

**21<sup>st</sup>**

**ANNUAL REPORT  
2009 - 2010**



**H. S. INDIA LIMITED**

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Pushpendra Bansal	Chairman & Joint Managing Director
Ramesh Bansal	Managing Director
Nimish Shah	Director
Pradeep Dhawan	Director
Bapi Datta	Director

### **AUDITORS**

M/s. PARY & Co.  
Chartered Accountants  
8005/A, World Trade Centre,  
Ring Road, Surat-395 002

### **BANKERS**

Punjab National Bank  
Bank of Baroda  
Axis Bank

### **REGISTERED OFFICE**

A-1, Manish Kaveri, Building No. 18,  
Manish Nagar, J. P. Road,  
Andheri (West),  
Mumbai - 400 053.

### **REGISTRAR & SHARE TRANSFER AGENT**

Sharepro Services (India) Pvt. Ltd  
13 AB Samhita Warehousing Complex,  
2nd Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri-Kurla Road, Sakinaka,  
Andheri (E), Mumbai - 400 072

### **NOTICE**

NOTICE is hereby given that the 21<sup>st</sup> ANNUAL GENERAL MEETING of H. S. INDIA LIMITED will be held at 'Kalash', Dhake Colony, J. P. Road, Andheri (West), Mumbai - 400 053, on Wednesday, the 29<sup>th</sup> September, 2010 at 10.00 a.m. to transact the following business.

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Nimish Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. Pradeep Dhawan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/S. PARY & CO., Chartered Accountants, Surat as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.

#### **SPECIAL BUSINESS:**

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

"RESOLVED THAT in accordance with the provision of Section 269, 198, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. Pushpendra Bansal as 'Chairman and Joint Managing Director' of the Company for a further period of 5 (five) years with effect from 28<sup>th</sup> October, 2010 upon following terms and conditions.

- (a) Duration : 5 Years (28<sup>th</sup> October, 2010 to 27<sup>th</sup> October, 2015)
- (b) Basic Salary: ₹ 1,50,000 (Rupees One Lac Fifty Thousand) per month with such annual increments each year as considered by the Board.
- (c) Perquisites and Allowances : in addition to the salary as outlined above, the Joint Managing Director shall be entitled to perquisites/allowances as under:
  - (i) Contribution to Provident Fund, Pension/Superannuation or Annuity Funds: As per the Rules framed under the Company's relevant scheme.
  - (ii) Gratuity: As per Rules of the Company and applicable statutory provisions from time to time.
  - (iii) Leave Encashment: Leave with full pay and allowance as per Rules of the Company. Accumulation/encashment of unavailed earned or privilege leave will be permissible in accordance with the Rules specified by the Company.

- (iv) Car/Communication Facilities: The following shall not be included in the computation of perquisites-
- (a) Provision of Company's car(s) with driver for official use.
  - (b) Provision of free telephone(s) and/or other communication facilities or reimbursement of telephone/communication expenses at residence including payment of local calls and long distance official calls.

**Explanation(s):**

- (a) The said perquisites and allowances shall be evaluated at actual cost or if the cost is not ascertainable the same shall be valued as per the Income Tax Act, 1961 or any rules thereunder as are in force from time to time.
- (b) The Company's contribution to or provision for provident fund, pension/superannuation or annuity funds, to the extent these either singly or put together are not taxable under the Income Tax Act, and gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration which includes salary, perquisites and allowances.
- (c) For the purpose of gratuity, pension and other benefits, the services of Mr. Pushpendra Bansal will be considered with effect from the date of payment of remuneration.
- (d) The Company shall reimburse travelling, entertainment and other business promotion expenses actually and properly incurred, by Mr. Pushpendra Bansal, in the course of the legitimate business of the Company in accordance with rules and regulations of the Company in force from time to time or as may be approved by the Board. Expenses relating to spouse accompanying on any official domestic and overseas trip or other facilities, if any, shall be dealt with in accordance with the practices and policies of the Company as applicable from time to time.

FURTHER RESOLVED THAT the Board of Directors is entitled to revise the remuneration payable to Mr. Pushpendra Bansal as Chairman and Joint Managing Director at any time, such that the aggregate of the salary (inclusive of annual increments, If any) in any financial year shall not exceed the overall ceiling laid down in Sections 198, 309, 310 & 311 read with the Schedule XIII of the Companies Act, 1956, including any statutory modification(s), re-enactment thereof or any amendment thereto.

FURTHER RESOLVED THAT notwithstanding the above, in the event of any loss or inadequacy of profits in any financial year of the company during the tenure of Mr. Pushpendra Bansal as Chairman and Joint Managing Director of the Company, remuneration payable to him shall be in accordance with the limits prescribed in section II Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time, subject to the compliance of provisions thereof but in any event shall not exceed the remuneration payable as provided above when the profits of the company are adequate.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution or otherwise considered by it in the best interest of the Company.”

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory

modification(s) or re-enactment thereof, for the time being in force), the approval of the Company be and is hereby accorded that Shri Ramesh Bansal be paid, in consideration of performance of his duties as Managing Director with effect from 1<sup>st</sup> October, 2010, following remuneration and perquisites, viz.

- (a) Basic Salary : ₹ 15,000 (Rupees Fifteen Thousand Only) per month with such annual increments each year as considered by the Board.
- (b) Perquisites and Allowances : in addition to the salary as outlined above, the Managing Director shall be entitled to perquisites/allowances as under:
  - (i) Contribution to Provident Fund, Pension/Superannuation or Annuity Funds: As per the Rules framed under the Company's relevant scheme.
  - (ii) Gratuity: As per Rules of the Company and applicable statutory provisions from time to time.
  - (iii) Leave Encashment: Leave with full pay and allowance as per Rules of the Company. Accumulation/encashment of unavailed earned or privilege leave will be permissible in accordance with the Rules specified by the Company.
  - (iv) Car/Communication Facilities: The following shall not be included in the computation of perquisites-
    - (a) Provision of Company's car(s) with driver for official use.
    - (b) Provision of free telephone(s) and/or other communication facilities or reimbursement of telephone/communication expenses at residence including payment of local calls and long distance official calls.

**Explanation(s):**

- (a) The said perquisites and allowances shall be evaluated at actual cost or if the cost is not ascertainable the same shall be valued as per the Income Tax Act, 1961 or any rules thereunder as are in force from time to time.
- (b) The Company's contribution to or provision for provident fund, pension/superannuation or annuity funds, to the extent these either singly or put together are not taxable under the Income Tax Act, and gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration which includes salary, perquisites and allowances.
- (c) For the purpose of gratuity, pension and other benefits, the services of Shri Ramesh Bansal will be considered with effect from the date of payment of remuneration.
- (d) The Company shall reimburse travelling, entertainment and other business promotion expenses actually and properly incurred, by Shri Ramesh Bansal, in the course of the legitimate business of the Company in accordance with rules and regulations of the Company in force from time to time or as may be approved by the Board. Expenses relating to spouse accompanying on any official domestic and overseas trip or other facilities, if any, shall be dealt with in accordance with the practices and policies of the Company as applicable from time to time.

FURTHER RESOLVED THAT the Board of Directors is entitled to revise the remuneration payable to Mr. Ramesh Bansal as Managing Director of the Company at any time, such that the aggregate of the salary

(inclusive of annual increments, If any) in any financial year shall not exceed the overall ceiling laid down in Sections 198, 309, 310 & 311 read with the Schedule XIII of the Companies Act, 1956, including any statutory modification(s), re-enactment thereof or any amendment thereto.

FURTHER RESOLVED THAT notwithstanding the above, in the event of any loss or inadequacy of profits in any financial year of the company during the tenure of Shri Ramesh Bansal as Managing Director of the Company, remuneration payable to him shall be in accordance with the limits prescribed in section II Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time, subject to the compliance of provisions thereof but in any event shall not exceed the remuneration payable as provided above when the profits of the company are adequate.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution or otherwise considered by it in the best interest of the Company.”

**NOTES:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The register of members and share transfer books of the Company will remain closed from 24<sup>th</sup> September, 2010 to 29<sup>th</sup> September, 2010, both days inclusive.
- (c) Members are requested to:
- (i) Intimate to the Company's Registrar & Share Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd, 13 AB Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072./their Depository Participant (“DP”), changes, if any, in their registered addresses at an early date;
  - (ii) Quote their Registered Folio Numbers and/or DP Identity and Client Identity number in their correspondence;
  - (iii) Bring their copy of Annual Report and the Attendance Slip with them at the Annual General Meeting.
  - (iv) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
- (d) A member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the Meeting.
- (e) A brief note on Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.

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

**ITEM NO. 5**

Term of Appointment of Mr. Pushpendra Bansal as Chairman and Jt. Managing Director of the Company is going to expire on 27<sup>th</sup> October, 2010. Accordingly, the Board of Directors at their Meeting held on 31<sup>st</sup> August, 2010 has re-appointed Mr. Pushpendra Bansal as Chairman and Joint Managing Director of the Company for a further period of 5 (five) years w.e.f. 28<sup>th</sup> October, 2010.

Re-appointment of Mr. Pushpendra Bansal as Chairman and Joint Managing Director is subject to the approval of the shareholders of the Company.

Accordingly, the Directors recommend the resolution for your approval.

None of the Directors except Mr. Pushpendra Bansal and Mr. Ramesh Bansal are considered to be interested or concerned in the resolution.

