

**HOTEL CORPORATION OF
INDIA LIMITED**

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BOARD OF DIRECTORS (as on 27 DECEMBER 2017)

Shri Pradeep Singh Kharola	Chairman
Shri Pankaj Kumar	Managing Director
Shri Vinod Hejmadi	
Smt. Gargi Kaul	
Shri Satyendra Kumar Mishra	

Chief Financial Officer

Smt. Thrity C Dalal

Company Secretary

Kum. Shyamala P Kunder

Auditors

MA Parikh & Co.,

Solicitors

M/s. MV Kini & Co.

Bankers

State Bank of India
United Bank of India
Axis Bank Limited
Syndicate Bank
J&K Bank

Registered Office

1st Floor, Transport Annexe Building,
Air India Complex, Old Airport,
Santacruz (E), Mumbai-400 029.

CHAIRMAN'S MESSAGE

Dear Shareholders,

With pleasure I would like to present to you the 46th Annual Report of the Company for the year 2016-17.

PERFORMANCE OF THE COMPANY

The over-view of the performance of the Company for the year 2016-17 is as follows :

- During the year, the total revenue had increased to Rs.5206.12 lakhs as against Rs 4751.89 lakhs in the previous year, an increase of Rs.454.83 lakhs (10%) over 2015-16. This is mainly on account of increase in the revenue of Chefair-Mumbai, Delhi & T3 by Rs. 537.86 lakhs.
- The total operating expenditure had increased to Rs. 8983.89 lakhs, i.e. increased by Rs.805.44 lakhs over previous year.
- In view of the above, the Gross Operating Loss had increased to Rs.3777.78 lakhs as against Rs. 3427.16 lakhs during the previous year.
- Interest of Rs. 1346.67 lakhs (previous year Rs. 2038.25 lakhs) had been charged to the P&L account, mainly on account of reimbursement of finance costs to AI on borrowings for operational requirements.
- Depreciation for the year had decreased to Rs. 223.72 lakhs in the current year.
- The Net loss before exceptional items & prior period adjustments was Rs.5348.16 lakhs as against Rs.5704.93 lakhs i.e. a reduction of Rs.356.77 lakhs.
- Damages on late payment of Provident Fund for previous years for Delhi Units amounting to Rs.382.14 lakhs had been accounted under "Exceptional Items".
- Prior Period adjustments include an amount of Rs.327.66 lakhs being differential billing to Air India by Chefair Delhi for prior years.
- The Net Loss after exceptional items and prior period adjustments was Rs.5427.06 lakhs as against Rs. 5775.67 lakhs during the previous year.

HOTEL INDUSTRY SCENARIO *

India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognised as a destination for spiritual tourism for domestic and international tourists.

Total contribution by travel and tourism sector to India's GDP is expected to increase from US\$ 136.3 billion in 2015 to US\$ 275.2 billion in 2025. Travel and tourism is the third largest foreign exchange earner for India. A sum of US\$ 1.76 billion was earned under foreign exchange through tourism during the month of September 2016.

The launch of several branding and marketing initiatives by the Government of India such as Incredible India! and Athiti Devo Bhava have provided a focused impetus to growth. The Indian government has also released a fresh category of visa - the medical visa or M visa, to encourage medical tourism in the country.

The Government has also been making serious efforts to boost investments in tourism sector. In the hotel and tourism sector, 100 per cent FDI is allowed through the automatic route. A five-year tax holiday has been offered for 2, 3 and 4 star category hotels located around UNESCO World Heritage sites (except Delhi and Mumbai). The investment in tourism sector is expected to be US\$ 12.4 billion in the 12th Five Year Plan; of these, private investments are likely to total US\$ 9.2 billion.

Market Size

- Tourism in India accounts for 9.6 per cent of the GDP and is the 3rd largest foreign exchange earner for the country
- The tourism and hospitality sector's direct contribution to GDP in 2016, was US\$ 71.53 billion
- During 2006–17E, direct contribution of tourism and hospitality to GDP is expected to register a CAGR of 14.05 per cent
- The direct contribution of travel and tourism to GDP is expected to reach US\$ 147.96 billion by 2027
- India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism.
- Domestic Tourist Visits (DTVs) to the States/Union Territories (UTs) grew by 15.5 per cent y-o-y to 1.65 billion (provisional) during 2016 with the top 10 States/UTs contributing about 84.2 per cent to the total number of DTVs, as per Ministry of Tourism.
- As per Ministry of Tourism, foreign tourist arrivals (FTAs) in India increased 19.5 per cent year-on-year to 630,000 in May 2017. FTAs on e-tourist visa increased 55.3 per cent year-on-year to 68,000 in May 2017.
- India's foreign exchange earnings (FEEs) through tourism increased by 32 per cent year-on-year to reach US\$ 2.278 billion in April 2017, as per data from Ministry of Tourism, Government of India.
- India is expected to move up five spots to be ranked among the top five business travel market globally by 2030, as business travel spending in the country is expected to treble until 2030 from US\$ 30 billion in 2015.[#]
- International hotel chains will likely increase their expansion and investment plans in India, and are expected to account for 50 per cent share in the Indian hospitality industry by 2022, from the current 44 per cent.*

Government Initiatives

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). During the period April 2000-March 2017, the hotel and tourism sector attracted around US\$ 10.14 billion of FDI, according to the data released by Department of Industrial Policy and Promotion (DIPP).

The Indian government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. In the Union Budget 2017-18, the Government of India announced some initiatives to give a boost to the tourism and hospitality sector such as setting up of five special tourism zones, special pilgrimage or tourism trains and worldwide launch of Incredible India campaign among others.

Some of the major initiatives taken by the Government of India to give a boost to the tourism and hospitality sector of India are as follows:

- The Ministry of Environment, Forest and Climate Change, Government of India, is planning to revise India's coastal regulation norms aimed at opening up the 7,500 km long coastline for developmental activities like tourism and real estate.
- The Central Government has taken a number of steps for smooth transitioning to cashless mode of payment to ensure that no hardship is faced by the tourists and the tourism industry remains unaffected from government's demonetisation move.
- A Tripartite Memorandum of Understanding (MoU) was signed among the Indian Ministry of Tourism, National Projects Construction Corporation (NPCC), National Buildings Construction Corporation (NBCC) and Government of Jammu and Kashmir for the implementation of tourism projects in Jammu and Kashmir.

