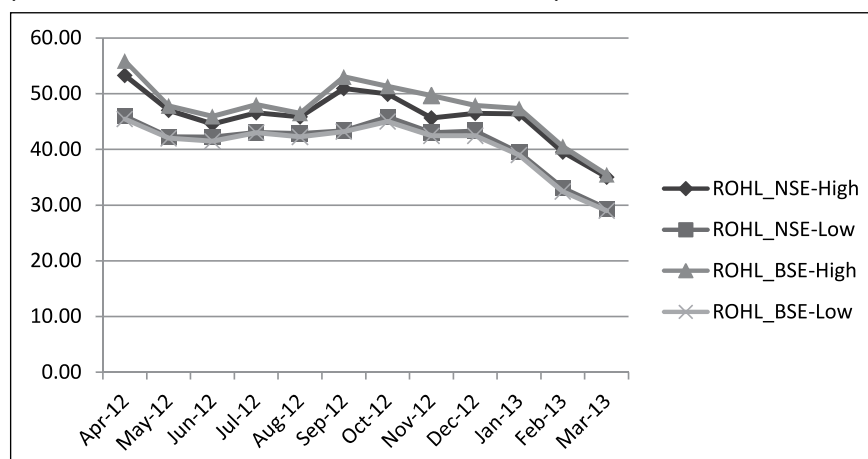
Listing fees for and up to the year 2013-2014 have been paid to both the Stock Exchanges where shares are listed.

12.5 Market Price Data

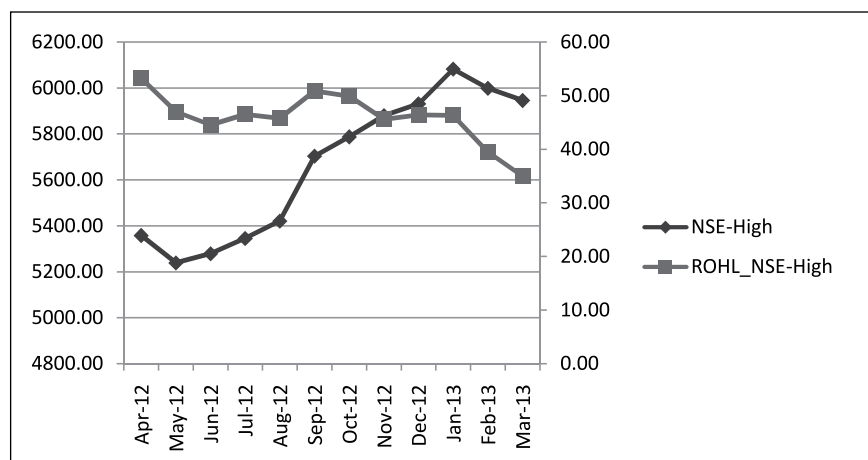
The Equity shares of the Company got listed with Stock Exchanges on 06.02.2006. The following is the data of high and low closing quotations of Equity Shares of the Company during April 2012 to March 2013.

| Month | National Stock Exchange (NSE) | | Bombay Stock Exchange (BSE) | |
|--------|-------------------------------|--------------|-----------------------------|--------------|
| | ROHL_NSE-High | ROHL_NSE-Low | ROHL_BSE-High | ROHL_BSE-Low |
| Apr-12 | 53.25 | 45.95 | 55.85 | 45.45 |
| May-12 | 47.00 | 42.30 | 47.80 | 42.00 |
| Jun-12 | 44.55 | 42.25 | 45.90 | 41.50 |
| Jul-12 | 46.55 | 43.05 | 48.00 | 43.00 |
| Aug-12 | 45.80 | 42.85 | 46.45 | 42.25 |
| Sep-12 | 50.90 | 43.35 | 53.00 | 43.20 |
| Oct-12 | 49.90 | 45.80 | 51.30 | 45.00 |
| Nov-12 | 45.60 | 43.00 | 49.65 | 42.45 |
| Dec-12 | 46.45 | 43.30 | 47.90 | 42.45 |
| Jan-13 | 46.35 | 39.45 | 47.35 | 39.00 |
| Feb-13 | 39.50 | 33.05 | 40.50 | 32.45 |
| Mar-13 | 35.00 | 29.40 | 35.45 | 29.00 |

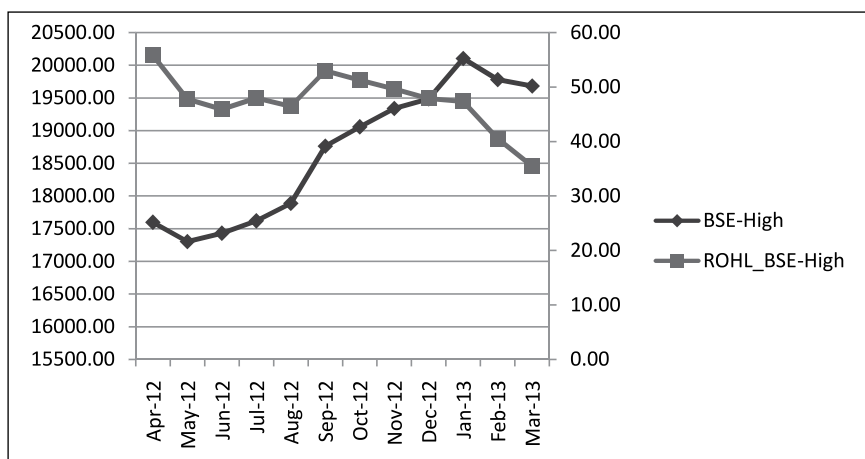
(Source: www.nseindia.com and www.bseindia.com)



12.6 Performance in comparison to other Broad-based indices



(Performance in Comparison to NIFTY for the period April 2012 to March 2013 Only last financial year's monthly high figures of the Index have been considered)



(Performance in Comparison to Sensex for the period April 2012 to March 2013 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,
Bengaluru – 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 & transfer of Shares

The Company's shares are available for dematerialization with both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). About 99.78% of the paid-up equity share capital of the Company has been dematerialized as on 31st March 2013.

| Description | No. of shareholders | No. of shares | % of Equity |
|-------------|---------------------|---------------|-------------|
| Physical | 93 | 61,070 | 0.22% |
| NSDL | 5,126 | 11,29,382 | 4.15% |
| CDSL | 15,701 | 2,60,43,513 | 95.63% |
| Total | 20,920 | 2,72,33,965 | 100.00% |

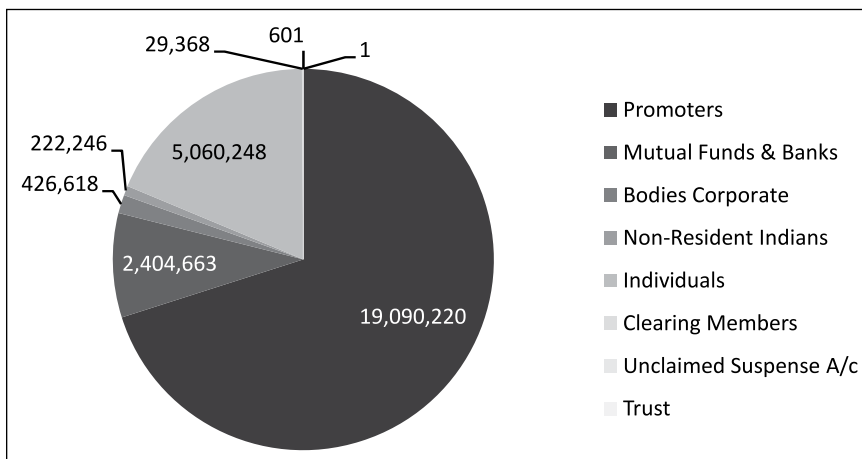
The share certificates in physical form are generally processed and returned within 15days from the date of receipt, if the share transfer documents are valid in all respects.

12.9 Distribution of shares and liquidity

a. Distribution of Shareholding as on 31st March 2013

| Category | No of shares held | % to Paid up capital |
|----------------------|-------------------|----------------------|
| Promoters | 19,090,220 | 70.10 |
| Mutual Funds & Banks | 2,404,663 | 8.83 |
| Bodies Corporate | 426,618 | 1.57 |

| Category | No of shares held | % to Paid up capital |
|------------------------|-------------------|----------------------|
| Non-Resident Indians | 222,246 | 0.82 |
| Individuals | 5,060,248 | 18.58 |
| Clearing Members | 29,368 | 0.11 |
| Unclaimed Suspense A/c | 601 | 0.002 |
| Trust | 1 | 0.000 |
| TOTAL | 27,233,965 | 100% |



b. Distribution Schedule as at 31st March 2013

| No. of shares held | No. of members | % of total | No. of shares | % of total |
|--------------------|----------------|------------|------------------|------------|
| Upto 500 | 1225 | 5.86 | 626080 | 0.23 |
| 501 - 1,000 | 286 | 1.37 | 1105000 | 0.41 |
| 1,001 - 2,000 | 689 | 3.29 | 2523990 | 0.93 |
| 2,001 - 3,000 | 588 | 2.81 | 1896800 | 0.7 |
| 3,001 - 4,000 | 134 | 0.64 | 1666270 | 0.61 |
| 4,001 - 5,000 | 141 | 0.67 | 1115020 | 0.41 |
| 5,001 - 10,000 | 1537 | 7.35 | 5867390 | 2.15 |
| 10,001 and above | 16320 | 78.01 | 257539100 | 94.57 |
| Total | 20920 | 100 | 272339650 | 100 |

c. Top ten shareholders of the Company (excluding promoters) as at 31st March 2013

| Sl No. | Name of Shareholder | No. of shares | Percentage of total shares (%) |
|--------|--------------------------------------|---------------|--------------------------------|
| 1 | SBI CONTRA FUND | 23,29,663 | 8.55 |
| 2 | RAHUL GOENKA | 95,000 | 0.35 |
| 3 | SBI MAGNUM CHILDRENS BENEFIT PLAN | 75,000 | 0.28 |
| 4 | JAITHIRTH RAO | 64,895 | 0.24 |
| 5 | SUYESH FINANCE PRIVATE LIMITED | 38,008 | 0.14 |
| 6 | ANINDITA DAS VENKATARAMAN | 35,077 | 0.13 |
| 7 | NARESH MALHOTRA | 35,002 | 0.13 |
| 8 | VYANKTESH SECURITIES PRIVATE LIMITED | 34,389 | 0.13 |
| 9 | VANDANA KUMARI | 32,547 | 0.12 |
| 10 | VIVEK | 31,000 | 0.11 |



12.10 Unit Locations:

| | | |
|-----|--|--|
| 1. | HOTEL ROYAL ORCHID | No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bengaluru – 560 008.. |
| 2. | ROYAL ORCHID CENTRAL, BENGALURU | No. 47/1, Manipal Centre, Dickenson Road, Bengaluru – 560 042 |
| 3. | HOTEL RAMADA, BENGALURU | No. 11, Park Road, Shivajinagar, Bengaluru – 560 051 |
| 4. | ROYAL ORCHID RESORT & CONVENTION CENTRE, BENGALURU | Allalasandra, Bellary Road, Yelahanka, Near Jakkur Flying Club, Bengaluru – 560 065 |
| 5. | ROYAL ORCHID SUITES, BENGALURU | Vaswani Pinnacle Annexe, Whitefield Main Road, Bengaluru – 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 |
| 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 GRAZIA, NAVI MUMBAI | Plot No. L-3, Sector 19, Vashi, Navi Mumbai – 400 703 |
| 13. | ROYAL ORCHID CENTRAL KIREETI, HOSPET | Station Road Hospet, Bellary District, Karnataka - 583201 |
| 14. | ROYAL ORCHID CENTRAL, SHIMOGA | B.H. Road, Opposite Vinayak theatre, Near Shimoga Bus Stand, Shimoga – 577 201, |
| 15. | HOTEL ROYAL ORCHID, JAIPUR | Opposite to BSNL Office, Tonk Road, Near Durgapura Flyover, Durgapura, Jaipur 302018 |
| 16. | ROYAL ORCHID RESORT, MUSSORIE | Tara Hall Estate, Picture Palace Road, Mussorie, Uttarkhand |
| 17. | ROYAL ORCHID CENTRAL, VADODARA | (Om Hospitality), Akota, MujMahuda, Vadodara-390020 |
| 18. | HOTEL CENTRAL BLUE STONE, GURGAON | Plot No.358-359, Sector 29, City Centre, Gurgaon – 122 001 |
| 19. | REGENTA MPG CLUB, MAHABALESHWAR | MPG Club, 233, Old Tapola Road, Mahabaleshwar – 412 806 |
| 20. | REGENTA ONE, HYDERABAD | 115/1, ISB Road, Financial District, Nanakramguda, Gachibowli, Hyderabad - 500032 |
| 21. | REGENTA CENTRAL ASHOK, CHANDIGARH | NH 21, Near Chandigarh Airport, Zirakpur, Chandigarh – 401160 |
| 22. | REGENTA CENTRAL, JAIPUR | Opposite Jalmahal Amer Road, Jaipur - 302002 |

12.11. Address for Correspondence:

K B Shyam Kumar
 Company Secretary & Compliance Officer
 Royal Orchid Hotels Limited
 No. 1, Golf Avenue
 Adjoining KGA Golf Course
 Bengaluru – 560 008
 Tel No.080 - 41783000
 Fax No.080 - 2520 3366
 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 Unclaimed Suspense Account maintained under Clause 5A of the Listing Agreement with the Stock Exchanges

Clause 5A II of the Listing Agreement stipulates a uniform procedure for dealing with unclaimed shares issued in physical form. Under the regulation, the said unclaimed shares are to be dematerialized and credited to a separate suspense account thereafter. Accordingly, all the corporate benefits accruing on these shares will also be credited to

such account. All the voting rights shall remain frozen till the rightful owner claims the shares. All such rightful owners may approach the Company for re-transfer of such shares to their account which will be effected on proper verification of the identity of such owner.

Pursuant to this, your Company had sent three reminders to the Members who had not claimed their shares. Out of 881 unclaimed equity shares held by 22 investors, 7 investors holding 280 equity shares, claimed their shares after the receipt of reminders from the Company. Accordingly, as on March 31, 2013, the Company had transferred 601 shares held by 15 investors (issued in physical form and remaining unclaimed) to 'The Royal Orchid Hotels Limited – Unclaimed Securities Suspense Account'.

The position as on March 31, 2013 is as follows:

| Particulars | Number of shareholders | Outstanding shares |
|---|------------------------|--------------------|
| As on 01.04.2012 | 15 | 601 |
| No. of shareholders approached during the year | 0 | 0 |
| No. of shareholders to whom shares were transferred during the year | 0 | 0 |
| As on March 31, 2013 | 15 | 601 |

12.14 Unclaimed dividends

Under the provisions of the Companies Act, 1956, dividends that are unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government. The details of the unclaimed dividend along with the due date for transfer to Investor Education and Protection Fund is given hereunder:

| Financial Year | Dividend declared | Date of declaration of dividend | Last date for claiming unpaid dividend | Unclaimed Dividend amount (Rs.) | Due date for transfer to IEPF |
|----------------|-------------------|---------------------------------|--|---------------------------------|-------------------------------|
| 2005-06 | 50% | 13.09.2006 | 20.09.2013 | 3,17,705/- | 19.10.2013 |
| 2006-07 | 60% | 08.08.2007 | 14.08.2014 | 2,26,536/- | 13.09.2014 |
| 2007-08 | 60% | 28.07.2008 | 03.08.2015 | 3,80,472/- | 02.09.2015 |
| 2008-09 | 15% | 10.09.2009 | 16.09.2016 | 1,75,720/- | 15.10.2016 |
| 2009-10 | NIL | NA | NA | NA | NA |
| 2010-11 | 15% | 05.09.2011 | 12.09.2018 | 1,45,539/- | 11.10.2018 |
| 2011-12 | NIL | NA | NA | NA | NA |

Shareholders who have not yet claimed the dividends as mentioned above are requested to contact the Secretarial Department (e-mail ID: cosec@royalorchidhotels.com) at the Registered Office of the Company.

During the year 2012-13 the Company has transferred an amount of Rs.5,76,702/- being unclaimed amount of share application money to the General Revenue Account / Investor Education and Protection Fund (IEPF) pursuant to section 205C of the Companies Act, 1956.

12.15 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 2013, 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.

Bengaluru
05.08.2013

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 2013:

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 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
VP-Finance

Place : Bengaluru
Date : 05.08.2013

Independent Auditors' Report

To the Members of Royal Orchid Hotels Limited

1 Report on the Financial Statements

We have audited the accompanying financial statements of Royal Orchid Hotels Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3 Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6 Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8 As required by Section 227(3) of the Act, 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 purpose 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. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
- e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

per Anupam Kumar
Partner

Membership No.: 501531

Bengaluru
24 May 2013



Annexure to the Independent Auditors' Report of even date to the members of Royal Orchid Hotels Limited, on the financial statements for the year ended 31 March 2013

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 management has conducted physical verification of inventory at reasonable intervals during the year.
- (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 between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has granted unsecured loans to nine subsidiaries covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹167,768,874 and the year-end balance is ₹110,112,527.
- (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) In respect of loans given, the principal amounts are repayable on demand and since the repayment of such loans has not been demanded, in our opinion, receipt of the principal amount is regular. The payment of interest, where applicable, is 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 unsecured loans from two companies and a director covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was ₹78,308,989 and the year-end balance was ₹ 67,868,674.
- (f) In our opinion, the rate of interest and other terms and conditions of the loans taken by the Company are not, *prima facie*, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal is on demand and since the repayment of such loans has not been demanded, in our opinion, repayment of the principal amount is regular. 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 for the sale of goods and services. *However, the internal control system with respect to purchase and recording of fixed assets need to be further strengthened. The management is in the process of correcting these major weakness in the internal control system relating to purchase of fixed assets, which is in our opinion represents a continuing failure to correct major weaknesses in internal controls.*
- (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) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹ five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to 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 Company's services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including investor education and protection fund, sales-tax, wealth tax, custom duty, excise duty, as applicable, have been deposited generally regularly with the appropriate authorities, *except for provident fund, employees' state insurance, income-tax, service tax, cess and other statutory dues, as applicable, which have not been regularly deposited with the appropriate authorities and there have been significant delays in a large number of cases.*

Undisputed amounts payable in respect thereof, which were outstanding at the year-end for a period of more than six months from the date they became payable pertain to income tax deducted at source amounting to ₹ 3,250,319 (for months of July and August 2012 that were due on 7th of the following month), service tax amounting to ₹ 1,977,550 (for months of April – August 2012 that were due on 5th of the following month) and value added taxes under Delhi Value Added Tax Act, 2004 amounting to ₹ 2,453,516 (for months of April – August 2012 that were due on 20th of the following month). These amounts have been settled by the Company subsequent to the Balance Sheet date.

