

2011-2012

Annual
Report



ROYAL ORCHID
HOTELS

Hospitality
uncompromised...





ROYAL ORCHID
HOTELS

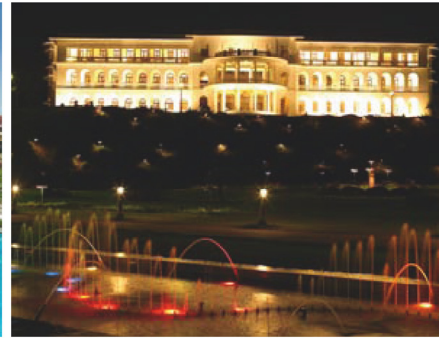
THE IDEAL HOLIDAY DESTINATIONS



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

— ● ● —

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

— ● ● —

Beach front resorts with plunge pool suites, Goa

— ● ● —

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

— ● ● —

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

— ● ● —

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

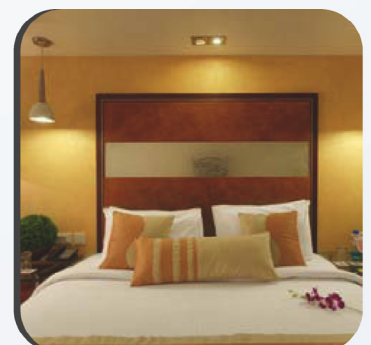
For reservations call: 080 4127 6667
e-mail: rooms@royalorchidhotels.com
website: www.royalorchidhotels.com



ROYAL ORCHID
CENTRAL KEERTI
HOSPET (HAMPI)



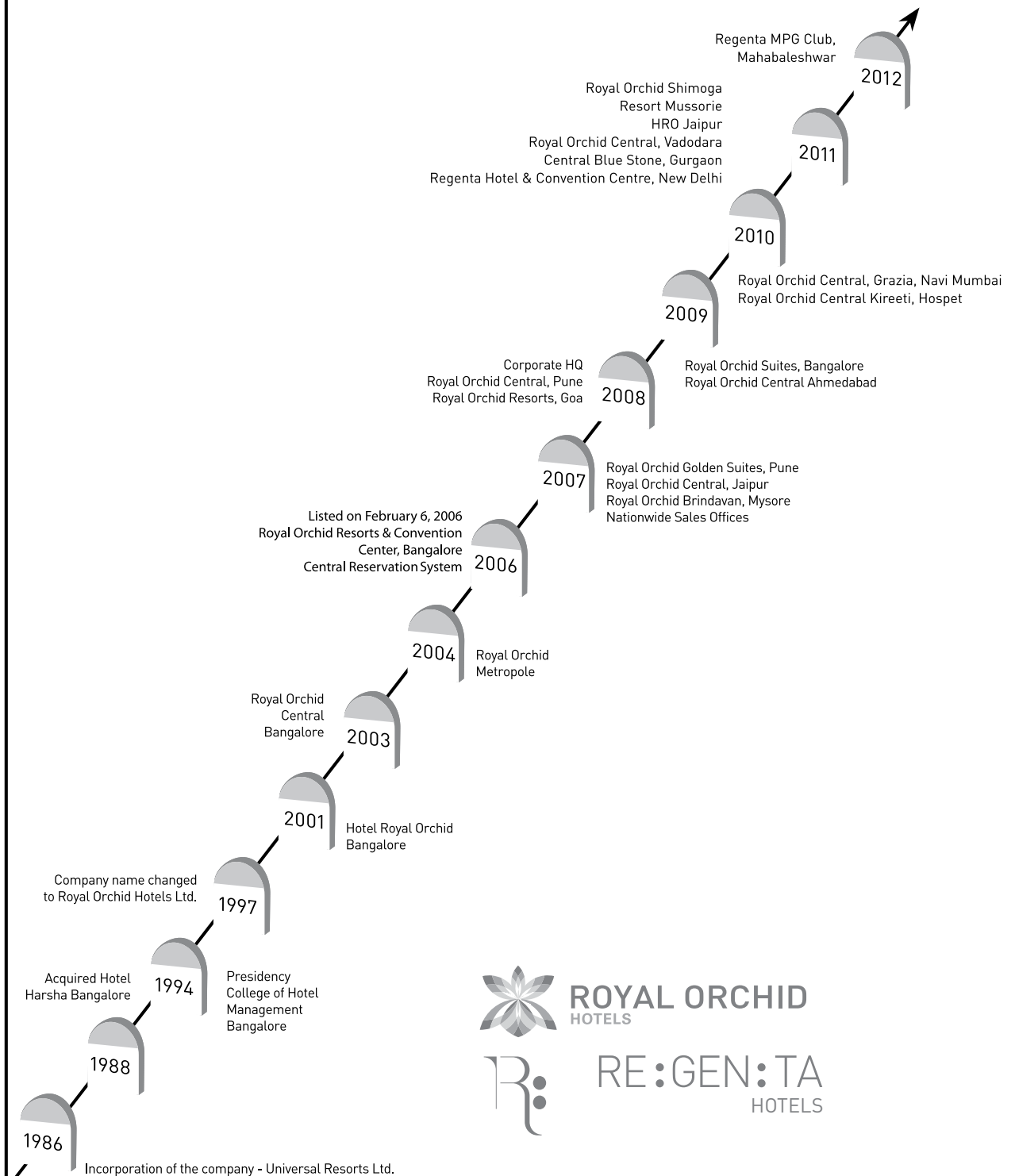
HOTEL ROYAL ORCHID
JAIPUR



ROYAL ORCHID
FORT RESORT
MUSSOORIE



Track Record



ROYAL ORCHID
HOTELS



RE:GEN:TA
HOTELS

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Chander K Baljee

Whole time Director

Mr. Sunil Sikka

Independent Directors

Mr. Naresh K. Malhotra

Mr. R. V. S. Rao

Mr. Vijay K Rekhi (w.e.f 06.07.2011)

Mr. Jaithirth Rao (Resigned on 16.05.2011)

COMPANY SECRETARY

Mr. K B Shyam Kumar

STATUTORY AUDITORS

M/s. Walker, Chandiook & Co.

Chartered Accountants

WINGS, First Floor, 16/1, Cambridge Road,

Halasuru, Bengaluru 560008.

INTERNAL AUDITORS

M/S. P Chandrasekar

Chartered Accountants

S- 512, S-514, Manipal Centre,

47, Dikenson Road,

Bengaluru 560 042

BANKERS

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Travancore

IDBI Bank Limited

Axis Bank Limited

Tourism Finance Corporation of India Limited

REGISTRAR & SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited,

30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram, Bengaluru – 560003.

080 - 23460815 – 818

alfint@vsnl.com



ROYAL ORCHID HOTELS LIMITED

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REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We have pleasure in presenting the Twenty Sixth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2012.

Financial Results:

The performance of the Company for the financial year ended 31st March 2012 is summarized below:

(₹ In Crores)

Particulars	CONSOLIDATED		STANDALONE	
	2011-12	2010-11	2011-12	2010-11
Income from Operations	160.56	152.13	93.29	92.87
Other Income	1.86	2.61	1.68	2.14
Total Income	162.42	154.74	94.97	95.01
Gross Operating Profit	28.01	42.07	11.45	22.58
Interest	(16.29)	(11.28)	(4.27)	(2.26)
Depreciation	(14.15)	(13.71)	(5.37)	(5.61)
Profit before Tax	(2.43)	17.08	1.81	14.71
Provision for Taxation	2.51	(5.61)	(0.61)	(5.05)
Minority Interest and Share of Profit in Associate	2.31	0.75	-	-
Net profit after tax	(2.63)	12.22	1.20	9.66

With total consolidated revenue of ₹162.42 Crores, your Company has reported an increase in its total consolidated revenue about by 5% for the financial year under review as compared to the previous financial year. The Gross Operating Profit has decreased by 33% as compared to 2010-2011. The Profit after Tax stood at (-₹2.63) Crores, as against ₹ 12.22 Crores of previous year. Rising of interest rates 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 reduction in the profits and also with an intention to conserve the resources for the company's ongoing new hotel projects, the Board of Directors has decided not to propose any dividend for the financial year 2011-12.

NEW HOTELS OPENED

Your Company widened its network and added the following 4 new hotel properties to its portfolio:

- **Vadodara**
Hotel Royal Orchid Central, Vadodara, with 81 guest rooms, commenced its operations in May, 2011.
- **Gurgaon**
Central Blue Stone, Gurgaon, with 46 rooms commenced its operations in November, 2011.
- **New Delhi**
Regenta Hotel & Convention Centre, New Delhi, with 48 guest rooms, commenced its operations in December 2011.
- **Mahabaleshwar**
Regenta MPG Club, Mahabaleshwar, with 32 guest rooms, commenced its operations in May 2012.

NEW HOTEL PROJECTS IN PROGRESS

- **Hyderabad**
The Construction of the Five Star Hotel with 233 rooms at Hyderabad is in the advanced stages of completion. The first phase of the Five Star Hotel with 108 rooms is likely to commence their operations by August, 2012.



➤ **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 2014.

UPCOMING PROJECTS

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	Chennai
4	Kolkata
5	Lokhandwala

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.

Further, the company has taken steps to open new hotels in new brand "Re:gen:ta." Regenta Hotel & Convention Centre, New Delhi, was opened during December, 2011 under the new brand.

Sale of stake in Royal Orchid Ahmedabad Private Limited

In the process of reorganization of geographical representation of our brand, the company has sold the entire stake in Royal Orchid Ahmedabad Private Limited and the definitive agreement was executed on April 18, 2012.

Awards

- During the year, Royal Orchid Central, Bengaluru was awarded "National Energy Conservation Award, 2011". The award was presented by the Ministry of Power, Government of India.
- Royal Orchid Central, Ahmedabad won the "Hospitality Leadership" at the GOLDEN STAR AWARDS, instituted by Stars of the Industry Group.
- Royal Orchid Central, Ahmedabad won the "First Class Business Award".
- Royal Orchid Central Grazia, Navi Mumbai won the "Most admired Customer Services of the year" award.
- Royal Orchid Suites, Bengaluru won the "National Tourism Award for Best Business Hotel" award.
- Ramada, Bengaluru managed by Royal Orchid Hotels Limited is the only hotel in India to have won the bronze awards for two categories mentioned below during the Wyndham Hotel Group Brand Conference held in Las Vegas this April 2012: a) Quality Customer feedback and guest satisfaction scores b) most engaged front office team.
- 16 Certificate of Excellence awards from Trip Advisor for its various hotels.

Subsidiary Companies

Your Company has 14 subsidiary companies as at 31st March, 2012, of which 11 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.

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 investors seeking such information at any point of time and also available on the website of the Company, www.royalorchidhotels.com

Directors

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

Auditors

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

Auditors' Report to Shareholders

In respect of the comments of the Auditors on the frequency of the physical verification of fixed assets, as advised by the Audit Committee of Directors, physical verification of fixed assets would be carried out during the financial year 2012-13 and once in a year, hereinafter.

In respect of strengthening the Internal Controls of purchase of fixed assets, the Audit Committee advised the Management to put the system in place.

In respect of delay in repayment of dues to banks and financial institutions, the Audit Committee advised to take the corrective steps.

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.

Employess Stock Option Scheme (ESOS)

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

Personnel

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Rules thereunder, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

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

- **Conservation of energy**

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

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

- **Technology absorption**

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



• Foreign Exchange Earnings and Outgo

During the year under review, your Company earned Foreign Exchange Revenue of ₹ 37.03 Crores (Previous Year ₹ 37.42 Crores) and the Foreign Exchange outgo on account of commission and others is ₹ 2.01 Crores (Previous year ₹ 2.26 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 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.

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

Directors' Responsibility Statement

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

- i. In the preparation of the annual accounts for the year ended 31st March 2012, the applicable accounting standards have been followed and that there are no material departures.
- ii. It has in the selection of the accounting policies, consulted the Statutory Auditors and has applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012 and of the profit of the Company for that period.
- iii. It has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records.
- iv. It has prepared the annual accounts for the year ended 31st March 2012, '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,

Chander K Baljee
Chairman & Managing Director

Bengaluru
30th May 2012

ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

The Royal Orchid Hotels Limited Employees Stock Option Plan 2006 was approved by the Members of the Company at the Annual General Meeting held on 13th September 2006 and was subsequently amended to include the employees of the subsidiaries of the Company in the said ESOP scheme and also to increase the period available to exercise the options, with the approval of the Members of the Company at the Annual General Meeting held on 8th August 2007. Also at the Annual General Meeting held on 24th September 2010, with the consent of the shareholders, the Board was authorised to fix the exercise price based on the prevailing market price and the validity period for exercising the options was amended. The plan provides for the issuance of stock options to eligible employees (including Directors of the Company and employees of subsidiaries) not exceeding 2,723,300 options and includes a limit for the maximum number of options that may be granted to each employee. As per the plan, all the taxes are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

Details of the Employee Stock Option Scheme as required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as at 31st March 2012.

a.	options Granted	5,12,500
b.	the pricing formula	Intrinsic value
c.	options vested	NIL
d.	options exercised	NIL
e.	the total number of shares arising as a result of exercise of option	Not applicable
f.	options lapsed	5,12,500
g.	variation of terms of options	Not applicable
h.	money realized by exercise of options	Not applicable
i.	total number of options in force	NIL
j.	employee wise details of options granted to:	
	(i) senior managerial personnel	(please refer below)
	(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year	Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
k.	diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	Not applicable
l.	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options,. The impact of this difference on profits and on EPS of the company.	Net Profit: ₹ 1.20 Crs EPS ₹0.44
m.	Weighted –average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	₹165
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
	(i) risk free interest rate	7.34% to 7.63%
	(ii) expected life	18 to 42 months
	(iii) expected volatility	40.37%
	(iv) expected dividends (yield %)	3.28%
	(v) the price of the underlying share in market at the time of option grant	₹168


Details regarding options granted to Directors and Senior Managerial Personnel

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

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. Naresh K Malhotra	Mr. Sunil Sikka
Date of Birth	05.06.1947	24.08.1957
Date of Appointment	18.06.2005	30.09.2000
Qualification	Chartered Accountant	Post Graduate in commerce
Expertise in specific functional areas	Vast experience in Finance and Management functions	Has vast experience in export Business
List of other Companies in which he is a Director	Tarang Software Technologies Pvt., Ltd. Balan Natural Food Pvt., Ltd. Blue Star Infotech Limited On Mobile Global Limited N M Properties & Consulting Pvt., Ltd. AB Holdings Pvt., Ltd. Printo Document Services Pvt., Ltd. Deriv IT Solutions Pvt., Ltd. Deriv IT Solutions Pvt., Ltd., Singapore Strand Life Sciences Pvt., Ltd. Modern Family Doctor Pvt., Ltd.	India Exposition Mart Limited
Chairman / Member of the Committees of other Companies in which he is a Director	Audit Committee On Mobile Global Limited – Chairman Blue Star Infotech Limited – Chairman Remuneration Committee On Mobile Global Limited – Member Blue Star Infotech Limited – Member Investors Grievances & Share Transfer Committee On Mobile Global Limited – Chairman	NIL
Shareholding in the Company	35,002 shares	6,060 Shares

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 2011-12 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 2011 were 6.29 million with a growth rate of 8.9% as compared to FTAs of 5.78 million during 2010.