**ITEM NO. 6**

Shri Ramesh Bansal has been re-appointed as Managing Director of the Company in the last Annual General Meeting held on 29<sup>th</sup> September, 2009 for a further period of 5 (Five) years w.e.f. 1<sup>st</sup> August, 2009. Presently, he is not paid any remuneration for serving as Managing Director of the Company. Considering the global scenario and substantial increase in business activities of the Company resulting into significant enhancement in his work and responsibilities, the Board has recommended for your consideration, to pay such remuneration to Shri Ramesh Bansal.

However, payment of remuneration is subject to compliance of provisions of Sections 198, 269, 309, 310, 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and also subject to approval of shareholders.

The Directors recommend the resolution for your approval.

None of the Directors except Shri Ramesh Bansal and Shri Pushpendra Bansal are considered to be interested or concerned in the resolution.

By Order of the Board of Directors  
For H. S. INDIA LIMITED

Place: Surat  
Date : August 31, 2010

PUSHPENDRA BANSAL  
Chairman & Jt. Managing Director

**Registered Office:**

A-1, Manish Kaveri, Building No. 18,  
Manish Nagar, J. P. Road,  
Andheri (West),  
Mumbai - 400 053.

## DIRECTORS' REPORT

To,  
The Members,

Your Directors are pleased to present the 21st Annual Report of your Company together with the Audited Financial Statements and Auditors' Report for the year ended 31st March, 2010.

### FINANCIAL RESULTS

(₹ in Lacs.)

Particulars	For the year ended 31-03-2010	For the year ended 31-03-2009
Net Income	1,464.66	1192.98
Net Operating Profit	583.83	582.19
Less: Interest & Finance Charges	183.45	233.43
Less: Depreciation	92.57	70.76
Less: Earlier Year Expenses	41.61	--
Net Profit Before Tax	266.20	278.00
Less: Provision for Taxation	--	--
- Current Tax	20.00	10.00
- Deferred Tax Liabilities	13.86	198.17
- Fringe Benefit Tax	--	1.50
- Excess Provision of earlier year	--	(0.08)
<b>Net Profit after Tax</b>	<b>232.34</b>	<b>68.41</b>

### FINANCIAL AND OPERATIONAL PERFORMANCE

The Net Income of your Company for the year 2009-10 was amounted to ₹ 1464.66 lacs as against ₹ 1192.98 lacs in the previous year. Net profit of the Company was amounted to ₹ 232.34 Lacs as against ₹ 68.41 Lacs in the previous year. Increase in Net Income and Net Profit is mainly due to increase of Room and Liquor sale.

### DIVIDEND

In order to conserve resources to meet expansion project of your Company, Directors have not recommended any dividend on equity shares of the Company.

### FIXED DEPOSITS

Your Company has not accepted any fixed deposits within the meaning of Companies (Acceptance of Fixed Deposits) Rule, 1975 under section 58A of the Companies Act, 1956.

### PARTICULARS OF EMPLOYEES

During the year under report, the Company had no employees covered under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied that 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 at the end of the financial year ended 31<sup>st</sup> March, 2010 and of the profit of the Company for the year.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability.
- (iv) that the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2010, on a 'going concern' basis.

**REPORT ON CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY AND FOREIGN EXCHANGE EARNING AND OUTGO**

In accordance with the requirement of section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the Report of Board of Directors) Rules, 1988, your Directors furnish hereunder the additional information as required.

**A. Conservation of Energy**

Your Company has made all possible efforts to closely monitor power consumption on daily basis so as to reduce wastage. The Company is also trying to find ways and means to reduce Power consumption and thus reduce the overall energy cost.

The Company has used Natural Gas through pipelines instead of LPG Cylinders in the Kitchen and other operational areas.

**B. Technology Absorption**

The project of your Company has no foreign collaboration, hence no particulars are offered.

**C. Total Foreign Exchange Earning and Outgo**

Particulars	2009-2010 Amount ( ₹ )	2008-2009 Amount ( ₹ )
a. Total Foreign Exchange used	7,53,945	NIL
b. Total Foreign Exchange earned	83,85,045	80,08,811

**DIRECTORS**

Mr. Pushpendra Bansal, whose term of appointment is going to expire on October 27, 2010, has been reappointed by the Board in their meeting held on August 31, 2010 as Chairman and Joint Managing Director of the Company for a further period of 5 years w.e.f. October 28, 2010. The reappointment of Mr. Pushpendra Bansal is subject to the consent of the members of the Company at ensuing Annual General Meeting.

Mr. Nimish Shah and Mr. Pradeep Dhawan, directors liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**AUDITORS**

M/s. PARY & Co., Chartered Accountants, Surat retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

The auditors in their report have referred to the notes forming part of the accounts. The said notes are self explanatory and do not need any further elucidation.

M/s. PARY & Co., Chartered Accountants, Surat have been appointed as Statutory Auditor of the Company at the Extra-ordinary General Meeting of the Company held on July 7, 2010 to fill casual vacancy caused by resignation of M/s. Agarwal & Mangal, Chartered Accountants, Mumbai.

**EXPANSION**

During the year, your Company has started room renovation and upgradation programme with an aim to exhilarating hospitality standard and to provide high class facility to its valued Customers. Construction of additional rooms will expected to complete at the end of December 2010.

**PREFERENTIAL ALLOTMENT**

During the year, warrants holders had exercised conversion option for balanced 27,19,000 warrants outstanding for conversion and accordingly, 27,19,000 equity shares of the Company were allotted by Allotment Committee on March 30, 2010.

**CORPORATE GOVERNANCE**

As per the requirement of the Listing Agreement with the Bombay Stock Exchange Limited, a separate section on Corporate Governance and Management Discussions and Analysis Report together with a certificate from the Company's Auditors confirming compliance is given in the annexure forming parts of this report.

**INDUSTRIAL RELATIONS**

During the period under review, the relations with the most valuable human resources of the Company remained cordial and peaceful. Your Directors wish to place on record their appreciation for the devoted services rendered by the staff of the Company.

**ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation for the continued co-operation and support extended to the Company by the Financial Institutions, the Bankers and Shareholders. Your Directors also wish to record their recognition of the Customer Support and Patronage by the Corporate Houses in and around Surat.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, which enable the Company to deliver a good all-round record performance.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place: Surat  
Date : August 31, 2010

PUSHPENDRA BANSAL  
Chairman & Jt. Managing Director

**Registered Office:**

A-1, Manish Kaveri, Building No. 18,  
Manish Nagar, J. P. Road,  
Andheri (West),  
Mumbai - 400 053.

**ANNEXURE TO THE DIRECTORS' REPORT**  
**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

**BUSINESS ENVIRONMENT, INDUSTRY STRUCTURE & DEVELOPMENTS:**

It was a year of turbulence for Indian Industries and the economy. While many sectors like realty, textiles plunged into darkness on the back of a global recession, there was a ray of hope in some other sectors like the telecom. The year also saw India's biggest corporate fraud, falling earnings, stock market crash, job losses and soaring food prices which hit the common man. However, towards the end of the year, the economy started showing signs of recovery. The stimulus packages started giving results with the economy grew by 7.9 per cent in the second quarter of this fiscal, the highest growth in six quarters. The Indian economy is likely to grow between 7 to 7.5 percent during the current financial year despite poor performance of the agriculture sector due to drought and floods. India's exports and industrial growth have also turned around raising hopes of a better year ahead.

The Travel and Tourism Competitiveness Report 2009 issued by the World Economic Forum has ranked India's Travel and Tourism Industry as 5<sup>th</sup> in the long-term growth and is expected to be 2<sup>nd</sup> largest employer in the world by 2019. India has been ranked the "Best Country Brand for Value for Money" in the Country Brand Index (CBI) survey conducted by Future Brand, a leading global brand consultancy. Many several agencies have given remarkable rank to India in different field of Tourism.

The year 2009-10 once again saw the resurgence of the domestic traveller, marking close similarity to the rescue of the sector during the previous downturn. While rates dropped significantly in 2009-10, the strong increase in domestic demand actually led to an 8% increase in nationwide occupancy. The Hospitality industry has been typically so focused on the approximately 5.5 million international travellers who visit India every year that it has never truly tapped into 600 million strong domestic population that travels annually. The domestic market will continue to play a dominant role, not just within hospitality but across all sectors and will help further insulate the Indian economy from problems in other countries and make India less susceptible to global economy fluctuations.

**OPPORTUNITIES, THREATS, RISK AND CONCERNS:**

Your Company is in well position to take advantage of the following situations:

- Healthy economy having positive support of Tourism Sector.
- Well framed State & Central Government policies to attract tourists.
- Proximity to Railway & Bus station.
- Healthy Competition in the city.
- Extending the product portfolio by offering various types of facilities.
- Demand between the national and the inbound tourists can be easily managed due to difference in the period of holidays.

Despite the apparent steps taken by the tourism industry in India, some worries still remain. Infrastructure facilities available in the country are not upto the mark and require lot of improvement if we want to sustain present growth of industry. Following are some of risks and concerns envisaged by hotel industry.

- General economic conditions like worldwide slow down in global economies, local market condition, government policies, fluctuation in interest and foreign exchange rates, etc.
- Lack of adequate and good quality transport network and infrastructure facilities at public place.
- Increase in rate of taxes, food cost, etc. makes the tour unattractive and expensive, which in turn affect the business of the Company.

- Growing competitive environment both at international and local, could also affect the performance and results of the Company.
- Guest houses replace the hotels. This is a growing trend in the west and is now catching up in India also, thus diverting the hotel traffic.