(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 has no 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) As described in Note 5(l) to the financial statements, the Company restructured its debt obligations during the year and executed a Master Restructuring Agreement ('MRA') on 28 March 2013 with a cut-off date of 01 October 2012. In accordance with the MRA, the Company has not defaulted in repayment of any material dues to any bank/financial institution during the year. The Company has no dues payable to 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 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 others from banks or financial institutions 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 these loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares. 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 Anupam Kumar
Partner

Bengaluru
24 May 2013



Balance Sheet as at 31 March 2013

| | Notes | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--------------------------------|-------|-----------------------------|-----------------------------|
| Equity and Liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 272,339,650 | 272,339,650 |
| Reserves and surplus | 4 | 1,793,065,728 | 1,778,778,051 |
| | | 2,065,405,378 | 2,051,117,701 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 1,554,298,899 | 1,422,523,870 |
| Deferred tax liability, net | 6 | 44,080,295 | 41,600,000 |
| Long-term provisions | 7 | 16,120,916 | 12,024,003 |
| | | 1,614,500,110 | 1,476,147,873 |
| Current liabilities | | | |
| Short-term borrowings | 5 | 106,254,218 | 43,236,212 |
| Trade payables | 8 | 207,910,908 | 143,765,572 |
| Other current liabilities | 9 | 263,926,107 | 631,619,351 |
| Short-term provisions | 7 | 3,071,548 | 717,424 |
| | | 581,162,781 | 819,338,559 |
| Total | | 4,261,068,269 | 4,346,604,133 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 10 | 2,439,439,764 | 465,549,351 |
| Intangible assets | 11 | 1,084,654 | - |
| Capital work-in-progress | | - | 1,835,673,768 |
| Non-current investments | 12 | 1,050,738,632 | 1,179,792,786 |
| Long-term loans and advances | 13 | 282,125,668 | 414,462,058 |
| | | 3,773,388,718 | 3,895,477,963 |
| Current assets | | | |
| Inventories | 14 | 14,824,001 | 15,536,880 |
| Trade receivables | 15 | 92,826,423 | 66,723,771 |
| Cash and bank balances | 16 | 77,142,865 | 157,222,845 |
| Short-term loans and advances | 13 | 302,886,262 | 211,642,674 |
| | | 487,679,551 | 451,126,170 |
| Total | | 4,261,068,269 | 4,346,604,133 |

Summary of significant accounting policies and other explanatory information 2 - 36

Notes form an integral part of these financial statements.

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

For Walker, Chandio & Co
Chartered Accountants

per Anupam Kumar
Partner

Bengaluru
24 May 2013

For and on behalf of Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director

Statement of Profit and Loss for the year ended 31 March 2013

| | Notes | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|--|-----------|----------------------------------|----------------------------------|
| Revenue | | | |
| Revenue from operations | 17 | 1,117,022,172 | 932,854,679 |
| Other income | 18 | 311,667,172 | 16,815,269 |
| Total revenue | | 1,428,689,344 | 949,669,948 |
| Expenses | | | |
| Food and beverages consumed | 19 | 131,953,006 | 107,679,028 |
| Employee benefits expense | 20 | 261,096,047 | 220,940,681 |
| Finance costs | 21 | 173,224,594 | 42,678,375 |
| Depreciation and amortisation | 22 | 159,930,227 | 53,659,132 |
| Other expenses | 23 | 685,717,498 | 506,619,884 |
| Total expenses | | 1,411,921,372 | 931,577,100 |
| Profit before tax | | 16,767,972 | 18,092,848 |
| Tax expense | | | |
| Current tax | | 3,900,000 | 9,480,261 |
| Deferred tax charge/(credit) | | 2,480,295 | (3,400,000) |
| Minimum alternative tax credit | | (3,900,000) | - |
| | | 2,480,295 | 6,080,261 |
| Profit after tax | | 14,287,677 | 12,012,587 |
| Earnings per equity share of ₹ 10 each | 24 | | |
| Basic/Diluted | | 0.52 | 0.44 |
| Summary of significant accounting policies and other explanatory information | 2 - 36 | | |

Notes form an integral part of these financial statements.

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

For Walker, Chandio & Co
Chartered Accountants

per Anupam Kumar
Partner

Bengaluru
24 May 2013

For and on behalf of Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director



Cash Flow Statement for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|--|----------------------------------|----------------------------------|
| A. Cash flow from operating activities | | |
| Net profit before tax | 16,767,972 | 18,092,848 |
| Adjustments for: | | |
| Depreciation and amortisation | 159,930,227 | 53,659,132 |
| Gain on sale of investments | (276,390,230) | - |
| Interest income | (22,875,011) | (9,788,209) |
| Interest expense, net | 164,062,849 | 41,332,609 |
| (Gain)/loss on sale of tangible assets | (4,284,167) | 842,582 |
| Provision for doubtful debts | 3,572,211 | 5,065,761 |
| Advances written off | 10,526,612 | 2,931,805 |
| Investment written off | 10,500,000 | - |
| Operating profit before working capital changes | 61,810,463 | 112,136,528 |
| Changes in working capital: | | |
| Increase/(Decrease) in provisions | 6,451,037 | (7,599,853) |
| Increase in liabilities and payables | 83,542,088 | 103,622,739 |
| Increase in trade receivables | (29,674,863) | (22,369,000) |
| Decrease/(Increase) in inventories | 712,879 | (3,682,292) |
| Decrease/(Increase) in loans and advances | 82,280,741 | (138,450,850) |
| Cash generated from operations | 205,122,345 | 43,657,272 |
| Direct taxes paid | 3,000,000 | 5,100,000 |
| Net cash generated from operating activities | 202,122,345 | 38,557,272 |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets (including changes in capital work-in-progress, net of project creditors and retention money payable) | (219,226,626) | (512,455,668) |
| Sale of fixed assets | 5,354,050 | 552,375 |
| Interest received | 12,236,439 | 6,415,247 |
| Changes in margin money | - | 245,265 |
| Change in project advances | (6,490,247) | (15,279,027) |
| Loans given to subsidiaries | (6,606,578) | (27,627,459) |
| Loans repaid by subsidiaries | - | 21,449,241 |
| Loans given to joint venture | (35,550,000) | (26,470,261) |
| Proceeds from sale of investment (refer note 9 (b)) | 205,515,230 | - |
| Advance received for sale of investment (refer note 9(b)) | - | 200,000,000 |
| Net cash used in investing activities | (44,767,732) | (353,170,287) |

Cash Flow Statement for the year ended 31 March 2013 (Cont'd)

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| C. Cash flows from financing activities | | |
| Interest paid, net of capitalised interest | (178,803,844) | (22,971,903) |
| Proceeds from borrowings | 74,494,142 | 550,750,728 |
| Repayment of borrowings | (133,568,796) | (90,627,942) |
| Change in bank overdraft, net | 458,321 | - |
| Change in other bank balances | (224,875) | (366,867) |
| Receipt of borrowings from joint venture | - | 6,962,081 |
| Dividends paid (including dividend distribution tax) | (14,416) | (47,655,025) |
| Repayment of borrowings from joint venture | - | (1,653,092) |
| Net cash (used in)/generated from financing activities | (237,659,468) | 394,437,980 |
| Net (decrease)/increase in cash and cash equivalents (A+B+C) | (80,304,855) | 79,824,965 |
| Cash and cash equivalents at the beginning of the year | 156,855,978 | 77,031,013 |
| Cash and cash equivalents at the end of the year | 76,551,123 | 156,855,978 |

Note:

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

This is the Cash Flow Statement referred to in our report of even date.

For Walker, Chandiok & Co
Chartered Accountants

per Anupam Kumar
Partner

Bengaluru
24 May 2013

For and on behalf of Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director



Notes to the financial statements for the year ended 31 March 2013

1) Background

Royal Orchid Hotels Limited ('the Company') is a listed public company incorporated in 1986. The Company is engaged in the business of operating and managing hotels/ resorts and providing related services, through its portfolio of hotel properties across the country.

2) Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared and presented on 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 Act'). 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. Any revision to accounting estimates are recognised prospectively in the current and future years. 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 doubtful receivable, provision for employee benefits and provision for income taxes.

(c) Revenue recognition

Revenues comprise income from the sale of rooms, food, beverages and allied services during a guest's stay at the hotel. Room revenue is recognised based on occupation and revenue from sale of food, beverages and other allied services, is recognised 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 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. Fixed asset acquired in exchange for another asset is recorded at the net book value of asset given up, which generally approximates its fair value.

Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date are disclosed as capital advances under long term loans and advances. The cost incurred towards fixed assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

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

e) Depreciation and amortisation

Depreciation and amortisation on fixed assets is provided on the straight line method, using the higher of rates specified in Schedule XIV to the Act or the management estimates of the economic useful lives of such assets. These rates are specified below:

Notes to the financial statements for the year ended 31 March 2013**2. Summary of significant accounting policies (Cont'd)**

| Tangible asset category | Rates of depreciation used (%) |
|--------------------------------|---------------------------------------|
| Buildings | 3.34 |
| Plant and equipments | 4.75-20 |
| Furniture and fixtures | 9.50-20 |
| Vehicles | 9.50-16.21 |
| Office equipments | 9.5 |
| Computers | 16.21 |

Intangible assets, which includes goodwill on acquisition of the business of entities, are amortised over a period of five years.

Leasehold building (including improvements) are amortised over the lease period.

Assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase.

(f) 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 cost as incurred are charged to the Statement of Profit and Loss. The Company continues to capitalise the borrowing costs during the period of temporary suspension on account of delay in technical and administrative work.

(g) 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 Statement of Profit and Loss. 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/amortised historical cost.

(h) Investments

Investments that are readily realisable 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.

(i) Inventory

Inventory comprises food, beverages, stores and spare parts and is carried at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

(j) Foreign currency transactions

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.

Foreign currency monetary items are reported using the closing rate. 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.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.



Notes to the financial statements for the year ended 31 March 2013

2. Summary of significant accounting policies (Cont'd)

(k) Leases

Where the Company leases land and buildings 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 capitalised 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 Statement of Profit and Loss. 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, capitalised 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 recognised as an expense in the Statement of Profit and Loss on a straight line basis.

(l) Employee benefits

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

Provident fund

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Funds and Miscellaneous Provisions 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 Statement of Profit and Loss in the year in which such gains or losses arises.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences 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.

(m) 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).

Notes to the financial statements for the year ended 31 March 2013

2. Summary of significant accounting policies (Cont'd)

(n) Tax expense

Current tax

Provision is made for income tax under the tax payable method based on the liability computed after taking credit for deductions, allowances and exemptions as per the relevant tax regulations.

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 income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

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.

(o) Earnings per share

Basic earnings/(loss) per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number 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/(loss) per share, the net profit or loss for the year attributable to the equity shareholders' and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(p) 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.

(q) Onerous contracts

Present obligations arising under onerous contracts are recognised 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.



Notes to the financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | | As at 31 March 2012 ₹ | |
|---|-----------------------------|--------------------|-----------------------------|--------------------|
| | Number | Amounts | Number | Amounts |
| 3 Share capital | | | | |
| Authorised share capital | | | | |
| Equity shares of ₹ 10 each | 50,000,000 | 500,000,000 | 50,000,000 | 500,000,000 |
| | 50,000,000 | 500,000,000 | 50,000,000 | 500,000,000 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹ 10 each | 27,233,965 | 272,339,650 | 27,233,965 | 272,339,650 |
| | 27,233,965 | 272,339,650 | 27,233,965 | 272,339,650 |

a) There have been no changes in equity shares outstanding during the current and previous years.

b) Shareholders holding more than 5% of the shares of the Company

| | Number | Amounts ₹ | Number | Amounts ₹ |
|---|-------------------|--------------------|-------------------|--------------------|
| Equity shares of ₹10 each | | | | |
| Mr. Chander K. Baljee | 11,893,898 | 118,938,980 | 11,893,898 | 118,938,980 |
| Baljees Hotels and Real Estates Private Limited | 5,496,088 | 54,960,880 | 5,446,088 | 54,460,880 |
| SBI Magnum Sector Funds Umbrella -Contra Fund | 2,329,663 | 23,296,630 | 2,354,663 | 23,546,630 |
| | 19,719,649 | 197,196,490 | 19,694,649 | 196,946,490 |

c) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each equity share is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting and shall be payable in Indian Rupees. In the event of liquidation of the Company, the shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

The Company has not issued any bonus shares nor has there been any buy back of shares during five years immediately preceding 31 March 2013. Further, the Company has not issued any shares without payment being received in cash.

Notes to the financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--|-----------------------------|-----------------------------|
| 4. Reserves and surplus | | |
| Foreign exchange earnings reserve | 1,100,000 | 1,100,000 |
| Securities premium account | 1,130,684,095 | 1,130,684,095 |
| Employee stock option outstanding account | | |
| Balance at the beginning of the year | - | 476,655 |
| Add: Additions made during the year | - | - |
| Less: Transferred to general reserve during the year | - | 476,655 |
| | - | - |
| General reserve | | |
| Balance at the beginning of the year | 101,593,740 | 101,117,085 |
| Add: Transfer from employee stock option outstanding account on lapse of options | - | 476,655 |
| | 101,593,740 | 101,593,740 |
| Surplus in the Statement of Profit and Loss | | |
| Balance at the beginning of the year | 545,400,216 | 533,387,629 |
| Add: Profit for the year | 14,287,677 | 12,012,587 |
| | 559,687,893 | 545,400,216 |
| | 1,793,065,728 | 1,778,778,051 |

Note:

There has been no change in the foreign exchange earnings reserve and securities premium account during the previous and current years.

| | As at 31 March 2013 | | As at 31 March 2012 | |
|---|----------------------|--------------------|----------------------|-------------------|
| | ₹ | ₹ | ₹ | ₹ |
| | Long term | Short term | Long term | Short term |
| 5. Borrowings | | | | |
| Secured | | | | |
| Term loans | | | | |
| From banks | 1,259,384,862 | - | 1,452,606,320 | - |
| From a financial institution | 198,500,000 | - | 221,900,000 | - |
| Funded Interest Term Loans (FITL) | | | | |
| From banks | 81,630,483 | - | - | - |
| From a financial institution | 12,867,151 | - | - | - |
| Vehicle loan | 2,984,911 | - | 2,495,426 | - |
| Bank overdraft | - | 38,385,544 | - | 37,927,223 |
| | 1,555,367,407 | 38,385,544 | 1,677,001,746 | 37,927,223 |
| Less : Current maturities of long term debt | 1,068,508 | - | 254,477,876 | - |
| | 1,554,298,899 | 38,385,544 | 1,422,523,870 | 37,927,223 |
| Unsecured | | | | |
| From a joint venture | - | - | - | 5,308,989 |
| From a subsidiary | - | 4,868,674 | - | - |
| From a director | - | 5,000,000 | - | - |
| From a body corporate | - | 58,000,000 | - | - |
| | - | 67,868,674 | - | 5,308,989 |
| | 1,554,298,899 | 106,254,218 | 1,422,523,870 | 43,236,212 |



Notes to the financial statements for the year ended 31 March 2013

Notes:

I) Corporate Debt Restructuring ("CDR")

During the year, the Company has executed a Corporate Debt Restructuring (CDR) scheme under the CDR mechanism of RBI. In accordance with the approved CDR scheme and after attaining super-majority, the Company executed a Master Restructuring Agreement (MRA) with the lenders on 28 March 2013, with an effective date of 01 October 2012. The MRA, inter-alia, provides for waiver of certain existing obligations of the Company, restructuring of repayment terms for principal and interest, reduction/ adjustment in interest rates, conversion of outstanding interest amounts to loan, pledge of entire promoter shareholding as additional security to lenders, promoter undertaking for additional infusion of funds, monitoring oversight and certain restrictive covenants, as defined. The measurement, classification and disclosures of the Company's term loan obligations have been recorded in these financial statements in accordance with the MRA, subject to final account reconciliations. The Company is required to implement the terms of MRA within 120 days from date of approval.

II) Details of terms of repayment, guarantee and security for term loans from banks

- (i) (a) 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 in April 2009 to finance the hotel project at Hyderabad.

This term loan is secured by way of first mortgage charge on all immoveable properties and assets of the said project and first charge by way of hypothecation of all moveable assets, both present and future. Additionally, the term loan is secured by the corporate guarantee of Alif Resources and Infrastructure Private Limited and personal guarantees of Mr. Chander K. Baljee, Managing Director and Mr. Kiran Kumar, Director, Alif Resources and Infrastructure Private Limited.

The secured term loan is repayable in 30 quarterly instalments commencing from 30 September 2011 and bear floating interest rates ranging between 14% - 16%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 24 quarterly instalments commencing from 30 June 2014 and bear interest rates ranging between 13% - 17%.

The balance outstanding as at 31 March 2013 is ₹ 889.96 million (31 March 2012 - ₹ 995 million).

- (i) (b) The Company was sanctioned a term loan from State Bank of Hyderabad for ₹65 million in April 2009 to finance repairs, renovation, refurbishment and maintenance for Ramada Hotel, Bangalore.

Term loan from bank is secured by equitable mortgage of lease hold property leased in favour of Hotel Royal Orchid and Hotel Ramada situated in Bangalore and exclusive charge on assets created out of bank finance. Further, the term loan is secured by extension of first charge on all fixed assets of the Company, both present and future. Additionally, the term loan is secured by the corporate guarantees of Baljee Hotels and Real Estates Private Limited and Hotel Stay Longer Private Limited and a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 21 quarterly instalments commencing from December 2009 and bear floating interest rates ranging between 13.75% - 15%.

The Company was sanctioned a term loan from State Bank of Hyderabad for ₹129.50 million in April 2009 to finance for repairs, renovation, refurbishment and maintenance for Pune Project.

The loan is secured by equitable mortgage of lease hold property leased in favour of Royal Orchid Hotel situated at Pune and exclusive charge on assets created out of bank finance. Further, the term loan is secured by extension of first charge on all fixed assets of the Company, both present and future. Additionally, the term is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 22 quarterly instalments commencing from September 2009 and bear floating interest rates ranging between 13.75% - 15%.

Pursuant to the Corporate Debt Restructuring, the above term loans have been rescheduled and are repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rates ranging between 13% - 17.60%.

The balance outstanding as at 31 March 2013 is ₹84.40 million (31 March 2012 - ₹111 million).

Notes to the financial statements for the year ended 31 March 2013

- (ii) The Company was sanctioned a term loan from IDBI Bank Limited for ₹400 million in March 2010 to finance repairs, renovation, refurbishment and maintenance for the existing hotels.

The loan is secured by a first paripassu charge on equitable mortgage of leasehold property of Hotel Royal Orchid, Bangalore. Additionally, the loan is secured by the corporate guarantee of Baljees Hotels and Real Estates Private Limited and a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 20 quarterly instalments commencing from 01 July 2010 and bear floating interest rates ranging between 14% - 15.25%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rates ranging between 13% - 16.25%.

The balance outstanding as at 31 March 2013 is ₹285 million (31 March 2012 - ₹350 million).

- (iii) The Company was sanctioned a term loan from Tourism Finance Corporation of India Limited for ₹250 million in July 2011 towards expansion in hospitality sector.

The loan is secured by a first paripassu charge on all the fixed assets, both present and future, of Hotel Royal Orchid, Bangalore which comprise equitable mortgage of leasehold land and building and hypothecation of all movables ranking pari passu with State Bank of Hyderabad and IDBI Bank Limited. Additionally, the loan is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 16 quarterly instalments of ₹15.50 million each, commencing from 15 October 2011 and bear floating interest rates ranging between 13.50% - 14%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rates ranging between 13% - 15.50%.