Road Ahead

India's travel and tourism industry has huge growth potential. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India.

* *References: Media Reports, Ministry of Tourism, Press Releases, Department of Industrial Policy and Promotion (DIPP), Press Information Bureau (PIB), Union Budget 2017-18*

CHALLENGES FACED BY THE COMPANY

Subsequent to the disinvestment of three out of six units, the Company has been running its business with three units viz., Centaur Hotel Delhi Airport (CHDA) including Chefair Flight Catering, Delhi (CHDA), Centaur Lake View Hotel, Srinagar (CLVH), Chefair Flight Catering, Mumbai (CFCM). The Company is also operating its two Dining Facilities Centres (DFC), one at Air India Building, Mumbai and another one at GSD Complex at New Delhi.

- The business in the 3 units viz., CHDA (including CFCD), CFCM and CLVH were downsized as all these properties had to be upgraded to match the quality of five star hotels in the Industry. This has resulted in fall in the market share resulting in lower revenue, consequently resulting into lower fund available for renovation of these properties.
- Further, there has been uncertainty over the future of its two units viz., Chefair Flight Catering Mumbai (CFCM) and Centaur Hotel Delhi Airport (CHDA) including Chefair Flight Catering, Delhi (CHDA), due to demand from MIAL and DIAL respectively to take over the property under their airport expansion project. In view of such uncertainty, these units could not be given on Management Contract to any party to earn fixed revenue. Further, they could not be upgraded to match the standard of other Flight Kitchen/Five star properties due to lack of fund.
- With regard to Centaur Hotel Lake View, Srinagar, due to insurgency in the valley, the business of the unit has been affected to a great extent, resulting into lower revenue.

All the above factors have resulted in a vicious circle of low revenue, no upgradation, resulting lower revenue. Thus, the Company has been unable to take advantage of the high growth potential of the Tourism Industry and various initiatives taken by the Government and had to continue to struggle for its survival. In view of all these factors, it has been difficult to plan and maintain a long-term strategy for revival of the Company.

VISION

The Company is committed to curtail its losses by implementing consistent and stringent measures for cutting the overall expenditure, thereby lowering its losses gradually. Various initiatives are being undertaken by the management for improving the operational performance of the Company and increasing the revenues leading to improved financial performance.

Unit-wise details of Revival Plan :

Out of the total grant of Rs.35 crores approved by the Government in its 12th Five Year Plan (2012-17), till date an amount of Rs.27 crores was provided as Equity Infusion against which 27,00,000 Equity Shares of Rs.100/- each were issued to the Government of India (Gol). The fund was provided by the Gol to facilitate renovation of Company's properties in Delhi and Srinagar, viz., Centaur Hotel Delhi Airport (CHDA), Chefair Flight Catering, Delhi (CFCD) and Centaur Lake View Hotel, Srinagar (CLVH).

Centaur Hotel Delhi Airport (CHDA)

Out of the total funds provided by the Central Government, Rs.16.60 crores was sanctioned for the unit and the renovation of hotel rooms has now been completed and new equipments were installed for upgradation too.

Centaur Lake View Hotel, Srinagar

Out of the total funds provided by the Central Government Rs.9 crores was earmarked for the unit. Water proofing work had commenced and upgradation of 80 guests rooms is under process.

Chefair Flight Catering Mumbai and Delhi

Air India has assured 30% of its catering business to the Unit. However, due to shortage of funds, the unit could not be upgraded to enable it to meet the increased demand. During the year under review, the flights catered has increased from 6392 in the year 2015-16 to 8307 in the year 2016-17 in Chefair Flight Catering, Mumbai and from 4770 in the year 2015-16 to 6434 in the year 2016-17 in Chefair Flight Catering, Delhi.

ACKNOWLEDGEMENT

I take this opportunity to thank my colleagues on the Board for their valuable guidance and employees of all the units for their efforts to continue the business with the limited available resources.

Sd/-
(Rajeev Bansal)

DIRECTORS' REPORT

The Directors have pleasure in presenting their Forty Sixth Annual Report and the Audited Accounts for the year ended 31st March 2017.

REVIEW OF FINANCIAL PERFORMANCE :

(Rupees in Lakhs)

PARTICULARS	2016-17	2015-16	Variance
TOTAL REVENUE	5206.12	4751.82	454.83
TOTAL OPERATING EXPENDITURE	8983.89	8178.20	805.44
GROSS OPERATING (LOSS)	(3777.78)	(3427.16)	350.61
INTEREST	1346.67	2038.25	(691.58)
CASH (LOSS)	(5124.45)	(5465.41)	(340.97)
DEPRECIATION	223.72	239.52	(15.80)
NET (LOSS) BEFORE PRIOR PERIOD & EXCEPTIONAL ITEMS	(5348.16)	(5704.93)	(356.77)
PRIOR PERIOD ADJUSTMENTS	(303.24)	70.74	(373.98)
EXCEPTIONAL ITEMS	382.14	-	382.14
NET (LOSS) BEFORE TAX	(5427.06)	(5775.67)	(348.61)

OTHER FINANCIAL INFORMATION

SHARE CAPITAL :

As on 31 March 2017, the Authorised Share Capital of the Company was Rs.150,00,00,000/- (Rupees One hundred fifty crores) divided into 150,00,000 shares of Rs.100/- each.

As on 31 March 2017, the Paid-up Share Capital of the Company was Rs.137,60,00,000/- (Rupees One hundred and Thirty Seven Crores sixty lakhs) divided into 137,60,000 shares of Rs.100/- each which were held as follows :

- Rs.110,60,00,000 (Rupees One hundred and Ten Crore sixty lakhs) divided into 110,60,000 shares of Rs.100 each held by Air India Limited being the Holding Company.
- Rs.27,00,00,000/- (Rupees Twenty Seven crores) divided into 27,00,000 shares of Rs.100/- each held by the Central Government in the name of the President of India.