Some other potential risks which could affect the hospitality industry adversely, are: power & water shortage, disasters caused by terrorist attacks and riots, natural calamities like flood, earthquake, storm, high rate of employee turnover ratio etc.

Your Company has adopted various policies and methods to counter above mentioned risks effectively, as enumerated below:

- Your Company is looking for increasing its presence, first domestically then in future internationally.
- Your Company is also under planning to enter Luxury and leisure segment in addition of having Business Class Segment.
- Your Company is timely renovating and repositioning its property.
- Your Company always endeavours to improve its service standards.

#### **FINANCIAL AND OPERATIONAL PERFORMANCE:**

During the year under review, the sales turnover of your company has increased from ₹ 1192.98 lacs for the previous year to ₹ 1464.66 lacs for the current year. Accordingly, Net profit of the Company has also increased from ₹ 68.41 lacs for the previous year to ₹ 232.34 lacs for the current year.

#### **FUTURE OUTLOOK:**

Demand levels of rooms are likely to improve in 2010-11 as economic growth gathers momentum and companies increase spending on travel. In long term, the demand-supply gap in India is very real and that there is need for more hotels in most cities. The shortage is especially true within budget and the mid market segment. There is an urgent need for budget and mid market hotels in the country as travellers look for safe and affordable accommodation. In the long-term the hotel industry in India has latent potential for growth. This is because India is an ideal destination for tourists as it is the only country with the most diverse topography.

However, your Company continues to believe that the long-term prospects for the travel and tourism industry in India are attractive. Your Directors always look forward to the future with confidence.

#### **ADEQUACY OF INTERNAL CONTROL SYSTEM:**

The Company has proper, strong, independent and adequate internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized recorded and reported correctly.

The internal control systems are supplemented by an extensive programme of internal audits reviewed by management and documented policies, guidelines and procedures.

The internal control systems of the Company are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

**HUMAN RESOURCE DEVELOPMENT:**

The manpower employed in your Company for 2009-10 was 185 employees.

Your Company has a team of able and experienced industry professionals. Your company always believe to invest in human resources by means of providing various facilities, with a view to strengthen its presence in existing business and for taking advantage of the emerging growth opportunities in the hospitality sector. Your Company seeks regular feedback from its employees to ascertain their levels of satisfaction and to ensure that employees' morale and motivation are constantly improved. Critical human resource issues are analysed, corrective actions initiated and results monitored regularly. In order to preserve competent employees and to provide homely environment, your Company has arranged monthly staff function, religious programs, picnic tours, etc.

Human resource is drawn from diverse academic backgrounds and the Company has placed emphasis on recruiting people with formal training that matches their job profile.

**CAUTIONARY STATEMENT:**

Certain statements in the Management discussion and analysis may be forward looking within the meaning of applicable securities law and regulations and actual results may differ materially from those expressed or implied. Factor that to make differences to company's operations including competition, changes in Government policies and regulations, tax regimes and economic development within India.

**ANNEXURE TO THE DIRECTORS' REPORT**  
**CORPORATE GOVERNANCE REPORT**

Pursuant to Clause 49 of the Listing Agreement, given below is a report on the corporate governance in the Company.

**1. COMPANY'S PHILOSOPHY**

Your Company strongly believes in adopting and adhering to good corporate governance practices. Company's philosophy of Corporate Governance is to ensure:

- (i) that the Board and top management of the company are fully apprised of the affairs of the company that is aimed at assisting them in the efficient conduct of the company so as to meet company's obligation to the shareholders.
- (ii) that the Board exercise its fiduciary responsibilities towards shareholders and creditors so as to ensure high accountability.
- (iii) that all disclosure of information to present and potential investors are maximized.
- (iv) that the decision making process in the organization is transparent and are backed by documentary evidence.

**2. BOARD OF DIRECTORS**

The present strength of the Board of Directors of the Company is 5 Directors of which 2 Directors are Executive Directors and 3 Directors are Non Executive Independent Directors, with the Chairman as an Executive Promoter Director. The number of Non Executive/Independent Directors is more than 50% of the total number of the Directors.

**Number of Board Meeting held and the dates of the Board Meetings:**

8 (Eight) Board Meetings were held during the financial year 2009-10. The dates on which the said meetings were held are as follows:

1.	April 14, 2009	2.	April 30, 2009	3.	May 27, 2009
4.	July 31, 2009	5.	August 29, 2009	6.	October 31, 2009
7.	January 23, 2010	8.	February 19, 2010		

The last Annual General Meeting of the Company was held on September 29, 2009.

Details of attendance at the Board Meetings, Last Annual General Meeting and Shareholding of each Director are as follows:

Name	Category	Attendance Particulars		No. of Equity Shares Held
		Board Meetings	Last AGM	
Mr. Pushpendra Bansal	Chairman & Joint Managing Director	4	Yes	5,48,120
Mr. Ramesh Bansal	Managing Director	8	No	1,51,520
Mr. Nimish Shah	Non Executive Independent Director	8	Yes	NIL
Mr. Pradeep Dhawan	Non Executive Independent Director	8	Yes	1000
Mr. Bapi Datta	Non Executive Independent Director	4	No	NIL

Number of other companies or committees of which the Director is a Director/Member/Chairman:

Name of the Director	No. of other Public Limited Company in which Director	No. of Committees in which Member (other than H.S. India Ltd.)	No. of Committees of which he is chairman (other than H.S. India Ltd.)
Mr. Pushendra Bansal	3	--	--
Mr. Ramesh Bansal	1	--	--
Mr. Nimish Shah	--	--	--
Mr. Pradeep Dhawan	--	--	--
Mr. Bapi Datta	--	--	--

As per Section 278 of the Companies Act, 1956, Directorship held by Directors mentioned above does not include Directorship of Private Limited Companies which is neither a subsidiary nor a holding Company of a Public Company, Section 25 non profit making Companies, Unlimited Companies and companies where the director is an Alternate Director.

The Company has a process to provide, inter-alia, the information to the Board as required under Annexure I to clause 49 of the listing agreement pertaining to Corporate Governance.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 Committees across all the Companies in which they are Directors. All the Directors have made necessary disclosures in this regards to the Company.

The Company has not entered into any materially significant transactions during the year under report with promoter directors, senior management staff etc. other than the transaction entered into in the normal course of company's business.

#### **Code of Conduct**

The Board has laid down a code of conduct for Board Members and senior management staff of the Company. The Board Members and senior management staff have affirmed compliance with the said Code of Conduct. The Annual report of the Company contains certificate duly signed by the Managing Director (CEO) in this regard.

#### **Note on Directors seeking appointment/re-appointment:**

##### **NIMISH SHAH**

Mr. Nimish Shah aged about 44 years is an Air Conditioning Engineer by profession and engaged in his private business. He has been instrumental in giving much of his technical advice to the Board in the Hotel operations.

He is not a Director in any other Company.

##### **PRADEEP DHAWAN**

Mr. Pradeep Dhawan aged about 55 years is a graduate from Catering College and has vast experience of more than 25 years in Hotel Industry. He has been influential in giving much of his professional advice in operation of Hotel.

He is not a Director in any other Company.

### **PUSHPENDRA BANSAL**

Mr. Pushpendra Bansal aged about 50 years is a civil engineer having wide and enrich experience of more than 25 years in the business of Construction and Hotel. He is senior partner in "AA" class classification of contractor listed with Municipality, Railways and other government bodies. He has completed mega township of KRIBHCO Fertiliser, IFFCO Fertiliser, ONGC, L&T, NTPC, ESSAR, Food Corporation of India and many more. He has also completed mega Hotel Project at Mumbai, Gandhidham, Surat, Baroda etc. He is also sharing his experience in abroad for constructing & developing Motels and Shopping strips Mall.

He is a life member of "ASSIAN AMERICAN HOTEL ASSOCIATION OF AMERICA" U.S.A., a biggest Association of Hotel & Motel Industry with 10,000 Members.

Mr. Pushpendra Bansal is related to Mr. Ramesh Bansal.

He is a Director in Srijan Holding Limited, Ishwar Bhuvan Hotels Limited and Lords Inn Hotels and Developers Limited. He is also Director in five other Private Limited Companies.

### **3. AUDIT COMMITTEE**

The audit Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

During the financial year 2009-10, the Audit Committee met 5 (Five) times on April 30, 2009, July 31, 2009, August 29, 2009, October 31, 2009 and January 23, 2010. The Committee, at these meetings reviewed the financial reporting system and unaudited financial results for the first three quarters.

The attendance of each member of the Audit Committee in the Committee meetings is given below:

<b>Name of the Director</b>	<b>No. of Meeting held</b>	<b>No. of Meeting attended</b>
Mr. Pradeep Dhawan	5	5
Mr. Nimish Shah	5	5
Mr. Ramesh Bansal	5	5

At present, two members of the Audit Committee are Non-executive Independent Directors and one member is an Executive Director.

The Chairman of the Audit Committee is Mr. Pradeep Dhawan.

### **4. REMUNERATION COMMITTEE**

The listing agreement provides that a Company may appoint a Committee for recommending managerial remuneration payable to Directors. The present Remuneration Committee comprises of Mr. Pradeep Dhawan, as Chairman with Mr. Nimish Shah and Mr. Bapi Datta as the other members.

During the year, no Remuneration Committee meeting was held.

Presently, the Company is not paying any sitting fees to its Non-Executive Directors for attending meetings of the Board, Audit Committee and other Committees. However, the Company is paying remuneration to Mr. Pushpendra Bansal, Chairman and Joint Managing Director of the Company.