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 8.2% between 2012 and 2022. 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 7.5% between 2012 and 2022. 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 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 2011-12, though the occupancy levels and the Average Room Revenue (ARR) have witnessed only a very marginal increase, across the major markets of India as compared to previous year.

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 21 hotels situated across 14 major cities in India (5 in Bengaluru, 2 in Mysore, 1 in Hospet, 1 in Shimoga, 2 in Pune, 2 in Jaipur, 1 in Goa, 1 in Ahmedabad, 1 in Navi Mumbai, 1 in Mussoorie, 1 in Vadodara, 1 in Gurgaon, 1 in New Delhi, 1 in Mahabaleshwar), has been continuing its expansion drive and thus, many more new hotel projects are already in pipeline, to be established across major cities in India. The present room inventory of Royal Orchid group 1702 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 ₹ 7.68 Crores, which is about 5% more than the previous year's revenue. The Gross Operating Profit was decreased to ₹ 28.01 Cr. The company made a net loss of ₹ 2.63 Cr. against a profit of ₹ 12.22 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 2014.

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

4. Risks and Concerns

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

With presence of 21 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 projects which are under construction stage have been tied up fully with the Bankers and the senior management of the Company is monitoring very closely the implementation of the same, as per the schedule. However, the timely completion of the same is subject to various external risks beyond the control of the Company.

In a Trade Mark related litigation against the Company initiated by Kamat Hotels (India) Limited in the High Court of Bombay, the Company has obtained a partial stay from a Division Bench against a single Judge Order.

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 2012 was 2151 nos, across all its units. With the increase in work force due to expansion in business, envisaging the requirement of adequate on the job training across the various levels of employees, a major thrust to the training and development programme has been initiated. A dynamic and transparent performance appraisal system along with various positive initiatives towards employee welfare requirements ensured maintaining the employees' morale at greater heights. Under the '**Hotel Royal Orchid Employees Welfare Trust**' the Company continues to offer financial support for medical and educational needs of certain category of employees.

Cautionary Statement

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



CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31.03.2012

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company Philosophy on Code of Governance

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

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

2. Board of Directors

• Composition of Board of Directors

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

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

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

The Independent Directors take active part at the Board and Committee meetings, which adds value to the decision making process. Two-thirds of the Board comprise of non-executive directors. As on 31st March, 2012, 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. Naresh K Malhotra, an alumnus of St. Xavier's College, Kolkata, is a Chartered Accountant. He was the Former CEO of Café Coffee Day and his career included stints with ICI, Unilever Group and Colgate Palmolive in India and overseas. He was a Founding Partner of KPMG, India.

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

Mr. 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 honourary positions in various trade unions.

- Board Meeting and attendance**

During the year 201-2012, the Board met 6 times on 16.05.2011, 30.05.2011, 06.07.2011, 26.07.2011, 03.11.2011 and 06.02.2012.

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	6	Yes	19	-	-
Mr. Sunil Sikka	Promoter–Whole Time Director	3	No	1	-	-
Mr. Naresh K. Malhotra	Independent Director	6	Yes	12	3	2
Mr. Jaithirth Rao #	Independent Director	-	NA	-	-	-
Mr. R. V. S. Rao	Independent Director	5	Yes	-	-	-
Mr. Vijay K Rekhi	Independent Director	2	No	-	-	-

* 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.

During the year, Mr. Vijay K Rekhi was appointed as Independent Director in place of Mr. Jaithirth Rao.

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

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

3. Audit Committee

- Composition of Committee**

The Audit Committee presently consists of Mr. Naresh K. Malhotra, Mr. R. V. S. Rao and Mr. Vijay K Rekhi, all Non Executive Independent Directors and is headed by Mr. Naresh K. Malhotra. Mr. Vijay K Rekhi was appointed as member of the Committee in place Mr. Jaithirth 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



- iv. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- v. Reviewing the Internal Audit Reports and discussion with internal auditors for any significant findings and follow up there on.
- vi. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- vii. Reviewing the company's financial and risk management policies.
- viii. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate.

- **Attendance of members**

During the financial year 2011-12, the Audit Committee has met 5 times, i.e., 16.05.2011, 30.05.2011, 26.07.2011, 03.11.2011 and 06.02.2012.

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	5
Mr. R. V. S. Rao	Independent, Non-Executive Director	5
Mr. Vijay K Rekhi	Independent, Non-Executive Director	2

4. Remuneration Committee

- **Composition of Committee**

The Remuneration Committee comprises of Mr. Vijay K Rekhi, Mr. Naresh K. Malhotra and Mr. R. V. S. Rao, 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.

- **Details of remuneration paid to the Directors for the year 2011-12: (₹ In Lacs)**

Sl. No.	Name of Director	Salary & Benefits (₹)	Commission (₹)
1	Mr. CK Baljee	141.75	nil
2	Mr. Sunil Sikka	nil	nil
3	Mr. Naresh K Malhotra	nil	1.29
4	Mr. R. V. S. Rao	nil	1.29
5	Mr. Vijay K Rekhi	nil	1.12
6	Mr. Jaithirth Rao	nil	0.16

- **Details of shares held by Non-Executive Directors as on 31.03.2012**

Mr. Naresh K Malhotra	35,002
Mr. RVS Rao	4,500
Mr. Vijay K Rekhi	NIL

5. Investors' Grievances and Share Transfer Committee

• Composition of Committee

The Investors' Grievances & Share Transfer Committee comprises of Mr. R. V. S. Rao, Mr. Naresh K. Malhotra and Mr. C K. Baljee and is headed by Mr. R. V. S. Rao. The responsibilities of the Committee include redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends among others. The Registrar and Share transfer agents of the Company, Integrated Enterprises (India) Limited, have sufficient infrastructure to process and resolve these complaints.

No. of shareholders' complaints received during the year	No. not resolved to the satisfaction of shareholders during the year	No. of pending complaints during the year
5	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 <http://www.royalorchidhotels.com/>

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

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Ethics and Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2011-2012.

C.K. Baljee
Managing Director

7. General Body Meetings

Annual General Meetings:

Year	Date	Time	Venue	Special Resolutions passed
2008-09	10.09.2009	11.00 A.M.	Registered Office	Nil
2009-10	24.09.2010	11.00 A.M.	Registered Office	1. Re-appointment of Mr. C K Baljee as Chairman and Managing Director. 2. Re-appointment of Mr. Keshav Baljee as President 3. Payment of commission to Non Executive Directors 4. Amendments to Royal Orchid Hotels Limited Employees Stock Option Plan 2006 5. Issue of convertible warrants 6. Raising funds for company by issue of permitted instruments.
2010-11	05.09.2011	11.00 A.M.	Registered Office	Nil

Note: During the year 2011-12, no Extraordinary General Meeting was held. A Special Resolution under Section: 372A of the Companies Act, 1956 is proposed to be passed through Postal Ballot, in terms of Sec: 192A read with Companies (passing of the resolution by postal ballot) Rules, 2001.



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

A Special Resolution was passed for providing Corporate Guarantee to Amartara Hospitality Private Limited, Cosmos Premises Private Limited and Alif Resources Private Limited for Rs.95 Cr., Rs.2 Cr., and Rs.30 Cr., respectively.

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	417	1,91,45,945	81	16,632	99.91%

The result of the Postal Ballot was announced on 23rd July, 2011. 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

10. Subsidiary

The Company has a material non-listed Indian subsidiary company for the year ended 31st March 2012 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 : 26th September 2012 at 11:00 am
- Venue : Hotel Royal Orchid, No. 1, Golf Avenue
Adjoining KGA Golf Course, Off Airport Road, Bengaluru - 560 008.

12.2 Financial Calendar

Financial Year	2011-2012
Book Closure Dates	24th September 2012 to 26th September 2012 (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 ending 30.06.2012	July 2012
For the quarter ending 30.09.2012	October 2012
For the quarter ending 31.12.2012	January 2013
For the quarter ending 31.03.2013	May 2013

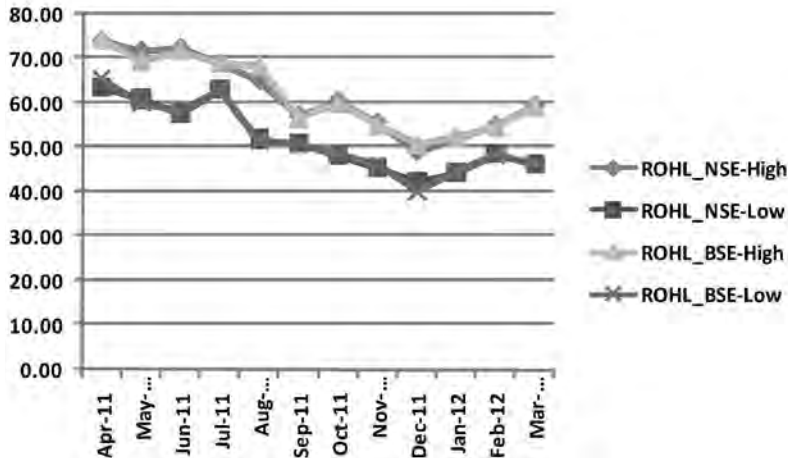
Listing fees for and up to the year 2012-2013 have been paid to both the Stock Exchanges where shares are listed.

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 2011 to March 2012.

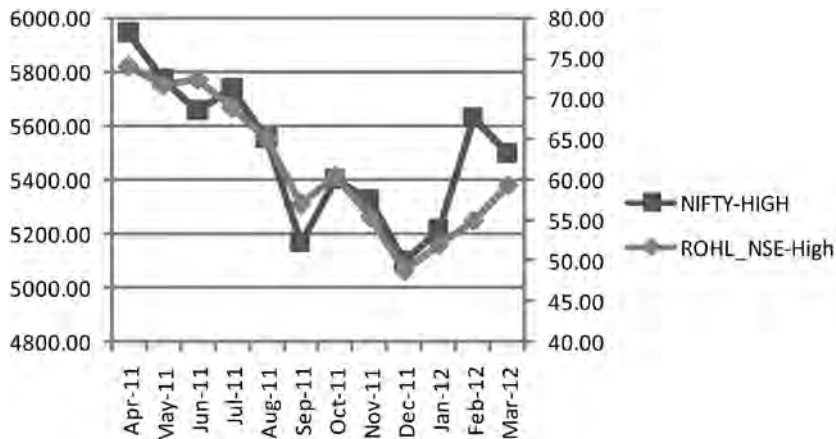
Month	National Stock Exchange (NSE)		Bombay Stock Exchange (BSE)	
	ROHL_NSE-High	ROHL_NSE-Low	ROHL_BSE-High	ROHL_BSE-Low
Apr - 11	74.00	63.50	74.50	65.25
May - 11	71.80	61.00	69.30	59.75
Jun - 11	72.40	57.55	71.90	58.00
Jul - 11	68.90	63.15	68.95	63.00
Aug - 11	65.00	51.85	68.45	51.20
Sep - 11	57.00	50.90	56.50	50.50
Oct - 11	60.45	48.00	60.00	48.50
Nov - 11	55.45	45.50	55.00	45.90
Dec - 11	48.90	42.25	50.70	40.05
Jan - 12	52.00	44.15	52.30	44.50
Feb - 12	54.95	48.50	54.65	48.35
Mar - 12	59.40	46.15	59.20	46.10

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

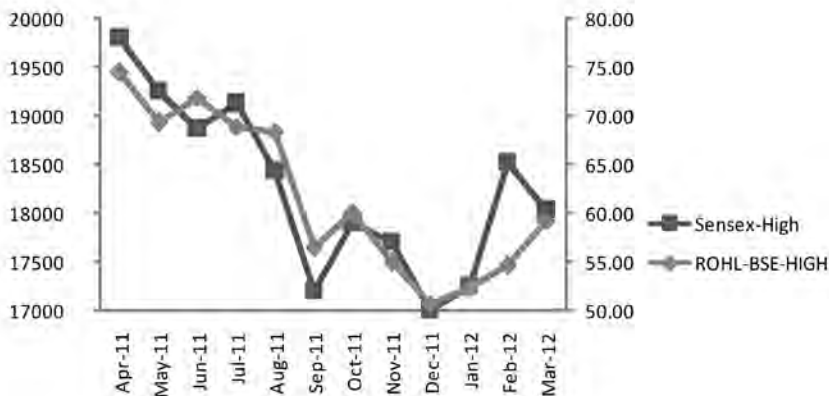


12.6 Performance in comparison to other Broad-based indices

(Performance in Comparison to NIFTY for the period April 2011 to March 2012 Only last financial year's monthly high figures of the Index have been considered)



(Performance in Comparison to Sensex for the period April 2011 to March 2012 Only last financial year's monthly high figures of the Index have been considered)



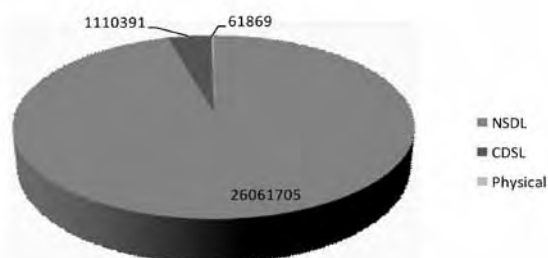
12.7 Registrar & Share Transfer Agent

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.