ANNUAL PLAN OUTLAY 2016-17

The Government had not approved Annual Plan Outlay for 2016-17.

FOREIGN TOURS

The Company incurred NIL expenditure under this head during the year under review.

INDUSTRIAL RELATIONS**Personnel**

As on 31 March 2017 the Company had on its payroll a total of 836 employees as against 925 as on 31 March 2016, in the Head Office and various Units of the Company. The Management's relations with the employees continued to be good and cordial during the year under review.

Wage Settlement

The Wage settlement signed with the various Unions representing Unionised category of employees of all the Units for the period 2002 to 2006 has already been executed and the new wage revisions effective January 2007 and 2012 are pending. Due to continuing losses and adverse financial condition, no wage increase could be given till the Company returns to Operating Profits. However, during the year the Company have paid Rs.5000/- to the Officers and Rs.3000/- to the Unionised Category of employees as Interim relief against wage revision.

Training & Development

During the year under review, opportunities were provided to its employees at all levels to acquaint themselves with Modern Management, Technical Concept and latest innovation in the Hotel Industry through sponsoring them for various Seminars, Conferences and various short duration Refresher Courses organised by various agencies.

VIGILANCE

During the year under report, periodic surprise checks and inspections were carried out at all units of HCI. Report to various agencies have been sent based on inputs received from the administrative department. During the year, procedural advice was rendered from time to time in matters pertaining to tender/purchase procedures. Vigilance Awareness Week was observed from 31 October 2016 to 5 November 2016.

STATUTORY COMPLIANCE**Employment of Ex-Servicemen**

The Company had been following the Government directive received in this regard for employment of Ex-Servicemen.

Implementation of Official Language Policy

With regard to the implementation of Official Language Policy, the directives received from the Government from time to time were being followed.

Employment of SC, ST & OBC

Subsequent to the disinvestment of three out of six Units of HCI, there was a ban on recruitment and hence, no recruitment exercise was carried out. However, the Company continued to observe the Government directives for reservation of posts in promotions of SC, ST and OBC candidates.

SC/ST/OBC – Number of employees as on 31 March 2017

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
836	201	24.04	55	6.57	57	6.82

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Energy conservation continues to be given a high priority by the Company. Constant efforts are being made to reduce energy consumption. Energy conservation has been made possible due to automation and better controls.

Particulars required under Form B of the relevant Rules Pursuant to Section 134 (2)(m) of the Companies Act 2013, have not been given since the Company has no Research and Development activity. The question of technology absorption, adaptation or innovation is not applicable to the Company, in view of it being a Service Industry.

FOREIGN EXCHANGE EARNING & OUTGO

The Foreign Exchange earnings and Outgo during the year were Nil.

COMPLIANCE WITH THE RTI ACT, 2005 :

Hotel Corporation of India Limited has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

Hotel Corporation of India Limited has decentralized its structure to deal with the applications/appeals received under RTI Act and has 3 Assistant Public Information Officers (APIOs), 5 Public Information Officers (PIOs) and an Appellate Authority have been appointed for speedy disposal of applications/appeals.

During 2016-17, 45 Requests/Appeals were received, out of which 38 Requests/Appeals have been disposed off, 5 were rejected and 2 were carried forward.

SEXUAL HARASSMENT :

The Company has a Cell in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this.

During the year 2016-17 no complaints pertaining to sexual harassment have been received.

MEETINGS OF THE BOARD OF DIRECTORS

As required under Section 173 of the Companies Act 2013, Four Meetings of the Board of Directors of the Company were held during the Financial Year 2016-17 as detailed below, and the provisions of the Companies Act, 2013 were adhered to while considering the time gap between two Meetings :

Sr.No.	Date of Meeting	Board Strength	No. of Directors Present
1	14 June 2016	5	5
2	13 September 2016	5	5
3	12 December 2016	5	5
4	30 March 2017	5	4

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 134(5) of the Companies Act 2013, the Directors confirm that :

- In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31 March 2016 and of the profit or loss of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of the knowledge and ability of the Directors.
- The Company being an unlisted Company, provisions of Section 134(3)(e) are not applicable.
- That the annual accounts have been prepared on a going concern basis.
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable Laws and that such systems were adequate and operating effectively.

CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors on the Board. This matter is being pursued with the Administrative Ministry. The detailed Corporate Governance Report forms part of this Annual Report is annexed as Annexure I.

AUDITORS :

M/s. Sara & Associates, Chartered Accountants, have been appointed as the sole auditors of the Company for the financial year 2017-18 by the Comptroller & Auditor General of India in accordance with the provisions of the Section 139 of the Companies Act, 2013.

SECRETARIAL AUDIT REPORT :

Pursuant to the provisions of section 204 of the Companies Act 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the company had appointed M/s Vijay Sonone & Company, Practicing Company Secretary, Mumbai, to conduct Secretarial Audit for the financial year 2016-17.

The Secretarial Audit Report for the financial year ended 31 March 2017 is enclosed at Annexure II .

The Managements' Comments on Secretarial Auditors' observations are as under:

Observations	Management's Comments
The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.	<p>Hotel Corporation of India Limited (HCI) is a subsidiary of Air India Limited (AIL), a Government Company.</p> <p>As per Article 22 of the Articles of Association of the Company, all the Directors of the Company are appointed by AIL in consultation with Government of India.</p> <p>HCI has requested AIL to nominate at least two Independent Directors on its Board and the reply from AIL is awaited.</p>
Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.	<p>As per the provisions of Section 177(2) the Audit Committee shall consist of a minimum of three Directors with Independent Directors forming a majority.</p> <p>As required under section 178, the Nomination and Remuneration Committee should consist of 3 or more Non Executive Directors out of which not less than one half should be Independent Directors.</p> <p>Presently there is no Independent Director on the Board of HCI and the matter has been taken up with AIL.</p>

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules 2014, extract of Annual Return in form MGT 9 is annexed as Annexure III.