The balance outstanding as at 31 March 2013 is ₹198.50 million (31 March 2012 - ₹219 million).

- (iv) In accordance with the MRA, the outstanding interest amounts were converted to a Funded Interest Term Loan ('FITL') of ₹94.49 million (31 March 2012 - ₹Nil), which is secured by extension of charge on security held by respective banks.

- (v) Bank overdraft, sanctioned by State Bank of Hyderabad for ₹40 million and bearing interest rate of 13.45%, is secured by hypothecation of stocks, receivables and extension of equitable mortgage of leasehold property leased in favour of Hotel Royal Orchid, Bangalore. Further, it is secured by extension of charge on all fixed assets of the Company, both present and future. Additionally, it is secured by the corporate guarantee of Baljee Hotels and Real Estates Private Limited and a personal guarantee of Mr. Chander K. Baljee, Managing Director.

- (vi) The vehicle loans are secured by the hypothecation of the vehicles concerned.

- (vii) The unsecured loans are repayable on demand and bear interest rate of 18% p.a.

- (viii) The current portion of the term loan where instalments are due within one year have been classified as "current maturities of long term debt" under other current liabilities.

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---------------------------------------|-----------------------------|-----------------------------|
| 6. Deferred tax liability, net | | |
| Deferred tax liabilities on | | |
| Depreciation and amortisation | 65,367,763 | 48,485,000 |
| | 65,367,763 | 48,485,000 |
| Deferred tax assets on | | |
| Carry forward losses | 9,899,418 | - |
| Provision for employee benefits | 7,961,511 | 4,645,000 |
| Provision for doubtful debts | 3,426,539 | 2,240,000 |
| | 21,287,468 | 6,885,000 |
| | 44,080,295 | 41,600,000 |



Notes to the financial statements for the year ended 31 March 2013

7. Provisions

| | As at 31 March 2013 | | As at 31 March 2012 | |
|----------------------|---------------------|------------------|---------------------|----------------|
| | Long term | Short term | Long term | Short term |
| | ₹ | ₹ | ₹ | ₹ |
| Employee benefits | | | | |
| Gratuity | 10,127,147 | 1,775,730 | 9,022,605 | 451,979 |
| Compensated absences | 5,993,769 | 1,295,818 | 3,001,398 | 265,445 |
| | 16,120,916 | 3,071,548 | 12,024,003 | 717,424 |

| | Year ended 31 March 2013 | Year ended 31 March 2012 |
|---|-----------------------------|-----------------------------|
| | ₹ | ₹ |
| Gratuity | | |
| Change in projected benefit obligation | | |
| Projected benefit obligation at the beginning of the year | 9,474,584 | 10,605,726 |
| Service cost | 3,244,621 | 2,800,174 |
| Interest cost | 779,233 | 830,023 |
| Actuarial (gain)/ loss | (968,505) | (3,901,159) |
| Benefits paid | (627,056) | (860,180) |
| Past service cost - vested benefits | - | - |
| Liability recognised in the Balance Sheet | 11,902,877 | 9,474,584 |

Components of net gratuity costs are

| | | |
|---|------------------|------------------|
| Service cost | 3,244,621 | 2,800,174 |
| Interest cost | 779,233 | 830,023 |
| Past service cost- vested benefits | - | - |
| Recognised net actuarial (gain)/ loss | (968,505) | (3,901,159) |
| Expense recognised in the Statement of Profit and Loss under 'employee benefits expense' | 3,055,349 | (270,962) |

Change in plan assets

| | | |
|--|---|---|
| Fair value of plan assets at the beginning of the year | - | - |
| Expected return on plan assets | - | - |
| Actuarial gain/ (loss) | - | - |
| Employer contributions | - | - |
| Benefits paid | - | - |
| Fair value of plan assets at the end of the year | - | - |

Reconciliation of present value of obligation on the fair value of plan assets

| | | |
|--|-------------------|------------------|
| Present value of projected benefit obligation at the end of the year | 11,902,877 | 9,474,584 |
| Funded status of the plans | - | - |
| Liability recognised in the Balance Sheet | 11,902,877 | 9,474,584 |

Assumptions used for Gratuity and Compensated absences

| | | |
|-------------------------------|---------------|---------------|
| Discount rate | 8.20% | 8.50% |
| Rate of return on plan assets | N/A | N/A |
| Salary escalation rate | 7.00% | 7.00% |
| Attrition rate | 2% - 5% | 2% - 5% |
| Retirement age | 45 - 55 years | 45 - 55 years |
| Mortality rates | 100% of IAL* | 100% of IAL* |

The Company assures these assumptions with the projected long-term plans of growth and prevalent industry standards.

* Indian Assured Lives Mortality

Notes to the financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|-------------------------|-----------------------------|-----------------------------|
| 8 Trade payables | | |
| Creditors | 207,910,908 | 143,765,572 |
| | 207,910,908 | 143,765,572 |

Note:

Based on the information available with the Company, there are no outstanding dues in respect of Micro, Small and Medium enterprises at the Balance Sheet date. The above disclosure has been determined to the extent such parties have been identified on the basis of information available to the Company. This has been relied upon by the auditors.

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--|-----------------------------|-----------------------------|
| 9 Other current liabilities | | |
| Current maturities of long term debt | 1,068,508 | 254,477,876 |
| Interest accrued and due on unsecured loans | 3,984,521 | - |
| Interest accrued and due on FITL/term loans | 3,468,747 | 22,194,263 |
| Unclaimed dividends (refer note (a) below) | 1,099,836 | 1,114,252 |
| Security deposit received | 3,701,448 | 3,067,170 |
| Accrued expenses | 41,283,705 | 69,275,403 |
| Dues to employees | 30,932,174 | 28,052,063 |
| Statutory dues | 58,362,120 | 25,853,147 |
| Dues to directors | 490,575 | 1,753,101 |
| Advance received from customers | 18,277,916 | 9,146,369 |
| Book overdraft | 12,553,351 | 4,654,087 |
| Advance received for sale of shares in subsidiary (refer note (b) below) | - | 200,000,000 |
| Project creditors (including retention money payable) | 81,074,783 | - |
| Other liabilities | 7,628,423 | 12,031,620 |
| | 263,926,107 | 631,619,351 |

Note:

- a) There are no amounts that are due to be paid to the Investor Education and Protection Fund.
- b) During the year, the Company has sold its entire share holding in Royal Orchid Ahmedabad Private Limited ("the Subsidiary") to SAMHI Hotels Private Limited ("SAMHI") effective 30 May 2012, for a total consideration of ₹405,290,230 out of which ₹200,000,000 was received as an advance during the previous financial year. The resultant gain has been disclosed under note 18.



Notes to the financial statements for the year ended 31 March 2013

10 Tangible assets

Amount in ₹

| Particulars | Land (Freehold) | Leasehold buildings (including improve-ments) | Plant and equipments | Furniture and fixtures | Vehicles | Office equipments | Computers | Total |
|---------------------------------|-----------------|---|----------------------|------------------------|------------|-------------------|------------|---------------|
| Gross Block | | | | | | | | |
| Balance as at 01 April 2011 | 2,430,000 | 327,942,831 | 199,880,148 | 198,891,726 | 44,070,727 | 17,550,644 | 18,566,115 | 809,332,191 |
| Additions | - | 1,453,272 | 2,848,269 | 3,480,921 | 420,287 | 410,387 | 3,845,901 | 12,459,037 |
| Disposals | - | - | 20,795 | 628,444 | 1,189,063 | 163,478 | 55,399 | 2,057,179 |
| Balance as at 31 March 2012 | 2,430,000 | 329,396,103 | 202,707,622 | 201,744,203 | 43,301,951 | 17,797,553 | 22,356,617 | 819,734,049 |
| Additions | 603,815,080 | 855,053,694 | 296,161,678 | 355,183,408 | 4,285,922 | 736,704 | 19,522,216 | 2,134,758,702 |
| Disposals | - | - | 6,918 | 673,614 | 23,277,267 | 96,576 | 9,962 | 24,064,337 |
| Balance as at 31 March 2013 | 606,245,080 | 1,184,449,797 | 498,862,382 | 556,253,997 | 24,310,606 | 18,437,681 | 41,868,871 | 2,930,428,414 |
| Accumulated depreciation | | | | | | | | |
| Balance as at 01 April 2011 | - | 71,026,895 | 59,557,271 | 128,130,566 | 24,143,287 | 6,646,240 | 11,683,529 | 301,187,788 |
| Charge for the year | - | 13,811,301 | 10,480,842 | 19,509,053 | 6,401,658 | 884,955 | 2,571,323 | 53,659,132 |
| Reversal on disposal of assets | - | - | 3,857 | 221,951 | 376,374 | 26,728 | 33,312 | 662,222 |
| Balance as at 31 March 2012 | - | 84,838,196 | 70,034,256 | 147,417,668 | 30,168,571 | 7,504,467 | 14,221,540 | 354,184,698 |
| Charge for the year | - | 30,918,684 | 24,189,739 | 92,474,867 | 6,934,330 | 861,229 | 4,419,557 | 159,798,406 |
| Reversal on disposal of assets | - | - | 1,194 | 623,243 | 22,340,353 | 21,643 | 8,021 | 22,994,454 |
| Balance as at 31 March 2013 | - | 115,756,880 | 94,222,801 | 239,269,292 | 14,762,548 | 8,344,053 | 18,633,076 | 490,988,650 |
| Net block | | | | | | | | |
| Balance as at 31 March 2012 | 2,430,000 | 244,557,907 | 132,673,366 | 54,326,535 | 13,133,380 | 10,293,086 | 8,135,077 | 465,549,351 |
| Balance as at 31 March 2013 | 606,245,080 | 1,068,692,917 | 404,639,581 | 316,984,705 | 9,548,058 | 10,093,628 | 23,235,795 | 2,439,439,764 |

Note:

Land (freehold) includes ₹2,430,000, representing the Company's share of land jointly owned with its subsidiary, Royal Orchid Jaipur Private Limited and Royal Orchid South Private Limited.

Notes to the financial statements for the year ended 31 March 2013

Amount in ₹

| 11 | Intangible assets | | | |
|----|------------------------------------|-------------------|------------------|------------------|
| | Particulars | Computer Software | Goodwill | Total |
| | Gross Block | | | |
| | Balance as at 01 April 2011 | - | 4,554,452 | 4,554,452 |
| | Additions | - | - | - |
| | Balance as at 31 March 2012 | - | 4,554,452 | 4,554,452 |
| | Additions | 1,216,475 | - | 1,216,475 |
| | Balance as at 31 March 2013 | 1,216,475 | 4,554,452 | 5,770,927 |
| | | | | |
| | Accumulated amortisation | | | |
| | Balance as at 01 April 2011 | - | 4,554,452 | 4,554,452 |
| | Amortisation for the year | - | - | - |
| | Balance as at 31 March 2012 | - | 4,554,452 | 4,554,452 |
| | Amortisation for the year | 131,821 | - | 131,821 |
| | Balance as at 31 March 2013 | 131,821 | 4,554,452 | 4,686,273 |
| | | | | |
| | Net block | | | |
| | Balance as at 31 March 2012 | - | - | - |
| | Balance as at 31 March 2013 | 1,084,654 | - | 1,084,654 |

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| 12 Non-current investments | | |
| (Valued at cost, unless stated otherwise) | | |
| Long-term, trade investments in equity instruments (unquoted) | | |
| Investments in shares of subsidiaries | | |
| Icon Hospitality Private Limited | 192,032,412 | 192,032,412 |
| (95,889 (31 March 2012 – 95,889) equity shares of ₹100 each) | | |
| Royal Orchid Hyderabad Private Limited | 17,602,000 | 17,602,000 |
| (1,760,200 (31 March 2012 – 1,760,200) equity shares of ₹10 each) | | |
| Royal Orchid Jaipur Private Limited | 16,500,000 | 16,500,000 |
| (1,650,000 (31 March 2012 – 1,650,000) equity shares of ₹10 each) | | |
| AB Holdings Private Limited | 2,500,000 | 2,500,000 |
| (250,000 (31 March 2012 – 250,000) equity shares of ₹10 each) | | |
| Maruti Comforts & Inn Private Limited (see note 28(iv)) | 114,439,080 | 58,849,000 |
| (407,636 (31 March 2012 – 209,100) equity shares of ₹100 each) | | |
| Royal Orchid South Private Limited | - | 9,000,000 |
| (900,000 (31 March 2012 – 900,000) equity shares of ₹10 each) | | |
| Multi Hotels Limited | 74,060,100 | 74,060,100 |
| (30 (31 March 2012 – 30) equity shares of Tanzanian Shillings 1,000 each) | | |



Notes to the financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| Investments in shares of subsidiaries (Contd.) | | |
| Royal Orchid Shimla Private Limited (5,000 (31 March 2012 – 5000) equity shares of ₹100 each) | - | 500,000 |
| Royal Orchid Goa Private Limited (5,000 (31 March 2012 – 5000) equity shares of ₹100 each) | - | 500,000 |
| Royal Orchid Maharashtra Private Limited (5,000 (31 March 2012 – 5000) equity shares of ₹100 each) | 500,000 | 500,000 |
| Royal Orchid Mumbai Private Limited (50,000 (31 March 2012 – 5000) equity shares of ₹10 each) | - | 500,000 |
| Royal Orchid Ahmedabad Private Limited (refer note 9(b)) (Nil (31 March 2012 – 1,510,000) equity shares of ₹10 each) | - | 128,900,000 |
| Amar Tara Hospitality Private Limited (25,160,000 (31 March 2012 – 25,160,000) equity shares of ₹10 each) | 251,600,000 | 251,600,000 |
| Cosmos Premises Private Limited (refer note 28(i)) (202,381 (31 March 2012 – 202,381) equity shares of ₹10 each) | 170,000,040 | - |
| Investments in shares of associate | | |
| Parsvnath Royal Orchid Hotels Limited (Nil (31 March 2012 – 15,000) equity shares of ₹10 each) | - | 225,000 |
| Investments in shares of joint ventures | | |
| Rajkamal Buildcon Private Limited (5,000 (31 March 2012 – 5,000) equity shares of ₹10 each) | 52,820,000 | 52,820,000 |
| Ksheer Sagar Buildcon Private Limited (5,000 (31 March 2012 – 5,000) equity shares of ₹10 each) | 52,820,000 | 52,820,000 |
| J H Builders Private Limited (5,000 (31 March 2012 – 5,000) equity shares of ₹10 each) | 52,820,000 | 52,820,000 |
| Ksheer Sagar Developers Private Limited (5,000 (31 March 2012 – 5,000) equity shares of ₹10 each) | 52,820,000 | 52,820,000 |
| Cosmos Premises Private Limited (202,381 (31 March 2012 – 202,381) equity shares of ₹10 each) | - | 170,000,040 |
| Share application money pending allotment (see note 28(iv)) | | |
| Ksheer Sagar Buildcon Private Limited | - | 1,115,640 |
| J H Builders Private Limited | - | 1,165,683 |
| Rajkamal Buildcon Private Limited | - | 1,117,162 |
| Ksheer Sagar Developers Private Limited | - | 41,620,749 |
| Long-term, non-trade investments in government securities (unquoted) | | |
| National savings certificate | 225,000 | 225,000 |
| | 1,050,738,632 | 1,179,792,786 |

Notes to the financial statements for the year ended 31 March 2013

| | | As at 31 March 2013 | | As at 31 March 2012 | |
|-----------|--|--------------------------------|--------------------|--------------------------------|--------------------|
| | | ₹ | ₹ | ₹ | ₹ |
| | | Long term | Short term | Long term | Short term |
| 13 | Loans and advances | | | | |
| | (Unsecured, considered good) | | | | |
| | Advances to suppliers | - | 20,382,701 | - | 6,286,362 |
| | | - | 20,382,701 | - | 6,286,362 |
| | Security deposits | | | | |
| | for hotel properties | 219,930,435 | - | 268,893,145 | - |
| | for others | 22,663,477 | 1,632,900 | 122,502,683 | - |
| | | 242,593,912 | 1,632,900 | 391,395,828 | - |
| | Dues from subsidiaries and joint ventures | - | 245,319,870 | - | 193,848,246 |
| | Prepaid expenses | - | 18,419,699 | - | 10,001,822 |
| | Advance tax, net of provision of ₹ 446,804,187 (2012: ₹442,904,187) | 17,373,584 | - | 3,889,728 | - |
| | MAT credit entitlement | - | 3,900,000 | - | - |
| | Dues from employees | - | 2,001,427 | - | 1,506,244 |
| | Project advances | 22,158,172 | - | 15,667,925 | - |
| | Others | - | 11,229,665 | 3,508,577 | - |
| | | 39,531,756 | 280,870,661 | 23,066,230 | 205,356,312 |
| | | 282,125,668 | 302,886,262 | 414,462,058 | 211,642,674 |
| | | | | | |
| | | As at 31 March 2013 | | As at 31 March 2012 | |
| | | ₹ | | ₹ | |
| 14 | Inventories | | | | |
| | Food and beverages | | 11,749,608 | | 11,722,356 |
| | Stores and spares | | 3,074,393 | | 3,814,524 |
| | | | 14,824,001 | | 15,536,880 |
| 15 | Trade receivables | | | | |
| | Billed receivables | | | | |
| | Outstanding for a period exceeding six months from the due date | | | | |
| | Unsecured, considered good | | 7,970,834 | | 276,473 |
| | Unsecured, considered doubtful | | 8,748,374 | | 6,743,253 |
| | | | 16,719,208 | | 7,019,726 |
| | Other debts | | | | |
| | Unsecured, considered good | | 80,540,581 | | 61,129,386 |
| | Unsecured, considered doubtful | | 1,567,090 | | - |
| | Unbilled receivables | | | | |
| | Unbilled revenues | | 4,315,008 | | 5,317,912 |
| | | | 86,422,679 | | 66,447,298 |
| | Less : Provision for doubtful debts | | 10,315,464 | | 6,743,253 |
| | | | 92,826,423 | | 66,723,771 |