12.8 Dematerialization of Shares & Facility of simultaneous transfer

About 99% of the paid-up equity share capital of the Company has been dematerialized as on 31st March 2012. Shareholders interested in dematerializing their shares are requested to write to the Registrar & Share Transfer Agent through their respective Depository Participants.

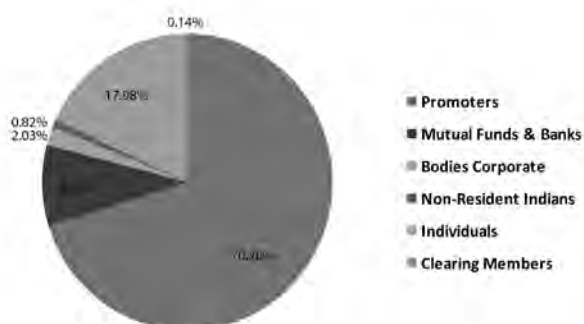


The share certificates in physical form are generally processed and returned within 30 days from the date of receipt, if the share transfer documents are valid in all respects.

12.9 Distribution of shares and liquidity

a. Distribution of Shareholding as on 31st March 2012

Category	No of shares held	% to Paid up capital
Promoters	19118506	70.20%
Mutual Funds & Banks	2404663	8.83%
Bodies Corporate	552727	2.03%
Non-Resident Indians	223205	0.82%
Individuals	4897272	17.98%
Clearing Members	36990	0.14%
Unclaimed Suspense A/c	601	0.002%
Trust	1	0.000%
TOTAL	27233965	100%




b. Distribution Schedule as at 31st March 2012

No. of shares held	No. of members	% of total	No. of shares	% of total
Up to 500	20384	92.22	2021722	7.42
501 - 1000	901	4.08	720571	2.65
1001-2000	444	2.01	671292	2.46
2001 - 3000	130	0.59	328055	1.20
3001 - 4000	59	0.27	213917	0.79
4001 -5000	47	0.21	219487	0.81
5001 -10000	80	0.36	576300	2.12
10001 and above	58	0.26	22482621	82.55
TOTAL	22103	100.00	27233965	100.00

c. Top ten shareholders of the Company (excluding promoters) as at 31st March 2012

SI No.	Name of Shareholder	No. of shares	Percentage of total shares (%)
1	SBI MF Magnum Sector Fund Umbrella Contra	23,54,663	8.65
2	Rahul Goenka	95,000	0.35
3	Jaithirth Rao	64,895	0.24
4	SBI Mutual Fund Magnum Childrens Benefit Plan	50,000	0.18
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	Jhaveri Bullion Private Limited	30,300	0.11
9	Noesis Ventures Private Limited	22,500	0.08
10	Vadaguru Narayanappa Premachandra	22,035	0.08

14.10 Unit Locations:

1.	HOTEL ROYAL ORCHID	No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bengaluru – 560 008.
2.	ROYAL ORCHID CENTRAL, BANGALORE	No. 47/1, Manipal Centre, Dickenson Road, Bengaluru – 560 042
3.	HOTEL RAMADA, BANGALORE	No. 11, Park Road, Shivajinagar, Bengaluru – 560 051
4.	ROYAL ORCHID RESORT & CONVENTION CENTRE, BANGALORE	Allalasandra, Bellary Road, Yelahanka, near Jakkur Flying Club, Bengaluru – 560 065
5.	ROYAL ORCHID SUITES, BANGALORE	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, India
9.	ROYAL ORCHID CENTRAL, PUNE	Mary Soft Annex, Software –cum-Commercial Complex, Kalyani Nagar, Pune 411 014
10.	ROYAL ORCHID GOLDEN SUITES, PUNE	Golden Nest – B, Marigold Complex, Kalyani Nagar, Pune 411 014
11.	ROYAL ORCHID RESORT GALAXY, GOA	Uttorda Beach, Salcette, South Goa-403173
12.	ROYAL ORCHID CENTRAL, AHMEDABAD	Opp: Gujarat College, Ellis Bridge, Ahmedabad 380 006
13.	ROYAL ORCHID CENTRAL GRAZIA, NAVI MUMBAI	Plot No. L-3, Sector 19, Vashi, Navi Mumbai – 400 703
14.	ROYAL ORCHID CENTRAL KIREETI, HOSPET	Station Road Hospet, Bellary District, Karnataka - 583201,

15.	ROYAL ORCHID CENTRAL, SHIMOGA	B.H. Road, Opposite Vinayak theatre, Near Shimoga Bus Stand, Shimoga – 577 201
16.	HOTEL ROYAL ORCHID, JAIPUR	Opposite to BSNL Office, Tonk Road, Near Durgapura Fly-over, Durgapura, Jaipur-302018
17.	ROYAL ORCHID RESORT, MUSSORIE	Tara Hall Estate, Picture Palace Road. Mussoorie, Uttarkhand
18.	ROYAL ORCHID CENTRAL, VADODARA	(Om Hospitality), Akota, MujMahuda Vadodara - 390020
19.	HOTEL CENTRAL BLUE STONE, GURGAON	Plot No. 358-359, Sector 29, City Centre, Gurgaon – 122 001
20.	REGENTA HOTEL & CONVENTION CENTRE, NEW DELHI	National Highway – 8, Rajakori New Delhi – 110 037
21.	REGENTA MPG CLUB, MAHABALESHWAR	MPG Club, 233, Old Tapola Road, Mahabaleshwar – 412 806

14.11. 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 - 40612345 Fax No.080 - 40612346
Email ID: cosec@royalorchidhotels.com

14.12 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.

14.13 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, 2012, 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, 2012 is as follows:

Particulars	Number of shareholders	Outstanding shares
As on April 01, 2011	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, 2012	15	601

14.14 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](mailto: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 2012, 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 .
30.05.2012

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 2012 :

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

Harish Kumar Chopra
Chief Financial Officer

Place : Bengaluru
Date : 30.05.2012

Auditors' Report

To the Members of Royal Orchid Hotels Limited

- 1 We have audited the attached Balance Sheet of Royal Orchid Hotels Limited, ('the Company') as at 31 March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 ('the Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 4 Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - (i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
 - (ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

Bengaluru
30 May 2012



Annexure to the Auditors' Report of even date to the members of Royal Orchid Hotels Limited, on the financial statements for the year ended 31 March 2012

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 would have arisen on such verification. In our opinion, the frequency of verification of the fixed assets is also not reasonable having regard to the size of the Company and nature of its assets.*
 - (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii)
 - (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii)
 - (a) The Company has granted unsecured loans to six wholly owned subsidiaries and three subsidiaries covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹ 171,974,349 and the year-end balance is ₹ 150,676,345.
 - (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 granted, the principal amounts are repayable 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, 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 an unsecured loan from one company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was ₹ 6,962,081 and the year-end balance was ₹ 5,308,989.
 - (f) In our opinion, the rate of interest and other terms and conditions of the loan 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 controls with respect to purchase of fixed assets need to be further strengthened.* During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas, *except for weaknesses in controls relating to purchase of fixed assets.* However, the management is in the process of rectifying this control weakness subsequent to the Balance Sheet date.
- (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 rupees 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 the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have been regularly deposited with the appropriate authorities, other than dues *relating to tax deducted at source and service tax which have been deposited with delays in multiple cases*. No undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company 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) There are no dues payable to financial institutions or debenture-holders. *The Company has delayed in following repayment of dues to banks and institutions :*

(Amount in ₹)

Particulars	Delay upto 30 days	Delay upto 31-60 days	Delay above 60 days	Total amount
Interest payments	136,406,261	36,642,776	-	173,049,037
Principal repayment of term loans (including consortium loan)	24,656,311	44,042,020	15,500,000	84,198,331

As at 31 March 2012, the Company is in default for payment of interest amounting to ₹ 21,654,417 (31 March 2011 - ₹ 3,833,557) and repayment of principal amounting to ₹ 9,900,000 (31 March 2011- Nil) on various term loans that were due on or before 31 March 2012. These amounts have been settled by the Company subsequent to the Balance Sheet date.

- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by 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 the 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 to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

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

per Aashish Arjun Singh
Partner
Membership No.: 210122

Bengaluru
30 May 2012



Balance Sheet as at 31 March 2012

	Notes	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Equity and Liabilities			
<i>Shareholders' funds</i>			
Share capital	3	272,339,650	272,339,650
Reserves and surplus	4	1,778,778,051	1,766,765,464
		2,051,117,701	2,039,105,114
<i>Non-current liabilities</i>			
Long-term borrowings	5	1,422,523,870	1,136,849,840
Deferred tax liability, net	6	41,600,000	45,000,000
Other long-term liabilities	7	19,792,807	15,025,260
Long-term provisions	8	12,024,003	19,097,290
		1,495,940,680	1,215,972,390
<i>Current liabilities</i>			
Short-term borrowings	5	5,308,989	-
Trade payables	9	77,719,661	109,630,982
Other current liabilities	10	717,839,142	187,808,148
Short-term provisions	8	717,424	48,879,790
		801,585,216	346,318,920
Total		4,348,643,597	3,601,396,424
Assets			
<i>Non-current assets</i>			
Fixed assets			
Tangible assets	11	465,549,351	508,144,403
Intangible assets	12	-	-
Capital work-in-progress		1,835,673,768	1,329,202,893
Non-current investments	13	1,179,792,786	1,179,792,786
Long-term loans and advances	14	610,349,769	429,248,397
Other non current assets (margin money accounts)		366,867	245,265
		4,091,732,541	3,446,633,744
<i>Current assets</i>			
Inventories	15	15,536,880	11,854,588
Trade receivables	16	66,723,770	49,420,532
Cash and cash equivalents	17	156,855,978	77,031,013
Short-term loans and advances	14	17,794,428	16,456,547
		256,911,056	154,762,680
Total		4,348,643,597	3,601,396,424
Significant accounting policies	2		

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

For **Royal Orchid Hotels Limited**

per **Aashish Arjun Singh**
Partner

Chander K. Baljee
Chairman & Managing Director

Naresh K. Malhotra
Director

Harish Kumar Chopra
Chief Financial Officer

K B Shyam Kumar
Company Secretary

Bengaluru
30 May 2012

Bengaluru
30 May 2012

Statement of Profit and Loss for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
Revenue			
Revenue from operations	18	932,854,679	928,704,134
Other income	19	16,815,269	21,436,102
Total revenue		949,669,948	950,140,236
Expenses			
Food and beverages consumed	20	107,679,028	99,482,243
Employee benefits expense	21	220,940,681	221,074,192
Finance costs	22	42,678,375	22,603,931
Depreciation and amortisation	23	53,659,132	56,076,670
Other expenses	24	506,619,884	403,808,354
Total expenses		931,577,100	803,045,390
Profit before tax		18,092,848	147,094,846
Tax expense			
Current tax (including interest on tax)		9,480,261	58,000,000
Deferred tax		(3,400,000)	(7,500,000)
		6,080,261	50,500,000
Profit after tax		12,012,587	96,594,846
Earnings per equity share of ₹ 10 each	25		
Basic/Diluted		0.44	3.55
Significant accounting policies	2		

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, Chandiok & Co
Chartered Accountants

per Aashish Arjun Singh
Partner

Bengaluru
30 May 2012

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Harish Kumar Chopra
Chief Financial Officer

Bengaluru
30 May 2012

Naresh K. Malhotra
Director

K B Shyam Kumar
Company Secretary



Cash Flow Statement for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
A. Cash flow from operating activities		
Net profit before tax	18,092,848	147,094,846
Adjustments for:		
Provision for doubtful debts	5,065,761	289,643
Depreciation and amortisation	53,659,132	56,076,670
Loss/(gain) on sale of tangible assets	842,582	(1,127,296)
Interest income	(9,788,209)	(5,344,435)
Interest expense, net	41,332,609	20,397,700
Advances written off	2,931,805	-
Employee stock option plan expense	-	42,324
Operating profit before working capital changes	112,136,528	217,429,452
Changes in working capital :		
(Decrease)/Increase in provisions	(7,599,853)	5,894,795
Increase in liabilities and payables	103,622,739	36,733,000
(Increase)/Decrease in trade receivables	(22,369,000)	8,873,677
Increase in inventories	(3,682,292)	(3,118,399)
Increase in loans and advances	(130,059,561)	(56,021,381)
Cash generated from operations	52,048,561	209,791,144
Direct taxes paid (including tax deducted at source)	13,491,289	25,117,808
Net cash generated from operating activities	38,557,272	184,673,336
B. Cash flows from investing activities		
Purchase of fixed assets (including changes in capital work-in-progress)	(512,455,668)	(447,647,225)
Sale of fixed assets	552,375	1,501,573
Interest received	6,415,247	5,293,285
Changes in margin money	(121,602)	(13,925)
Change in project advances	(15,279,027)	(23,481,516)
Investments in subsidiaries	-	(71,200,000)
Loans given to subsidiaries	(27,627,459)	(15,930,000)
Loans repaid by subsidiaries	21,449,241	179,842,437
Loans given to joint venture	(26,470,261)	-
Net cash used in investing activities	(553,537,154)	(371,635,371)

Cash Flow Statement for the year ended 31 March 2012 (Cont'd)

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
C. Cash flows from financing activities		
Interest paid, net of capitalised interest	(22,971,903)	(16,564,143)
Advance received for sale of investment (refer note 10(b))	200,000,000	-
Receipt of borrowings from joint venture	6,962,081	10,000,000
Dividends paid (including dividend distribution tax)	(47,655,025)	-
Repayment of borrowings from joint venture	(1,653,092)	(10,000,000)
Receipt of borrowings from subsidiaries	-	8,260,845
Repayment of borrowings from subsidiaries	-	(8,260,845)
Repayment of short term borrowings	-	(500,000,000)
Proceeds from long-term borrowings	550,750,728	448,252,948
Repayment of term loans	(90,627,942)	(110,212,566)
Net cash from/ (used in) financing activities	594,804,847	(178,523,761)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	79,824,965	(365,485,796)
Cash and cash equivalents at the beginning of the year	77,031,013	442,516,809
Cash and cash equivalents at the end of the year	156,855,978	77,031,013

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 Aashish Arjun Singh
Partner

Bengaluru
30 May 2012

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Harish Kumar Chopra
Chief Financial Officer

Bengaluru
30 May 2012

Naresh K. Malhotra
Director

K B Shyam Kumar
Company Secretary



Notes to the financial statements for the year ended 31 March 2012

1) Background

Royal Orchid Hotels Limited ('the Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997.