Details of Key Managerial Personnel of the Company :

Sr.No	Name	Designation	Date of appointment
1	Shri Pankaj Kumar	Managing Director	9 February 2015
2	Smt. Thrity C Dalal	Chief Financial Officer	9 February 2015
3	Kum Shyamala P Kunder	Company Secretary	9 February 2015

In view of the exemption granted vide Notification dated 5 June 2015 of the Ministry of Corporate Affairs, information on the following points has not been given:

- i. Performance Evaluation of Board, its Committees and individuals
- ii. Policy for selection and appointment of Directors and their remuneration
- iii. Remuneration Policy - Remuneration to Executive Directors and Non Executive Directors
- iv. Related Party Transactions

Even though vide the above notification exemption has been granted to Government Companies from application of First Provision to Section 188 i.e. to obtain approval of the shareholders in respect of contracts or arrangements entered into by it with any other Government Company, approval of the Board is required to be obtained for the same. Accordingly, the post-facto approval of the Board has been taken for Related Party Transactions entered with Air India Limited for the year 2015-16 and also blanket approval has been obtained for such transactions to be entered in the year 2016-17 to the tune of Rs.44 Crores.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

The comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2017 are be annexed to this report .

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the support and co-operation extended by the employees of the Company. The Board also wishes to acknowledge gratefully the support and guidance received from the Ministry of Civil Aviation and Air India Limited. The Directors wish to thank the Comptroller and Auditor General of India, Chairman and members of the Audit Board, Statutory Auditors and Banks.

On Behalf of the
BOARD OF DIRECTORS

(RAJIV BANSAL)
CHAIRMAN

Date : 29 September 2017

Place: New Delhi.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ANALYSIS OF THE FINANCIAL/PHYSICAL PERFORMANCE :

UNIT WISE PERFORMANCE:

Centaur Hotel Delhi Airport

- The Unit earned revenue of Rs. 1225.28 lakhs as compared to Rs. 1274.36 lakhs in the previous year, a decrease of Rs.49.07 lakhs over the previous year.
- The total expenditure was Rs.2883.60 lakhs, as against Rs. 2701.27 lakhs in the previous year, an increase of Rs.182.32 lakhs.
- As a result, the Unit made an Operating Loss of Rs.1658.31 lakhs as compared to Rs. 1426.92 lakhs in the previous year.
- After providing for interest and depreciation, the Unit made a Net Loss of Rs.2421.19 lakhs as compared to Rs. 2384.40 lakhs in the previous year.
- After considering extra-ordinary items and prior period adjustments, the unit had incurred a Net Loss of Rs. 2699.30 lakhs as against Rs. 2392.37 lakhs in the previous year.

Centaur Lake View Hotel, Srinagar

- The Unit earned revenue of Rs.806.20 lakhs as compared to Rs. 937.42 lakhs in the previous year, i.e. decrease of 14% over the previous year.
- The total expenditure was Rs.1486.10 lakhs as against Rs. 1490.42 lakhs in the previous year.
- As a result, the Unit made an Operating Loss of Rs. 679.90 lakhs as against Rs. 553.00 lakhs in the previous year.
- After providing for interest and depreciation, the Unit incurred a Net Loss of Rs.920.52 lakhs as compared to Rs. 881.58 lakhs in the previous year.
- After considering prior period adjustments, the unit had incurred a Net Loss of Rs. 920.52 lakhs as against Rs. 880.76 lakhs in the previous year.

Chefair Flight Catering, Mumbai

- The Unit earned revenue of Rs.1323.01 lakhs as compared to Rs. 1112.63 lakhs in the previous year, i.e. an increase of 19% over the previous year.
- The total expenditure was Rs. 2292.40 lakhs as against Rs.2048.09 lakhs in the previous year.
- As a result, the Unit made an Operating Loss of Rs. 969.39 lakhs as against Rs.935.45 lakhs in the previous year.
- After providing for interest and depreciation, the Unit incurred a Net Loss of Rs. 1257.80 lakhs as compared to Rs.1446.47 lakhs. in the previous year.

- After considering prior period adjustments, the unit had incurred a Net Loss of Rs. 1279.66 lakhs as against Rs.1472.56 lakhs in the previous year.

Chefair Flight Catering, Delhi

- The Unit earned revenue of Rs 770.18 lakhs as compared to Rs.575.54 lakhs in the previous year i.e an increase of 34%.
- The total expenditure was Rs.1560.96 lakhs as against Rs.1241.41 lakhs in the previous year.
- As a result, the Unit made an Operating Loss of Rs. 790.78 lakhs as against Rs.665.86 lakhs in the previous year.
- After providing for interest and depreciation, the Unit incurred a Net Loss of Rs. 1067.08 lakhs as against Rs.1144.33 lakhs in the previous year.
- After considering prior period adjustments, the unit had incurred a Net Loss of Rs. 839.70 lakhs as against Rs.1180.43 lakhs in the previous year mainly due to revenue differential for previous period on Air India business earlier booked on provisional basis.

T3 Lounge, Delhi

- The Unit, earned revenue of Rs.619.48 lakhs as compared to Rs.486.63 lakhs in the previous year.
- The total expenditure was Rs.411.51 lakhs as against Rs.351.56 lakhs in the previous year.
- As a result, the Unit made an Operating Profit of Rs. 207.98 lakhs as against Rs.135.07 lakhs in the previous year.
- After providing for depreciation, the Unit made Net Profit of Rs.206.58 lakhs as against Rs.139.29 lakhs in the previous year.

CORPORATE GOVERNANCE**Meetings of Board of Directors**

As per the Articles of Association of the Company, the number of Directors shall not be less than three and not more than fourteen.