Notes to the financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--|-----------------------------|-----------------------------|
| 16 Cash and bank balances | | |
| Cash and cash equivalents | | |
| Balances with banks | | |
| - in current accounts | 73,660,629 | 62,476,967 |
| - in deposit accounts (with maturity upto 3 months) | 282,000 | 92,517,700 |
| Cash on hand | 2,608,494 | 1,861,311 |
| | 76,551,123 | 156,855,978 |
| Other bank balances | | |
| Balances with banks | 591,742 | 366,867 |
| - in deposit accounts (with maturity more than 3 months but less than 12 months) | 591,742 | 366,867 |
| | 77,142,865 | 157,222,845 |
| 17 Revenue from operations | | |
| From sale of services at hotels | | |
| - Rooms | 624,853,081 | 576,929,376 |
| - Food and beverages | 412,655,042 | 312,605,367 |
| - other services | 26,021,264 | 20,593,039 |
| From hotel operation agreements | | |
| - Management fees | 51,890,792 | 19,089,955 |
| - Technical fees | 1,601,993 | 3,636,942 |
| | 1,117,022,172 | 932,854,679 |
| 18 Other income | | |
| Interest income | | |
| - from bank deposits | 5,757,082 | 4,430,456 |
| - from loans to subsidiaries | 5,869,834 | 4,538,081 |
| - from loans to joint ventures | 11,248,095 | 819,672 |
| Gain on sale of investment, net (refer note 9(b)) | 276,390,230 | - |
| Gain on sale of fixed assets, net | 4,284,167 | - |
| Miscellaneous | 8,117,764 | 7,027,060 |
| | 311,667,172 | 16,815,269 |
| 19 Food and beverages consumed | | |
| Opening stock | 11,722,356 | 8,709,348 |
| Add : Purchases during the year | 131,980,258 | 110,692,036 |
| | 143,702,614 | 119,401,384 |
| Less : Closing stock | 11,749,608 | 11,722,356 |
| | 131,953,006 | 107,679,028 |
| 20 Employee benefits expense | | |
| Salaries and bonus | 225,517,727 | 200,320,638 |
| Contribution to provident and other defined contribution funds | 11,638,649 | 1,153,507 |
| Staff welfare expenses | 23,939,671 | 19,466,536 |
| | 261,096,047 | 220,940,681 |

Notes to the financial statements for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| 21 Finance costs | | |
| Interest expenses | | |
| - on term loan | 217,896,773 | 429,831,186 |
| less: capitalised during the year | 66,982,147 | 392,641,630 |
| | 150,914,626 | 37,189,556 |
| - on vehicle loans | 225,710 | 413,958 |
| - on unsecured loans | 7,741,604 | - |
| - on overdraft | 5,180,909 | 3,729,095 |
| Bank charges | 9,161,745 | 1,345,766 |
| | 173,224,594 | 42,678,375 |
| 22 Depreciation and amortisation | | |
| Depreciation | 159,798,406 | 53,659,132 |
| Amortisation | 131,821 | - |
| | 159,930,227 | 53,659,132 |
| 23 Other expenses | | |
| Guest transportation | 7,442,776 | 5,164,497 |
| Linen and room supplies | 18,708,258 | 19,515,040 |
| Catering and other kitchen supplies | 7,669,590 | 10,900,405 |
| Cablenet charges | 8,878,077 | 6,776,353 |
| Uniform washing and laundry | 12,948,630 | 9,817,519 |
| Music and entertainment | 6,120,112 | 3,691,466 |
| Banquet expenses | 35,323,358 | 23,876,748 |
| Power, water and fuel | 121,505,813 | 83,933,639 |
| Management fee | 851,080 | 540,311 |
| Garden, landscaping and decoration | 2,179,911 | 4,336,365 |
| Security charges | 14,622,047 | 8,834,853 |
| Communication and stationery | 20,588,643 | 21,201,616 |
| Subscription charges | 9,434,391 | 7,734,040 |
| Rent | 181,734,440 | 115,366,793 |
| Repairs and maintenance | | |
| - Buildings | 10,823,720 | 10,959,484 |
| - Plant and equipment | 42,205,651 | 12,507,933 |
| - Others | 12,415,660 | 18,420,774 |
| Insurance | 4,697,477 | 3,390,021 |
| Commission, brokerage and discount | 25,912,385 | 28,998,141 |
| Rates and taxes | 20,415,760 | 19,911,347 |
| Legal and professional | 35,673,988 | 30,336,895 |
| Travelling and conveyance | 16,637,405 | 16,422,330 |
| Advertisement and business promotion | 26,236,275 | 24,657,215 |
| Provision for doubtful debts | 3,572,211 | 5,065,761 |
| Directors' sitting fees | 580,000 | 524,000 |
| Directors' commission | 362,402 | 385,923 |
| Recruitment expenses | 822,075 | 659,491 |
| Royalty | 2,324,926 | 2,178,754 |
| Investments written off | 10,500,000 | - |
| Advances written off | 10,526,612 | 2,931,805 |
| Miscellaneous | 14,003,825 | 7,580,365 |
| | 685,717,498 | 506,619,884 |



Notes to the financial statements for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| 24 Earnings per share | | |
| Weighted average number of shares outstanding | 27,233,965 | 27,233,965 |
| Net profit after tax attributable to equity shareholders in ₹ | 14,287,677 | 12,012,587 |
| Basic and diluted earnings per share in ₹ | 0.52 | 0.44 |
| Nominal value per equity share in ₹ | 10 | 10 |

25 Operating leases

The Company has taken various hotel properties and offices on cancellable and non-cancellable leases, which have tenures ranging from 11 months to 30 years. Some of these leases have an escalation in lease rental of 15% every 3-10 years and / or a share of annual revenues from such properties, in excess of pre-agreed limits.

The lease expense for cancellable and non-cancellable operating leases during the year ended 31 March 2013 is disclosed under note 23.

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

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| Payments falling due: | | |
| Within 1 year | 44,830,806 | 134,431,760 |
| Later than one year but not later than five years | 187,577,589 | 248,033,150 |
| Later than 5 years | 95,157,117 | 104,863,172 |
| Total | 327,565,512 | 487,328,082 |

26 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 Karnataka State Tourism Development Corporation ("KSTDC") for the operation of the Hotel Royal Orchid, Bangalore, 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 Supreme Court of India for the refund of the deposit along with interest from the lessor. The management believes that the case will be settled in their favour and hence will not adversely affect its operations.
- The Company has been named as a defendant along with Cygnus Business Consulting & Research Private Limited in a suit filed in mid 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 'Orchid'. The plaintiff had filed an application seeking an interim injunction while the above proceedings are pending. 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 has restrained 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. The Company during the year has obtained two favourable rulings from the Intellectual Property Appellate Board. Based on an independent legal advice, the management believes that the case will be settled in its favour and will not affect its current and future operations.

Notes to the financial statements for the year ended 31 March 2013**26 Commitments and contingencies (Cont'd)****b) Guarantees**

The Company has given guarantees to banks for loans sanctioned to subsidiaries, joint ventures and an unrelated party amounting to ₹1,975,000,000 (31 March 2012: ₹2,275,000,000). The loans availed and outstanding as at 31 March 2013 - ₹797,657,594 (31 March 2012: ₹1,125,243,819).

c) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil (31 March 2012: ₹ 193,913,547).

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.

27 Information pursuant to Clause 32 of the listing agreements with stock exchanges

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

Amount in ₹

| Loans and advances in the nature of loans to subsidiaries | As at 31 March 2013 | Maximum balance outstanding during the year ended 31 March 2013 | As at 31 March 2012 | Maximum balance outstanding during the year ended 31 March 2012 |
|--|----------------------------|--|----------------------------|--|
| Royal Orchid Jaipur Private Limited* | 4,641,579 | 13,436,833 | 13,436,833 | 15,136,221 |
| A B Holdings Private Limited* | 21,497,160 | 30,299,903 | 30,299,903 | 49,379,903 |
| Royal Orchid South Private Limited* | - | 1,062,730 | 1,062,730 | 1,062,730 |
| Multi Hotels Limited* | 22,765,245 | 22,765,245 | 14,908,167 | 15,626,783 |
| Royal Orchid Maharashtra Private Limited* | 24,700,819 | 24,700,819 | 24,698,060 | 24,498,060 |
| Royal Orchid Associated Hotels Private Limited*# | 10,665 | 21,925,909 | 19,621,029 | 19,621,029 |
| Icon Hospitality Private Limited | 23,171,875 | 23,171,875 | 23,171,875 | 23,171,875 |
| Maruti Comforts & Inn Private Limited | 2,000,000 | 19,080,376 | 19,080,376 | 19,080,376 |
| Amar Tara Hospitality Private Limited | 11,325,184 | 11,325,184 | 4,397,372 | 4,397,372 |

The above loan amounts are repayable on demand.

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

Formerly Royal Orchid East Private Limited



Notes to the financial statements for the year ended 31 March 2013

28 Related party transactions

i. Parties where control exists

| Name of party | Nature of relationship |
|--|--|
| Icon Hospitality Private Limited | Subsidiary |
| Cosmos Premises Private Limited * | Subsidiary |
| Maruti Comforts & Inn Private Limited | Subsidiary |
| Amar Tara Hospitality Private Limited | Subsidiary |
| Royal Orchid Hyderabad Private Limited | Subsidiary |
| Royal Orchid Jaipur Private Limited | Subsidiary |
| Royal Orchid Ahmedabad Private Limited | Subsidiary (refer note 9(b)) |
| AB Holdings Private Limited | Subsidiary |
| Royal Orchid Associated Hotels Private Limited # | Subsidiary (subsidiary of AB Holdings Private Limited) |
| Royal Orchid South Private Limited | Subsidiary |
| Royal Orchid Shimla Private Limited | Subsidiary |
| Royal Orchid Goa Private Limited | Subsidiary |
| Royal Orchid Mumbai Private Limited | Subsidiary |
| Royal Orchid Maharashtra Private Limited | Subsidiary |
| Multi Hotels Limited | Subsidiary |
| Mr. Chander K. Baljee | Managing Director and Key Management Personnel |

* Effective 05 September 2012, through acquisition of control of board

Formerly Royal Orchid East Private Limited

ii. Key Management Personnel (KMP)

| | |
|-----------------------|-------------------|
| Mr. Chander K. Baljee | Managing Director |
|-----------------------|-------------------|

iii. Relatives of key management personnel

Mr. Arjun Baljee
Mr. Keshav Baljee
Mrs. Sunita Baljee

Amount in ₹

28 Related parties (Cont'd)

iv. Transactions with related parties during the year

| Nature of transaction | Subsidiary | | Joint Venture | | Key Management Personnel | | Relative of Key Management Personnel | | Entities controlled by KMP | |
|--|------------|------------|---------------|------------|--------------------------|------|--------------------------------------|------|----------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Management and technical fee income (excluding service tax) | | | | | | | | | | |
| Ksheer Sagar Developers Private Limited | - | - | 4,629,152 | 5,411,457 | - | - | - | - | - | - |
| Interest income on loans granted | | | | | | | | | | |
| Icon Hospitality Private Limited | 2,317,182 | 2,091,258 | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 2,994,018 | 1,919,138 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 558,634 | 527,685 | - | - | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | - | - | 11,248,095 | 819,672 | - | - | - | - | - | - |
| Interest expense on loans taken | | | | | | | | | | |
| Cosmos Premises Private Limited | 1,179,745 | - | - | - | - | - | - | - | - | - |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | 5,437,475 | - |
| Mr. Chander K. Baljee | - | - | - | - | 1,124,384 | - | - | - | - | - |
| Loans granted | | | | | | | | | | |
| Multi Hotels Limited | 7,857,078 | 2,977,450 | - | - | - | - | - | - | - | - |
| Royal Orchid Associated Hotels Private Limited | 2,304,880 | 19,352,637 | - | - | - | - | - | - | - | - |
| Royal Orchid Maharashtra Private Limited | 2,759 | 900,000 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 6,927,812 | 4,397,372 | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 7,000,000 | - | - | - | - | - | - | - | - | - |
| Royal Orchid South Private limited | 94,600 | - | - | - | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | - | - | 35,550,000 | 26,470,261 | - | - | - | - | - | - |
| Repayment of loans granted | | | | | | | | | | |
| Royal Orchid Jaipur Private Limited | 8,795,251 | 1,699,388 | - | - | - | - | - | - | - | - |
| AB Holding Private Limited | 3,785,300 | 19,080,000 | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 5,000,000 | - | - | - | - | - | - | - | - | - |
| Royal Orchid Hyderabad Private Limited | - | 669,853 | - | - | - | - | - | - | - | - |
| Loans taken | | | | | | | | | | |
| Cosmos Premises Private Limited | - | - | - | 6,962,081 | - | - | - | - | - | - |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | 58,000,000 | - |
| Mr. Chander K. Baljee | - | - | - | - | 15,000,000 | - | - | - | - | - |



Amount in ₹

28 Related parties (Cont'd)

iv. Transactions with related parties during the year (Cont'd)

| Nature of transaction | Subsidiary | | Joint Venture | | Key Management Personnel | | Relative of Key Management Personnel | | Entities controlled by KMP | |
|---|------------|------|---------------|-----------|--------------------------|------------|--------------------------------------|-----------|----------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Repayment of loans taken | | | | | | | | | | |
| Cosmos Premises Private Limited | 440,315 | - | - | 1,653,092 | - | - | - | - | - | - |
| Mr. Chander K. Baljee | - | - | - | - | 10,000,000 | - | - | - | - | - |
| Advances written off | | | | | | | | | | |
| Royal Orchid South Private Limited | 1,157,330 | - | - | - | - | - | - | - | - | - |
| Sale of fixed asset | | | | | | | | | | |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | 4,400,000 | - |
| Conversion of share application money to unsecured loan | | | | | | | | | | |
| J.H. Builders Private Limited | - | - | 1,165,683 | - | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | - | - | 41,620,749 | - | - | - | - | - | - | - |
| Raj Kamal Buildcon Private Limited | - | - | 1,117,162 | - | - | - | - | - | - | - |
| Ksheer Sagar Buildcon Private Limited | - | - | 1,115,640 | - | - | - | - | - | - | - |
| Remuneration | | | | | | | | | | |
| Mr. Chander K. Baljee | - | - | - | - | 15,900,000 | 14,400,000 | - | - | - | - |
| Mr. Keshav Baljee (including commission) | - | - | - | - | - | - | - | 1,184,788 | - | - |
| Rental expense | | | | | | | | | | |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | 17,388,642 | 14,885,837 |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | - | - | 4,355,363 | 3,721,459 |
| Dividends paid | | | | | | | | | | |
| Mr. Chander K. Baljee | - | - | - | - | - | 17,840,847 | - | - | - | - |
| Mrs. Sunita Baljee | - | - | - | - | - | 339,063 | - | - | - | - |
| Mr. Keshav Baljee | - | - | - | - | - | 1,205,103 | - | - | - | - |
| Mr. Arjun Baljee | - | - | - | - | - | 1,258,209 | - | - | - | - |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | 7,831,127 | - |
| Loans and advances receivable converted to investment (including current account balances) | | | | | | | | | | |
| AB Holdings Private Limited | 5,017,443 | - | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 28,657,393 | - | - | - | - | - | - | - | - | - |
| Royal Orchid Associated Hotels Private Limited | 21,915,244 | - | - | - | - | - | - | - | - | - |

v.

28 Related parties (Cont'd)

Amount in ₹

v. Balances (payable to)/receivable from related parties is summarised below:

| Nature of transaction | Subsidiary | | Joint Venture | | Key Management Personnel | | Relative of Key Management Personnel | | Entities controlled by KMP | |
|---|---------------------|---------------------|---------------------|---------------------|--------------------------|---------------------|--------------------------------------|---------------------|----------------------------|---------------------|
| | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 |
| Loans receivable | | | | | | | | | | |
| Royal Orchid Jaipur Private Limited | 4,641,581 | 13,436,832 | - | - | - | - | - | - | - | - |
| AB Holdings Private Limited | 21,497,160 | 30,299,903 | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 7,000,000 | 19,080,376 | - | - | - | - | - | - | - | - |
| Royal Orchid South Private Limited | - | 1,062,730 | - | - | - | - | - | - | - | - |
| Multi Hotels Limited | 22,765,245 | 14,908,167 | - | - | - | - | - | - | - | - |
| Royal Orchid Maharashtra Private Limited | 24,700,819 | 24,698,060 | - | - | - | - | - | - | - | - |
| Royal Orchid Associated Hotels Private Limited | 10,665 | 19,621,029 | - | - | - | - | - | - | - | - |
| Icon Hospitality Private Limited | 23,171,875 | 23,171,875 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 11,325,184 | 4,397,372 | - | - | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | - | - | 103,641,010 | 26,470,261 | - | - | - | - | - | - |
| J.H. Builders Private Limited | - | - | 1,165,683 | - | - | - | - | - | - | - |
| Raj Kamal Buildcon Private Limited | - | - | 1,117,162 | - | - | - | - | - | - | - |
| Ksheer Sagar Buildcon Private Limited | - | - | 1,115,640 | - | - | - | - | - | - | - |
| Technical and management fees receivable | | | | | | | | | | |
| Ksheer Sagar Developers Private Limited | - | - | 10,040,609 | 5,411,457 | - | - | - | - | - | - |
| Loans payable | | | | | | | | | | |
| Cosmos Premises Private Limited | (4,868,674) | - | - | (5,308,989) | - | - | - | - | - | - |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - | (58,000,000) | - |
| Mr. Chander K. Baljee | - | - | - | - | (5,000,000) | - | - | - | - | - |
| Interest receivable on loans granted | | | | | | | | | | |
| Icon Hospitality Private Limited | 4,408,440 | 2,091,258 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 1,086,319 | 527,685 | - | - | - | - | - | - | - | - |
| Maruti Comforts & Inn Private Limited | 2,994,018 | - | - | - | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | - | - | 12,067,767 | 819,672 | - | - | - | - | - | - |



Amount in ₹

28 Related parties (Cont'd)
v. Balances (payable to)/receivable from related parties is summarised below (Cont'd):

| Nature of transaction | Subsidiary | | Joint Venture | | Key Management Personnel | | Relative of Key Management Personnel | | Entities controlled by KMP | |
|---|---------------------|---------------------|---------------------|---------------------|--------------------------|---------------------|--------------------------------------|---------------------|----------------------------|---------------------|
| | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 | As at 31 March 2013 | As at 31 March 2012 |
| Rent payable | | | | | | | | | | |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | (5,888,643) | (9,318,137) |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | - | - | (1,833,508) | (1,166,188) |
| Dues to directors (remuneration payable) | | | | | | | | | | |
| Mr. Chander K. Baljee | - | - | (490,575) | (1,753,101) | - | - | - | - | - | - |
| Interest payable (net of tax deducted at source) | | | | | | | | | | |
| Cosmos Premises Private Limited | (1,061,771) | - | - | - | - | - | - | - | - | - |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | (1,822,412) | - |
| Mr. Chander K. Baljee | - | - | - | - | (1,100,338) | - | - | - | - | - |
| Security deposit given | | | | | | | | | | |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Mr. Chander K. Baljee | - | - | - | - | 60,000,000 | 60,000,000 | - | - | - | - |
| Security deposit payable | | | | | | | | | | |
| Presidency College of Hotel Management | - | - | - | - | - | - | - | - | (3,000,000) | (3,000,000) |
| Corporate guarantee taken outstanding | | | | | | | | | | |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | - | - | (390,000,000) | (390,000,000) |
| Personal guarantee taken outstanding | | | | | | | | | | |
| Mr. Chander K. Baljee | - | - | - | - | (1,079,000,000) | (1,079,000,000) | - | - | - | - |
| Mrs. Sunita Baljee | - | - | - | - | - | - | - | (12,500,000) | - | - |
| Corporate guarantee issued outstanding | | | | | | | | | | |
| Ksheer Sagar Developers Private Limited | - | - | 700,000,000 | 700,000,000 | - | - | - | - | - | - |
| Cosmos Premises Private Limited | 100,000,000 | - | - | 100,000,000 | - | - | - | - | - | - |
| Royal Orchid Ahmedabad Private Limited | - | 300,000,000 | - | - | - | - | - | - | - | - |
| Amar Tara Hospitality Private Limited | 950,000,000 | 950,000,000 | - | - | - | - | - | - | - | - |
| In the ordinary course of business, customers of the Company often settle a consolidated amount with companies affiliated with Royal Orchid Hotels Limited. The balances payable/receivable from each of the such affiliated companies are not considered to be material. | | | | | | | | | | |
| vi. | | | | | | | | | | |