2) 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. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provision for bad and doubtful receivable and accruals for employee benefits.

(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.

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

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

Notes to the financial statements for the year ended 31 March 2012

2. Significant accounting policies (Cont'd)

e) Depreciation and amortisation

Depreciation 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:

Tangible asset category	Rates of depreciation used (%)
Leasehold buildings (including improvements)	1.67
Plant and equipments	4.75 -20
Furniture and fixtures	9.50 – 20.00
Vehicles	9.50-16.21
Office equipments	4.75
Computers	16.21

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

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.

(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.



Notes to the financial statements for the year ended 31 March 2012

2. Significant accounting policies (Cont'd)

(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.

(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.

Notes to the financial statements for the year ended 31 March 2012

2. Significant accounting policies (Cont'd)

(l) Employee benefits (Cont'd)

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).

(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 period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. 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 weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



Notes to the financial statements for the year ended 31 March 2012

2) Significant accounting policies (Cont'd)

(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 2012

	As at 31 March 2012 ₹		As at 31 March 2011 ₹	
	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

a) There has been no change in the total equity shares outstanding during the year.

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	5,446,088	54,460,880	5,220,491	52,204,910
SBI Magnum Sector Funds Umbrella -Contra Fund	2,354,663	23,546,630	2,369,048	23,690,480
	19,694,649	196,946,490	19,483,437	194,834,370

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.



Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
4. Reserves and surplus		
Foreign exchange earnings reserve	1,100,000	1,100,000
Securities premium reserve	1,130,684,095	1,130,684,095
Employee stock option outstanding account	-	476,655
Balance at the beginning of the year	476,655	1,227,795
Add: Additions made during the year	-	42,324
Less: Transferred to general reserve during the year	476,655	793,464
	-	476,655
General reserve		
Balance at the beginning of the year	101,117,085	95,493,879
Add : Additions during the year (from Statement of Profit and Loss)	-	4,829,742
Add: Transfer from employee stock option outstanding on account of lapse of options	476,655	793,464
	101,593,740	101,117,085
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	533,387,629	489,258,325
Add: Profit for the year	12,012,587	96,594,846
Less: Proposed dividend	-	40,850,948
Less: Tax on distribution of dividend	-	6,784,852
Less: Transfer to general reserve	-	4,829,742
	545,400,216	533,387,629
	1,778,778,051	1,766,765,464

Note:

There has been no change in the foreign exchange earnings reserve and securities premium reserve during the year.

Notes to the financial statements for the year ended 31 March 2012

As at 31 March 2012		As at 31 March 2011	
₹ Long term	₹ Short term	₹ Long term	₹ Short term
5. Borrowings			
Secured			
Term loans			
From banks	1,452,606,320	-	1,212,448,343
From a financial institution	221,900,000	-	-
Vehicle loan	2,495,426	-	4,430,616
	1,677,001,746	-	1,216,878,959
Less : Current maturities of long term debt	254,477,876	-	80,029,119
	1,422,523,870	-	1,136,849,840
Unsecured			
From a joint venture	-	5,308,989	-
	-	5,308,989	-
	1,422,523,870	5,308,989	1,136,849,840

Notes:

- a) On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for ₹ 300 million which was fully drawn. This loan is secured by way of an equitable mortgage of the building of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company.
- Additionally, this borrowing is also secured by the personal guarantees of Mr. Chander K. Baljee, and Mrs. Sunita Baljee and a corporate guarantee from Baljees Hotels and Real Estates Private Limited. This loan is repayable in 24 quarterly instalments of ₹ 12.5 million each, commencing from 31 December 2005. The key covenants include cost overruns on expansion being met directly by the Company, and new plant and machinery acquired to be insured jointly in the names of the Company and the Bank. Further, the arrangement also requires all expenditure in excess of the budgets and any other expansion activities to be pre-approved by the Bank. The loan was fully repaid during the current year. (Outstanding at 31 March 2011 - ₹ 12.5 million).
- b) In April 2009, the Company was sanctioned a consortium term loan from State Bank of India, State Bank of Hyderabad and State Bank of Mysore for ₹ 1,000 million to finance a hotel project at Hyderabad. The loan is secured by a first charge on moveable and immovable properties. Additionally, a personal guarantee of Mr. Chander K. Baljee, Managing Director has been provided. This loan is repayable in 30 quarterly instalments commencing from 30 September 2011. The balance outstanding as at 31 March 2012 - ₹ 995 million (31 March 2011 - ₹ 689 million).
- c) In April 2009, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from State Bank of Hyderabad amounting to ₹ 194.50 million from which the Company has drawn down ₹ 164.50 million. This loan is secured by extending its equitable mortgage of the building of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company. The balance outstanding as at 31 March 2012 - ₹ 111 million (31 March 2011 - ₹ 137 million).



- d) In March 2010, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank Limited amounting to ₹ 400 million. The loan is repayable in 20 quarterly instalments commencing from 1 July 2010. The loan is secured by a first paripassu charge on equitable mortgage of leasehold property of Hotel Royal Orchid. 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 of the Company. The balance outstanding as at 31 March 2012 - ₹ 350 million (31 March 2011 - ₹ 378 million).
- e) In July 2011, the Company was sanctioned a Rupee Term Loan for ₹ 250 million for expansion in hospitality sector by Tourism Finance Corporation of India Limited. The loan is repayable in 16 quarterly instalments of ₹ 15.5 million each, commencing from 15 October 2011. The loan is secured by a first paripassu charge on equitable mortgage of leasehold land. Additionally, the loan is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director of the Company. The balance outstanding as at 31 March 2012 - ₹ 219 million (31 March 2011 - Nil).
- f) The vehicle loans are secured by the hypothecation of the vehicles concerned.
- g) The current portion of the term loan where instalments are due within one year have been classified under "current maturities of long term debt" under other current liabilities.
- h) As at 31 March 2012, the Company is in default for payment of interest of ₹ 21,654,417 (31 March 2011 - ₹ 3,833,557) and repayment of principal of ₹ 9,900,000 (31 March 2011 - Nil) on various term loans that were due as at 31 March 2012. These amounts have been settled by the Company subsequent to the Balance Sheet date.

Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
6. Deferred tax liability, net		
Deferred tax liabilities		
Depreciation	48,485,000	45,000,000
	48,485,000	45,000,000
Deferred tax assets		
Provision for employee benefits	4,645,000	-
Provision for doubtful debts	2,240,000	-
	6,885,000	-
	41,600,000	45,000,000
7. Other long term liabilities		
Lease rent equalisation	19,792,807	15,025,260
	19,792,807	15,025,260

Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹		As at 31 March 2011 ₹	
	Long term	Short term	Long term	Short term
8 Provisions				
Employee benefits				
Gratuity (refer note (a)(i) and (a)(ii) below)	9,022,605	451,979	10,119,858	485,868
Compensated absences (refer note (a)(iii) below)	3,001,398	265,445	8,977,432	758,122
Proposed dividend	-	-	-	40,850,948
Dividend tax	-	-	-	6,784,852
	12,024,003	717,424	19,097,290	48,879,790
a) Employee benefits	Year ended 31 March 2012 ₹		Year ended 31 March 2011 ₹	
(i) Gratuity				
Change in projected benefit obligation				
Projected benefit obligation at the beginning of the year		10,605,726		5,998,533
Service cost		2,800,174		2,242,301
Interest cost		830,023		660,103
Actuarial (gain) / loss		(3,901,159)		(44,277)
Benefits paid		(860,180)		-
Past service cost - vested benefits		-		1,749,066
Projected benefit obligation at the end of the year		9,474,584		10,605,726
Components of net gratuity costs are				
Service cost		2,800,174		2,242,301
Interest cost		830,023		660,103
Past service cost- vested benefits		-		1,749,066
Recognised net actuarial (gain)/ loss		(3,901,159)		(44,277)
Expense recognised in Statement of Profit and Loss		(270,962)		4,607,193

**Assumptions used**

Discount rate	8.50%	8.15%
Future salary increase	7.00%	7.00%
Attrition rate	2 - 5%	2 - 5%
Retirement age	45 - 55 years	45 - 55 years

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

- (ii) The gratuity expenses have been recognised under Note 21 - Employee benefits expense

(iii) Compensated absences

The assumptions used for actuarial valuation of compensated absences are as under:

	Year ended 31 March 2012	Year ended 31 March 2011
Assumptions used		
Discount rate	8.50%	8.15%
Future salary increase	7.00%	7.00%
Attrition rate	2 - 5%	2 - 5%
Retirement age	45 - 55 years	45 - 55 years

Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
9 Trade payables		
Creditors	77,719,661	109,630,982
	77,719,661	109,630,982

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.

10 Other current liabilities

Current maturities of long term debt	254,477,876	80,029,119
Unclaimed dividends (refer note (a) below)	1,114,252	1,133,477
Security deposit received	3,067,170	3,079,061
Interest accrued and due on borrowings	22,194,263	3,833,557
Accrued expenses	105,044,182	33,260,699
Dues to employees	28,052,063	24,424,356
Statutory dues	27,892,611	15,947,496
Payable to companies under same management	10,484,325	9,901,090
Dues to directors	1,753,101	1,448,956
Advance received from customers	9,146,369	5,939,107
Bank overdraft	42,581,310	3,761,081
Advance received for sale of shares in subsidiary (refer note (b) below)	200,000,000	-
Other liabilities	12,031,620	5,050,149
	717,839,142	187,808,148

Note:

- a) There are no amounts that are due to be paid to the Investor Education and Protection Fund.
- b) The Company has executed a Share Purchase Agreement (the "Agreement") with SAMHI Hotels Private Limited ("SAMHI") to sell their entire share holding in Royal Orchid Ahmedabad Private Limited ("the Subsidiary") after completion of certain activities as per the Agreement. The secured lender of the Subsidiary has approved this transaction, subject to full payment of their outstanding balances by SAMHI within a stipulated time period.



Notes to the financial statements for the year ended 31 March 2012

Amount in ₹

11	Tangible assets	Land (Freehold)	Leasehold buildings (including improvements)	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Computers	Total
	Particulars								
	Gross Block								
	Balance as at 01 April 2010	2,430,000	327,208,273	192,551,170	197,330,371	43,537,522	16,486,641	17,252,049	796,796,026
	Additions	-	734,558	7,539,522	1,561,355	4,128,816	1,064,003	1,314,066	16,342,320
	Disposals	-	-	210,544	-	3,595,611	-	-	3,806,155
	Balance as at 31 March 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
	Accumulated depreciation								
	Balance as at 01 April 2010	-	57,320,458	48,979,414	107,058,857	21,065,501	5,719,293	9,310,364	249,453,887
	Charge for the year	-	13,706,437	10,620,162	21,071,709	6,467,359	926,947	2,373,165	55,165,779
	Reversal on disposal of assets	-	-	42,305	-	3,389,573	-	-	3,431,878
	Balance as at 31 March 2011	-	71,026,895	59,557,271	128,130,566	24,143,287	6,646,240	11,683,529	301,187,788
	Net block								
	Balance as at 31 March 2010	2,430,000	269,887,815	143,571,756	90,271,514	22,472,021	10,767,348	7,941,685	547,342,139
	Balance as at 31 March 2011	2,430,000	256,915,936	140,322,877	70,761,160	19,927,440	10,904,404	6,882,586	508,144,403

Notes to the financial statements for the year ended 31 March 2012

[illegible]



Notes to the financial statements for the year ended 31 March 2012

12 Intangible assets

Particulars	Amount in ₹	
	Goodwill	Total
Gross Block		
Balance as at 01 April 2010	4,554,452	4,554,452
Additions	-	-
Balance as at 31 March 2011	4,554,452	4,554,452
Accumulated amortisation		
Balance as at 01 April 2010	3,643,561	3,643,561
Amortisation for the year	910,891	910,891
Balance as at 31 March 2011	4,554,452	4,554,452
Net block		
Balance as at 31 March 2010	910,891	910,891
Balance as at 31 March 2011	-	-
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
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
Net block		
Balance as at 31 March 2011	-	-
Balance as at 31 March 2012	-	-

Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
13 Non-current investments (Valued at cost, unless stated otherwise)		
Long-term investments in equity instruments (unquoted)		
Investments in shares of subsidiaries		
Icon Hospitality Private Limited (95,889 (31 March 2011 – 95,889) equity shares of ₹ 100 each)	192,032,412	192,032,412
Royal Orchid Hyderabad Private Limited (1,760,200 (31 March 2011 – 1,760,200) equity shares of ₹10 each)	17,602,000	17,602,000
Royal Orchid Jaipur Private Limited (1,650,000 (31 March 2011 – 1,650,000) equity shares of ₹10 each)	16,500,000	16,500,000
AB Holdings Private Limited (250,000 (31 March 2011 – 250,000) equity shares of ₹10 each)	2,500,000	2,500,000
Maruti Comforts & Inn Private Limited (209,100 (31 March 2011 – 209,100) equity shares of ₹100 each)	58,849,000	58,849,000
Royal Orchid South Private Limited (900,000 (31 March 2011 – 900,000) equity shares of ₹10 each)	9,000,000	9,000,000
Multi Hotels Limited (30 (31 March 2011 – 30) equity shares of Tanzanian Shillings 1,000 each)	74,060,100	74,060,100
Royal Orchid Shimla Private Limited (5,000 (31 March 2011 – 5000) equity shares of ₹100 each)	500,000	500,000
Royal Orchid Goa Private Limited (5,000 (31 March 2011 – 5000) equity shares of ₹100 each)	500,000	500,000
Royal Orchid Maharashtra Private Limited (5,000 (31 March 2011 – 5000) equity shares of ₹100 each)	500,000	500,000
Royal Orchid Mumbai Private Limited (50,000 (31 March 2011 – 50,000) equity shares of ₹10 each)	500,000	500,000
Royal Orchid Ahmedabad Private Limited (refer note 10(b)) (1,510,000 (31 March 2011 – 1,510,000) equity shares of ₹10 each)	128,900,000	128,900,000
Amar Tara Hospitality Private Limited (25,160,000 (31 March 2011 – 25,160,000) equity shares of ₹10 each)	251,600,000	251,600,000
Investments in shares of associates		
Parsvnath Royal Orchid Hotels Limited (15,000 (31 March 2011 – 15,000) equity shares of ₹10 each)	225,000	225,000
Investments in shares of joint ventures		
Rajkamal Buildcon Private Limited (5,000 (31 March 2011 – 5,000) equity shares of ₹10 each)	52,820,000	52,820,000
Ksheer Sagar Buildcon Private Limited (5,000 (31 March 2011 – 5,000) equity shares of ₹10 each)	52,820,000	52,820,000



Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
J H Builders Private Limited (5,000 (31 March 2011 – 5,000) equity shares of ₹10 each)	52,820,000	52,820,000
Ksheer Sagar Developers Private Limited (5,000 (31 March 2011 – 5,000) equity shares of ₹10 each)	52,820,000	52,820,000
Cosmos Premises Private Limited (202,381 (31 March 2011 – 202,381) equity shares of ₹10 each)	170,000,040	170,000,040
Share application money pending allotment		
Ksheer Sagar Buildcon Private Limited	1,115,640	1,115,640
J H Builders Private Limited	1,165,683	1,165,683
Rajkamal Buildcon Private Limited	1,117,162	1,117,162
Ksheer Sagar Developers Private Limited	41,620,749	41,620,749
Long-term, non-trade investments in government securities (unquoted)		
National savings certificate	225,000	225,000
	1,179,792,786	1,179,792,786

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Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012		As at 31 March 2011	
	₹ Long term	₹ Short term	₹ Long term	₹ Short term
14 Loans and advances (Unsecured, considered good)				
Advances to suppliers	-	6,286,362	-	4,340,203
	-	6,286,362	-	4,340,203
Security deposits				
Hotel deposits	113,193,145	-	113,220,055	-
Project deposits	103,370,203	-	2,320,203	-
Rental deposits	144,832,480	-	132,845,780	-
	361,395,828	-	248,386,038	-
Dues from subsidiaries and joint ventures				
- Loans receivable	177,146,606	-	144,498,126	-
- Other balances	13,263,024	-	3,219,151	-
	190,409,630	-	147,717,277	-
Prepaid expenses	-	10,001,822	-	10,070,203
Advance tax (net of provision for tax)	5,929,192	-	1,918,165	-
Dues from employees	-	1,506,244	-	2,046,141
Accrued interest	3,438,615	-	65,653	-
Project advances	45,667,925	-	30,388,898	-
Other advances	3,508,579	-	772,366	-
	58,544,311	11,508,066	33,145,082	12,116,344
	610,349,769	17,794,428	429,248,397	16,456,547



Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
15 Inventories		
Food and beverages	11,722,356	8,709,348
Stores and spares	3,814,524	3,145,240
	15,536,880	11,854,588
16 Trade receivables		
Billed receivables		
Outstanding for a period exceeding six months from the due date		
Unsecured, considered good	276,472	2,760,643
Unsecured, considered doubtful	6,743,253	1,908,837
	7,019,725	4,669,480
Less : Provision for doubtful debts	6,743,253	1,908,837
	276,472	2,760,643
Other debts		
Unsecured, considered good	61,129,386	37,521,948
Unbilled receivables		
Unbilled revenues	5,317,912	9,137,941
	66,447,298	46,659,889
	66,723,770	49,420,532
17 Cash and cash equivalents		
Balances with banks		
- in current accounts	62,476,967	50,596,622
- in deposit accounts (with maturity upto 3 months)	92,517,700	23,666,259
Cash on hand	1,861,311	2,768,132
	156,855,978	77,031,013

Notes to the financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
18 Revenue		
Revenue from operations		
Sale of services		
- Rooms	576,929,376	589,555,207
- Food and beverages	312,605,367	296,028,281
	889,534,743	885,583,488
Management fees	19,089,955	7,848,738
Technical fees	3,636,942	12,149,052
Service charges	20,593,039	23,122,856
	43,319,936	43,120,646
	932,854,679	928,704,134
19 Other income		
Interest income		
- from bank deposits	4,430,456	1,298,449
- from loans		
to subsidiaries	4,538,081	4,045,986
to joint venture	819,672	-
Miscellaneous	7,027,060	16,091,667
	16,815,269	21,436,102
20 Food and beverages consumed		
Opening stock	8,709,348	6,171,828
Add : Purchases during the year	110,692,036	102,019,763
	119,401,384	108,191,591
Less : Closing stock	11,722,356	8,709,348
	107,679,028	99,482,243
21 Employee benefits expense		
Salaries and bonus	200,320,638	189,496,606
Contribution to provident and other defined contribution funds	1,352,520	8,005,211
Employee stock option plan expense	-	42,324
Staff welfare expenses	19,267,523	23,530,051
	220,940,681	221,074,192
22 Finance costs		
Interest expenses		
- on term loan	433,560,281	130,943,690
less: capitalised during the year	392,641,630	113,552,611
	40,918,651	17,391,079
- on vehicle loan	413,958	622,029
- on others	-	2,384,592
Bank charges	1,345,766	2,206,231
	42,678,375	22,603,931



Notes to the financial statements for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
23 Depreciation and amortisation		
Depreciation	53,659,132	55,165,779
Amortisation	-	910,891
	53,659,132	56,076,670
24 Other expenses		
Guest transportation	5,164,497	5,187,067
Linen and room supplies	19,515,040	15,752,468
Catering and other kitchen supplies	10,900,405	10,582,729
Cablenet charges	6,776,353	6,539,827
Uniform washing and laundry	9,817,519	7,644,766
Rates and taxes	19,911,347	14,019,182
Banquet expenses	23,876,748	17,096,002
Power, water and fuel	83,933,639	71,383,139
Management fee	540,311	652,119
Garden and landscaping	1,614,044	741,900
Decoration expenses	2,722,321	2,177,488
Security charges	8,834,853	7,184,907
Communication and stationery	21,201,616	19,266,709
Subscription charges	7,734,040	7,758,261
Rent	115,366,793	86,383,168
Repairs and maintenance		
- Buildings	10,959,484	10,813,887
- Plant and equipment	12,507,933	9,023,538
- Others	18,420,774	9,627,403
Insurance	3,390,021	4,029,152
Commission, brokerage and discount	28,998,141	24,290,839
Legal and professional	28,652,515	18,671,308
Travelling and conveyance	16,422,330	16,729,714
Advertisement and business promotion	24,657,215	22,028,887
Auditors' remuneration (refer note 35)	1,684,380	1,500,000
Provision for doubtful debts	5,065,761	289,643
Directors' sitting fees	524,000	520,000
Loss on sale of assets	842,582	-
Directors' commission	385,923	1,448,956
Recruitment expenses	659,491	2,474,246
Royalty	2,178,754	1,806,172
Music and entertainment	3,691,466	2,088,996
Other advances written off	2,931,805	-
Miscellaneous	6,737,783	6,095,881
	506,619,884	403,808,354
25 Earnings per share		
Weighted average number of shares outstanding	27,233,965	27,233,965
Net profit after tax attributable to equity shareholders in ₹	12,012,587	96,594,846
Basic and diluted earnings per share in ₹	0.44	3.55
Nominal value per equity share in ₹	10	10

Notes to the financial statements for the year ended 31 March 2012

26 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 2012 was ₹115,366,793 (31 March 2011 – ₹ 86,383,168).

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

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Payments falling due:		
Within 1 year	44,431,760	31,214,386
Later than one year but not later than five years	248,033,150	81,167,442
Later than 5 years	104,863,172	172,822,474
Total	397,328,082	285,204,302

27 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, Bengaluru, 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. The Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor, which has been challenged by the lessor in the High Court. The management believes that the case will be settled in their favour and hence will not 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. 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.



27 Commitments and contingencies (Cont'd)

b) Guarantees

The Company has given guarantees to banks for loans sanctioned to subsidiaries, joint ventures and a unrelated party amounting to ₹ 2,275,000,000 (31 March 2011- ₹ 2,050,000,000). The loans availed and outstanding as at 31 March 2012 - ₹1,125,243,819 (31 March 2011 - ₹ 1,024,550,512).

c) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 193,913,547 (31 March 2011 - ₹ 408,806,124).

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.

28 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 2012	Maximum balance outstanding during the year ended 31 March 2012	As at 31 March 2011	Maximum balance outstanding during the year ended 31 March 2011
Royal Orchid Jaipur Private Limited*	13,436,833	15,136,221	15,136,220	26,651,016
A B Holdings Private Limited*	30,299,903	49,379,903	49,379,903	86,179,903
Royal Orchid South Private Limited*	1,062,730	1,062,730	1,062,730	1,062,730
Royal Orchid Hyderabad Private Limited*	-	-	669,853	669,853
Multi Hotels Limited*	14,908,167	15,626,783	11,930,717	12,866,583
Royal Orchid Maharashtra Private Limited*	24,698,060	24,498,060	23,798,060	23,798,060
Royal Orchid East Private Limited*	19,621,029	19,621,029	268,392	1,312,313
Royal Orchid Ahmedabad Private Limited *	-	-	-	127,284,437
Icon Hospitality Private Limited	23,171,875	23,171,875	23,171,875	23,171,875
Maruti Comforts & Inn Private Limited	19,080,376	19,080,376	19,080,376	19,080,376
Amar Tara Hospitality Private Limited	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.

Notes to the financial statements for the year ended 31 March 2012

29 Stock based compensation

The Royal Orchid Hotels Limited Employee Stock Option Plan 2006, ('the Plan') was approved in the Annual General Meeting of the members held on 13 September 2006. Subsequently, at the Annual General Meeting held on 8 August 2007 the aforesaid Plan was amended to include the employees of the subsidiaries of the Company and to increase the period available to exercise the options. The Plan provides for the issuance of stock options to eligible employees (including directors of the Company) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid-up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the Plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting. As per the Plan, all the taxes, are to be borne by the employees and hence the taxes, if any, will not have an impact on the Statement of Profit and Loss of the Company. At the Annual General Meeting held on 24 September 2010, the shareholders authorised the Board to fix the exercise price based on the prevailing market price and to amend the validity period for exercise of options. The Plan has expired on 09 August 2011 and hence all options vested and outstanding as at the beginning of the year have lapsed. The disclosures along with the weighted average price for options movement have been provided below:

	Year ended 31 March 2012		Year ended 31 March 2011	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
	Numbers	₹	Numbers	₹
Options outstanding at the beginning of the year	130,667	165	281,100	165
Lapsed during the year	(130,667)	165	(150,433)	165
Options exercisable at year end	-		130,667	

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

	Year ended 31 March 2012	Year ended 31 March 2011
Net profit, as reported	-	96,594,849
Add: Stock-based employee compensation expense included in the Statement of Profit and Loss	-	42,324
Less: Stock based employee compensation expense determined under the fair value method	-	1,042,673
Pro forma Net Profit	-	95,594,500
Earnings per share – Basic		
As reported	-	3.55
Pro forma	-	3.51
Earnings per share – Diluted		
As reported	-	3.55
Pro forma	-	3.51

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



	As at 31 March 2012	As at 31 March 2011
Dividend yield %	NA	3.28%
Expected life	NA	18 to 42 months
Risk free interest rate	NA	7.34% to 7.63%
Volatility	NA	40.37%

30 Related party transactions

i. Parties where control exists

Name of party

Nature of relationship

Icon Hospitality 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
AB Holdings Private Limited	Subsidiary
Royal Orchid East Private Limited	Subsidiary (subsidiary of A B Holdings Private Limited)
Royal Orchid South Private Limited	Subsidiary
Royal Orchid Shimla Private Limited	Subsidiary
Royal Orchid Goa Private Limited	Subsidiary
Royal Orchid Mumbai Private Limited	Subsidiary
Royal Orchid Maharashtra Private Limited	Subsidiary
Multi Hotels Limited	Subsidiary
Mr. Chander K. Baljee	Managing Director and key management personnel

ii. Key management personnel

Mr. Chander K. Baljee

iii. Relatives of key management personnel

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

[illegible]

[illegible]

[illegible]

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Notes to the financial statements for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
31 Earnings in foreign currency		
Income from operations	370,271,938	374,153,001
32 Expenditure in foreign currency		
Commission	6,830,520	3,428,901
License and subscription	6,459,897	5,492,530
Royalty	2,178,754	1,806,172
Others	2,711,179	4,645,241
33 Imported and indigenous food and beverages consumed	Year ended 31 March 2012 Amount (₹) %	Year ended 31 March 2011 Amount (₹) %
Imported	- -	- -
Indigenous	107,679,028 100%	99,482,243 100%
	107,679,028 100%	99,482,243 100%
34 Value of imports on CIF basis		
Capital goods	1,912,546	7,233,662
35 Auditors' remuneration		
Statutory audit and limited reviews	1,300,000	1,300,000
Other services	175,000	-
Reimbursement of expenses	57,455	66,100
Service tax	151,925	133,900
	1,684,380	1,500,000
36 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.



37 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:											

Notes to the financial statements for the year ended 31 March 2012

38 Prior period comparatives

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year amounts have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year amounts does not impact recognition and measurement principles followed for preparation of financial statements.