During the year 2016-17, four Board Meetings were held and the Board consisted of the following members:

- | | | | |
|----|---|---|--------------------|
| 1. | Shri Ashwani Lohani
Chairman & Managing Director-ALL | - | Part-time Chairman |
| 2. | Smt. Gargi Kaul
Joint. Secretary & Financial Advisor,
Ministry of Civil Aviation | - | Director |
| 3. | Shri B S Bhullar,
Joint Secretary
Ministry of Civil Aviation
(ceased w.e.f. 14 February 2017) | - | Director |
| | Shri Satyendra Kumar Mishra
Joint Secretary
Ministry of Civil Aviation
(appointed w.e.f. 14 February 2017) | - | Director |
| 4. | Shri Vinod Hejmadi, Director - Finance
Air India Limited | - | Director |
| 5. | Shri Pankaj Kumar,
Executive Director-Sales & Marketing,
Air India Limited | - | Managing Director |

During the year 2016-17, Shri B S Bhullar, ceased to be Director effective 14 February 2017 and Shri Ashwani Lohani ceased to be Chairman of the Company with effect from 24 August 2017 and Shri Rajiv Bansal, AS&FA, Ministry of Petroleum & Natural Gas was appointed Chairman effective that date.

The Board places on record its appreciation of the valuable services rendered by Shri Ashwani Lohani as Chairman and Shri Balwinder Singh Bhullar as Director of the Company.

Details regarding the Board Meetings, Annual General Meeting, Directors' Attendance thereat, Directorships and Committee positions held by the Directors are as under:

Board Meetings:

Four Board Meetings were held during the financial year on the following dates:

- | | | |
|-------------------|---|---------------|
| 6 June 2016 | - | 234th Meeting |
| 14 September 2016 | - | 235th Meeting |
| 12 December 2016 | - | 236th Meeting |
| 30 March 2017 | - | 237th Meeting |

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2016-17.

Name of the Director	Academic Qualifications	Attendance in the Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Ashwani Lohani CMD-Air India Limited.	Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport	4	<u>Chairman & MD-</u> Air India Limited, <u>Part-time Chairman</u> Air India Charters Ltd., Air India Air Transport Services Ltd., Air India Engineering Services Ltd., Airline Allied Services Ltd., Hotel Corporation of India Ltd., <u>Director</u> Air India SATS Airport Services Pvt Ltd., Air Mauritius Limited and Air Mauritius Holding Ltd.	In Air India_Ltd., <u>Chairman</u> Finance Committee; HR Committee; Strategic Committee <u>Permanent Invitee</u> Audit Committee <u>Member</u> Corporate Social Responsibility and Sustainability Committee; Nomination & Remuneration Committee In Hotel Corp. of India Ltd., <u>Member-</u> Audit Committee In Air India Charters Ltd., <u>Member-</u> Audit Committee
Shri Pankaj Kumar	MBA	4	In Hotel Corp. of India Ltd. Managing Director	In Hotel Corp. of India Ltd. <u>Member-</u> Audit Committee
Shri Vinod Hejmadi Director (Finance)- Air India Limited	B.Com, FCA	4	<u>Director</u> Air India Limited, Air India Charters Ltd., Air India Air Transport Services Ltd., Air India Engineering Services Ltd., Airline Allied Services Ltd., Hotel Corporation of India Ltd.,	<u>In Air India Ltd.,</u> <u>Member</u> Finance Committee <u>Special Invitee</u> Audit Committee; Overseeing Committee <u>Co-opted Member</u> Strategic Committee In Hotel Corp. of India Ltd.,

Name of the Director	Academic Qualifications	Attendance in the Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
			And Air India SATS Airport Services Pvt Ltd	<u>Member</u> Audit Committee In Air India <u>Charters Ltd.</u> <u>Member</u> Audit Committee

Government Directors

Smt. Gargi Kaul Joint Secretary & Financial Advisor, Ministry of Civil Aviation	M.Phil	4	<u>Director</u> Air India Ltd., Hotel Corporation of India Ltd., Air India Air Transport Services Ltd., Air India Engineering Services Ltd.	<u>In Air India Ltd.</u> , <u>Member</u> Audit Committee; Strategic Committee; Finance Committee In Hotel Corp. of India Ltd., Audit Committee
Shri B S Bhullar Jt. Secretary, Ministry of Civil Aviation (ceased w.e.f. 14 Feb. 2017)	Post Graduate in Agricultural Science IAS - UP Cadre 1986 Batch	1	<u>Director</u> Air India Ltd., Hotel Corporation of India Ltd., Air India Air Transport Services Ltd., Air India Engineering Services Ltd	<u>In Air India Ltd.</u> , <u>Member</u> Audit Committee; HR Committee; Strategic Committee; Remuneration Committee In Hotel Corp. of India Ltd., Audit Committee
Shri Satyendra Kumar Mishra Jt. Secretary, Ministry of Civil Aviation (appointed w.e.f. in 14 Feb. 2017)	M.Tech (applied Geology) MA (in Public Policy)	1	<u>Director</u> Air India Ltd., Hotel Corporation of India Ltd., Air India Air Transport Services Ltd., Air India Engineering Services Ltd	<u>In Air India Ltd.</u> , <u>Member</u> Audit Committee; HR Committee; Strategic Committee; Remuneration Committee In Hotel Corp. of India Ltd., Audit Committee

BOARD COMMITTEES

AUDIT COMMITTEE:

During the year 2016-17, the constitution of the Audit Committee was as follows:

- | | | | |
|----|---|---|--------------|
| 1. | Joint Secretary & Financial Advisor, MOCA | - | Chair Person |
| 2. | Chairman & Managing Director-AIL | - | Member |
| 3. | Joint Secretary , MOCA | - | Member |
| 4. | Managing Director, HCI | - | Member |
| 5. | Director Finance-Air India Ltd., | - | Member |
| 6. | Ms. Shyamala P Kunder | - | Secretary |

The quorum for the meeting of Audit Committee would be 1/3rd of the total strength or 2 whichever is higher. During the year under report, one meeting of the audit committee was held.

The terms of reference of this Committee are:

- To consider the appointment of the External Auditor, Audit Fee & all matters relating thereto ;
- To discuss with the Auditor before the audit commences, the nature & scope of the audit and to ensure co-ordination where more than one audit firm is involved;
- To review the half yearly and annual financial statements before submission to the Board ;
- To review the Statutory Auditor's Report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors ;
- To review the Company's Statement on Internal Control Systems prior to endorsement by the Board ;
- To review the Internal Audit program and ensure co-ordination between the Internal & External Auditors as well as to determine whether the Internal Audit function is commensurate with the size and nature of the hotel business and to consider any other matter as desired by the Board.