Notes to the financial statements for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|-------------------------------------|-------------------------------------|
| 29 Earnings in foreign currency | | |
| Income from operations | 205,653,334 | 370,271,938 |
| 30 Expenditure in foreign currency | | |
| Commission | 4,420,475 | 6,830,520 |
| License and subscription | 3,690,294 | 6,459,897 |
| Royalty | - | 2,178,754 |
| Others | - | 2,711,179 |
| 31 Imported and indigenous food and beverages consumed | Year ended 31 March 2013 | Year ended 31 March 2012 |
| Imported | - - | - - |
| Indigenous | 131,953,006 100% | 107,679,028 100% |
| | 131,953,006 100% | 107,679,028 100% |
| The consumption above is net of ₹14,231,595 (31 March 2012 – ₹ 9,374,055) representing amounts utilised for internal consumption which has been classified under staff welfare. | | |
| 32 Value of imports on CIF basis | | |
| Capital goods | 78,715,214 | 1,912,546 |
| 33 Auditors' remuneration* | | |
| Statutory audit and limited reviews | 1,650,000 | 1,300,000 |
| Other services | - | 175,000 |
| Reimbursement of expenses | - | 57,455 |
| Service tax | 203,940 | 151,925 |
| | 1,853,940 | 1,684,380 |

* Included in legal and professional under note 23



34 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:

| Nature of transaction | Amount in ₹ | | | | | | | | | |
|--|------------------------------------|--------------------------|---|--------------------------|---------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|--------------------------|
| | Raj Kamal Buildcon Private Limited | | Ksheer Sagar Developers Private Limited | | Ksheer Sagar Buildcon Private Limited | | J.H. Builders Private Limited | | Cosmos Premises Private Limited | |
| | Year ended 31 March 2013 | Year ended 31 March 2012 | Year ended 31 March 2013 | Year ended 31 March 2012 | Year ended 31 March 2013 | Year ended 31 March 2012 | Year ended 31 March 2013 | Year ended 31 March 2012 | Year ended 31 March 2013 | Year ended 31 March 2012 |
| Equity interest | 50% | | 50% | | 50% | | 50% | | 50% | |
| Fixed assets | 50,634,977 | 51,673,306 | 451,822,782 | 474,731,893 | 50,634,977 | 51,673,306 | 50,634,921 | 51,673,305 | - | 106,741,409 |
| Current assets | 5,825 | 6,070 | 15,012,872 | 13,560,146 | 5,825 | 6,201 | 5,825 | 6,104 | - | 11,914,169 |
| Non - current assets (excluding fixed assets) | - | - | 4,576,992 | 17,231,096 | - | - | - | 32,343 | - | 6,377,533 |
| Short term borrowings | 1,120,343 | - | 112,305,880 | 25,735,130 | 1,119,191 | - | 1,168,829 | - | - | - |
| Long term borrowings | - | - | 281,000,000 | 320,000,000 | - | - | - | - | - | 25,938,216 |
| Current liabilities (excluding short term borrowings) | 878,476 | 711,862 | 122,816,733 | 89,074,916 | 878,338 | 711,862 | 869,118 | 695,959 | - | 20,405,936 |
| Non - current liabilities (excluding long term borrowings) | - | - | 413,634 | 304,548 | - | - | - | - | - | 5,608,381 |
| Income | - | - | 80,289,345 | 49,361,128 | - | - | - | - | 18,341,874 | 62,389,853 |
| Expenses | 679,491 | 25,433 | 153,675,039 | 69,774,052 | 679,483 | 25,383 | 718,467 | 25,434 | 19,529,055 | 56,778,967 |
| Capital commitments | - | - | - | - | - | - | - | - | - | - |

Notes to the financial statements for the year ended 31 March 2013**35 Segment information**

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

36 Prior period comparatives

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

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker, Chandiok & Co**

Chartered Accountants

per **Anupam Kumar**
Partner

Bengaluru
24 May 2013

For and on behalf of Board of Directors

Chander K. Baljee
Managing Director

Bengaluru
24 May 2013

R.V.S. Rao
Director

K B Shyam Kumar
Company Secretary



Independent Auditors' Report

To the Board of Directors of Royal Orchid Hotels Limited

- 1 We have audited the accompanying consolidated financial statements of Royal Orchid Hotels Limited, ("the Company") and its subsidiaries, associate and joint ventures (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

- 2 Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the financial information of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
 - ii) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

- 7 We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 217,462,744 as at 31 March 2013, total revenues (after eliminating intra-group transactions) of ₹ Nil and net cash inflows aggregating to ₹ 1,572,118 for the year then ended. These financial statements have not been audited and the related financial information has been incorporated in these consolidated financial statements based on accounts certified by the management of the Group. Our opinion is not qualified in respect of this matter.

For Walker, Chandiok & Co

Chartered Accountants

Firm Registration No.: 001076N

per Anupam Kumar

Partner

Membership No.: 501531

Bengaluru

24 May 2013

Consolidated Balance Sheet as at 31 March 2013

| | Notes | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--|-------|-----------------------------|-----------------------------|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 27,23,39,650 | 27,23,39,650 |
| Reserves and surplus | 4 | 1,80,67,06,974 | 2,11,14,83,772 |
| | | 2,07,90,46,624 | 2,38,38,23,422 |
| Minority interest | | 37,89,88,238 | 31,33,27,031 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 2,16,45,67,439 | 2,14,73,04,566 |
| Deferred tax liability, net | 6 | 7,79,15,331 | 7,76,21,415 |
| Other long term liabilities | 7 | 87,97,584 | 9,15,586 |
| Long-term provisions | 8 | 2,45,87,413 | 1,99,75,894 |
| | | 2,27,58,67,767 | 2,24,58,17,461 |
| Current liabilities | | | |
| Short-term borrowings | 5 | 22,85,01,795 | 10,20,17,811 |
| Trade payables | 9 | 27,29,64,925 | 20,60,05,190 |
| Other current liabilities | 10 | 56,35,66,982 | 1,10,72,93,062 |
| Short-term provisions | 8 | 47,19,134 | 15,16,719 |
| | | 1,06,97,52,836 | 1,41,68,32,782 |
| Total | | 5,80,36,55,465 | 6,35,98,00,696 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 4,65,44,90,112 | 3,17,40,57,323 |
| Intangible assets | 12 | 27,29,914 | 22,81,912 |
| Capital work-in-progress | | 15,91,78,940 | 1,94,72,92,898 |
| Goodwill (on consolidation) | | 17,73,90,701 | 28,41,74,300 |
| Non-current investments | 13 | 2,25,000 | 4,50,000 |
| Long-term loans and advances | 14 | 38,62,41,058 | 51,54,31,476 |
| Other non-current assets (margin money accounts) | | 1,41,48,164 | 2,00,94,331 |
| | | 5,39,44,03,889 | 5,94,37,82,240 |
| Current assets | | | |
| Inventories | 15 | 2,24,34,027 | 2,37,10,742 |
| Trade receivables | 16 | 14,04,49,866 | 12,24,17,152 |
| Cash and bank balances | 17 | 9,49,26,973 | 18,70,93,159 |
| Short-term loans and advances | 14 | 15,14,40,710 | 8,27,97,403 |
| | | 40,92,51,576 | 41,60,18,456 |
| Total | | 5,80,36,55,465 | 6,35,98,00,696 |

Summary of significant accounting policies and other explanatory information 2-33

Notes form an integral part of these consolidated financial statements

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

For Walker, Chandio & Co
Chartered Accountantsper Anupam Kumar
PartnerBengaluru
24 May 2013

For and on behalf on Board of Directors

Chander K. Baljee
Managing DirectorK B Shyam Kumar
Company SecretaryBengaluru
24 May 2013R.V.S. Rao
Director



Statement of Consolidated Profit and Loss for the year ended 31 March 2013

| | Notes | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|-------|----------------------------------|----------------------------------|
| Revenue | | | |
| Revenue from operations | 18 | 1,69,41,01,005 | 1,60,55,95,250 |
| Other income | 19 | 30,29,90,598 | 1,86,35,622 |
| Total revenue | | 1,99,70,91,603 | 1,62,42,30,872 |
| Expenses | | | |
| Food and beverages consumed | 20 | 20,26,43,873 | 18,52,65,157 |
| Employee benefits expense | 21 | 39,42,82,077 | 35,78,48,129 |
| Finance costs | 22 | 29,40,18,074 | 16,28,70,673 |
| Depreciation and amortisation | 23 | 27,36,35,888 | 14,15,47,020 |
| Other expenses | 24 | 92,05,94,639 | 80,10,02,611 |
| Total expenses | | 2,08,51,74,551 | 1,64,85,33,590 |
| Loss before tax and discontinuing operations | | (8,80,82,948) | (2,43,02,718) |
| Loss from discontinuing operations | 31 | (27,11,109) | - |
| Loss before tax but after discontinuing operations | | (9,07,94,057) | (2,43,02,718) |
| Tax expense | | | |
| Current tax | | 1,31,91,198 | 2,06,19,201 |
| Deferred tax (credit)/charge | | (62,38,101) | 45,14,393 |
| Minimum alternative tax credit | | (75,27,166) | - |
| | | (5,74,069) | 2,51,33,594 |
| Net loss before minority interest | | (9,02,19,988) | (4,94,36,312) |
| Minority interest | | (1,27,40,483) | (2,31,65,432) |
| Net loss after minority interest | | (7,74,79,505) | (2,62,70,880) |
| Earnings/Loss per equity share of ₹ 10 each | 25 | | |
| Basic/Diluted | | (2.84) | (0.96) |

Summary of significant accounting policies and other explanatory information 2-33

Notes form an integral part of these consolidated financial statements.

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

For Walker, Chandio & Co
Chartered Accountants

per Anupam Kumar
Partner

Bengaluru
24 May 2013

For and on behalf on Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director

Consolidated Cash Flow Statement for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|--|----------------------------------|----------------------------------|
| A. Cash flow from operating activities | | |
| Loss before tax but after discontinuing operations | (9,07,94,057) | (2,43,02,718) |
| Adjustments for: | | |
| Provision for doubtful debts | 87,67,116 | 1,59,39,573 |
| Depreciation and amortisation | 27,36,35,888 | 14,15,47,020 |
| (Profit)/Loss on sale of tangible assets, net | (43,46,726) | 8,42,582 |
| Interest income | (71,80,065) | (74,94,729) |
| Net gain on sale of investments | (27,63,90,230) | - |
| Interest expense, net | 28,38,10,286 | 16,08,96,475 |
| Advances written off | 1,00,18,506 | 29,31,805 |
| Operating profit before working capital changes | 19,75,20,718 | 29,03,60,008 |
| Changes in working capital : | | |
| Increase in liabilities and provisions | 20,64,93,442 | 16,34,96,354 |
| Increase in trade receivables | (2,37,53,285) | (2,92,16,732) |
| Decrease/(Increase) in inventories | 18,15,786 | (42,06,171) |
| Decrease/(Increase) in loans and advances | 11,83,55,210 | (15,99,39,643) |
| Cash generated from operations | 50,04,31,871 | 26,04,93,816 |
| Taxes paid | 1,18,80,972 | 73,00,000 |
| Net cash generated from operating activities | 48,85,50,899 | 25,31,93,816 |
| B. Cash flows from investing activities | | |
| Purchase of fixed assets (including changes in capital work-in-progress and capitalisation of interest cost) | (14,67,13,063) | (73,98,23,543) |
| Sale of investment | 19,00,52,591 | - |
| Advance received for sale of investment (refer note 31) | - | 20,00,00,000 |
| Sale of fixed assets | 62,64,053 | 5,52,314 |
| Change in project advances | (74,18,037) | (1,47,45,560) |
| Interest received | 76,68,124 | 58,06,706 |
| Advances to joint ventures | (4,52,70,114) | (1,32,35,131) |
| Change in margin money | 49,79,109 | (88,08,233) |
| Net cash generated from/(used in) investing activities | 95,62,663 | (57,02,53,447) |



Consolidated Cash Flow Statement for the year ended 31 March 2013 (Cont'd)

| | Year ended 31 March 2012 ₹ | Year ended 31 March 2011 ₹ |
|---|----------------------------------|----------------------------------|
| C. Cash flows from financing activities | | |
| Interest paid (net of interest capitalised) | (28,30,13,170) | (12,32,41,528) |
| Dividend paid (including tax on dividend) | (14,416) | (4,76,55,025) |
| Proceeds from long-term borrowings | 6,07,01,646 | 60,56,61,998 |
| Repayment of long-term borrowings | (49,53,93,408) | (15,50,84,746) |
| Proceeds from short-term borrowings | 15,60,06,236 | 3,34,30,006 |
| Repayment of short-term borrowings | (2,95,33,694) | (8,26,546) |
| Net cash (used in)/generated from financing activities | (59,12,46,806) | 31,22,84,159 |
| Net decrease in cash and cash equivalents (A+B+C) | (9,31,33,244) | (47,75,472) |
| Cash and cash equivalents at the beginning of the year | 18,67,26,292 | 19,15,01,764 |
| Cash and cash equivalents at the end of the year | 9,35,93,048 | 18,67,26,292 |

Note:

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

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Walker, Chandiok & Co
Chartered Accountants

per Anupam Kumar
Partner

Bengaluru
24 May 2013

For and on behalf on Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director

Notes to the consolidated financial statements for the year ended 31 March 2013

1 Background

Royal Orchid Hotels Limited ('the Company' or 'the Parent Company') was incorporated on 3 January 1986. The Company, along with its subsidiaries and joint ventures is engaged in business operating and managing of hotels/holiday resorts and providing related services.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared and presented on accrual basis under the historical cost convention unless stated otherwise 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 Act'). 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. Any revision to accounting estimates are recognised prospectively in the current and future years. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provisions for doubtful receivables, employee benefits and income taxes.

(c) Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company, its subsidiaries, joint ventures and share of profit in associate (hereafter collectively referred as 'the Group').

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

| | Country of incorporation | Percentage of share holding/ voting power | |
|--|-----------------------------|--|---------------|
| | | 31 March 2013 | 31 March 2012 |
| Subsidiaries | | | |
| Icon Hospitality Private Limited | India | 51.07% | 51.07% |
| Maruti Comforts & Inn Private Limited | India | 67% | 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 Associated Hotels 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 Maharashtra Private Limited | India | 100% | 100% |
| Royal Orchid Ahmedabad Private Limited (refer note 31) | India | Nil | 100% |



Notes to the consolidated financial statements for the year ended 31 March 2013

2 Significant accounting policies (Cont'd)

(c) Principles of consolidation (Cont'd)

| | Country of incorporation | Percentage of share holding/voting power | |
|---|--------------------------|--|---------------|
| | | 31 March 2013 | 31 March 2012 |
| Amar Tara Hospitality Private Limited | India | 74% | 74% |
| Royal Orchid Mumbai Private Limited | India | 100% | 100% |
| Cosmos Premises Private Limited* | India | 50% | Nil |
| 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 | Nil | 50% |
| Associate | | | |
| Parsvnath Royal Orchid Hotels Limited | India | Nil | 30% |

* Became a subsidiary on 5 September 2012, by acquiring board control.

Formerly Royal Orchid East Private Limited

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as prescribed in 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 unrealised 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.

The period of financial statements of the subsidiaries, joint ventures and associate for the purpose of consolidation is consistent with that of the Parent Company.

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 change 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.

Notes to the consolidated financial statements for the year ended 31 March 2013

2 Significant accounting policies (Cont'd)

(d) Revenue recognition

Revenues comprise income from the sale of rooms, food, beverages and allied services during a guest's stay at the hotel. Room revenue is recognised based on occupation and revenue from sale of food, 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 and when the services are rendered, based on agreements with the concerned parties.

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

(e) 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. Fixed asset acquired in exchange for another asset is recorded at the net book value of asset given up, which generally approximates its fair value.

Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date are disclosed as capital advances under long term loans and advances. The cost incurred towards fixed assets, but not ready for their intended use before each Balance Sheet date is disclosed as capital work-in-progress, if any.

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

(f) Depreciation and amortisation

Depreciation/amortisation on fixed assets is provided on the straight line method, using the higher of rates specified in Schedule XIV to the Act or the management estimates of the economic useful lives of such assets. These rates are specified below:

| Asset category | Rates of depreciation used (%) |
|--|--------------------------------|
| Buildings | 1.67 - 6.67 |
| Plant and equipments | 4.75 - 20.00 |
| Furniture and fixtures | 9.50 - 33.33 |
| Vehicles | 9.50-16.21 |
| Office equipments | 4.75 |
| Computers | 16.21 |
| Intangible asset being computer software | 16.21 |

Assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase. Leasehold improvements are amortised over the term of lease.

(g) 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 cost as incurred are charged to the Statement of Profit and Loss. The Group continues to capitalise the borrowing costs during the period of temporary suspension on account of delay in technical and administrative work.



Notes to the consolidated financial statements for the year ended 31 March 2013

2 Significant accounting policies (Cont'd)

(h) 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.

(i) 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 Statement of Profit and Loss. 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/amortised historical cost.

(j) Investments

Investments that are readily realisable 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.

(k) Inventory

Inventory comprises food, beverages, stores and spare parts and is carried at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

(l) Foreign currency transactions

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 respective transaction.

Foreign currency monetary items are reported using the closing rate. 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.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Exchange differences arising on a monetary item that, in substance, form part of Company'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.

(m) Lease

Where the Group leases land and buildings 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.

Notes to the consolidated financial statements for the year ended 31 March 2013

2 Significant accounting policies (Cont'd)

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 recognised as an expense in the Statement of Profit and Loss on a straight line basis.

(n) Retirement benefits

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

Provident fund

The Group contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with the Employees' Provident Funds and Miscellaneous Provisions 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 Statement of Profit and Loss in the year in which such gains or losses arises.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences 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.

(o) 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).

(p) Tax expense

Current tax

Provision is made for income tax under the tax payable method based on the liability computed after taking credit for deductions, allowances and exemptions as per the relevant tax regulations.



Notes to the consolidated financial statements for the year ended 31 March 2013

2 Significant accounting policies (Cont'd)

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 Group and the asset can be measured reliably.

Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

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.

(q) Earnings per share

Basic earnings/(loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the period 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/(loss) per share, the profit/loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(r) 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.

(s) Onerous contracts

Present obligations arising under onerous contracts are recognised 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.