Details of remuneration paid to Mr. Pushpendra Bansal as Chairman and Joint Managing Director during the year ended March 31, 2010.

Name & Designation of Director	Salary (in ₹ )	Perquisites (in ₹ )
Mr. Pushpendra Bansal Chairman & Jt. Managing Director	12,00,000	Nil

#### 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted the Shareholders'/Investors' Grievance Committee comprising of Mr. Pradeep Dhawan as Chairman with Mr. Nimish Shah and Mr. Bapi Datta as the other members.

The brief terms of reference of the Committee include redressal of investors'/shareholders' complaints and requests like transfer of shares, non-receipt of dividend, annual report, etc.

Mr. Hitesh Limbani acts as Compliance Officer of the Company.

During the year, one Shareholders'/Investors' Grievance Committee meeting was held on August 29, 2009. All Members were present at the Committee Meeting.

During the year, the company has received two shareholders'/investors' complaints, which were promptly responded and resolved to the satisfaction of the concerned Shareholders. As on March 31, 2010, no Shareholder'/Investors' complaint is pending to be resolved.

#### 6. ALLOTMENT COMMITTEE

The Company has constituted Allotment Committee comprising of Mr. Pradeep Dhawan and Mr. Nimish Shah as Members of the Committee to allot shares on conversion of warrants allotted on preferential basis to promoter and non-promoter group.

During the year, one committee meeting was held on March 30, 2010 for allotment of 27,19,000 equity shares on conversion of warrants allotted on preferential basis to promoter and non-promoter group.

#### 7. GENERAL BODY MEETINGS

Details of the location of the last 3 (three) Annual General Meetings and the details of the resolution passed or proposed to be passed by postal ballot.

AGM for the financial year ended	Date, Time & Venue of AGM	Special Resolution
March 31, 2009	September 29, 2009 at 10.00 A.M. 'Kalash', Dhake Colony, J. P. Road, Andheri (W), Mumbai - 400 053.	--
March 31, 2008	September 25, 2008 at 10.00 A.M. 201, Shivai Dongre Industrial Estate, 89, Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072.	2
March 31, 2007	September 27, 2007 at 10.00 A.M. 201, Shivai Dongre Industrial Estate, 89, Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072.	--

All the resolutions set out in the respective notices calling the AGM were passed by the shareholders. No postal ballots were used for voting at these meeting. At the forthcoming AGM, there is no agenda that needs approval by postal ballots. During last three years, two Extra-ordinary General Meetings were held on January 29, 2007 and April 30, 2007.

## 9. DISCLOSURES

- (i) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large: NIL

The Register of contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with the related parties are disclosed in the notes to the accounts forming part of the accounts.

- (ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by SEBI, ROC, Stock Exchange or any statutory authority, on any matter related to capital markets, during the last 3 financial years: NIL
- (iii) The Company has complied with all mandatory requirements of Corporate Governance under Clause 49 of the Listing Agreement.
- (iv) Pursuant to sub-clause V of the Clause 49 of the Listing Agreement, the Board has received CEO/CFO certificate for the Financial Year ended March 31, 2010.

## 10. MEANS OF COMMUNICATION

The Company regularly published its quarterly and annual results in Financial Express and Mumbai Laxyadeep. Hence, the quarterly results are not sent to all households of Shareholders.

The Bombay Stock Exchange Limited vide introduction of Clause 52 of the Listing Agreement, has introduced the Corporate Filing and Dissemination System (CFDS). It is a single source to view information filed by listed companies. Your Company has filed electronically all disclosures and communications to the BSE through the CFDS portal [www.corpfiling.co.in](http://www.corpfiling.co.in). Hard copies of the said disclosures and correspondence are also filed with the BSE.

The Management Discussion and Analysis Report is appended elsewhere and forms an integral part of the Annual Report.

**11. GENERAL SHAREHOLDER INFORMATION**

1.	Annual General Meeting																																												
	Date and Time	:	September 29, 2010 at 10.00 a.m.																																										
	Venue	:	'Kalash', Dhake Colony, J. P. Road, Andheri (West), Mumbai-400053																																										
2.	Financial Calendar 2010-11	:	<table border="1"> <thead> <tr> <th>Financial Calendar</th> <th>Financial reporting by</th> </tr> </thead> <tbody> <tr> <td>For the quarter ending June, 2010</td> <td>mid of August, 2010</td> </tr> <tr> <td>For the quarter ending September, 2010</td> <td>mid of November, 2010</td> </tr> <tr> <td>For the quarter ending December, 2010</td> <td>mid of February, 2011</td> </tr> <tr> <td>For the quarter ending March, 2011</td> <td>mid of May, 2011</td> </tr> <tr> <td>Annual General Meeting for 2010-11</td> <td>end of September, 2011</td> </tr> </tbody> </table>	Financial Calendar	Financial reporting by	For the quarter ending June, 2010	mid of August, 2010	For the quarter ending September, 2010	mid of November, 2010	For the quarter ending December, 2010	mid of February, 2011	For the quarter ending March, 2011	mid of May, 2011	Annual General Meeting for 2010-11	end of September, 2011																														
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Annual General Meeting for 2010-11	end of September, 2011																																												
3.	Book closure date	:	24.09.2010 to 29.09.2010 (both days inclusive)																																										
4.	Dividend Payment Date	:	No Dividend has been recommended.																																										
5.	Registered Office of the company	:	A-1, Manish Kaveri, Building No. 18, Manish Nagar, J. P. Road, Andheri (West), Mumbai – 400 053. Email: <a href="mailto:hsindialimited@gmail.com">hsindialimited@gmail.com</a>																																										
6.	Listing on Stock Exchanges	:	Bombay Stock Exchange Limited, Mumbai																																										
7.	Annual listing & Custodial fees	:	Duly paid for the year 2010-11.																																										
8.	Stock Code (a) Trading Symbol at (b) Demat ISIN Numbers in NSDL & CDSL	:	<table border="1"> <tr> <td>Bombay Stock Exchange Limited, Mumbai</td> <td>532145/HOTLSILV</td> </tr> <tr> <td>Equity Shares <b>INE731B01010</b></td> <td></td> </tr> </table>	Bombay Stock Exchange Limited, Mumbai	532145/HOTLSILV	Equity Shares <b>INE731B01010</b>																																							
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9.	Stock Market Data	:	<table border="1"> <thead> <tr> <th colspan="3">The Bombay Stock Exchange Ltd.</th> </tr> <tr> <th></th> <th>High (₹)</th> <th>Low (₹)</th> </tr> </thead> <tbody> <tr><td>April 2009</td><td>8.85</td><td>5.72</td></tr> <tr><td>May 2009</td><td>10.05</td><td>6.71</td></tr> <tr><td>June 2009</td><td>12.13</td><td>8.10</td></tr> <tr><td>July 2009</td><td>9.90</td><td>7.41</td></tr> <tr><td>August 2009</td><td>10.10</td><td>8.00</td></tr> <tr><td>September 2009</td><td>11.09</td><td>8.01</td></tr> <tr><td>October 2009</td><td>10.30</td><td>7.17</td></tr> <tr><td>November 2009</td><td>9.62</td><td>7.71</td></tr> <tr><td>December 2009</td><td>11.45</td><td>8.11</td></tr> <tr><td>January 2010</td><td>11.94</td><td>8.51</td></tr> <tr><td>February 2010</td><td>10.27</td><td>8.40</td></tr> <tr><td>March 2010</td><td>11.29</td><td>7.70</td></tr> </tbody> </table>	The Bombay Stock Exchange Ltd.				High (₹)	Low (₹)	April 2009	8.85	5.72	May 2009	10.05	6.71	June 2009	12.13	8.10	July 2009	9.90	7.41	August 2009	10.10	8.00	September 2009	11.09	8.01	October 2009	10.30	7.17	November 2009	9.62	7.71	December 2009	11.45	8.11	January 2010	11.94	8.51	February 2010	10.27	8.40	March 2010	11.29	7.70
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10.	Share Price Performance compared with broad based indices																																												
		H. S. India Limited	BSE																																										
	As on 1st April, 2009	6.23	9901.99																																										
	As on 31st March, 2010	8.66	17527.77																																										
	Change (%)	39.00 %	77.01 %																																										

11.	A. Distribution of Shareholding as on 31st March, 2010				
	<b>Range of Equity Shares</b>	<b>No.of Shareholders</b>	<b>% of Shareholders</b>	<b>No. of Share held</b>	<b>% of Shareholding</b>
	1-500	1972	66.96	443708	2.73
	501-1000	427	14.50	373443	2.30
	1001-2000	232	7.88	373737	2.30
	2001-3000	80	2.72	203422	1.25
	3001-4000	40	1.36	148988	0.92
	4001-5000	36	1.22	170258	1.05
	5001-10000	64	2.17	449654	2.77
	10001- & above	94	3.19	14075190	86.68
	<b>GRAND TOTAL</b>	<b>2945</b>	<b>100.00</b>	<b>16238400</b>	<b>100.00</b>
	Physical Mode	256	8.69	6788260	41.80
	Electronic Mode	2689	91.31	9450140	58.20
	B. Category of Shareholders as on 31st March, 2010:				
	<b>Category</b>	<b>No.of Shareholders</b>	<b>% of Shareholders</b>	<b>No. of Share held</b>	<b>% of Shareholding</b>
	Indian Promoter(s) / Persons acting in concert	33	1.12	6842100	42.13
	Foreign Promoter	NIL	N.A.	NIL	N.A.
	Resident Individuals	2750	93.38	8019524	49.39
	Bodies Corporate	151	5.13	1043542	6.46
	Financial Institutions / Banks / Mutual Funds	1	0.03	300000	1.85
	NRI's / OBC's/Foreign National	10	0.34	27234	0.17
	<b>GRAND TOTAL</b>	<b>2945</b>	<b>100.00</b>	<b>16238400</b>	<b>100.00</b>
12.	Dematerialization of Shares : As on March 31, 2010, 9450140 equity shares constituting 58.20 % of the Equity Shares Capital of the Company stand dematerialized.				
13.	Outstanding GDRs/ ADRs/Warrants or any Convertible Instruments. : The Company has not issued GDRs/ADRs. As on March 31, 2010, no Warrants/Convertible Instruments outstanding for conversion.				
14.	Hotel Location : Lords Plaza Opp. Linear Bus Stand, Ring Road, Surat - 395 003. e-mail : hsindialimited@gmail.com				