The Audit Committee met thrice during the year to review various issues including inter alia annual accounts of the Company for the year before submission to the Board, on the following dates:

- | | | |
|-------------------|---|--------------|
| 14 September 2015 | - | 19th Meeting |
| 12 December 2016 | - | 20th Meeting |
| 30 March 2017 | - | 21st Meeting |

Attendance at the Audit Committee Meetings

Name of the Member	No. of Meetings Attended
Shri Ashwani Lohani	3
Smt. Gargi Kaul , Chairperson	3
Shri B S Bhullar	NIL
Shri Satyendra Kumar Mishra	1
Shri Vinod Hejmadi	3
Shri Pankaj Kumar	3

Annual General Meetings during the last three years

The details of these meetings are given below :

No. of meeting	Date and time of the Meeting	Venue
45th Annual General Meeting	29 December 2016 at 1100 hrs	1 st floor, Transport Annexe Building, Air India Complex, Old Airport, Santa Cruz(E), Mumbai-400 029
Extra Ordinary General Meeting	29 August 2016 at 1630 hrs	
Extra Ordinary General Meeting	20 May 2016 at 1630 hrs	
Extra Ordinary General Meeting	11 March 2016 at 1730 hrs	
44th Adjourned Annual General Meeting	11 March 2016 at 1700 hrs	
44th Annual General Meeting	29 December 2015 at 1100 hrs	
43rd Annual General Meeting	31 December 2014 at 1700 hrs	
Extra Ordinary General Meeting	8 March 2014 at 1630 hrs	
42nd Adjourned Annual General Meeting	11 April 2014 At 1130 hrs	

**FORM NO. MR.3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Hotel Corporation of India Limited,
CIN-U55101MH1971GOI015217
Transport Annex Building,
1st Floor, Air India Complex,
Santacruz East,
Mumbai -400029

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hotel Corporation of India Limited [CIN- U55101MH1971GOI015217] (hereinafter called '**the Company**'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit and as per the explanations given to me and the representation made by the Management, I hereby report that in my opinion, the Company has, during the Audit Period covering the financial year ended on 31st March, 2017 ('**Audit Period**') generally complied with the statutory provisions listed here under and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the applicable provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under (In so far as they are applicable);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under (Not applicable to the Company during the Audit Period);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under; (Not applicable to the Company during the Audit Period);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (Not applicable to the Company during the Audit Period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not applicable to the Company during the Audit Period);
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (Not applicable to the Company during the Audit Period);

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. (Not applicable to the Company during the Audit Period);
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Company during the Audit Period);
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period);

Having regard to the compliance system prevailing in the Company and on the basis of the Compliance Certificates/Management Representation Letters issued by the designated officers of the Company, the Company has generally complied with the following laws applicable specifically to the Company:

- (a) The Prevention of Food Adulteration Act, 1954
- (b) Food Safety and Standards Act, 2006
- (c) The State specific Shops and Establishments statutes.
- (d) The Water (Prevention and Control of Pollution) Act, 1974
- (e) The Air (Prevention and Control of Pollution) Act, 1981
- (f) The Employees' Provident Acts & Misc. Provisions Act, 1952
- (g) The Maternity Benefit Act, 1961
- (h) The Sexual Harassment of Women at Workplace (Prevention, Prohibition, Redressal) Act, 2013.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with regards to Meeting of Board of Directors (SS-1) and General Meeting (SS-2) issued by The Institute of Company Secretaries of India; and
- (ii) Listing Agreements entered into by the Company with the Stock Exchanges (Not applicable to the Company);

During the Audit Period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- I. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.*

- ii. *Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.*

I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals;

Subject to what is stated herein above as regards the appointment of Independent Directors, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings, as represented by the Management, were taken with requisite majority.

As represented and explained to us, I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. As informed, the Company has responded appropriately to communication received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

I further report that during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

- a) Approval of Shareholders has been obtained for increase the Authorised Share Capital of the Company from Rs. 100,00,00,000/- (Rupees One Hundred Crore) to Rs. 150,00,00,000 (Rupees One Hundred Fifty Crores).
- b) Issue and Allotment of 70,00,000 Equity shares of Rs. 100/- each aggregating Rs. 70,00,00,000/- to the Air India Limited, an existing shareholder of the Company on 6th June, 2016.
- c) Issue and Allotment of 5,00,000 Equity shares of Rs. 100/- each aggregating Rs. 5,00,00,000/- to the Government of India, an existing shareholder of the Company on 14th September, 2016.

Place : Mumbai
Date : 22nd September, 2017

VIJAY SONONE & CO.
Company Secretaries

Office Address :
Annex-103, Dimple Arcade,
Asha Nagar, Kandivali (East),
Mumbai 400101.

[Vijay Sonone FCS.7301]
(Proprietor)
[Certificate of Practice No.7991]

This Report is to be read with our letter of even date which is annexed as 'Appendix A' and forms an integral part of this report.

To,
The Members,
Hotel Corporation of India Limited,
Transport Annex Building,
1st Floor, Air India Complex,
Santacruz East,
Mumbai -400029

My report of even date is to be read along with this letter.

1. The maintenance of the secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test check basis to ensure that the correct facts are reflected in the secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of the financial records and books of accounts of the Company.
4. Where ever required, I have obtained the Management Representations about the compliance of laws, rules and regulations and occurrence of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test check basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Mumbai
Date: 22nd September, 2017

VIJAY SONONE & CO.
Company Secretaries

Office Address :
Annex-103, Dimple Arcade,
Asha Nagar, Kandivali (East),
Mumbai 400101.