Notes to the consolidated financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | | As at 31 March 2012 ₹ | |
|---|-----------------------------|--------------------|-----------------------------|--------------------|
| | Number | Amounts | Number | Amounts |
| 3 Share capital | | | | |
| Authorised share capital | | | | |
| Equity shares of ₹ 10 each | 50,000,000 | 500,000,000 | 50,000,000 | 500,000,000 |
| | 50,000,000 | 500,000,000 | 50,000,000 | 500,000,000 |
| Issued, subscribed and paid up | | | | |
| Equity shares of ₹ 10 each, fully paid up | 27,233,965 | 272,339,650 | 27,233,965 | 272,339,650 |
| | 27,233,965 | 272,339,650 | 27,233,965 | 272,339,650 |

| | As at 31 March 2013 ₹ | | As at 31 March 2012 ₹ | |
|--|-----------------------------|----------------------|-----------------------------|----------------------|
| | | | | |
| 4 Reserves and surplus | | | | |
| Capital reserves | | 46,794,798 | | 46,794,798 |
| Foreign exchange earnings reserve | | 1,750,000 | | 1,750,000 |
| Securities premium reserve | | 1,130,684,095 | | 1,130,684,095 |
| Employee stock option outstanding account | | | | |
| Balance at the beginning of the year | | - | | 476,655 |
| Less: Credited back to general reserve during the year | | - | | 476,655 |
| | | - | | - |
| General reserve | | | | |
| Balance at the beginning of the year | | 101,593,740 | | 101,117,085 |
| Add: Transfer from employee stock option outstanding on lapse of options | | - | | 476,655 |
| | | 101,593,740 | | 101,593,740 |
| Currency translation reserve | | | | |
| Balance at the beginning of the year | | 9,290,889 | | 8,449,285 |
| Changes during the year | | (310,654) | | 841,604 |
| | | 8,980,235 | | 9,290,889 |



Notes to the consolidated financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| 4 Reserves and surplus (Contd.) | | |
| Surplus in the Statement of Profit and Loss | | |
| Balance at the beginning of the year | 594,383,611 | 620,654,491 |
| Add : Loss for the year | (77,479,505) | (26,270,880) |
| | 516,904,106 | 594,383,611 |
| Revaluation reserve | | |
| Balance at the beginning of the year | 226,986,639 | - |
| Add: Revaluation of land and building (refer note 30) | - | 226,986,639 |
| Less: Withdrawn on sale of investment in Royal Orchid Ahmedabad Private Limited (refer note 30) | 226,986,639 | - |
| | - | 226,986,639 |
| | 1,806,706,974 | 2,111,483,772 |

There were no changes in the capital reserve, foreign exchange earnings reserve and securities premium account during the current and previous years.

| | As at 31 March 2013 | | As at 31 March 2012 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Long term ₹ | Short term ₹ | Long term ₹ | Short term ₹ |
| 5 Borrowings | | | | |
| Secured | | | | |
| Term loans | | | | |
| From bank | 2,027,489,540 | - | 2,540,844,640 | - |
| From a financial institution | 198,500,000 | - | 221,900,000 | - |
| Funded Interest Term Loans (FITL) | | | | |
| From banks | 81,630,483 | - | - | - |
| From a financial institution | 12,867,151 | - | - | - |
| Vehicle loan | 13,318,283 | - | 15,393,176 | - |
| Bank overdraft | - | 63,186,538 | - | 50,592,038 |
| | 2,333,805,457 | 63,186,538 | 2,778,137,816 | 50,592,038 |
| Less : Current maturities of long term debt | 175,408,373 | - | 633,988,740 | - |
| | 2,158,397,084 | 63,186,538 | 2,144,149,076 | 50,592,038 |
| Unsecured | | | | |
| Term loans | | | | |
| From directors | - | 55,060,573 | - | 29,944,091 |
| Others | 6,170,355 | 110,254,684 | 3,155,490 | 21,481,682 |
| | 6,170,355 | 165,315,257 | 3,155,490 | 51,425,773 |
| | 2,164,567,439 | 228,501,795 | 2,147,304,566 | 102,017,811 |

Notes to the consolidated financial statements for the year ended 31 March 2013

Notes:

I) Corporate Debt Restructuring ("CDR")

During the year, the Company has executed a Corporate Debt Restructuring ("CDR") scheme under the CDR mechanism. In accordance with the approved CDR scheme and after attaining super majority, the Company executed a Master Restructuring Agreement ("MRA") with the lenders on 28 March 2013, with an effective date of 01 October 2012. The MRA, inter-alia, provides for waiver of certain existing obligations of the Company, restructuring of repayment terms for principal and interest, reduction/ adjustment in interest rates, conversion of outstanding interest amounts to loan, pledge of promoter shareholding as additional security to lenders, promoter undertaking for additional infusion of funds, monitoring oversight and certain restrictive covenants, as defined. The measurement, classification and disclosures of the Company's term loan obligations have been recorded in these financial statements in accordance with the MRA, subject to final account reconciliations and satisfactory completion of all terms set by the MRA. The Company is required to implement the terms of MRA within 120 days.

II) Details of terms of repayment, guarantee and security for term loans from banks

- (i) (a) 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 in April 2009 to finance the hotel project at Hyderabad.

This term loan is secured by way of first mortgage charge on all immovable properties and assets of the said project and first charge by way of hypothecation of all moveable assets, both present and future. Additionally, the term loan is secured by the corporate guarantee of Alif Resources and Infrastructure Private Limited and personal guarantees of Mr. Chander K. Baljee, Managing Director and Mr. Kiran Kumar, Director, Alif Resources and Infrastructure Private Limited.

The secured term loan is repayable in 30 quarterly instalments commencing from 30 September 2011 and bear floating interest rates ranging between 14% - 16%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 24 quarterly instalments commencing from 30 June 2014 and bear interest rate ranging between 13% - 17%.

The balance outstanding as at 31 March 2013 is ₹ 889.96 million (31 March 2012 - ₹ 991.60 million).

- b) The Company was sanctioned a term loan from State Bank of Hyderabad for ₹ 65 million in April 2009 to finance for repairs, renovation, refurbishment and maintenance for Ramada Hotel, Bangalore.

Term loan from bank is secured by equitable mortgage of lease hold property leased in favour of Hotel Royal Orchid and Hotel Ramada situated in Bangalore and exclusive charge on assets created out of bank finance. Further, the term loan is secured by extension of first charge on all fixed assets of the Company, both present and future. Additionally, the term loan is secured by the corporate guarantees of Baljee Hotels and Real Estates Private Limited and Hotel Stay Longer Private Limited and a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 21 quarterly instalments commencing from December 2009 and bear floating interest rates ranging between 13.75% - 15%.

The Company was sanctioned a term loan from State Bank of Hyderabad for ₹ 129.50 million in April 2009 to finance repairs, renovation, refurbishment and maintenance for Pune Project.

The loan is secured by equitable mortgage of lease hold property leased in favour of Royal Orchid Hotel situated at Pune and exclusive charge on assets created out of bank finance. Further, the term loan is secured by extension of first charge on all fixed assets of the company, both present and future. Additionally, the term is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 22 quarterly instalments commencing from September 2009 and bear floating interest rates ranging between 13.75% - 15%.



Notes to the consolidated financial statements for the year ended 31 March 2013

Pursuant to the Corporate Debt Restructuring, the above term loans have been rescheduled and are repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rate ranging between 13% - 17.60%.

The balance outstanding as at 31 March 2013 is ₹ 84.40 million (31 March 2012 - ₹ 111 million).

- ii) The Company was sanctioned a term loan from IDBI Bank Limited for ₹ 400 million in March 2010 to finance repairs, renovation, refurbishment and maintenance for the existing hotels.

The loan is secured by a first paripassu charge on equitable mortgage of leasehold property of Hotel Royal Orchid, Bangalore. Additionally, the loan is secured by the corporate guarantee of Baljees Hotels and Real Estates Private Limited and a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 20 quarterly instalments commencing from 01 July 2010 and bear floating interest rates ranging between 14% - 15.25%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rate ranging between 13% - 16.25%.

The balance outstanding as at 31 March 2013 is ₹ 285 million (31 March 2012 - ₹ 350 million).

- iii) The Company was sanctioned a term loan from Tourism Finance Corporation of India Limited for ₹ 250 million in July 2011 towards expansion in hospitality sector.

The loan is secured by a first paripassu charge on all the fixed assets, both present and future, of the Hotel Royal Orchid, Bangalore which comprise equitable mortgage of leasehold land and building and hypothecation of all movables ranking pari passu with State Bank of Hyderabad and IDBI Bank Limited. Additionally, the loan is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director.

The term loan is repayable in 16 quarterly instalments of ₹ 15.50 million each, commencing from 15 October 2011 and bear floating interest rates ranging between 13.50% - 14%. Pursuant to the Corporate Debt Restructuring, the term loan has been rescheduled and is repayable in 18 quarterly instalments commencing from 30 June 2014 and bear interest rate ranging between 13% - 15.50%.

The balance outstanding as at 31 March 2013 is ₹ 198.50 million (31 March 2012 - ₹ 221.9 million).

- iv) In accordance with the MRA, the outstanding interest amounts on the loans in CDR package were converted to a Funded Interest Term Loan ('FITL') of ₹ 94.49 million (31 March 2012 - ₹ Nil), which is secured by extension of charge on security held by respective banks.

- v) During the year ended 31 March 2008, Icon Hospitality Private Limited ("Icon") 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 paripassu charge in favour of SBH Consortium equitable mortgage of the hotel property and a first charge on all movable fixed assets of Icon, both present and future. Additionally, these borrowing are secured by the personal guarantees of the Directors of Icon - Mr. Chander K. Baljee, Mr. Dayanand Pai and Mr. Satish Pai. The balance outstanding as at 31 March 2013 - ₹ 233.95 million (31 March 2012: ₹ 257.25 million).

- vi) Maruti Comforts & Inn Private Limited ("Maruti") has availed a term loan facility of ₹ 120 Million from State Bank of Hyderabad. The loan is repayable in 20 quarterly instalments. This loan is secured by way of first charge on all fixed assets of Maruti including equitable mortgage of lease hold rights of land and building. Additionally these borrowings are secured by the personal guarantees of the Directors of Maruti - Mr Chander K. Baljee and Mr Ravi S. Doddi. The balance outstanding as at 31 March 2013 - ₹ 62.50 million (31 March 2012 - ₹ 90.62 million).

- vii) During the year ended 31 March 2009, Cosmos Premises Private Limited ("Cosmos") was sanctioned ₹ 100 million of term loan facility by State Bank of Hyderabad. The loan is repayable in 24 quarterly instalments ending June 2015 commencing from September 2009. The loan is repayable in 11 quarterly instalments commencing from April 2011 and ending October 2013. The loan is secured against an equitable mortgage of specified property of Cosmos and guarantees by Royal Orchid Hotels Limited and Vascon Engineers Limited. The balance outstanding for the Group as at 31 March 2013 - ₹ 36.99 million (31 March 2012: ₹ 33.92 million).

Notes to the consolidated financial statements for the year ended 31 March 2013

- viii) During the year ended 31 March 2010, Royal Orchid Ahmedabad Private Limited availed a term loan of ₹ 300 million from IDBI Bank and had drawn down the entire amount for the purpose of construction of hotel property at Ahmedabad. The loan was repayable in 28 quarterly instalments. This loan was secured by extending a first charge on all movable and immovable assets of the project. Additionally, a corporate guarantee had been provided by the Royal Orchid Hotels Limited. The loan was settled fully during the year. The balance outstanding as at 31 March 2013 - Nil (31 March 2012 - ₹ 269.60 million).
- ix) During the year ended 31 March 2010, Ksheer Sagar Developers Private Limited ("KSDPL") availed a term loan of ₹ 700 million IDBI Bank Limited. The term loan is secured by way of first mortgage/charge on all movable and immovable assets of KSDPL, a corporate guarantee of Royal Orchid Hotels Limited (Joint Venturer) and the personal guarantee of Mr. Jagdish Prasad Tambi (Director of KSDPL). The loan is repayable in 84 monthly instalments ending on March 2019. The balance outstanding for the Group as at 31 March 2013 - ₹ 326 million (31 March 2012 - ₹ 350 million).
- x) During the year ended 31 March 2011, Amar Tara Hospitality Private Limited ("Amar Tara") availed a term loan facility of ₹ 900 million from Axis Bank Limited. The loan is repayable in 33 quarterly instalments ending on March 2022. The loan is secured by way of first charge on the fixed assets, current assets of Amar Tara and the guarantees of Royal Orchid Hotels Limited and Amar Tara Private Limited. The balance outstanding as on 31 March 2012 - ₹ 108.67 million (31 March 2011 - ₹ 86.84 million).
- xi) The vehicle loans are secured by the hypothecation of the vehicles concerned.
- xii) Bank overdrafts bear a floating interest rate of 13.00 - 15.00%.
- xiii) The unsecured loans are repayable on demand and bear interest rate ranging between Nil - 18%.
- xiv) The current portion of the term loan where instalments are due within one year have been classified as "current maturities of long term debt" under other current liabilities.

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|--|-----------------------------|-----------------------------|
| 6 Deferred tax liability, net | | |
| Deferred tax liabilities | | |
| Timing difference on depreciation and amortisation | 141,659,402 | 132,252,078 |
| | 141,659,402 | 132,252,078 |
| Deferred tax assets | | |
| Provision for brought forward losses and unabsorbed depreciation | 43,296,162 | 40,340,059 |
| Provision for employee benefits | 10,710,896 | 7,414,698 |
| Others | 9,737,013 | 6,875,906 |
| | 63,744,071 | 54,630,663 |
| | 77,915,331 | 77,621,415 |
| 7 Other long term liabilities | | |
| Lease rent equalisation | 4,547,584 | - |
| Advance from contractors | 4,250,000 | - |
| Retention money payable | - | 915,586 |
| | 8,797,584 | 915,586 |



Notes to the consolidated financial statements for the year ended 31 March 2013

| | As at 31 March 2013 | | As at 31 March 2012 | |
|---|---|---|---------------------|-------------------|
| | Long term ₹ | Short term ₹ | Long term ₹ | Short term ₹ |
| 8 Provisions | | | | |
| Provisions for employee benefits | | | | |
| Gratuity | 15,098,977 | 2,079,377 | 13,218,552 | 701,373 |
| Compensated absences | 8,840,436 | 1,642,512 | 5,617,342 | 479,346 |
| Others | 648,000 | 997,245 | 1,140,000 | 336,000 |
| | 24,587,413 | 4,719,134 | 19,975,894 | 1,516,719 |
| a) Employee benefits | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ | | |
| (i) Gratuity | | | | |
| Change in projected benefit obligation | | | | |
| Projected benefit obligation at the beginning of the year | | 13,862,165 | | 13,820,467 |
| Current service cost | | 4,780,808 | | 4,446,545 |
| Past service cost | | 779,233 | | - |
| Interest cost | | (597,304) | | 1,076,187 |
| Actual benefit payments | | (1,081,349) | | (1,263,344) |
| Actuarial gains | | (565,199) | | (4,159,930) |
| Liability to be recognised in Balance Sheet | | 17,178,354 | | 13,919,925 |
| Components of net gratuity costs are | | | | |
| Service cost | | 4,780,808 | | 4,446,545 |
| Interest cost | | (597,304) | | 1,076,187 |
| Recognised net actuarial gain | | (565,199) | | (4,159,930) |
| Expense recognised in Statement of Profit and Loss under note 21 | | 3,618,305 | | 1,362,802 |
| Assumptions used for gratuity and compensated absences | | | | |
| Discount rate | | 8.20% | | 8.50% |
| Salary escalation rate | | 7.00% | | 7.00% |
| Attrition rate | | 2% - 5% | | 2% - 5% |
| Retirement age | | 45 - 55 years | | 45 - 55 years |
| Mortality rates | | 100% of IAL* | | 100% of IAL* |

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

* Indian Assured Lives Mortality

Notes to the consolidated financial statements for the year ended 31 March 2013

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| 9 Trade payables | | |
| Creditors | 272,964,925 | 206,005,190 |
| | 272,964,925 | 206,005,190 |
| 10 Other current liabilities | | |
| Interest accrued and due on borrowings | 40,660,855 | 39,863,739 |
| Current maturities of long term debt | 175,408,373 | 633,988,740 |
| Accrued expenses | 49,404,520 | 76,334,917 |
| Dues to employees | 44,281,969 | 41,006,972 |
| Statutory dues | 73,821,080 | 45,431,856 |
| Payable to joint ventures | - | 178,734 |
| Advance received from customers | 27,397,127 | 14,739,208 |
| Bank overdraft (in books) | 19,563,308 | 9,213,308 |
| Advance received for sale of shares in subsidiary (refer note 31) | - | 200,000,000 |
| Retention money payable | 91,218,304 | 10,594,179 |
| Dues to directors | 1,226,184 | 2,063,775 |
| Other liabilities | 40,585,262 | 33,877,634 |
| | 563,566,982 | 1,107,293,062 |



Notes to the consolidated financial statements for the year ended 31 March 2013

| 11 Tangible assets | Amount in ₹ | | | | | | | |
|--------------------------------|----------------------------------|---|-------------------------|---------------------------|------------|----------------------|------------|---------------|
| Particulars | Land (including leasehold) | Buildings (including leasehold improvements) | Plant and equipments | Furniture and fixtures | Vehicles | Office equipments | Computers | Total |
| Gross Block | | | | | | | | |
| Balance as at 01 April 2011 | 989,748,125 | 901,722,757 | 747,667,662 | 417,302,708 | 67,547,048 | 100,980,934 | 38,018,732 | 3,262,987,966 |
| Additions / Adjustments | 168,465,042 | 299,954,449 | 128,737,326 | 23,657,071 | 1,165,787 | 901,320 | 12,654,602 | 635,535,597 |
| Disposals/ Adjustments | - | - | 20,795 | 628,444 | 1,189,063 | 163,478 | 55,399 | 2,057,179 |
| Balance as at 31 March 2012 | 1,158,213,167 | 1,201,677,206 | 876,384,193 | 440,331,335 | 67,523,772 | 101,718,776 | 50,617,935 | 3,896,466,384 |
| Additions / Adjustments (net) | 417,555,055 | 737,569,799 | 242,105,235 | 323,470,252 | 16,749,865 | (9,310,457) | 17,302,718 | 1,745,442,467 |
| Disposals | - | 953,160 | 854,220 | 1,193,982 | 24,128,695 | 99,507 | 9,962 | 27,239,526 |
| Balance as at 31 March 2013 | 1,575,768,222 | 1,938,293,845 | 1,117,635,208 | 762,607,605 | 60,144,942 | 92,308,812 | 67,910,691 | 5,614,669,325 |
| Accumulated depreciation | | | | | | | | |
| Balance as at 01 April 2011 | 1,726,377 | 169,540,409 | 151,424,406 | 184,741,062 | 33,298,428 | 20,873,759 | 22,015,282 | 583,619,723 |
| Charge for the year | 60,040 | 35,958,518 | 42,554,914 | 40,909,944 | 8,610,807 | 4,819,766 | 6,537,632 | 139,451,621 |
| Reversal on disposal of assets | - | - | 3,857 | 221,951 | 376,374 | 26,728 | 33,373 | 662,283 |
| Balance as at 31 March 2012 | 1,786,417 | 205,498,927 | 193,975,463 | 225,429,055 | 41,532,861 | 25,666,797 | 28,519,541 | 722,409,061 |
| Adjustments (net) | - | (2,072,845) | (6,925,402) | 448,011 | 402,766 | (990,729) | (854,836) | (9,993,035) |
| Charge for the year | 13,012,381 | 53,822,573 | 66,506,945 | 116,155,742 | 10,592,148 | 4,546,348 | 8,449,249 | 273,085,386 |
| Reversal on disposal of assets | - | 953,160 | 274,566 | 1,143,611 | 22,919,037 | 23,804 | 8,021 | 25,322,199 |
| Balance as at 31 March 2013 | 14,798,798 | 256,295,495 | 253,282,440 | 340,889,197 | 29,608,738 | 29,198,612 | 36,105,933 | 960,179,213 |
| Net block | | | | | | | | |
| Balance as at 31 March 2012 | 1,156,426,750 | 996,178,279 | 682,408,730 | 214,902,280 | 25,990,911 | 76,051,979 | 22,098,394 | 3,174,057,323 |
| Balance as at 31 March 2013 | 1,560,969,424 | 1,681,998,350 | 864,352,768 | 421,718,408 | 30,536,204 | 63,110,200 | 31,804,758 | 4,654,490,112 |

Note:

- Adjustments includes additions in gross block and accumulated depreciation amounting to ₹ 131,797,215 and ₹ 25,253,071 respectively, due to change in relationship with Cosmos Premises Private Limited from joint venture to subsidiary; and deletion of gross block of assets of ₹ 536,862,537 and accumulated depreciation thereon of ₹ 35,246,106 on account of sale of investment in Royal Orchid Ahmedabad Private Limited.
- Land and building includes revaluation amounting to ₹ 208,176,194 (31 March 2012 - ₹ 373,612,154) and ₹ Nil (31 March 2012 - ₹ 61,550,679) respectively (refer note 30).