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Naresh K. Malhotra
Director

Harish Kumar Chopra
Chief Financial Officer

K B Shyam Kumar
Company Secretary

Bengaluru
30 May 2012



Auditors' Report

To the Board of Directors of Royal Orchid Hotels Limited

- 1 We have audited the attached Consolidated Balance Sheet of Royal Orchid Hotels Limited, its subsidiaries, associate and joint ventures (hereinafter collectively referred to as 'the Group'), as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that:
 - (a) the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' notified pursuant to the Companies (Accounting Standards) Rules, 2006.
 - (b) "We did not audit the financial statements of certain subsidiaries and an associate, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 260,835,146 as at 31 March 2012; total revenues (after eliminating intra-group transactions) of ₹ 32,592,464 and net cash outflows aggregating to ₹ 286,040 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the reports of the other auditors."
4. Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiaries, associate and joint ventures, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:
 - (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
 - (b) the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

per Aashish Arjun Singh
Partner
Membership No.: 210122

Bengaluru
30 May 2012

Consolidated Balance Sheet as at 31 March 2012

	Notes	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Equity and liabilities			
<i>Shareholders' funds</i>			
Share capital	3	272,339,650	272,339,650
Reserves and surplus	4	2,111,483,772	1,909,926,409
		<u>2,383,823,422</u>	<u>2,182,266,059</u>
Minority interest		313,327,031	336,492,463
<i>Non-current liabilities</i>			
Long-term borrowings	5	2,145,145,597	2,150,233,126
Deferred tax liability, net	6	77,621,415	73,107,022
Other long term liabilities	7	20,708,393	18,179,252
Long-term provisions	8	19,975,894	25,084,984
		<u>2,263,451,299</u>	<u>2,266,604,384</u>
<i>Current liabilities</i>			
Short-term borrowings	5	59,911,410	27,307,950
Trade payables	9	150,553,457	152,270,764
Other current liabilities	10	1,189,243,779	328,041,374
Short-term provisions	8	1,516,719	49,260,812
		<u>1,401,225,365</u>	<u>556,880,900</u>
Total		<u>6,361,827,117</u>	<u>5,342,243,806</u>
Assets			
<i>Non-current assets</i>			
Fixed assets			
Tangible assets	11	3,174,057,323	2,679,368,243
Intangible assets	12	2,281,912	2,348,541
Capital work-in-progress		1,947,292,898	1,625,958,742
Goodwill (on consolidation)		284,174,300	284,174,300
Non-current investments	13	450,000	450,000
Long-term loans and advances	14	544,718,010	373,105,942
Other non current assets (margin money accounts)		13,020,748	11,652,965
		<u>5,965,995,191</u>	<u>4,977,058,733</u>
<i>Current assets</i>			
Inventories	15	23,710,742	19,504,571
Trade receivables	16	122,417,151	108,908,647
Cash and cash equivalents	17	194,166,742	191,501,764
Short-term loans and advances	14	55,537,291	45,270,091
		<u>395,831,926</u>	<u>365,185,073</u>
Total		<u>6,361,827,117</u>	<u>5,342,243,806</u>
Significant accounting policies	2		

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, Chandiok & Co
Chartered Accountants

per Aashish Arjun Singh
Partner

Bengaluru
30 May 2012

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Harish Kumar Chopra
Chief Financial Officer

Bengaluru
30 May 2012

Naresh K. Malhotra
Director

K B Shyam Kumar
Company Secretary



Statement of Consolidated Profit and Loss for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
Revenue			
Revenue from operations	18	1,605,595,250	1,521,298,439
Other income	19	18,635,622	26,133,136
Total revenue		1,624,230,872	1,547,431,575
Expenses			
Food and beverages consumed	20	185,265,157	165,072,525
Employee benefits expense	21	357,848,129	316,495,523
Finance costs	22	162,870,673	112,843,010
Depreciation and amortisation	23	141,547,020	137,079,744
Other expenses	24	801,002,611	645,153,725
Total expenses		1,648,533,590	1,376,644,527
Profit/(Loss) before tax		(24,302,718)	170,787,048
Tax expense			
Current tax (including interest on tax)		19,949,655	62,597,900
Deferred tax charge/(credit)		4,514,393	(6,475,246)
Minimum alternative tax credit		669,546	-
		25,133,594	56,122,654
Net Profit/(Loss) before minority interest		(49,436,312)	114,664,394
Minority interest		(23,165,432)	(7,546,098)
Net Profit/(Loss) after minority interest		(26,270,880)	122,210,492
Earnings per equity share of ₹ 10 each Basic/Diluted	25	(0.96)	4.49
Significant accounting policies	2		

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, Chandiok & Co
Chartered Accountants

per Aashish Arjun Singh
Partner

Bengaluru
30 May 2012

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Harish Kumar Chopra
Chief Financial Officer

Bengaluru
30 May 2012

Naresh K. Malhotra
Director

K B Shyam Kumar
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
A. Cash flow from operating activities		
Net profit before tax	(24,302,718)	170,787,048
Adjustments for:		
Provision for doubtful debts	16,170,918	1,688,193
Depreciation and amortisation	141,547,020	137,079,744
Loss on sale of tangible assets	842,582	1,970,501
Interest income	(7,494,729)	(2,113,994)
Interest expense, net	160,896,475	110,439,812
Advances written off	2,931,805	-
Employee stock option plan expense	-	42,324
Operating profit before working capital changes	290,591,353	419,893,628
Changes in working capital :		
(Decrease)/Increase in provisions	(5,217,383)	7,675,172
Increase in trade payables and other liabilities	168,713,736	96,577,900
Increase in trade receivables	(29,448,078)	(16,298,768)
Increase in inventories	(4,206,171)	(4,067,225)
Increase in loans and advances	(159,939,640)	(42,095,581)
Cash generated from operations	260,493,817	461,685,126
Taxes paid	7,300,000	22,550,000
Net cash generated from operating activities	253,193,817	439,135,126
B. Cash flows from investing activities		
Purchase of fixed assets (including changes in capital work-in-progress and capitalisation of interest cost)	(739,823,543)	(926,659,801)
Sale of fixed assets	552,314	1,579,914
Change in project advances	(14,745,560)	-
Interest received	5,806,706	1,962,652
Loan granted to a joint venture	(13,235,131)	-
Change in margin money	(1,367,783)	(13,925)
Net cash used in investing activities	(762,812,997)	(923,131,160)



	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
C. Cash flows from financing activities		
Advance received for sale of investment (refer note 10)	200,000,000	-
Interest paid (net of interest capitalised)	(123,241,528)	(107,111,795)
Dividend paid (including tax on dividend)	(47,655,025)	-
Proceeds from long-term borrowings	605,661,998	853,210,090
Repayment of long-term borrowings	(155,084,746)	(681,304,033)
Proceeds from short-term borrowings	33,430,006	-
Repayment of short-term borrowings	(826,546)	-
Net cash generated from financing activities	512,284,159	64,794,262
Net increase/(decrease) in cash and cash equivalents (A+B+C)	2,664,980	(419,201,772)
Cash and cash equivalents at the beginning of the year	191,501,764	610,703,536
Cash and cash equivalents at the end of the year	194,166,742	191,501,764

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 **Aashish Arjun Singh**
Partner

Bengaluru
30 May 2012

For **Royal Orchid Hotels Limited**

Chander K. Baljee
Chairman & Managing Director

Harish Kumar Chopra
Chief Financial Officer

Bengaluru
30 May 2012

Naresh K. Malhotra
Director

K B Shyam Kumar
Company Secretary

Notes to the consolidated financial statements for the year ended 31 March 2012

1 Background

Royal Orchid Hotels Limited ('the Company' or 'the Parent Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997.

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

(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:

Name of the Company	Country of incorporation	Percentage of share holding/voting power	
		31 March 2012	31 March 2011
Subsidiaries			
Icon Hospitality Private Limited	India	51.07%	51.07%
Maruti Comforts & Inn Private Limited	India	51%	51%
Royal Orchid Hyderabad Private Limited	India	100%	100%
AB Holdings Private Limited	India	100%	100%
Royal Orchid Jaipur Private Limited	India	100%	100%
Royal Orchid South Private Limited	India	100%	100%
Royal Orchid East Private Limited (subsidiary of AB Holdings Private Limited)	India	100%	100%
Multi Hotels Limited	Tanzania	100%	100%
Royal Orchid Shimla Private Limited	India	100%	100%
Royal Orchid Goa Private Limited	India	100%	100%
Royal Orchid Maharashtra Private Limited	India	100%	100%
Royal Orchid Ahmedabad Private Limited	India	100%	100%



Notes to the consolidated financial statements for the year ended 31 March 2012

2 Significant accounting policies (Cont'd)

(c) Principles of consolidation (Cont'd)

	Country of incorporation	Percentage of share holding/voting power	
		31 March 2012	31 March 2011
Amar Tara Hospitality Private Limited	India	74%	74%
Royal Orchid Mumbai Private Limited	India	100%	100%
Joint Ventures			
Ksheer Sagar Buildcon Private Limited	India	50%	50%
Ksheer Sagar Developers Private Limited	India	50%	50%
Raj Kamal Buildcon Private Limited	India	50%	50%
J.H. Builders Private Limited	India	50%	50%
Cosmos Premises Private Limited	India	50%	50%
Associate			
Parsvnath Royal Orchid Hotels Limited	India	30%	30%

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 2012

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 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.

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

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

(f) Depreciation and amortisation

Depreciation 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
Plant and equipments	4.75 -20
Furniture and fixtures	9.50 – 20.00
Vehicles	9.50-16.21
Office equipments	4.75
Computers	16.21
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.



Notes to the consolidated financial statements for the year ended 31 March 2012

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 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.

(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 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.

(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 2012

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 2012

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 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.

(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 period. 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 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 2012

	As at 31 March 2012		As at 31 March 2011	
	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 2012 ₹	As at 31 March 2011 ₹
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	1,227,795
Add: Additions made during the year	-	42,324
Less: Credited back to general reserve during the year	476,655	793,464
	-	476,655
General reserve		
Balance at the beginning of the year	101,117,085	95,493,879
Add : Additions made during the year (from Statement of Profit and Loss)	-	4,829,742
Add: Transfer from employee stock option outstanding on account of lapse of options	476,655	793,464
	101,593,740	101,117,085
Currency translation reserve		
Balance at the beginning of the year	8,449,285	7,172,955
Add : Additions made during the year	841,604	1,276,330
	9,290,889	8,449,285



Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
4 Reserves and surplus (Contd.)		
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	620,654,491	550,909,541
Add : Profit for the year	(26,270,880)	122,210,492
Less : Proposed dividend	-	40,850,948
Less : Tax on distribution of dividend	-	6,784,852
Less : Transfer to general reserve	-	4,829,742
	594,383,611	620,654,491
Revaluation reserve		
Balance at the beginning of the year	-	-
Add : Revaluation of land and building (refer note 30)	226,986,639	-
	226,986,639	-
	2,111,483,772	1,909,926,409

Note:

There has been no change in the capital reserves, foreign exchange earnings reserve and securities premium reserve during the current and previous year.

Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012		As at 31 March 2011	
	Long term ₹	Short term ₹	Long term ₹	Short term ₹
5 Borrowings				
Secured				
Term loans				
From bank	2,536,325,000	6,000,000	2,304,516,579	-
From financial institutions	221,900,000	-	-	-
Vehicle loan	11,729,436	-	6,978,771	-
	2,769,954,436	6,000,000	2,311,495,350	-
Unsecured				
Term loans				
From directors	-	29,944,091	7,881,835	21,937,240
Others	-	23,967,319	-	5,370,710
	-	53,911,410	7,881,835	27,307,950
Less : Current maturities of borrowings	624,808,839	-	169,144,059	-
	2,145,145,597	59,911,410	2,150,233,126	27,307,950

Notes :

- a) On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for ₹ 300 million which was fully drawn. This loan is secured by way of an equitable mortgage of the building of the Hotel Royal Orchid, Bengaluru and a first charge on the present and future fixed assets of the Company.

Additionally, this borrowing is also secured by the personal guarantees of Mr. Chander K. Baljee, Managing Director and Mrs. Sunita Baljee and a corporate guarantee from Baljees Hotels and Real Estates Private Limited. This loan is repayable in 24 quarterly instalments of ₹ 12.5 million each, commencing from 31 December 2005. The key covenants include cost overruns on expansion being met directly by the Company, and new plant and machinery acquired to be insured jointly in the names of the Company and the Bank. Further, the arrangement also requires all expenditure in excess of the budgets and any other expansion activities to be pre-approved by the Bank. The loan was fully repaid during the current year. (Outstanding at 31 March 2011 - ₹12.5 million).

- b) In March 2010, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from IDBI Bank Limited amounting to ₹ 400 million. The loan is repayable in 20 quarterly instalments commencing from 1 July 2010. The loan is secured by a first pari passu charge on equitable mortgage of leasehold property of Hotel Royal Orchid, Bengaluru. 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 of the Company. The balance outstanding as at 31 March 2012 - ₹ 350 million (31 March 2011 - ₹ 378 million).

- c) In April 2009, the Company was sanctioned a consortium term loan from State Bank of India, State Bank of Hyderabad and State Bank of Mysore for ₹ 1,000 million to finance a hotel project at Hyderabad. The loan is secured by a first charge on moveable and immovable properties. Additionally, a personal guarantee of Mr. Chander K. Baljee, Managing Director has been provided. This loan is repayable in 30 quarterly instalments commencing from 30 September 2011. The balance outstanding as at 31 March 2012 - ₹ 995 million (31 March 2011 - ₹ 689 million).