- |     |   |
|-----|---|
| 15. | <p>Address for Correspondence : For Shares held in Physical and Demat Form:<br/>M/s. SHAREPRO SERVICES (INDIA) PVT. LTD.<br/>Unit: (H. S. India Limited)</p> <p><b><u>Registered Office:</u></b><br/>13 AB Samhita Warehousing Complex,<br/>2nd Floor, Sakinaka Telephone Exchange Lane,<br/>Off Andheri-Kurla Road, Sakinaka,<br/>Andheri (E), Mumbai - 400 072.<br/>e-mail : sharepro@shareproservices.com<br/>Tel. No. 022-67720300/400 Fax No. 022-28591568</p> <p><b><u>Investor Relation Centre:</u></b><br/>912, Raheja Centre, Free Press Journal Road,<br/>Nariman Point, Mumbai - 400 021.<br/>Tel. No. 022-66134700.</p> |
|-----|---|

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of  
H. S. INDIA LIMITED

1. We have examined the compliance of conditions of Corporate Governance by H. S. INDIA LIMITED for the period ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.
4. We state that no investor grievance is pending for a period exceeding one month against the Company as per the records and other documents maintained by the Shareholders'/Investors' Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For PARY & Co.,  
Chartered Accountants

Place: Surat  
Date: August 31, 2010

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

To,  
The Members of  
H. S. INDIA LIMITED

It is hereby certified and confirmed that as provided in clause 49 I(D) of the Listing Agreement with the Stock Exchange, the Board members and the senior management personnel of the Company have affirmed compliance with the code of conduct of the Company for the financial year ended March 31, 2010.

For, H. S. INDIA LIMITED

Place: Surat  
Date : August 31, 2010

RAMESH BANSAL  
Managing Director/CEO

**AUDITORS' REPORT**

To  
The Members of  
H. S. INDIA LIMITED

1. We have audited the Balance Sheet of H. S. INDIA LIMITED as at 31st March, 2010 the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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 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 misstatements. 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 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred in paragraph 3 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 purpose of our audit.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
  - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
  - (e) On the basis of the written representation received from the Director as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
  - (f) In our opinion and to best of information according to explanations given to us, the accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - (ii) In the case of Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

FOR PARY & CO.  
Chartered Accountants

Place : Surat  
Date : 31st August, 2010

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.
- (b) All the fixed assets of the Company have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification. In our opinion, having regards to size of the Company and the nature of its business, the frequency of verification is reasonable.
- (c) During the year, the Company has disposed/discarded part of fixed assets, which were replaced by new assets. In our opinion it doesn't affect the going concern status of the company.
- (ii) (a) The inventory of the Company has been physically verified at reasonable intervals during the year by the Management. In our opinion the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of our examination of the records of inventory we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book stocks were not material.
- (iii) The Company has not granted or taken any loans to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clause (iii) (b), (iii) (c), (iii)(d), (iii)(f) and (iii)(g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness was noticed in the internal controls.
- (v) (a) Based on the audit procedure applied by us and according to the information and explanation provided by the management , we are of the opinion that the particulars of contracts or arrangements that need to be entered into a register in pursuance of section 301 of the Companies act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of five lacs rupees in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public in terms of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for any of the products of the Company.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, excise duty, cess and other statutory dues applicable to it. According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty,

excise duty and cess were outstanding as at March, 2010 for a period of more than six month from the date they become payable.

- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess, which have been not deposited on account of any dispute.
- (x) In our opinion there are no accumulated losses of the Company. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to the Financial Institutions, Banks and Debenture holders during the year audit under reference.
- (xii) According to the information and explanations given to us, and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company, for loans taken by others from banks or financial institution during the year, are not prejudicial to the interest of the Company.
- (xvi) Based on our examination of records and information and explanations given to us, we are of the opinion that the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to information and explanations given to us and an overall examination of the balance sheet and cash flow of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) During the year, the Company has made preferential allotments of shares to Promoters and non promoters group of the company. However, the Company has not made preferential allotments of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) In our opinion and based on the information and explanations furnished by the Management, which have been relied upon by us, there were no fraud on or by the Company noticed or reported during the year.

FOR PARY & CO  
Chartered Accountants

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

Place : Surat

Date : 31st August, 2010

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010**

SCHEDULE		AS AT 31.03.2010 ₹	AS AT 31.03.2009 ₹
<b><u>SOURCES OF FUNDS</u></b>			
SHAREHOLDERS' FUNDS			
Share Capital	1	162,384,000	132,194,000
Share Application Money		--	3,806,600
Reserves & Surplus	2	33,501,809	10,876,000
LOAN FUNDS			
Secured Loans	3	129,766,017	152,154,799
Deferred Tax Liability (Net)	4	21,203,015	19,816,583
		<b>346,854,841</b>	<b>318,847,982</b>
<b><u>APPLICATION OF FUNDS</u></b>			
FIXED ASSETS			
Gross Block	5	242,986,427	212,374,827
Less: Depreciation		69,173,070	77,348,249
Net Block		173,813,357	135,026,578
Add: Construction work-in-Progress (Including Capital Advances)		104,376,014	87,686,498
		<b>278,189,371</b>	<b>222,713,076</b>
INVESTMENTS			
	6	65,086,000	56,475,010
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	7,800,346	5,154,534
Sundry Debtors	8	5,671,062	4,261,186
Cash and Bank Balances	9	8,643,363	32,533,996
Loans and Advances	10	6,631,807	9,036,892
		<b>28,746,578</b>	<b>50,986,608</b>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	24,380,808	22,026,740
Provisions		786,300	784,024
		<b>25,167,108</b>	<b>22,810,764</b>
NET CURRENT ASSETS		3,579,470	28,175,844
PROFIT AND LOSS ACCOUNT		--	11,484,052
		<b>346,854,841</b>	<b>318,847,982</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS			
	21		

SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE BALANCE SHEET

AS PER OUR REPORT ATTACHED  
FOR PARY & CO.  
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288CPUSHPENDRA BANSAL  
Chairman & Jt. Managing DirectorRAMESH BANSAL  
Managing DirectorPLACE : SURAT  
DATE : 31<sup>ST</sup> AUGUST, 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

	SCHEDULE	YEAR ENDED 31.03.2010 ₹	YEAR ENDED 31.03.2009 ₹
<b>INCOME</b>			
Income from Operations	12	145,631,580	118,876,691
Other Income	13	834,636	421,227
		146,466,216	119,297,918
<b>EXPENDITURE</b>			
Consumption of Foods, Beverages and Others	14	26,305,944	18,574,773
Employees Remuneration and Welfare Expenses	15	19,033,404	16,320,407
Power and Fuel	16	11,278,721	7,898,128
Upkeep and Service Cost	17	5,644,615	4,461,871
Repairs and Maintenance	18	7,494,187	3,703,629
Administrative, Selling and Other Expenses	19	18,325,653	10,119,804
Interest and Finance Charges	20	18,345,430	23,342,946
Depreciation		9,257,457	7,076,020
		115,685,411	91,497,578
<b>PROFIT BEFORE EARLIER YEAR ADJUSTMENT</b>		30,780,805	27,800,340
Less: Earlier years Expenses - Interest to Financial Institutions		4,160,512	--
<b>PROFIT BEFORE TAXATION</b>		26,620,293	27,800,340
Less: Provision for Taxation			
- Current Tax		2,000,000	1,000,000
- Deferred Tax Liabilities		1,386,432	19,816,583
- Fringe Benefit Tax		--	150,000
- Excess provision of earlier year		--	(7,607)
<b>PROFIT AFTER TAXATION</b>		23,233,861	6,841,364
LOSS BROUGHT FORWARD		(11,484,052)	(18,325,416)
<b>PROFIT / (LOSS) CARRIED TO BALANCE SHEET</b>		11,749,809	(11,484,052)
<b>Earning per Shares in Rupees</b>			
(Nominal value of each share Rs. 10/-)			
Basic		1.72	0.65
Diluted		1.72	0.63
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS		21	

SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE PROFIT AND LOSS ACCOUNT

AS PER OUR REPORT ATTACHED  
FOR PARY & CO.  
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288CPUSHPENDRA BANSAL  
Chairman & Jt. Managing DirectorRAMESH BANSAL  
Managing DirectorPLACE : SURAT  
DATE : 31<sup>ST</sup> AUGUST, 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