Notes to the consolidated financial statements for the year ended 31 March 2013

12 Intangible assets

| | | | | Amount in ₹ |
|------------------------------------|--------------------|------------------|------------------|-------------------|
| Particulars | Brand usage rights | Goodwill | Software | Total |
| Gross block | | | | |
| Balance as at 01 April 2011 | 8,902,801 | 4,554,451 | 1,215,621 | 14,672,873 |
| Additions | - | - | 2,028,770 | 2,028,770 |
| Balance as at 31 March 2012 | 8,902,801 | 4,554,451 | 3,244,391 | 16,701,643 |
| Adjustments | - | - | (488,065) | (488,065) |
| Additions | - | - | 1,392,619 | 1,392,619 |
| Balance as at 31 March 2013 | 8,902,801 | 4,554,451 | 4,148,945 | 17,606,197 |
| Accumulated amortisation | | | | |
| Balance as at 01 April 2011 | 7,122,240 | 4,554,451 | 647,641 | 12,324,332 |
| Amortisation for the year | 1,780,561 | - | 314,838 | 2,095,399 |
| Balance as at 31 March 2012 | 8,902,801 | 4,554,451 | 962,479 | 14,419,731 |
| Adjustments | - | - | (93,950) | (93,950) |
| Amortisation for the year | - | - | 550,502 | 550,502 |
| Balance as at 31 March 2013 | 8,902,801 | 4,554,451 | 1,419,031 | 14,876,283 |
| Balance as at 31 March 2012 | - | - | 2,281,912 | 2,281,912 |
| Balance as at 31 March 2013 | - | - | 2,729,914 | 2,729,914 |

Note:

Adjustments includes additions in gross block and accumulated amortisation amounting to ₹ 217,875 and ₹ 20,610 respectively, due to change in relationship with Cosmos Premises Private Limited from joint venture to subsidiary; and deletion of gross block of assets of ₹ 705,940 and accumulated depreciation thereon of ₹ 114,560 on account of sale of investment in Royal Orchid Ahmedabad Private Limited.

| | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
|---|-----------------------------|-----------------------------|
| 13 Non-current investments, at cost | | |
| Long-term, trade investments in equity instruments (unquoted) | | |
| Investment in shares of associate | | |
| Parsvnath Royal Orchid Hotels Limited | - | 225,000 |
| (Nil (31 March 2012 – 15,000) equity shares of ₹10 each) | | |
| Long-term, non-trade investments in government securities (unquoted) | | |
| National savings certificate | 225,000 | 225,000 |
| | 225,000 | 450,000 |



Notes to the consolidated financial statements for the year ended 31 March 2013

| | As at 31 March 2013 | | As at 31 March 2012 | |
|--|---------------------|--------------------|--------------------------------------|--------------------------------------|
| | Long term ₹ | Short term ₹ | Long term ₹ | Short term ₹ |
| 14 Loans and advances (Unsecured, considered good) | | | | |
| Capital advances | 200,000 | - | 9,290,716 | - |
| Security deposits | 286,434,004 | 1,740,900 | 435,015,911 | 108,000 |
| Prepaid expenses | 29,491,332 | 22,898,595 | 28,974,523 | 19,837,598 |
| Advance tax, net of provision for tax | 35,501,404 | - | 11,277,910 | - |
| Interest accrued and not due on fixed deposits | 1,909,073 | - | 2,397,132 | - |
| Project advances | 22,158,172 | - | 15,667,925 | - |
| MAT credit entitlement | 6,704,191 | 3,900,000 | 3,674,180 | - |
| Advances to suppliers | - | 21,064,608 | - | 11,137,830 |
| Receivable from joint ventures | - | 59,927,355 | - | 14,657,241 |
| Dues from employees | - | 2,001,427 | - | 1,506,244 |
| Other advances | 3,842,882 | 39,907,825 | 9,133,179 | 35,550,490 |
| | 386,241,058 | 151,440,710 | 515,431,476 | 82,797,403 |
| | | | As at 31 March 2013 ₹ | As at 31 March 2012 ₹ |
| 15 Inventories | | | | |
| Food and beverages | | | 16,522,802 | 16,230,770 |
| Stores and spares | | | 5,911,225 | 7,479,972 |
| | | | 22,434,027 | 23,710,742 |
| 16 Trade receivables (Unsecured) | | | | |
| Billed | | | | |
| Considered good | | | 134,152,631 | 115,030,861 |
| Considered doubtful | | | 29,254,997 | 19,932,997 |
| Unbilled | | | 6,297,235 | 7,386,291 |
| | | | 169,704,863 | 142,350,149 |
| Less : Provision for doubtful receivables | | | 29,254,997 | 19,932,997 |
| | | | 140,449,866 | 122,417,152 |
| 17 Cash and bank balances | | | | |
| Cash and cash equivalents | | | | |
| Balances with banks | | | | |
| - in current accounts | | | 88,023,554 | 81,085,095 |
| - in deposit account | | | 1,099,793 | 102,239,341 |
| Cash on hand | | | 4,469,701 | 3,401,856 |
| | | | 93,593,048 | 186,726,292 |
| Other bank balances | | | | |
| - in deposit accounts | | | 1,333,925 | 366,867 |
| | | | 1,333,925 | 366,867 |
| | | | 94,926,973 | 187,093,159 |

Notes to the consolidated financial statements for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| 18 Revenue | | |
| Revenue from operations | | |
| Sale of services | | |
| - Rooms | 972,881,975 | 1,002,948,564 |
| - Food and beverages | 614,235,002 | 527,210,063 |
| - Income from spa facilities | 4,200,424 | 1,775,118 |
| - Service charges | 53,876,017 | 49,971,801 |
| - Management and technical fee | 48,907,587 | 23,689,704 |
| | 1,694,101,005 | 1,605,595,250 |
| 19 Other income | | |
| Interest from bank deposits | 7,180,065 | 7,494,729 |
| Net gain on sale of investments | 276,390,230 | - |
| Profit on sale of fixed assets (net) | 4,346,726 | - |
| Net gain on foreign currency transactions and translations | - | - |
| Miscellaneous | 15,073,577 | 11,140,893 |
| | 302,990,598 | 18,635,622 |
| 20 Food and beverages consumed | | |
| Opening stock | 16,230,770 | 13,197,970 |
| Add : Purchases during the year | 202,935,905 | 188,297,957 |
| | 219,166,675 | 201,495,927 |
| Less : Closing stock | 16,522,802 | 16,230,770 |
| | 202,643,873 | 185,265,157 |
| The consumption above is net of ₹ 21,074,279 (31 March 2012 – ₹ 17,418,572) representing amounts utilised for internal consumption which has been classified under staff welfare. | | |
| 21 Employee benefits expense | | |
| Salaries and bonus | 341,544,958 | 317,836,082 |
| Contribution to provident and other defined contribution funds | 17,989,314 | 8,648,431 |
| Staff welfare expenses | 34,747,805 | 31,363,616 |
| | 394,282,077 | 357,848,129 |
| 22 Finance costs | | |
| Interest expense | 365,922,737 | 626,643,619 |
| Less : Capitalised during the year | 82,112,451 | 465,747,144 |
| | 283,810,286 | 160,896,475 |
| Bank charges | 10,207,788 | 1,974,198 |
| | 294,018,074 | 162,870,673 |
| 23 Depreciation and amortisation | | |
| Depreciation | 273,085,386 | 139,451,621 |
| Amortisation | 550,502 | 2,095,399 |
| | 273,635,888 | 141,547,020 |



Notes to the consolidated financial statements for the year ended 31 March 2013

| | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| 24 Other expenses | | |
| Guest transportation | 11,868,518 | 12,222,736 |
| Linen and room supplies | 28,348,036 | 31,436,117 |
| Catering and other kitchen supplies | 15,721,374 | 21,940,390 |
| Cablenet charges | 14,318,273 | 11,244,695 |
| Uniform washing and laundry | 19,544,884 | 17,966,593 |
| Banquet expenses | 71,768,416 | 60,862,366 |
| Power, water and fuel | 171,306,194 | 138,799,756 |
| Management fee | 851,080 | 540,311 |
| Garden, landscaping and decoration | 1,523,981 | 4,336,365 |
| Communication and stationery | 29,836,526 | 32,151,162 |
| Spa related expenses | 2,381,102 | 1,087,470 |
| Security charges | 19,501,060 | 14,333,672 |
| Subscription charges | 12,451,853 | 9,682,262 |
| Rent | 219,768,004 | 154,200,371 |
| Repairs and maintenance | | |
| - Buildings | 18,152,284 | 19,808,509 |
| - Plant and machinery | 48,282,562 | 21,202,599 |
| - Others | 15,679,876 | 26,636,385 |
| Insurance | 7,267,124 | 6,293,109 |
| Commission, brokerage and discount | 34,835,991 | 40,880,127 |
| Legal and professional | 41,379,294 | 36,387,774 |
| Travelling and conveyance | 20,741,838 | 20,670,996 |
| Advertisement and business promotion | 38,372,328 | 40,359,587 |
| Rates and taxes | 32,644,429 | 33,896,377 |
| Provision for doubtful debts | 8,767,116 | 15,939,573 |
| Bad debts written off | - | 231,345 |
| Directors' remuneration (including commission) | 362,402 | 9,385,923 |
| Loss on sale of assets | 97,744 | 842,582 |
| Royalty | 2,324,926 | 2,178,754 |
| Other advances written off | 10,018,506 | 2,931,805 |
| Miscellaneous | 22,478,918 | 12,552,900 |
| | 920,594,639 | 801,002,611 |
| 25 Earnings/(Loss) per share | | |
| Weighted average number of shares outstanding | 27,233,965 | 27,233,965 |
| Net loss after tax attributable to equity shareholders in ₹ | (77,479,505) | (26,270,880) |
| Basic and diluted earnings/(loss) per share in ₹ | (2.84) | (0.96) |
| Nominal value per equity share in ₹ | 10 | 10 |
| 26 Related parties | | |
| i. Key Management Personnel (KMP) | | |
| Mr. Chander K. Baljee | | |
| ii. Relatives of KMP | | |
| Mrs. Sunita Baljee | | |
| Mr. Arjun Baljee | | |
| Mr. Keshav Baljee | | |
| Mr. Sunil Sikka | | |

Notes to the consolidated financial statements for the year ended 31 March 2013

26 Related parties (Cont'd)

Amount in ₹

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

| Nature of transaction | Joint Ventures | | Key Management Personnel (KMP) | | Relatives of KMP | | Entity controlled by KMP | |
|--|------------------------|------------------------|--------------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 |
| Management and technical fee income | | | | | | | | |
| Cosmos Premises Private Limited | 655,930 | 2,783,698 | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | 2,314,576 | 2,705,728 | - | - | - | - | - | - |
| | | | | | | | | |
| Interest income on loan granted | | | | | | | | |
| Ksheer Sagar Developers Private Limited | 5,624,048 | 409,836 | - | - | - | - | - | - |
| | | | | | | | | |
| Interest expense on loans taken | | | | | | | | |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | 5,437,475 | - |
| Mr. Chander K. Baljee | - | - | 1,124,384 | - | - | - | - | - |
| | | | | | | | | |
| Loan taken | | | | | | | | |
| Cosmos Premises Private Limited | - | 3,481,040 | - | - | - | - | - | - |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | 58,000,000 | - |
| Mr. Chander K. Baljee | - | - | 15,000,000 | - | - | - | - | - |



Notes to the consolidated financial statements for the year ended 31 March 2013

26 Related parties (Cont'd)

iii. The transactions with related parties for the year are summarised below (Cont'd):

(Amounts in ₹)

| Nature of transaction | Joint Ventures | | Key Management Personnel (KMP) | | Relatives of KMP | | Entity controlled by KMP | |
|---|------------------------|------------------------|--------------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 | Year ended 31 March 13 | Year ended 31 March 12 |
| Repayment of loan taken | | | | | | | | |
| Cosmos Premises Private Limited | - | 826,546 | - | - | - | - | - | - |
| Mr. Chander K. Baljee | - | - | 10,000,000 | - | - | - | - | - |
| | | | | | | | | |
| Sale of fixed asset | | | | | | | | |
| Baljees Hotels and Real Estates Private Limited | - | - | - | - | - | - | 4,400,000 | - |
| | | | | | | | | |
| Loan granted | | | | | | | | |
| Ksheer Sagar Developers Private Limited | 17,775,000 | 13,235,131 | - | - | - | - | - | - |
| | | | | | | | | |
| Remuneration | | | | | | | | |
| Mr. Chander K. Baljee | - | - | 15,900,000 | 17,400,000 | - | - | - | - |
| Mr. Keshav Baljee (including commission) | - | - | - | - | - | 1,184,788 | - | - |
| | | | | | | | | |
| Rental expense | | | | | | | | |
| Baljees Hotel and Real Estates Private Limited | - | - | - | - | - | - | 17,388,642 | 14,885,837 |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | 4,355,363 | 3,721,459 |
| | | | | | | | | |
| Dividends paid | | | | | | | | |
| Mr. Chander K. Baljee | - | - | - | 17,840,847 | - | - | - | - |
| Mrs. Sunita Baljee | - | - | - | 339,063 | - | - | - | - |
| Mr. Keshav Baljee | - | - | - | 1,205,103 | - | - | - | - |
| Mr. Arjun Baljee | - | - | - | 1,258,209 | - | - | - | - |
| Baljees Hotel and Real Estates Private Limited | - | - | - | - | - | - | - | 7,831,127 |

Notes to the consolidated financial statements for the year ended 31 March 2013

26 Related parties (Cont'd)

iv. Balances (payable to)/receivable from related parties are summarised below:

(Amounts in ₹)

| Nature of transaction | Joint Ventures | | Key Management Personnel (KMP) | | Relatives of KMP | | Entity controlled by KMP | |
|---|-------------------|-------------------|--------------------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|
| | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 |
| Loan receivable | | | | | | | | |
| Ksheer Sagar Developers Private Limited | 51,820,505 | 13,235,131 | - | - | - | - | - | - |
| J.H. Builders Private Limited | 582,842 | - | - | - | - | - | - | - |
| Rajkamal Buildcon Private Limited | 558,581 | - | - | - | - | - | - | - |
| Ksheer Sagar Buildcon Private Limited | 557,820 | - | - | - | - | - | - | - |
| | | | | | | | | |
| Technical and management fees receivable | | | | | | | | |
| Cosmos Premises Private Limited | - | 2,783,698 | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | 5,020,305 | 2,705,728 | - | - | - | - | - | - |
| | | | | | | | | |
| Loan payable | | | | | | | | |
| Cosmos Premises Private Limited | - | (2,654,494) | - | - | - | - | (58,000,000) | - |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | - | - |
| Mr. Chander K. Baljee | - | - | (5,000,000) | - | - | - | - | - |
| | | | | | | | | |
| Interest payable on loans availed | | | | | | | | |
| Baljees Hotels and Real Estate Private Limited | - | - | - | - | - | - | (1,822,412) | - |
| Mr. Chander K. Baljee | - | - | (1,100,338) | - | - | - | - | - |
| | | | | | | | | |
| Interest receivable on loan granted | | | | | | | | |
| Ksheer Sagar Developers Private Limited | 6,033,884 | 409,836 | - | - | - | - | - | - |
| | | | | | | | | |
| Dues to directors (remuneration payable) | | | | | | | | |
| Mr. Chander K. Baljee | - | - | (1,181,023) | (172,612) | - | - | - | - |
| Mrs. Sunita Baljee | - | - | - | - | (45,161) | (138,062) | - | - |
| | | | | | | | | |
| Rent payable | | | | | | | | |
| Baljees Hotel and Real Estates Private Limited | - | - | - | - | - | - | (5,888,643) | (9,318,137) |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | (1,833,508) | (1,166,188) |



Notes to the consolidated financial statements for the year ended 31 March 2013

26. Related parties (Cont'd)

(Amounts in ₹)

iv. Balances (payable to)/receivable from related parties are summarised below (Cont'd):

| Nature of transaction | Joint Ventures | | Key Management Personnel (KMP) | | Relatives of KMP | | Entity controlled by KMP | |
|--|-------------------|-------------------|--------------------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|
| | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 | As at 31 March 13 | As at 31 March 12 |
| Security deposit given | | | | | | | | |
| Hotel Staylonger Private Limited | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Mr. Chander K. Baljee | - | - | 60,000,000 | 60,000,000 | - | - | - | - |
| Security deposit payable | | | | | | | | |
| Presidency college of Hotel Management | - | - | - | - | - | - | (3,000,000) | (3,000,000) |
| Corporate guarantee taken outstanding | | | | | | | | |
| Baljees Hotel and Real Estates Private Limited | - | - | - | - | - | - | 390,000,000 | 390,000,000 |
| Personal guarantee taken outstanding | | | | | | | | |
| Mr. Chander K. Baljee | - | - | 1,529,000,000 | 1,529,000,000 | - | - | - | - |
| Mrs. Sunita Baljee | - | - | - | - | - | 12,500,000 | - | - |
| Corporate guarantee issued outstanding | | | | | | | | |
| Cosmos Premises Private Limited | - | 100,000,000 | - | - | - | - | - | - |
| Ksheer Sagar Developers Private Limited | 700,000,000 | 700,000,000 | - | - | - | - | - | - |