Notes to the consolidated financial statements for the year ended 31 March 2012

5 Borrowings (Contd.)

- d) In April 2009, the Company was sanctioned a Rupee Term Loan for repairs, renovations, refurbishment and maintenance for the existing hotels from State Bank of Hyderabad amounting to ₹ 194.50 million from which the Company has drawn down ₹ 164.50 million. This loan is secured by extending its equitable mortgage of the building of the Hotel Royal Orchid, Bengaluru and a first charge on the present and future fixed assets of the Company. The balance outstanding as at 31 March 2012 - ₹ 111 million (31 March 2011 - ₹ 137 million).
- e) In July 2011, the Company was sanctioned a Rupee Term Loan for ₹ 250 million for expansion in hospitality sector by Tourism Finance Corporation of India Limited. The loan is repayable in 16 quarterly instalments of ₹ 15.5 million each, commencing from 15 October 2011. The loan is secured by a first paripassu charge on equitable mortgage of leasehold land. Additionally, the loan is secured by a personal guarantee of Mr. Chander K. Baljee, Managing Director of the Company. The balance outstanding as at 31 March 2012 - ₹ 219 million (31 March 2011 - Nil).
- f) 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 borrowings are secured by the personal guarantees of the Directors of Icon - Mr. Chander K. Baljee, Mr. Dayanand Pai and Mr. Satish Pai. During the year ended 31 March 2011, the Company rescheduled the repayment of the loan by extending the tenor by 2 years ending in September 2017. The balance outstanding as at 31 March 2012 - ₹ 257.25 million (31 March 2011: ₹ 281.25 million).
- g) Maruti Comforts & Inn Private Limited ("Maruti") has availed a term loan facility of ₹ 150 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 on 31 March 2012 - ₹ 90.62 million (31 March 2011 - ₹ 107.5 million).
- h) During the year ended 31 March 2009, Cosmos Premises Private Limited ("Cosmos") has been 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. Additionally, in December 2010, Cosmos was sanctioned a short term corporate loan from State Bank of Hyderabad for ₹ 20 million and was fully drawn down. 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 on 31 March 2012 - ₹ 33.92 million (31 March 2011: ₹ 45.30 million).
- i) During the year ended 31 March 2010, Royal Orchid Ahmedabad Private Limited availed a term loan of ₹ 300 million from IDBI Bank and has drawn down the entire amount for the purpose of construction of hotel property at Ahmedabad. The loan is repayable in 28 quarterly instalments. This loan is secured by extending a first charge on all movable and immovable assets of the project. Additionally, a corporate guarantee has been provided by the Royal Orchid Hotels Limited. The balance outstanding as on 31 March 2012 - ₹ 269.60 million (31 March 2011 - ₹ 293.60 million).
- j) During the year ended 31 March 2010, Ksheer Sagar Developers Private Limited ("KSDPL") availed a term loan of ₹ 700 million from a bank - IDBI Bank Limited 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 on 31 March 2012 - ₹ 700 million (31 March 2011 - ₹ 580 million).
- k) During the year ended 31 March 2011, Amar Tara Hospitality Private Limited ("Amar Tara") availed the 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 - ₹ 87.84 million (31 March 2011 - ₹ 60 million).
- m) Vehicle loans are secured by the hypothecation of the vehicles concerned.
- n) The current portion of the term loan where instalments are due within one year have been classified under "current maturities of long term debt" under other current liabilities.

Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
6 Deferred tax liability, net		
Deferred tax liabilities		
Timing difference on depreciation	132,186,425	107,273,432
Timing difference on amortisation	65,653	34,476
	<u>132,252,078</u>	<u>107,307,908</u>
Deferred tax assets		
Provision for brought forward losses and unabsorbed depreciation	40,340,059	31,026,325
Provision for employee benefits	7,414,698	2,395,820
Provision for doubtful debts	6,385,616	778,741
Others	490,290	-
	<u>54,630,663</u>	<u>34,200,886</u>
	<u>77,621,415</u>	<u>73,107,022</u>
7 Other long term liabilities		
Lease rent equalisation	19,792,807	15,025,260
Retention money payable	915,586	3,153,992
	<u>20,708,393</u>	<u>18,179,252</u>



Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012		As at 31 March 2011	
	Long term ₹	Short term ₹	Long term ₹	Short term ₹
8 Provisions				
Provisions for employee benefits				
Gratuity (refer note (a)(i) and (a)(ii) below)	13,218,552	701,373	13,145,537	674,931
Compensated absences (refer note (a)(iii) below)	5,617,342	479,346	11,939,447	950,081
Proposed dividend	-	-	-	40,850,948
Dividend tax	-	-	-	6,784,852
Others	1,140,000	336,000	-	-
	19,975,894	1,516,719	25,084,984	49,260,812

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
a) Employee benefits		

(i) Gratuity		
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	13,820,467	8,467,192
Current service cost	4,446,545	3,503,433
Past service cost	-	1,834,896
Interest cost	1,076,187	961,138
Actual benefit payments	(1,263,344)	(367,247)
Actuarial losses/(gains)	(4,159,930)	(578,944)
Liability to be recognised in Balance Sheet	13,919,925	13,820,468

Components of net gratuity costs are

Service cost	4,446,545	3,503,433
Interest cost	1,076,187	961,318
Expected returns on plan assets	-	85,830
Past service cost- vested benefits	-	1,749,066
Recognised net actuarial (gain)/ loss	(4,159,930)	(578,944)
Expense recognised in Statement of Profit and Loss	1,362,802	5,720,703

Assumptions used

Discount rate	8.50%	8.15%
Future salary increase	7.00%	7.00%
Attrition rate	2 - 5%	2 - 5%
Retirement age	45 - 55 years	45 - 55 years

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

(ii) The gratuity expenses have been recognised under Note 21 - Employee benefits expense.

(iii) Compensated absences

The assumptions used for actuarial valuation of compensated absences are as under:

Assumptions used	31 March 2012	31 March 2011
Discount rate	8.50%	8.15%
Future salary increase	7.00%	7.00%
Attrition rate	2 - 5%	2 - 5%
Retirement age	45 - 55 years	45 - 55 years

Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
9 Trade payables		
Creditors	150,553,457	152,270,764
	150,553,457	152,270,764
10 Other current liabilities		
Current maturities of long term debt	624,808,839	169,144,059
Current maturities of short term debt	-	
Security deposit	3,077,170	3,089,061
Accrued expenses	112,103,696	37,479,643
Dues to employees	41,006,972	35,163,402
Statutory dues	47,504,410	34,470,065
Payable to companies under same management	11,168,385	12,045,640
Dues to directors	6,296,812	3,953,690
Advance received from customers	14,739,208	9,531,061
Bank overdraft (in books)	59,805,346	3,761,081
Advance received for sale of shares in subsidiary (refer note below)	200,000,000	-
Interest accrued but not due on borrowings	43,094,818	5,439,871
Other liabilities	25,638,123	13,963,801
	1,189,243,779	328,041,374

Note:

The Company has executed a Share Purchase Agreement (the "Agreement") with SAMHI Hotels Private Limited ("SAMHI") to sell their entire share holding in Royal Orchid Ahmedabad Private Limited ("the Subsidiary") after completion of certain activities as per the Agreement. The secured lender of the Subsidiary has approved this transaction, subject to full payment of their outstanding balances by SAMHI with in a stipulated time period.



Notes to the consolidated financial statements for the year ended 31 March 2012

11 Tangible assets

Particulars	Land (including leasehold)*	Buildings (including leasehold improve- ments)*	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Gross block								
Balance as at 01 April 2010	992,634,409	846,177,637	712,377,469	368,191,169	58,990,386	98,152,455	34,697,382	3,111,220,907
Additions / Adjustments	5,058,148	55,545,120	35,500,737	53,851,264	13,168,256	2,828,479	3,321,350	169,273,354
Disposals/ Adjustments	7,944,432	-	210,544	4,739,725	4,611,594	-	-	17,506,295
Balance as at 31 March 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
Accumulated depreciation								
Balance as at 01 April 2010	-	134,223,357	116,128,680	144,400,806	28,790,548	15,154,780	16,980,249	455,678,420
Charge for the year	1,726,377	35,317,052	35,338,031	42,607,187	8,448,583	5,718,979	5,035,033	134,191,242
Reversal / Disposal of assets	-	-	42,305	2,266,931	3,940,703	-	-	6,249,939
Balance as at 31 March 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
Net block								
Balance as at 31 March 2010	992,634,409	711,954,280	596,248,789	223,790,363	30,199,838	82,997,675	17,717,133	2,655,542,487
Balance as at 31 March 2011	988,021,748	732,182,348	596,243,256	232,561,646	34,248,620	80,107,175	16,003,450	2,679,368,243
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
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 / 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	28,519,542	722,409,062
Net block								
Balance as at 31 March 2011	988,021,748	732,182,348	596,243,256	232,561,646	34,248,620	80,107,175	16,003,450	2,679,368,243
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	22,098,393	3,174,057,323

* Refer note 30

Notes to the consolidated financial statements for the year ended 31 March 2012

12 Intangible assets

	Amount in ₹			
Particulars	Brand usage rights	Goodwill	Software	Total
Gross block				
Balance as at 01 April 2010	8,902,801	4,554,451	1,215,621	14,672,873
Additions	-	-	-	-
Balance as at 31 March 2011	8,902,801	4,554,451	1,215,621	14,672,873
Accumulated amortisation				
Balance as at 01 April 2010	5,341,679	3,643,562	450,589	9,435,830
Amortisation for the year	1,780,561	910,889	197,052	2,888,502
Balance as at 31 March 2011	7,122,240	4,554,451	647,641	12,324,332
Net block				
Balance as at 31 March 2010	3,561,122	910,889	765,032	5,237,043
Balance as at 31 March 2011	1,780,561	-	567,980	2,348,541
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
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
Net block				
Balance as at 31 March 2011	1,780,561	-	567,980	2,348,541
Balance as at 31 March 2012	-	-	2,281,912	2,281,912



Notes to the consolidated financial statements for the year ended 31 March 2012

			As at 31 March 2012 ₹	As at 31 March 2011 ₹	
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	225,000	
	(15,000 (31 March 2011 – 15,000) equity shares of ₹10 each)				
	Long-term, non-trade investments in government securities (unquoted)				
	National savings certificate		225,000	225,000	
			450,000	450,000	
		As at 31 March 2012	As at 31 March 2011		
		Long term	Long term	Short term	
		₹	₹	₹	
14	Loans and advances				
	(Unsecured, considered good, unless otherwise stated)				
	Advances to suppliers	-	11,205,611	-	5,299,803
	Capital advances	9,290,716	-	-	430,142
	Security deposits	420,015,911	108,000	307,828,043	50,000
	Prepaid expenses	28,974,523	19,837,598	14,700,000	19,551,112
	Advance tax, net of provision for tax	13,317,374	-	8,120,736	-
	Dues from employees	-	1,506,244	-	2,046,141
	Interest accrued and not due on fixed deposits	-	2,397,132	-	709,109
	Project advances	45,667,925	-	30,922,365	-
	MAT credit entitlement	3,674,180	-	4,343,726	-
	Other advances	23,777,381	20,482,706	8,605,169	17,183,784
		544,718,010	55,537,291	374,520,039	45,270,091
	Less: Provision for doubtful advances	-	-	1,414,097	-
		544,718,010	55,537,291	373,105,942	45,270,091

Notes to the consolidated financial statements for the year ended 31 March 2012

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
15 Inventories		
Food and beverages	16,230,770	13,197,970
Stores and spares	7,479,972	6,306,601
	23,710,742	19,504,571
16 Trade receivables (Unsecured)		
Billed		
Considered good	115,030,860	95,304,788
Considered doubtful	19,932,997	3,993,423
	134,963,857	99,298,211
Unbilled	7,386,291	13,603,859
Less : Provision for doubtful receivables	19,932,997	3,993,423
	122,417,151	108,908,647
17 Cash and cash equivalents		
Balances with banks		
- in current accounts	81,085,095	136,394,679
- in deposit account	109,679,791	50,931,081
Cash on hand	3,401,856	4,176,004
	194,166,742	191,501,764
18 Revenue		
Revenue from operations		
Sale of services		
- Rooms	1,002,948,564	975,071,959
- Food and beverages	527,210,063	472,677,268
	1,530,158,627	1,447,749,227
Management and technical fee	23,689,704	23,811,075
Service charges	49,971,801	48,950,607
Income from spa facilities	1,775,118	787,530
	75,436,623	73,549,212
	1,605,595,250	1,521,298,439



Notes to the consolidated financial statements for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
19 Other income		
Interest from bank deposits	7,494,729	2,113,994
Net gain on foreign currency transactions and translations	201,287	130,362
Miscellaneous	10,939,606	23,888,780
	18,635,622	26,133,136
20 Food and beverages consumed		
Opening stock	13,197,970	9,957,008
Add : Purchases during the year	188,297,957	168,313,487
	201,495,927	178,270,495
Less : Closing stock	16,230,770	13,197,970
	185,265,157	165,072,525
The consumption above is net of ₹ 17,418,572 (31 March 2011 – ₹14,909,302) representing amounts utilised for internal consumption which has been classified under staff welfare.		
21 Employee benefits expense		
Salaries and bonus	319,270,832	275,363,701
Contribution to provident and other defined contribution funds	7,213,680	12,820,664
Employee stock option plan expense	-	42,324
Staff welfare expenses	31,363,617	28,268,834
	357,848,129	316,495,523
22 Finance costs		
Interest expense	626,643,619	266,575,546
Less : Capitalised during the year	465,747,144	156,135,734
	160,896,475	110,439,812
Bank charges	1,974,198	2,403,198
	162,870,673	112,843,010
23 Depreciation and amortisation		
Depreciation	139,451,621	134,191,242
Amortisation	2,095,399	2,888,502
	141,547,020	137,079,744

Notes to the consolidated financial statements for the year ended 31 March 2012

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
24 Other expenses		
Guest transportation	12,222,736	10,976,315
Linen and room supplies	31,436,117	26,231,993
Catering and other kitchen supplies	21,940,390	19,222,277
Cablenet charges	11,244,695	9,811,792
Uniform washing and laundry	17,966,593	13,671,604
Banquet expenses	60,862,366	44,467,237
Power, water and fuel	138,799,756	117,159,493
Garden and landscaping	1,614,044	741,900
Communication and stationery	32,151,162	29,145,709
Decoration expenses	2,722,321	2,177,488
Spa related expenses	1,087,470	498,498
Security charges	14,333,672	10,960,867
Subscription charges	9,682,262	9,322,741
Rent	154,200,371	120,497,796
Repairs and maintenance		
- Buildings	19,808,509	18,644,911
- Plant and machinery	21,202,599	17,265,123
- Others	26,636,385	12,894,508
Insurance	6,293,109	6,466,297
Commission, brokerage and discount	40,880,127	34,147,112
Legal and professional	36,387,774	25,821,672
Travelling and conveyance	20,670,996	20,082,063
Advertisement and business promotion	40,359,587	36,638,707
Rates and taxes	33,896,377	26,247,309
Provision for doubtful debts	16,170,918	1,688,193
Directors' remuneration (including commission)	9,385,923	10,448,956
Loss on sale of assets	842,582	1,970,501
Recruitment expenses	659,491	2,474,246
Royalty	2,178,754	1,806,172
Management fee	540,311	652,119
Other advances written off	2,931,805	-
Miscellaneous	11,893,409	13,020,126
	801,002,611	645,153,725
25 Earning per share		
Weighted average number of shares outstanding	27,233,965	27,233,965
Net profit after tax attributable to equity shareholders in ₹	(26,270,880)	122,210,492
Basic and diluted earnings per share in ₹	(0.96)	4.49
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		
iii. Entities controlled by KMP		
Baljees Hotels and Real Estates Private Limited		
Hotel Staylonger Private Limited		
Presidency College of Hotel Management		