	31-03-2010		31-03-2009	
	₹	₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before tax as per Profit & Loss Account		26,620,293		27,800,340
Adjustments for:				
Loss on Assets Scrapped	790,630		--	
Depreciation	9,257,457		7,076,020	
Provision for Employees Benefit	2,276		439,814	
Interest for earlier years	4,160,512		--	
Interest Paid	18,345,430		23,342,946	
		32,556,305		30,858,780
Operating Profit Before Working Capital Changes		59,176,598		58,659,120
Working Capital Changes:				
(Increase)/Decrease in Inventories	(2,645,812)		389,574	
(Increase)/Decrease in Sundry Debtors	(1,409,876)		(491,915)	
(Increase)/Decrease in Loans & Advances	1,178,572		(4,630,797)	
Increase in Trade Payables				
(Including Working Capital Finance)	2,354,068		(11,139,686)	
		(523,048)		(15,872,824)
Cash Generated from Operations		58,653,550		42,786,296
Gratuity Contribution to LIC		--		(388,986)
Direct Taxes paid net of Provisions		(773,487)		(1,434,574)
Net Cash Flow from Operating Activities		57,880,063		40,962,736
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets/Capital Work-in-Progress		(65,655,682)		(66,589,048)
Sale of Assets Scrapped		131,300		--
Purchase of Investments		(8,610,990)		(15,000,000)
Net Cash Flow From Investing Activities		(74,135,372)		(81,589,048)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Share Capital		30,190,000		27,190,000
Proceeds from Share Premium		10,876,000		10,876,000
Proceeds / (refund) of Share Application Money		(3,806,600)		3,806,600
Proceeds (Repayment) of long term borrowings(Net)		(22,388,782)		44,002,373
Repayment of short term borrowings		--		1,506,430
Interest Paid (Net of Receipt)		(18,345,430)		(23,342,946)
Interest for earlier years		(4,160,512)		--
Net Cash Flow From Financing Activities		(7,635,324)		64,038,457
<b>Net Cash Flow During The Year (A+B+C)</b>		(23,890,633)		23,412,145
<b>OPENING CASH AND CASH EQUIVALENTS</b>	32,533,996		9,121,851	
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	8,643,363		32,533,996	
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		(23,890,633)		23,412,145

AS PER OUR REPORT ATTACHED  
FOR PARY & CO.  
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

PUSHPENDRA BANSAL  
Chairman & Jt. Managing Director

RAMESH BANSAL  
Managing Director

PLACE : SURAT  
DATE : 31<sup>ST</sup> AUGUST, 2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010  
AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010.**

	<b>AS AT 31.03.2010 ₹</b>	<b>AS AT 31.03.2009 ₹</b>
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>Authorised:</b>		
17,000,000 Equity Shares of Rs. 10/- each (Previous year 16,000,000 Equity Shares of Rs. 10/- each)	170,000,000	160,000,000
<b>Issued, Subscribed and Paid up :</b>		
16,238,400 Equity Shares of Rs. 10/- each fully paid up (Previous year 13,219,400 Equity Shares of Rs. 10/- each fully paid up) ( Refer Note No. 2 )	162,384,000	132,194,000
	162,384,000	132,194,000
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>		
Profit & Loss Account	11,749,809	--
Share Premium Account ( Refer Note no. 2 )	21,752,000	10,876,000
	33,501,809	10,876,000
<b>SCHEDULE 3 SECURED LOANS</b>		
Debentures (Prev. Yr. 3000, 12.5% Optionally Convertible Debentures of Rs. 1000/- each ) From Bank and Financial Institutions	--	3,000,000
Term Loans from Punjab National Bank	126,105,200	147,389,333
Cash Credit from Punjab National Bank	2,412,845	1,506,430
Bajaj Auto Finance Two Wheeler	42,438	--
Cholamandalam Car Loan (Winger)	425,281	--
ICICI Bank Car Loan	780,253	259,036
( Refer Note no. 15, 16 & 17 )	129,766,017	152,154,799
<b>SCHEDULE 4 DEFERRED TAX LIABILITY ( Net )</b>		
Deferred Tax Liability		
- On Depreciation of Fixed Assets	21,526,279	19,917,563
Less : Deferred Tax Assets :		
- On Provision on Employee Benefits	(323,264)	(100,980)
	21,203,015	19,816,583

**SCHEDULE 5  
FIXED ASSETS**

SR. NO.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		AS ON 01-04-2009	ADDITIONS DURING THE YEAR	ADJUSTMENTS DURING THE YEAR	AS ON 31-03-2010	AS ON 01-04-2009	FOR THE YEAR	ADJUSTMENTS DURING THE YEAR	AS ON 31-03-2010	AS ON 31-03-2009
1	FREEHOLD LAND	21,767,000	--	--	21,767,000	--	--	--	21,767,000	21,767,000
2	BORE WELL	74,330	--	--	74,330	17,408	1,212	18,620	55,710	56,922
3	BUILDING	76,906,062	2,036,998	--	78,943,060	10,364,009	1,285,519	--	67,293,532	66,542,053
4	PLANT & MACHINERIES	64,729,937	22,721,961	1,244,097	86,207,801	27,477,037	3,906,001	364,942	55,189,705	37,252,900
5	MOTOR CAR	1,915,485	2,210,423	--	4,125,908	445,625	319,748	--	3,360,535	1,469,860
6	COMPUTER	2,278,096	170,860	11,000	2,437,956	1,412,405	254,899	10,973	781,625	865,691
7	ELECTRICAL INSTALLATIONS	9,633,302	7,485,189	--	17,118,491	6,590,808	919,392	--	9,608,291	3,042,494
8	FURNITURE & FIXTURES	35,070,615	14,340,735	17,099,469	32,311,881	31,040,957	2,570,686	17,056,721	15,756,959	4,029,658
		<b>212,374,827</b>	<b>48,966,166</b>	<b>18,354,566</b>	<b>242,986,427</b>	<b>77,348,249</b>	<b>9,257,457</b>	<b>17,432,636</b>	<b>173,813,357</b>	<b>135,026,578</b>
	PREVIOUS YEAR	208,290,420	4,084,407	--	212,374,827	70,272,229	7,076,020	--	135,026,578	138,018,191
	Construction work in progress (Including Capital Advances)	87,686,498	47,074,613	30,385,097	104,376,014	--	--	--	104,376,014	87,686,498

			<b>AS AT 31.03.2010 ₹</b>	<b>AS AT 31.03.2009 ₹</b>
<b>SCHEDULE 6</b>				
<b>INVESTMENTS - At Cost</b>				
Unquoted (trade)	No. of Shares	Face Value		
	31.03.10	31.03.09	₹	
Kesar Motels Pvt Ltd	162,715	112,750	100	65,086,000
Share Application Money With Kesar Motels Pvt. Ltd.				--
				11,375,010
				65,086,000
				56,475,010
<b>Aggregate Book Value of unquoted investment</b>			65,086,000	45,100,000
<b>SCHEDULE 7</b>				
<b>INVENTORIES (At Cost)</b>				
(As verified, valued and certified by the management)				
Stores and Operating Supplies			7,461,606	4,845,475
Food and Beverages			338,740	309,059
			7,800,346	5,154,534
<b>SCHEDULE 8</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured, considered good)				
a. Outstanding for more than six months			855,888	825,924
b. Other Debts			4,815,174	3,435,262
			5,671,062	4,261,186
<b>SCHEDULE 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand			1,088,215	582,531
Balance with Schedule Banks in Current Account			7,252,005	13,531,028
City Co-op. Bank Ltd.			303,143	18,416,364
(Max. Balance: Rs. 3,83,08,193; Previous Year :Rs. 4,18,92,934)				
Kurla Nagrik Sahakari Bank Ltd.			--	4,073
(Max. Balance: Rs.82,383 ; Previous Year :Rs.2,47,358 )				
			8,643,363	32,533,996
<b>SCHEDULE 10</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good)				
Deposits			1,487,366	1,451,256
Advance recoverable in cash or kind or for value to be received			4,731,753	5,946,435
Direct Taxes Paid (Net of Provision for taxation)			412,688	1,639,201
			6,631,807	9,036,892

	<b>AS AT 31.03.2010 ₹</b>	<b>AS AT 31.03.2009 ₹</b>
<b>SCHEDULE 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b><u>CURRENT LIABILITIES</u></b>		
Sundry Creditors:		
- Micro, Small & Medium Enterprises ( Refer Note No. 5 )	--	--
- Others	12,748,794	16,663,502
Advance from customers	5,366,547	881,323
Other Liabilities	6,265,467	4,481,915
	24,380,808	22,026,740
<b><u>PROVISIONS</u></b>		
Provision for Employee Benefits	786,300	784,024
	25,167,108	22,810,764
	<b>FOR THE YEAR ENDED 31.03.2010 ₹</b>	<b>FOR THE YEAR ENDED 31.03.2009 ₹</b>
<b>SCHEDULE 12</b>		
<b>INCOME FROM OPERATIONS</b>		
Room Sale	79,205,159	66,023,879
Banquet Sale	3,319,176	2,272,582
Liquor Sale	29,467,395	22,067,346
Food and Beverages Sale	30,199,672	25,953,952
Other Services	3,440,178	2,558,932
	145,631,580	118,876,691
<b>SCHEDULE 13</b>		
<b>OTHER INCOME</b>		
Rent from Mobile Tower	576,817	329,967
Discount Received	257,819	72,810
Miscellaneous Income	--	18,450
	834,636	421,227
<b>SCHEDULE 14</b>		
<b>CONSUMPTION OF FOOD, BEVERAGES AND OTHERS</b>		
Opening Stock	2,608,529	3,489,698
Purchases	27,315,280	17,693,604
	29,923,809	21,183,302
Less: Closing Stock	3,617,865	2,608,529
	26,305,944	18,574,773