Notes to the consolidated financial statements for the year ended 31 March 2013

27 Summary of Financial Information of subsidiary Companies under Section 212 of the Companies Act, 1956, for the year ended 31st March 2013
Amount in ₹

| Name of the subsidiary company | Issued Share Capital | Subscribed Share Capital | Reserves | Total Assets | Total Liabilities | Investments (excluding investment made in subsidiaries) | Turnover | Profit/ (loss) before tax | Tax expense | Profit/ (loss) after tax | Proposed Dividend |
|--|----------------------|--------------------------|--------------|--------------|-------------------|---|-------------|---------------------------|-------------|--------------------------|-------------------|
| Icon Hospitality Private Limited | 18,776,200 | 18,776,200 | 387,305,677 | 818,687,115 | 818,687,115 | - | 184,327,056 | (51,179,860) | - | (51,179,860) | - |
| Maruti Comforts & Inn Private Limited | 79,928,600 | 60,853,600 | 5,884,808 | 178,102,322 | 178,102,322 | - | 139,752,693 | 6,373,544 | (3,605,692) | 9,979,236 | - |
| Royal Orchid Jaipur Private Limited | 16,600,000 | 16,600,000 | 28,275,809 | 62,801,752 | 62,801,752 | - | 73,690,466 | (721,820) | (206,659) | (515,161) | - |
| Cosmos Premises Private Limited | 4,047,620 | 4,047,620 | 159,158,306 | 229,118,515 | 229,118,515 | - | 127,494,722 | 19,567,497 | 2,522,730 | 17,044,767 | - |
| Royal Orchid Associated Hotels Private Limited * | 5,000,000 | 5,000,000 | 19,339,760 | 39,861,434 | 39,861,434 | - | 20,323,146 | (6,496,139) | (1,764,743) | (4,731,396) | - |
| Royal Orchid Ahmedabad Private Limited | - | - | - | - | - | - | 19,519,877 | (1,626,318) | - | (1,626,318) | - |
| Anartara Hospitality Private Limited | 400,000,000 | 340,000,000 | (2,082,704) | 477,891,131 | 477,891,131 | - | - | (782,522) | - | (782,522) | - |
| Royal Orchid Hyderabad Private Limited | 17,700,000 | 17,700,000 | (3,232,610) | 15,201,701 | 15,201,701 | - | - | (15,931) | - | (15,931) | - |
| Royal Orchid South Private Limited | 9,100,000 | 9,100,000 | (10,265,957) | 2,535,468 | 2,535,468 | - | - | (97,818) | - | (97,818) | - |
| AB Holdings Private Limited | 2,600,000 | 2,600,000 | (14,079,314) | 10,507,626 | 10,507,626 | - | - | (151,842) | - | (151,842) | - |
| Royal Orchid Shimla Private Limited | 500,000 | 500,000 | (84,086) | 512,095 | 512,095 | - | - | (8,371) | - | (8,371) | - |
| Royal Orchid Goa Private Limited | 500,000 | 500,000 | (65,399) | 501,065 | 501,065 | - | - | (13,419) | - | (13,419) | - |
| Royal Orchid Maharashtra Private Limited | 500,000 | 500,000 | (2,054,950) | 23,189,735 | 23,189,735 | - | - | (101,045) | - | (101,045) | - |
| Royal Orchid Mumbai Private Limited | 500,000 | 500,000 | (47,835) | 500,000 | 500,000 | - | - | (8,071) | - | (8,071) | - |
| Multi Hotels Limited | 967 | 967 | 130,597,122 | 160,777,769 | 160,777,769 | - | - | - | - | - | - |

*Formerly Royal Orchid East Private Limited

Notes:

- The aforesaid data in respect of the subsidiaries is for a period of 12 months as on 31 March 2013, other than Royal Orchid Ahmedabad Private Limited where it is as on 30 May 2012.
- Turnover includes revenue from operations and other income.
- Converted into Indian rupees at the exchange rate, 1 Tanzanian Shillings = ₹ 0.034 as on 31 March 2013.



Notes to the consolidated financial statements for the year ended 31 March 2013

28 Operating leases

The Company has taken various hotel properties and offices on cancellable and non-cancellable leases, which have tenures ranging from 11 months to 30 years. Some of these leases have an escalation in lease rental of 15% every 3-10 years and / or a share of annual revenues from such properties, in excess of pre-agreed limits.

The lease expense for cancellable and non-cancellable operating leases for the year ended 31 March 2013 is disclosed under note 24.

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

| Payments falling due | Year ended 31 March 2013 ₹ | Year ended 31 March 2012 ₹ |
|---|----------------------------------|----------------------------------|
| Within one year | 80,641,445 | 79,296,808 |
| Later than one year but not later than five years | 304,103,674 | 399,419,475 |
| Later than 5 years | 367,444,127 | 318,474,067 |
| | 752,189,246 | 797,190,350 |

29 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 Hotel Royal Orchid, Bangalore, 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 Supreme Court of India for the refund of the deposit along with interest from the lessor. The management believes that the case will be settled in their favour and hence will not adversely affect its operations.
- iii) "The Company has been named as a defendant along with Cygnus Business Consulting & Research Private Limited in a suit filed in mid 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 'Orchid'. The plaintiff had filed an application seeking an interim injunction while the above proceedings are pending. 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 has restrained 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. The Company during the year has obtained two favourable rulings from the Intellectual Property Appellate Board. Based on an independent legal advice, 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 a body corporate amounting to ₹ 1,975,000,000 (31 March 2012: ₹ 2,275,000,000). The loans availed and outstanding as at 31 March 2013 - ₹ 471,657,594 (31 March 2012 - ₹ 733,674,460).

Notes to the consolidated financial statements for the year ended 31 March 2013**c) Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2013 ₹ Nil (31 March 2012 – ₹ 211,912,046).

- d) 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.

30 Revaluation of assets

The land held by Ksheer Sagar Developers Private Limited, Raj Kamal Builders Private Limited, J. H. Builders Private Limited and Ksheer Sagar Buildcon Private Limited is on a lease for a period of 99 years which commenced on 19 January 2012. The leasehold land was revalued upwards on 30 June 2007 by an approved valuer and the resultant increase of ₹ 416,352,388 was credited to the land revaluation reserve in such year in the books of the above named companies.

The land and building held by Royal Orchid Ahmedabad Private Limited were revalued on 31 March 2012 from the carrying amounts of ₹ 24,743,040 and ₹ 125,167,665 to the revalued amounts of ₹ 190,170,000 and ₹ 188,744,000 respectively.

31 Loss from discontinuing operations

On 16 April 2012, the Company has sold its entire share holding in Royal Orchid Ahmedabad Private Limited ("the Subsidiary") to SAMHI Hotels Private Limited ("SAMHI") effective 30 May 2012, for a total consideration of ₹405,290,231 out of which ₹200,000,000 was received as an advance during the year ended 31 March 2012. This transaction was completed during the first quarter on fulfilment of the required conditions. The net loss from the operations of Royal Orchid Ahmedabad Private Limited between 16 April 2012 and the closing date has been disclosed as "Loss from discontinuing operations" in the Statement of Profit and Loss. The resultant gain has been disclosed under note 19.

32 Segment information

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

33 Prior period comparatives

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

For Walker, Chandio & Co
Chartered Accountants

per **Anupam Kumar**
Partner

Bengaluru
24 May 2013

For and on behalf on Board of Directors

Chander K. Baljee
Managing Director

K B Shyam Kumar
Company Secretary

Bengaluru
24 May 2013

R.V.S. Rao
Director



NOTICE

Notice is hereby given that the **Twenty Seventh Annual General Meeting** of Members of **ROYAL ORCHID HOTELS LIMITED** will be held at the Registered Office of the Company, No.1, Golf Avenue, Adjoining KGA Golf Course, HAL Airport Road, Bangalore - 560 008 on Monday, the 30th September 2013 at 11:00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2013 and the Balance sheet as at that date together with the Reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. R V S Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Walker, Chandio & Co., Chartered Accountants, Bangalore (Firm Registration No.001076N) to hold office as Statutory Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors, to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT, Mr. K Jairaj, who was appointed as additional Director of the Company under Section 260 of the Companies Act 1956, with effect from August 05, 2013 by the Board of Directors of the Company and who holds office up to the date of conclusion of this Annual General Meeting in respect of whom the Company has received the notice in writing pursuant of Section 257 of the Companies Act 1956, from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

Place : Bengaluru
Date : 05.08.2013

By Order of the Board,
for Royal Orchid Hotels Limited,
K B Shyam Kumar
Company Secretary

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company.**
2. The Proxy form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
3. Pursuant to Clause 49 of the Listing Agreement, the particulars of the Director seeking re-appointment at the meeting are annexed.
4. Members are requested to notify immediately the change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company's Registrars and Share Transfer Agents in respect of their shareholding in physical segment by mentioning the folio nos. etc.
5. Members/Proxies should bring the attendance slip sent herewith duly filled in, for attending the meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from **26.09.2013 to 30.09.2013 (both days inclusive)** for the purpose of the Annual General Meeting of the Company.
7. Members desiring any information as regards to the accounts are requested to write to the Company Secretary at least 10 days before the date of the Meeting, so as to enable the Management to keep the information ready.
8. Members are requested to kindly bring their copies of the Annual Report to the Meeting.
9. The members are requested to deposit the print out copy of the Attendance/Proxy Form, those who are opted to receive the Annual Report in electronic mode.

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

ITEM 4:

Mr. K Jairaj, who was appointed as an additional director of the Company and his re-appointment as a Director is now proposed for the approval of the Members at this Annual General Meeting

Your Directors recommend this resolution for your approval.

None of the Directors of the Company are interested in the above resolution.

Place: Bangalore

Date: 05.08.2013

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

**K B Shyam Kumar
Company Secretary**

ANNEXURE

Details of the 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 | Mr. K. JAIRAJ |
|--|--|--|
| Date of Birth | 15.03.1944 | 25.05.1952 |
| Date of Appointment | 27.08.2005 | 05.08.2013 |
| Qualification | Commerce & Law Graduate & Fellow of Indian Institute of Bankers | Arts Graduate in the field of Economics, Public Policy and Management & a member of the Indian Administrative Service (IAS) of the 1976 batch (Retd.). |
| Expertise in specific functional areas | Vast experience in Finance, Banking and Management functions | Vast experience in Infrastructure, Energy, Transport & Urban Development. |
| List of other Companies in which he is a Director | 1. Icon Hospitality Private Limited 2. Puravankara Projects Limited 3. Sobha Developers Limited 4. Compassites Software Solutions Private Limited 5. Avon Facility Management Services Private Limited | 1. Manipal GreenTech India Private Limited 2. NEO Foods Private Limited |
| Chairman / Member of the Committees of other Companies in which he is a Director | Audit Committee Puravankara Projects Limited –Member Sobha Developers Limited – Chairman Remuneration Committee Sobha Developers Limited – Member Investors Grievance Committee Puravankara Projects Limited –Chairman Compensation Committee Puravankara Projects Limited –Member | NA |
| Shareholding in the Company | 4,500 shares | NA |

ROYAL ORCHID HOTELS LIMITED

Regd. Office : No. 1, Golf Avenue, Adj. KGA Golf Course, Airport Road, Bengaluru - 560 008.

GREEN INITIATIVE IN CORPORATE GOVERNANCE

Dear Shareholder,

Sub: Electronic Mode of Service of documents

The Ministry of Corporate Affairs has taken 'Green initiative in the Corporate Governance' vide its Circular Nos. 17/2011 and 18/2011, dated 21/04/2011 and 29/04/2011 respectively, by allowing paperless compliance by the Companies, to enable them to send the documents to the shareholders, through electronic mode.

It is the endeavour of your company to support the welcome initiative of the Ministry of Corporate Affairs which will effect reduction in paper consumption and contribute to a great extent towards Greener Environment. Accordingly, in future, your company proposes to send the documents such as Notices, Annual Reports and other communication, in electronic form, to email addresses of those shareholders which are available in the records of the Company.

In view of the above, we request you to kindly register your e mail addresses with your Depository Participants (DPs) or with our Registrars & Share Transfer Agents at alfint@vsnl.com, irg@integratedindia.in or with the Company at investors@royalorchidhotels.com as the case may be, in order to receive the documents electronically from the Company, in lieu of physical copies. If you wish to receive the documents in physical form only, you may kindly communicate your intention to the Company at the earliest.

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

K B Shyam Kumar
Company Secretary

=====



ATTENDANCE SLIP

ROYAL ORCHID HOTELS LIMITED

Regd. Office : No. 1, Golf Avenue, Adj. KGA Golf Course, Airport Road, Bengaluru - 560 008.

DPID* : Folio No. :
 Client ID* : No. of Shares :
 Name and address of the Shareholder :

I/We hereby record my/our presence at the 27TH ANNUAL GENERAL MEETING of the Company held on Monday, the 30th September, 2013 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, HAL Airport Road, Bangalore - 560 008.

Signature of the Shareholder or Proxy: _____

* Applicable for investors holding shares in Electronic Form.

PROXY FORM

ROYAL ORCHID HOTELS LIMITED

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

DPID* : Folio No. :
 Client ID* : No. of Shares :

I/We _____ of
 _____ being a member/members of ROYAL ORCHID HOTELS LIMITED,

hereby appoint _____ of _____

or failing him/her _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 27TH ANNUAL GENERAL MEETING to be held on Monday, the 30th September, 2013 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bangalore - 560008, or at any adjournment thereof.

Signed this _____ day of _____ 2013

Re. 1.00
Revenue
Stamp

* Applicable for investors holding shares in Electronic Form.

Note :

- The Proxy Form should be signed across the stamp as per specimen signature registered with the Company.
- The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
- The Proxy need not be a member of the Company.

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

| | | |
|---|--|---|
| 1 | Name of the Company: | Royal Orchid Hotels Limited |
| 2 | Annual financial statements for the year ended | 31 March 2013 |
| 3 | Type of Audit observation | <p>Un-qualified/Matter of Emphasis</p> <p>Observations in the annexure to the Independent Auditor's Report under the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956:</p> <p>(a) <i>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.</i></p> <p>(b) 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 for the sale of goods and services. <i>However, the internal control system with respect to purchase and recording of fixed assets need to be further strengthened. In our opinion, there is a continuing failure to correct major weakness in the internal control system relating to purchase of fixed assets.</i></p> <p>(c) Undisputed statutory dues including investor education and protection fund, sales-tax, wealth tax, custom duty, excise duty, as applicable, have been deposited generally regularly with the appropriate authorities, <i>except for provident fund, employees' state insurance, income-tax, service tax, cess and other statutory dues, as applicable, which have not been regularly deposited with the appropriate authorities and there have been significant delays in a large number of cases. Undisputed amounts payable in respect thereof, which were outstanding at the year-end for a period of more than six months from the date they became payable have been disclosed in the annexure to the auditors' report.</i></p> |
| 4 | Frequency of observation | <p>Observation (a) has been appearing since 2010-11; Observation (b) has been appearing since 2011-12; and Observation (c) has been appearing since 2010 -11, however, the undisputed statutory dues outstanding for more than six months from the date they became payable is appearing only in the current year.</p> |

For ROYAL ORCHID HOTELS LTD.

| | | |
|---|---|--|
| 5 | <p>Signed by –</p> <ul style="list-style-type: none">• Managing Director Chander K. Baljee• VP-Finance Amit Jaiswal• Auditor of the company <i>Walker, Chandio & Co</i> For Walker, Chandio & Co Chartered Accountants Firm Registration No.: 00107 <i>Anupam Kumar</i> Partner Membership No.: 501531• Audit Committee Chairman R.V.S. Rao <p>Bengaluru 24 May 2013</p> | <p><i>C. K. Baljee</i></p> <p>C.K. BALJEE MANAGING DIRECTOR</p> <p>For ROYAL ORCHID HOTELS LIMITED</p> <p><i>Amit Jaiswal</i></p> <p>AMIT JAISWAL VP - FINANCE</p> <p><i>Anupam Kumar</i></p> <p>WALKER, CHANDIO & CO. BENGALURU * CHARTERED ACCOUNTANTS *</p> <p><i>R.V.S. Rao</i></p> |
|---|---|--|



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Royal Orchid Central

NAVI MUMBAI

Royal Orchid Central Grazia

MAHABALESHWAR

Regenta MPQ Club

PUNE

Royal Orchid Central, Royal Orchid Golden Suites

HYDERABAD

Regenta One

GOA

Royal Orchid Beach Resort & Spa

SHIMOGA

Royal Orchid Central

HOSPET

Royal Orchid Central

BANGALORE

Hotel Royal Orchid, Royal Orchid Central, Royal Orchid Suites,
Hotel Ramada, Royal Orchid Resort & Convention Centre

MYSORE

Royal Orchid Brindavan Garden, Royal Orchid Metropole

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Congratulations



Royal Orchid Central, Kireeti, Hospet, Hampi

This certificate entitles the share holder for a second night complimentary stay when the first night is paid. The certificate is valid any day of the week and subject to room availability.

Just a short drive away from the Hampi Ruins, one can witness the lost Vijaynagar Empire.

Terms & Conditions

- The voucher is applicable only for one time use by the Shareholder.
- All food, beverage, travel and other expenses will be borne by the guests.
- Please make a prior reservation.
- All applicable taxes will be borne by the guest.
- Conditions apply and management decision is final. Valid till 31st March, 2014

For reservations call: 080 4127 6667
website: www.royalorchidhotels.com



ROYAL ORCHID
HOTELS



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Royal Orchid Central, Shimoga

This certificate entitles the share holder for a second night complimentary stay when the first night is paid. The certificate is valid any day of the week and subject to room availability.

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Terms & Conditions

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- All food, beverage, travel and other expenses will be borne by the guests.
- Please make a prior reservation.
- All applicable taxes will be borne by the guest.
- Conditions apply and management decision is final. Valid till 31st March, 2014

For reservations call: 080 4127 6667
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Congratulations



Royal Orchid Brindavan Garden, Mysore

This certificate entitles the share holder for a second night complimentary stay when the first night is paid. The certificate is valid any day of the week and subject to room availability.

Check into the Grandeur of a Royal Era at the Royal Orchid Brindavan Garden, Mysore.

Terms & Conditions

- The voucher is applicable only for one time use by the Shareholder.
- All food, beverage, travel and other expenses will be borne by the guests.
- Please make a prior reservation.
- All applicable taxes will be borne by the guest.
- Conditions apply and management decision is final. Valid till 31st March, 2014

For reservations call: 080 4127 6667
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30% off
on Bill values upto Rs. 1000
Valid till 31st March 2014

Please present this coupon while placing your order.
Discount on listed price cannot be clubbed with any other discount scheme.
No cash refunds against any coupon or part use thereof.
Taxes as applicable.
Not valid on alcoholic beverages.
Management decision is final.

30% off
on Bill values upto Rs. 1000
Valid till 31st March 2014

Please present this coupon while placing your order.
Discount on listed price cannot be clubbed with any other discount scheme.
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Valid till 31st March 2014

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No cash refunds against any coupon or part use thereof.
Taxes as applicable.
Not valid on alcoholic beverages.
Management decision is final.



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