[Vijay Sonone FCS.7301]
(Proprietor)
[Certificate of Practice No.7991]

Annexure to Directors' Report for the year 2016-17**FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN****As on financial year ended on 31.03.2017**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U55101MH1971GOI015217
2.	Registration Date	8 July 1971
3.	Name of the Company	HOTEL CORPORATION OF INDIA LIMITED
4.	Category/Sub-category of the Company	Government Company
5.	Address of the Registered office & contact details	1 ST Floor, Transport Annex Building, Air India Complex, Old Airport, Santa Cruz (East), Mumbai – 400 029. Tel. 91-22-26158215 Fax : 91-22-26158053
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated) -

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	To carry on the business of hotel, motel, restaurant, café, tavern, flight kitchen, refreshment-room and boarding and lodging, housekeepers, licensed victuallers, wine, beer and spirit merchants, brewers, maltsters, distillers, importers, exporters and manufacturers and dealers in all kinds of foods and drinks.	551	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and Address of the Company	CIN/GIN	Holding / Subsidiary / Associate	% of Shares	Applicable Section
1	Air India Limited 113, Airlines House, Gurudwara Rakabganj Road, New Delhi, 110 001.	U62200DL2007GOI161431	Holding	80%	2 (46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity): Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian	-	-	-	-	-	-	-	-	-
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	22,00,000	22,00,000	35	-	27,00,000	27,00,000	19	16
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	40,60,000	40,60,000	65	-	110,60,000	110,60,000	81	16
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A)		62,60,000	62,60,000	100	-	137,60,000	137,60,000	100	16
B. Public Shareholding	Not Applicable								
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds/UTI	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify) Foreign Banks	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions	Not Applicable								
a) Bodies Corp. (Market Maker + LLP)	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
i) Non Resident Indians	-	-	-	-	-	-	-	-	-
ii) Non Resident Indians - Non Repatriable	-	-	-	-	-	-	-	-	-
iii) Office Bearers	-	-	-	-	-	-	-	-	-
iv) Directors	-	-	-	-	-	-	-	-	-
v) HUF	-	-	-	-	-	-	-	-	-
vi) Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
vi) Foreign Nationals	-	-	-	-	-	-	-	-	-
vii) Clearing Members	-	-	-	-	-	-	-	-	-
viii) Trusts	-	-	-	-	-	-	-	-	-
ix) Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2) :-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		62,60,000	62,60,000	-	-	137,60,000	137,60,000	100	16

B) Shareholding of Promoter-

Sr. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / Encumbered to total shares	
1	Air India Limited	40,60,000	65%	NIL	110,60,000	81%	NIL	16
2	President of India	22,00,000	35%	NIL	27,00,000	19%	NIL	16

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sr No	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Air India Limited	40,60,000	65	40,60,000	80
	President of India	22,00,000	35	22,00,000	20
	At the end of the year				
	Air India Limited	110,60,000	81	110,60,000	81
	President of India	27,00,000	19	27,00,000	19

D) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NOT APPLICABLE					

E) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri Ashwani Lohani	1	0	1	0
2	Shri Vinod Hejmadi	1	0	1	0
3	Shri Pankaj Kumar	1	0	1	0
	Total	3		3	

V. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(In Rs Crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	0	0	0	0
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0
Change in Indebtedness during the financial year	0	0	0	0
* Addition	0	0	0	0
* Reduction	0	0	0	0
Net Change	0	0	0	0
Indebtedness at the end of the financial year	0	0	0	0
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NOT APPLICABLE

(in figures)

Sr No	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961						
	(b)Value of perquisites u/s 17(2) Income-tax Act, 1961						
	(c)Profits in lieu of salary under section 17(3) Income- tax Act, 1961						
2	Stock Option						
3	Sweat Equity						
4	Commission as % of profit others, specify.						
5	Others : (PF, DCS, House Perks tax etc)						
	Total (A)						
	Ceiling as per the Act						

*There are no Whole Time Directors in the Company and the Managing Director of the Company is holding additional charge and is the Executive Director-Sales & Marketing of Air India, its Holding Company.

B. Remuneration to other directors

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount
1	Independent Directors	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify (Fees for attending Board Sub Committee Meetings)	-	-	-	-	-	-
	Total (1)	-	-	-	-	-	-
2	Other Non-Executive Directors	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-
	Total (B) = (1+2)	-	-	-	-	-	-
	Total Managerial Remuneration	-	-	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-	-	-

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(figures in Rs)

Sr. No	Particulars of Remuneration	Key Managerial Personnel			
					Total
1	Gross salary		796,540*	796,540*	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others specify.	-	-	-	-
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	-
	Total	-	-	-	-

* Not applicable to Government Companies. Only CFO and CS are KMPs and the remuneration of CFO is provided herewith.

** The Company Secretary is holding the position in addition to her responsibilities as Senior Manager - Corporate Affairs, Air India Ltd.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HOTEL CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of financial statements of Hotel Corporation of India Limited for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 6 October 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Hotel Corporation of India Limited for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

Equity and Liabilities

(i) Non Current Liabilities

Other Long term liabilities : ₹194,29,01,313 (Note 5)

This includes an amount of ₹189,14,88,727/- towards amount due to Holding Company-Air India Ltd. as on 31 March 2017. In this regard in the footnote it has been stated that the subject amount is due on current account however as the Company is unable to pay it within 12 months, it is reflected as non-current liability.

The depiction of amount due to holding company on current account as Non Current liability is in contravention of requirement of Schedule III of the Companies Act 2013 and the same has also resulted in overstatement of Non Current Liabilities and Understatement of Current Liabilities by ₹189,14,88,727/-.

Current Liabilities

Other Current Liabilities- ₹42,26,33,361/- (Note 8)

The above does not includes an amount of ₹ 4,24,12,983/- towards Statutory liability of penal interest with regard to delay in payment of undisputed statutory dues like service tax, luxury tax payable in respect of its three units at, Delhi for past years.

This has resulted in understatement of Current Liabilities and Loss for the year by ₹4,24,12,983.

Notes forming Part of Accounts (Note No.44)

The Note No. 44 is silent as regard to the reduction in life of the Asset, and consequent impact on increase in depreciation of the Centaur Hotel building located on the land taken on lease from Airport Authority of India (AAI), in the event of termination of the lease of the land, for which termination notice has been served by the Airport Authority of India.