	<b>FOR THE YEAR ENDED 31.03.2010 ₹</b>	<b>FOR THE YEAR ENDED 31.03.2009 ₹</b>
<b>SCHEDULE 15</b>		
<b>EMPLOYEES REMUNERATION AND WELFARE EXPENSES</b>		
Salaries and Wages	15,546,412	12,860,515
Contribution to Provident Fund and other Funds	1,018,964	1,271,351
Staff Welfare Expenses	2,468,028	2,188,541
	<b>19,033,404</b>	<b>16,320,407</b>
<b>SCHEDULE 16</b>		
<b>POWER AND FUEL</b>		
Electricity	6,070,223	5,056,617
Fuel Oil	30,029	23,536
Gas Fuel	5,178,469	2,817,975
	<b>11,278,721</b>	<b>7,898,128</b>
<b>SCHEDULE 17</b>		
<b>UPKEEP AND SERVICE COST</b>		
Water Charges	181,550	91,747
Linen, Uniform and Washing	1,917,917	1,595,239
Renewals and Replacement	155,836	187,133
Garden Maintenance	24,700	19,650
Housekeeping Expenses	3,364,612	2,568,102
	<b>5,644,615</b>	<b>4,461,871</b>
<b>SCHEDULE 18</b>		
<b>REPAIRS AND MAINTENANCE</b>		
Building	3,766,491	898,463
Plant and Machinery	2,096,161	2,088,129
Others	1,631,535	717,037
	<b>7,494,187</b>	<b>3,703,629</b>
<b>SCHEDULE 19</b>		
<b>ADMINISTRATIVE, SELLING AND OTHER EXPENSES</b>		
Insurance	315,801	363,682
Advertisement	1,588,948	838,168
Commission	1,482,281	1,396,034
Conveyance	197,002	617,146
Travelling	627,295	773,372
Postage, Telephone and Courier Expenses	528,744	427,759
Printing and Stationery	697,860	706,860
Rates and Taxes	3,302,564	2,139,743

	<b>FOR THE YEAR ENDED 31.03.2010</b>	<b>FOR THE YEAR ENDED 31.03.2009</b>
	₹	₹
Freight, Cartage and Transportation	2,522,540	1,440,748
Auditors Remuneration	110,300	204,055
Music and Entertainment	268,392	219,551
Decorations	133,380	69,947
Banquet Expenses	923,642	722,769
Management and Franchise Fees	2,647,200	3,315,080
Professional Charges	1,708,093	2,749,547
Miscellaneous Expenses	553,817	719,920
Sundry Credit balances written back	(72,836)	(6,584,577)
Loss on Assets Scraped	790,630	--
	<b>18,325,653</b>	<b>10,119,804</b>
<b>SCHEDULE 20</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loan	18,229,770	17,798,407
Interest on Cash Credit	165,192	--
Less :- Interest Income		
( Including Tax Deducted at Source Rs. 2026/- )	(280,627)	(89,693)
( Previous Year Rs.11,539/- )	231,095	5,634,232
Bank Charges	18,345,430	23,342,946

**SCHEDULES FORMING PART OF THE ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2010**

**SCHEDULE 21**

**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS**

**1. Significant Accounting Policies**

**A. Basis of preparation of Financial Statements**

The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards and relevant provisions of the Companies Act, 1956.

**B. Revenue Recognition**

Revenue is recognised upon rendering of the services and items of income and expenditure are recognised on accrual basis. Income / Sales excludes Sales Tax / VAT, Luxury Tax, Service Tax etc.

**C. Use of Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in India, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

**D. Fixed Assets**

- (i) Fixed assets are stated at acquisition cost less accumulated depreciation.
- (ii) Expenditure including cost of financing incurred during the course of construction, installation and commissioning of building, plant and machinery is included in the cost of respective fixed assets.
- (iii) Intangible assets are recorded at cost of Acquisition less amortisation cost.

**E. Depreciation, Amortisation and Impairment**

Depreciation on fixed assets is charged on Straight Line Method with the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. The company is following policy to depreciate fixed assets only up to 95% unless it is sold or discarded.

Intangibles assets are amortised over the economic useful life estimated by the Management.

Impairment is ascertained at each balance sheet date in respect of the Company's fixed assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

**F. Inventories**

Stock of food, beverages and other supplies are valued at cost (computed on a weighted average basis except wine and liquor which is computed on first in first out basis) or net realisable value, whichever is lower.

**G. Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as a part of such assets. All other borrowing costs are charged to revenue in the year in which they are incurred.

**H. Investments**

Long term Investments are stated at cost. Diminution in the value of investments is provided for by reducing the value of investments and charging the same to Profit & Loss Account.

Current Investments are carried at the lower of cost and fair value determined on a category basis.

**I. Contingent Liabilities**

These are disclosed by way of notes to the accounts. Provision is made in respect of those liabilities, which are likely to materialise after the year end, till the finalisation and have material effect on the position stated in the balance sheet.

**J. Retirement Benefits**

- i Contributions to Provident Fund, Gratuity Fund and Family Pension Fund are charged to Profit and Loss Account.
- ii Gratuity is charged to revenue on actuarial valuation by Life Insurance Corporation of India under the Employees Group Gratuity policy with them.
- iii Provision for Leave encashment is made on the basis of actual leave outstanding at the end of the year based on the present pay structure.

**K. Foreign Exchange Transactions**

Transactions denominated in foreign currency settled / negotiated during a month are recorded at exchange rate on the date of settlement/ negotiation. Foreign currency transactions remaining not settled / negotiated at the end of each month are converted into rupees at the month end rates. All gains or losses on foreign exchange transaction other than those related to Fixed Assets are recognised in the Profit and Loss Account.

**L. Taxation**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. Conversion of Preferential Warrant and 12.5% Optionally Fully Convertible Debentures ( OFCDs )

During the year, the Company has converted 27,19,000 preferential warrants into equal number of Equity Shares of ₹ 10/- each at a Premium of ₹ 4/- each aggregating to ₹ 380.66 Lacs and also converted 3000 12.5% Optionally Fully convertible debentures (OFCD) of ₹ 1000/- each into 300000 Equity Shares of ₹ 10/- each at par. Consequently, the paid up Share Capital of the Company has increased from ₹ 1321.94 Lacs to ₹ 1623.84 Lacs and Share Premium account is credited with ₹ 108.76 Lacs.

The fund raised by way of Preferential Allotment of Equity Shares amounting to ₹ 761.32 lacs (out of which ₹ 380.66 lacs pertains to 2008-09) were utilised as under :-

Particulars	(2009-10) ₹ in lacs	(2008-09) ₹ in lacs
Fund raised on preferential allotment	380.66	380.66
Add: Balance of unutilised fund of Previous Year	242.89	--
	<b>623.55</b>	<b>380.66</b>
Utilisation of fund :		
(i) Capital Expenditures	574.22	106.77
(ii) Long Term Investment in Company	48.50	31.00
(iii) Balance Fund utilised as working capital until the ultimate utilisation is done as per the objects of the issue.	0.83	242.89

## 3 Auditors Remuneration:

	2009-10	2008-09
	₹	₹
a. Audit Fees	44,120	44,120
b. Income Tax Matters	33,090	33,090
c. Other Matters	33,090	1,28,493
	<u>1,10,300</u>	<u>2,05,703</u>

4 As the Turnover of the Company includes sale of food and beverages, it is not possible to give quantitative details of the turnover and food and beverages consumption. The Company has been exempted from disclosure of the quantitative details vide Order No.46/189/2007-CL.III dated 24.01.2008 issued by Ministry of Company Affairs, Government of India. Accordingly the quantitative data covered under paragraph 3(i) (a) of Part II of Schedule VI of the Companies Act 1956, are not disclosed herein. However the said order required the company to disclose certain additional particulars which are given below:

(a) The income from wine and liquor is ₹ 2,94,67,395/- (P.Y. ₹ 2,20,67,346/- ).

(b) The income from telex & telephone is ₹ 75,147/- (P.Y. ₹ 1,91,255/-) included in other services.

(c) The break up of Consumption of Provisions, Stores, Beverages, Wine & Liquor and other consumables are as follows:

	Provision Stores & Beverages (₹)	Wine & Liquor (₹)	Other Consumables (₹)	Total (₹)
Opening Stock	309059 (238815)	2299470 (3250883)	2546005 (2054410)	5154534 (5544108)
Add: Purchases	10825098 (7466531)	16490183 (10227073)	10237498 (7442776)	37552779 (25136380)
Total	11134157 (7705346)	18789653 (13477956)	12783503 (9497186)	42707313 (30680488)
Less: Closing Stock	338740 (309059)	3279127 (2299470)	4182480 (2546005)	7800347 (5154534)
Consumption during the year	10795417 (7396287)	15510526 (11178486)	8601023 (6951181)	34906966 (25525954)

(Figures in brackets represent figures for the year 2008-09)

5. The Company has initiated the process of obtaining details from Sundry Creditors who are registered under the Micro, Small and Medium Enterprises Development Act, 2006. To the extent that the Company has received information, it has evaluated that there are no amounts due to the Creditors who are registered under the said Act beyond the period of 45 days.