26 Related parties (Cont'd)

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

Nature of transaction	Joint Ventures		Key Management Personnel (KMP)		Relatives of KMP		Entity controlled by KMP	
	Year ended 31 March 12	Year ended 31 March 11	Year ended 31 March 12	Year ended 31 March 11	Year ended 31 March 12	Year ended 31 March 11	Year ended 31 March 12	Year ended 31 March 11
	(Amounts in ₹)							
Management and technical fee income								
Cosmos Premises Private Limited	2,783,698	2,497,549	-	-	-	-	-	-
Ksheer Sagar Developers Private Limited	2,705,728	5,359,753	-	-	-	-	-	-
Interest income on loan granted								
Ksheer Sagar Developers Private Limited	409,836	-	-	-	-	-	-	-
Interest expense on loan taken								
Cosmos Premises Private Limited	-	227,299	-	-	-	-	-	-
Loan taken								
Cosmos Premises Private Limited	3,481,040	5,000,000	-	-	-	-	-	-
Repayment of loan taken								
Cosmos Premises Private Limited	826,546	4,236,554	-	-	-	-	-	-
Loan granted								
Ksheer Sagar Developers Private Limited	13,235,131	-	-	-	-	-	-	-
Remuneration								
Mr. Chander K. Baljee	-	-	17,400,000	16,100,000	-	-	-	-
Mr. Keshav Baljee (including commission)	-	-	-	-	1,184,788	5,050,696	-	-
Mrs. Sunita Baljee	-	-	-	-	-	2,400,000	-	-
Rental expense								
Baljees Hotel and Real Estates Private Limited	-	-	-	-	-	-	14,885,837	14,170,629
Hotel Staylonger Private Limited	-	-	-	-	-	-	3,721,459	3,542,657
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	-

26 Related parties (Cont'd)

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

(Amounts in ₹)

Nature of transaction	Joint Ventures		Key Management Personnel (KMP)		Relatives of KMP		Entity controlled by KMP	
	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11
Loan receivable								
Ksheer Sagar Developers Private Limited	13,235,131	-	-	-	-	-	-	-
Technical and management fees receivable								
Cosmos Premises Private Limited	2,783,698	-	-	-	-	-	-	-
Ksheer Sagar Developers Private Limited	2,705,728	-	-	-	-	-	-	-
Loan payable								
Cosmos Premises Private Limited	(2,654,494)	-	-	-	-	-	-	-
Interest receivable on loan granted								
Ksheer Sagar Developers Private Limited	409,836	-	-	-	-	-	-	-
Dues to directors								
Mr. Chander K. Baljee	-	-	(172,612)	-	-	-	-	-
Mrs. Sunita Baljee	-	-	-	-	(138,062)	-	-	-
Rent payable								
Baljees Hotel and Real Estates Private Limited	-	-	-	-	-	-	(9,318,137)	(7,925,171)
Hotel Staylonger Private Limited	-	-	-	-	-	-	(1,166,188)	(1,975,919)
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 received								
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



26 Related parties (Cont'd)

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

(Amounts in ₹)

Nature of transaction	Joint Ventures		Key Management Personnel (KMP)		Relatives of KMP		Entity controlled by KMP	
	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11	As at 31 March 12	As at 31 March 11
Personal guarantee taken outstanding								
Mr. Chander K. Baljee	-	-	1,529,000,000	1,529,000,000	-	-	-	-
Mrs. Sunita Baljee	-	-	-	-	12,500,000	12,500,000	-	-
Corporate guarantee issued outstanding								
Cosmos Premises Private Limited	100,000,000	100,000,000	-	-	-	-	-	-
Ksheer Sagar Developers Private Limited	700,000,000	700,000,000	-	-	-	-	-	-

Note :

In the ordinary course of business, the Company had given a guarantee to a bank on behalf of its joint venture. This transaction is not in compliance with Section 295 of the Companies Act, 1956. The Company is in the process of taking necessary steps and regulatory approvals, as appropriate. The Management believes that this matter has no material impact on these financial statements. Accordingly, no adjustments, if any, have been recorded in the financial statements presently.

Notes to the consolidated financial statements for the year ended 31 March 2012

27 Stock based compensation

The Royal Orchid Hotels Limited Employee Stock Option Plan 2006, ('the Plan') was approved in the Annual General Meeting of the members held on 13 September 2006. Subsequently, at the Annual General Meeting held on 8 August 2007 the aforesaid Plan was amended to include the employees of the subsidiaries of the Company and to increase the period available to exercise the options. The Plan provides for the issuance of stock options to eligible employees (including directors of the Company) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid-up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the Plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting. As per the Plan, all the taxes, are to be borne by the employees and hence the taxes, if any, will not have an impact on the Statement of Profit and Loss of the Company. At the Annual General Meeting held on 24 September 2010, the shareholders authorised the Board to fix the exercise price based on the prevailing market price and to amend the validity period for exercise of options. The Plan has expired on 09 August 2011 and hence all options vested and outstanding as at the beginning of the year have lapsed. The disclosures along with the weighted average price for options movement have been provided below:

	Year ended 31 March 2012		Year ended 31 March 2011	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
	Numbers	₹	Numbers	₹
Options outstanding at the beginning of the year	130,667	165	281,100	165
Lapsed during the year	130,667	165	150,433	165
Options exercisable at year end	-		130,667	

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

	Year ended 31 March 2012	Year ended 31 March 2011
Net profit, as reported	-	122,210,492
Add: Stock-based employee compensation expense included in the Statement of Profit and Loss	-	42,324
Less: Stock based employee compensation expense determined under the fair value method	-	1,042,673
Pro forma Net Profit	-	121,210,143
Earnings per share – Basic		
As reported	-	4.49
Pro forma	-	4.45
Earnings per share – Diluted		
As reported	-	4.49
Pro forma	-	4.45

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

	As at 31 March 2012	As at 31 March 2011
Dividend yield %	NA	3.28%
Expected life	NA	18 to 42 months
Risk free interest rate	NA	7.34% to 7.63%
Volatility	NA	40.37%



Notes to the consolidated financial statements for the year ended 31 March 2012

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 2012 was ₹ 154,200,371 (31 March 2011 – ₹ 120,497,796)

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 2012 ₹	Year ended 31 March 2011 ₹
Within one year	79,296,808	61,050,509
Later than one year but not later than five years	399,419,475	204,458,451
Later than 5 years	318,474,067	403,758,289
	797,190,350	669,267,249

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 Karnataka State Tourism Development Corporation for the operation of the Hotel Royal Orchid, Bengaluru, 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. The Company has obtained the award from the Arbitrator for the refund of the deposit along with interest from the lessor, which has been challenged by the lessor in the High Court. The management believes that the case will be settled in their favour and hence will not 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 05 April 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 06 May 2011 has partially stayed operation of the said Order and allowed opening of one of Company's proposed hotels in Vadodara under the 'Royal Orchid' brand. Based on 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 ₹ 225,000,000 (31 March 2011 - Nil). The loans availed and outstanding as at 31 March 2012 - Nil (31 March 2011 - Nil).

c) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2012 ₹ 211,912,046 (31 March 2011 – ₹ 579,078,161).

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, Rajkamal Buildcon 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 ₹ 104,088,097 was credited to the land revaluation reserve in such year and is being amortised over the period of the lease.

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 ₹ 126,175,993 to the revalued amounts of ₹ 190,170,000 and ₹ 188,744,000 respectively.

31 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.

32 Prior period comparatives

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year amounts have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year amounts does not impact recognition and measurement principles followed for preparation of financial statements.

For Royal Orchid Hotels Limited

Chander K. Baljee
Chairman & Managing Director

Naresh K. Malhotra
Director

Harish Kumar Chopra
Chief Financial Officer

K B Shyam Kumar
Company Secretary

Bengaluru
30 May 2012



Summary of Financial Information of subsidiary Companies under Section 212 of the Companies Act, 1956, for the year ended 31st March 2012														Amount in ₹
Particulars	Icon Hospital-ity Private Limited	Maruti Comforts and Inn Private Limited	Royal Orchid Jaipur Private Limited	Royal Orchid Ahmedabad Private Limited	Royal Orchid Hyderabad Private Limited	Royal Orchid South Private Limited	Royal Orchid East Private Limited	AB Holdings Private Limited	Multi Hotels Limited	Royal Orchid Shimla Private Limited	Royal Orchid Goa Private Limited	Royal Orchid Maharashtra Private Limited	Royal Orchid Mumbai Private Limited	
Capital	18,776,200	41,000,000	16,600,000	15,100,000	17,700,000	9,100,000	5,000,000	2,600,000	967	500,000	500,000	500,000	500,000	
Reserves	438,485,545	(39,830,909)	28,790,972	224,565,380	(3,216,679)	(10,168,139)	24,071,155	(13,927,472)	126,616,824	(75,715)	(51,980)	(1,953,905)	(39,764)	
Total Assets	860,718,318	183,976,177	66,325,045	523,596,676	15,216,916	2,445,136	47,251,910	19,471,370	151,626,179	517,910	517,910	23,287,815	500,000	
Total Liabilities	860,718,321	182,807,086	20,934,080	283,931,297	733,595	3,513,273	18,180,756	30,798,843	23,673,892	517,910	69,890	24,741,720	39,764	
Details of Investment (Except investments in subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Turnover	218,037,645	137,058,496	79,711,928	131,231,524	-	-	32,592,464	-	-	-	-	-	-	
Profit Before Taxation	(36,758,287)	(9,322,339)	2,781,900	3,546,458	(11,330)	(1,873,932)	14,096,814	(87,038)	(353,219)	(6,125)	(5,815)	(522,985)	(5,515)	
Provision for Taxation	-	1,358,461	919,839	-	-	-	12,711,498	-	-	-	-	-	-	
Profit after taxation	(36,758,287)	(10,680,800)	1,862,061	3,546,458	(11,330)	(1,873,932)	1,385,317	(87,038)	(353,219)	(6,125)	(5,815)	(522,985)	(5,515)	
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	

NOTICE

Notice is hereby given that the **Twenty Sixth Annual General Meeting** of Members of **ROYAL ORCHID HOTELS LIMITED** will be held on Wednesday, the 26th September 2012 at 11:00 A.M. at the Registered Office of the Company at No.1, Golf Avenue, Adjoining KGA Golf Course, HAL Airport Road, Bengaluru - 560 008, 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 2012 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. Naresh K Malhotra, who retires by rotation and being eligible, offers himself for re-appointment
3. To re-appoint M/s. Walker, Chandio & Co., Chartered Accountants, Bengaluru (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, with or without any modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT in accordance with Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the Act and subject to the approval of the Central Government, if required, Mr. Sunil Sikka be and is hereby appointed as Whole time Director of the company for a period of 5 years commencing from 08.08.2012 and ending on 07.08.2018 and shall be entitled to commission 0.25% of the net profits of the company."

Place : Bengaluru
Date : 30.05.2012

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

K B Shyam Kumar
Company Secretary

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

Item No. 4

Mr. Sunil Sikka is presently acting as the whole time director on the board of the company and is providing his valuable services in the various business operations of the company. His term of office will expire on 07.08.2012. The reappointment was recommended by the Remuneration Committee and accepted by the Board of Directors. Mr. Sunil Sikka is a Post Graduate in commerce and being director on the board of the Company, he has vast experience in the hotel industry.

In view of his contribution to the company and experience in the industry, it is proposed to reappoint Mr. Sunil Sikka as Whole time Director of the Company.

This may be treated as an abstract under Section 302 of the Companies Act, 1956.

Your directors commend this resolution for your approval. Mr. C K Baljee, Managing Director is considered or interested in the above resolution.

Place : Bengaluru
Date : 30.05.2012

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 **24.09.2012 to 26.09.2012 (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.

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. Naresh K. Malhotra	Mr. Sunil Sikka
Date of Birth	05.06.1947	24.08.1957
Date of Appointment	18.06.2005	30.09.2000
Qualification	Chartered Accountant	Post Graduate in commerce
Expertise in specific functional areas	Vast experience in Finance and Management functions	Has vast experience in export Business
List of other Companies in which he is a Director	Tarang Software Technologies Pvt., Ltd. Balan Natural Food Pvt., Ltd. Blue Star Infotech Limited On Mobile Global Limited N M Properties & Consulting Pvt., Ltd. AB Holdings Pvt., Ltd. Printo Document Services Pvt., Ltd. Deriv IT Solutions Pvt., Ltd. Deriv IT Solutions Pvt., Ltd., Singapore Strand Life Sciences Pvt., Ltd. Modern Family Doctor Pvt., Ltd.	India Exposition Mart Limited
Chairman / Member of the Committees of other Companies in which he is a Director	Audit Committee On Mobile Global Limited – Chairman Blue Star Infotech Limited – Chairman Remuneration Committee On Mobile Global Limited – Member Blue Star Infotech Limited – Member Investors Grievances & Share Transfer Committee On Mobile Global Limited – Chairman	NIL
Shareholding in the Company	35,002 shares	6,060 Shares

NOTES



ROYAL ORCHID
HOTELS

**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 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 LTD.

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 **26th ANNUAL GENERAL MEETING** of the Company held on Wednesday, the 26th September, 2012 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, HAL Airport Road, Bengaluru - 560 008.

Signature of the Shareholder or Proxy: _____

* Applicable for investors holding shares in Electronic Form.

PROXY FORM

ROYAL ORCHID HOTELS LTD.

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

DPID* : Folio No. :

Client ID* : No. of Shares :

Name and address of the Shareholder :

I/We _____

_____ of _____ being a member/members of ROYAL ORCHID HOTELS LTD.,

hereby appoint _____ of _____

or failing him/her _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 26th ANNUAL GENERAL MEETING to be held on Wednesday, the 26th September, 2012 at 11.00 a.m. at Registered Office: No. 1, Golf Avenue, Adjoining KGA Golf Course, Airport Road, Bengaluru - 560008., or at any adjournment thereof.

Signed this _____ day of _____ 2012

* Applicable for investors holding shares in Electronic Form.

Note :

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



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- 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, 2013



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