6. As per Accounting Standard -15 Accounting for Employees benefits as defined in the accounting standard the summarised components of net benefit expense recognised in the profit and loss account and the funded status and the amount recognised in the balance sheet are given herein below:

	<b>Gratuity 2009-10 (₹)</b>	<b>Gratuity 2008-09 (₹)</b>
<b>I. Change in Benefit Obligation</b>		
Liability at the beginning of the year	1063763	688884
Interest Cost	85101	55111
Current Service Cost	146914	146914
Past Service Cost (Non Vested Benefit)	--	--
Past Service Cost (Vested Benefit)	--	--
Benefit Paid	(14193)	(9865)
Actuarial (gain)/loss on obligation	(316504)	182719
Curtailments and Settlements	--	--
Liability at the end of the year	<u>965081</u>	<u>1063763</u>
<b>II. Fair Value of Plan Assets</b>		
Fair Value of Plan Assets at the beginning of the year	1063763	674777
Expected Return on Plan Assets	89590	60828
Contribution	--	338023
Benefit Paid	(14193)	(9865)
Actuarial gain/(loss) on Plan Assets	--	--
Fair Value of Plan Assets at the end of the year	<u>1139160</u>	<u>1063763</u>
Excess of Obligation over Plan Assets	<u>--</u>	<u>--</u>
<b>III. Actual Return on Plan Assets</b>		
Expected Return on Plan Assets	89590	60828
Actuarial gain/(loss) on Plan Assets	--	--
Actual Return on Plan Assets	<u>89590</u>	<u>60828</u>
<b>IV. Amount Recognised in the Balance Sheet</b>		
Liability at the end of the year	965081	1063763
Fair Value of Plan Assets at the end of the year	1139160	1063763
Difference	174079	--
Unrecognised Past Service Cost	--	--
Amount Recognised in the Balance Sheet	<u>(174079)</u>	<u>--</u>
<b>V. Expenses Recognised in the Income Statement</b>		
Current Service Cost	146914	146914
Interest Cost	85101	55111
Expected Return on Plan Assets	(89590)	(60828)
Net Actuarial (gain)/loss to be Recognised	(316504)	182719
Past Service Cost (Non Vested Benefit) Recognised	--	--
Past Service Cost (Vested Benefit) Recognised	--	--
Effect of Curtailments and Settlements	--	--
Expenses Recognised in Profit and Loss Account	<u>(174079)</u>	<u>323916</u>
<b>VI. Balance Sheet Reconciliation</b>		
Opening Net Liability	--	14107
Expenses as above	(174079)	323916
Employers Contribution	--	(338023)
Effect of Curtailments and Settlements	--	--
Amount Recognised in Balance Sheet	<u>(174079)</u>	<u>--</u>
<b>VII. Actuarial Assumptions</b>		
Discount Rate Current	8%	8%
Salary Escalation	7%	7%

- Note:** i) Employer's contribution includes payments made by the Company directly to its past employees.  
 ii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market  
 iii) The Company's Gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are deposited under approved securities.

7. There is no amount due and outstanding to "Investors Education and Protection Fund."

8. During the year, the Company has disposed/discarded part of fixed assets, which were replaced by new assets. The gross block value of the same is ₹ 1.84 Crores and W.D.V is ₹ 0.09 Crores.

	2009-10 ₹	2008-09 ₹
9. CIF Value of Capital Goods imported.	7,53,945	Nil
10. Earning in foreign currency on sales (as per RLM-3 submitted to Authorised Dealer as certified by the management but not verified by the Auditors and as per certificate received from BOB Card, HSBC Card, Axis Bank and American Express Card):	83,85,045	80,08,811
11. Estimated amount of Contracts remaining to be executed on capital account (Net of Advances)	1,48,67,213	5,98,39,142
12. Contingent Liabilities not provided for in respect of :		
a) Corporate Guarantee given to Bank of India on behalf of M/s. Kesar Motels Private Limited.	9,55,00,000	9,55,00,000
13. During the year, the amount of ₹ 41,60,512 has been charged to profit and loss account which pertains to disputed Interest to Financial Institutions for the period April, 2004 to March, 2009.		
14. Managerial Remuneration:		
i) Managerial remuneration under Section 198 of the Companies Act, 1956 to Joint Managing Director.		

Particulars	2009-10 ₹	2008-09 ₹
Salary	12,00,000	12,00,000
Contribution to Provident Fund and other funds	--	--
Perquisites & benefits	--	--
Total	12,00,000	12,00,000

ii) Computation of Net Profit as per Section 349 read with Section 309(5) of the Companies Act, 1956.

	2009-10 ₹	2008-09 ₹
Profit after Taxation as per Profit and Loss Account	23233861	6841364
Add : Provision for Taxation	3386432	20808976
Provision for Fringe Benefit Tax	--	150000
Depreciation	9257457	7076020
Directors remuneration	1200000	1200000
	37077750	36076360
Less : Depreciation under Section 350	9257457	7076020
<b>Net Profit for the purpose of Managerial Remuneration</b>	27820293	29000340

iii) Company has not recommended any commission to the Joint Managing Director.

15. The Term Loans from Bank are secured by first charge by way of equitable mortgage of Company's all immovable properties, both present and future and first charge by way of hypothecation of Company's all movable, present and future subject to prior charges created and/or to be created in favour of the Company's bankers for securing the borrowing of working capital requirements in the ordinary course of business. The mortgage and hypothecation are ranking pari passu inter se.
16. Cash Credit from Punjab National Bank is secured by way of hypothecation of stocks and related book debts and further hypothecation of building under WIP.
17. Vehicle Loans from Bank and NBFC's are secured by way of hypothecation of the Vehicle.
18. Income from Operations, represents invoiced value of goods sold and services rendered exclusive of applicable taxes.
19. In the opinion of Board of Directors of the Company, all the current assets, loans and advances have value on realization of an amount at least equal to the amount at which they are stated in the Balance Sheet.
20. Earning Per Share:  
Earning Per Share is calculated in accordance with Accounting Standard 20-'Earning per Share' (AS-20), notified by the Company's (Accounting Standards) Rules, 2006

Particulars	2009-10 ₹	2008-09 ₹
a. Profit after Tax	23233861	6841364
b. No. of Equity Shares		
Basic	13488271	10530197
Diluted	13488271	10830197
c. Earning Per Share		
Basic	1.72	0.65
Diluted	1.72	0.63

21. Related Party Disclosure as required by Accounting Standard-18 issued by the Institute of Chartered Accountants of India:

(A) Nature of Relationship :

(I) Enterprises in which Key Management Personnel have significant influence:

Kesar Motels Private Limited  
Lords Inn Hotels and Developers Limited

(II) Key Management Personnel  
Pushpendra Bansal

(B) Transactions with Related Parties :

(I) Share Application Money  
Enterprises in which Key Management Personnel  
have significant influence  
Kesar Motels Private Limited

₹ Nil  
( P. Y. ₹ 1,13,75,010/-)

(II) Investment as Equity Shares Kesar Motels Private Limited	₹ 1,99,86,000/- (P.Y. ₹ 4,51,00,000/-)
(III) Purchase of Goods & Services Enterprises in which Key Management Personnel have significant influence Management Fees Lords Inn Hotels and Developers Limited	₹ 26,47,200/- (P.Y. ₹ 29,09,000/-)
(IV) Key Management Personnel Director Remuneration Pushpendra Bansal	₹ 12,00,000/- (P. Y. ₹ 12,00,000/-)
(V) Balance as on 31.03.2010 Payable Enterprises in which Key Management Personnel have significant influence Lords Inn Hotels and Developers Limited	₹ 1,98,540/- (P.Y. ₹ 11,36,714/-)

22. The previous year's figures have been regrouped and/or rearranged wherever necessary.

AS PER OUR REPORT ATTACHED  
FOR PARY & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

PUSHPENDRA BANSAL  
Chairman and Jt. Managing Director

RAMESH BANSAL  
Managing Director

Place : Surat  
Date : 31st August, 2010

## ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF COMPANIES ACT, 1956

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

Registration Details	
Registration Number	L55100MH1989PLC053417
State Code	11
Balance Sheet	31-03-2010
Capital Raised During the Year	( ₹ in Thousand )
Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	27,190
Position of Mobilization of Funds	( ₹ in Thousand )
Total Liabilities	372,022
Total Assets	372,022
Sources of Funds	( ₹ in Thousand )
Paid-up Capital	162,384
Reserves & Surplus	33,502
Secured Loans	129,766
Unsecured Loans	NIL
Deferred Tax Liability (Net)	21,203
Application of Funds	( ₹ in Thousand )
Net Fixed Assets	278,189
Investments	65,086
Net Current Assets	3,579
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL
Performance of Company	( ₹ in Thousand )
Turnover	146,466
Total Expenditure	115,685
Profit Before Tax	26,620
Profit After Tax	23,234
Earning Per Share ( ₹ )	
- Basic	1.72
- Diluted	1.72
Dividend Rate	NIL
Generic Names of Principle Product of the Company (As per Monetary terms)	
Item Code No. (ITC Code)	
	The Company is in the Business of Hoteliering and Catering, Which is not covered under ITC (HS) Classification.
Product Description	Hotel & Restaurant

AS PER OUR REPORT ATTACHED  
FOR PARY & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

POOJA MEHTA  
Partner  
Membership No. 109083  
Firm Reg. No. 007288C

PUSHPENDRA BANSAL  
Chairman & Jt. Managing Director

RAMESH BANSAL  
Managing Director

Place : Surat

Date : 31st August, 2010







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Mumbai - 400 053.