Thus the note no. 44, forming part of the Financial Statement is deficient to that extent.

For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

Tanuja Mittal

Principal Director of Commercial Audit
& ex-officio Member Audit Board-II, Mumbai

Place : Mumbai

Date : 7 December 2017

REPLIES TO COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HOTEL CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2017.

Comments	Management's Replay
<p>Equity & Liabilities (i) Non Current Liabilities Other Long Term Liabilities-Rs.194,29,01,313 (Note 5)</p> <p>This includes an amount of Rs.189,14,88,727/- towards amount due to Holding Company-Air India as on 31 March 2017. In this regard in the footnote it has been stated that the subject amount is due on current account however as the company is unable to pay it within 12 months, it is reflected as non-current liability.</p> <p>The depiction of amount due to holding company on current account as Non Current liability is in contravention of requirement of Schedule III of the Companies Act, 2013 and the same has also resulted in Overstatement of Non Current Liabilities and Understatement of Current Liabilities by Rs.189,14,88,727/-.</p>	<p>This will be taken care of in the next financial year 2017-18.</p>
<p>Current Liabilities Other Current Liabilities- Rs.42,26,33,361/- (Note 8)</p> <p>The above does not includes an amount of Rs.4,24,12,983/- towards statutory liability of penal interest with regard to delay in payment of undisputed statutory dues like service tax, luxury tax payable in respect of its three units at Delhi for past years.</p> <p>This has resulted in understatement of Current Liabilities and Loss for the year by Rs.424,129,83/-</p>	<p>This has been adequately disclosed in Note no. 49 of the Notes forming part of Financial Statements :</p>
<p>Notes forming Part of Accounts (Note No.44)</p> <p>The note No.44 is silent as regard to the reduction in life of the Asset, and consequent impact on increase in depreciation of the Centaur Hotel Building located on the land taken on lease from Airport Authority of India (AAI), in the event of termination of the lease of the land, for which termination notice has been served by the Airport Authority of India.</p> <p>Thus the Note No.44 forming part of the Financial Statement is deficient to that extent.</p>	<p>This will be taken care of and suitably disclosed in the next financial year 2017-18.</p>

REPORT OF THE AUDITORS TO THE MEMBERS OF HOTEL CORPORATION OF INDIA LIMITED**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **Hotel Corporation of India Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BASIS FOR QUALIFIED OPINION:

We draw attention to the following:

1. *In respect of non compliance with Accounting Standards:*
 - A. *AS-15 “Employees Benefits” regarding non provision of liability in respect of New Medical Benefit Scheme as referred to in Note no. 36(B).*
 - B. *AS-29 “Provisions, Contingent Liabilities and Contingent Assets” regarding non provision in respect of:*
 - i. *Lease rentals/turnover levy and Interest on delay in payment aggregating to Rs.2,753.46 lakhs and Rs. 4,353.46 lakhs respectively as referred in Note no. 28.*
 - ii. *Interest towards delay in allotment of Shares to Government of India amounting to Rs. 21.86 lakhs as referred in Note no. 54.*

Had the Company provided for as stated in (i) and (ii) above:

 - a. *Other Expenses would have been higher by Rs. 2,753.46 lakhs.*
 - b. *Finance Cost would have been higher by Rs. 4,375.32 lakhs.*
 - c. *Loss for the year, Reserves and Surplus and Other current liabilities would have been higher by Rs. 7,128.78 lakhs*
 - iii. *Interest and penalty towards outstanding statutory dues, non compliance with statutory requirements and non filing of statutory returns as stated in Note nos.47, 48 and 49.*
2. *In respect of non compliance with Schedule II Part C of the Act relating to depreciation as referred to in Note no. 34.*
3. *Regarding capitalisation of Fixed Assets aggregating to Rs. 31.65 lakhs, without any supporting documents as stated in Note no. 35(a) which is not in accordance with Generally Accepted Accounting Principles (GAAP).*
4. *In respect of non compliance with certain provisions of the Act to the extent stated below:*
 - a. *Section 149(4) relating to appointment of Independent Directors.*
 - b. *Section 177(2) and Section 178 relating to composition of Audit Committee and Nomination and Remuneration Committee of the Board.*

QUALIFIED OPINION:

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, these financial statements give the

information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) *in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;*
- b) *in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and*
- c) *in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.*

REASON FOR QUALIFICATION

1. The Company has not provided for actuarial liability in respect of employees covered by New Medical Scheme (Retired employee Reimbursement Scheme) as referred to in Note no. 36(B).
2. During the year, provision has been made for lease rentals at the rate of Rs. 163/- per sq mtr and turnover levy payable @2% of annual turnover aggregating to Rs. 212.64 lakhs. However, no provision has been in respect of Lease rental /turnover levy and Interest due to Airports Authority of India, Mumbai International Airport Ltd (MIAL) and Delhi International Airport Ltd (DIAL) aggregating to Rs. 2,753.46 lakhs and Rs. 4,353.46 lakhs respectively in relation to the period as referred to in Note no. 28.
3. During the year, The Company has issued 5,00,000 equity shares of Rs. 100/- each to Government of India. However, due to delay in certain administrative approvals there was a delay in allotment of shares resulting in non compliance with subsection 6 of section 42 of the Act. Consequently the Company is liable to pay interest of Rs. 21.86 lacs which is not provided for. (Refer Note No. 54).
4. The Company has not provided for Interest and penalty in relation to the following:
 - a. Non filing of statutory returns in respect of Luxury Tax, Value Added Tax, Service Tax and Work Contract Tax. (Refer Note no. 47).
 - b. Non deduction of Tax at Source (Contracts and Professional) and Works Contract Tax at Centaur Delhi. (Refer Note no. 48).
 - c. Unpaid statutory dues in respect of Luxury Tax, Value Added Tax, Service Tax, Provident Fund and ESI. (Refer Note no. 49).
5. The Company has adopted the opening balance of fixed assets as on 1st April, 2014 as per the books pending ascertainment of discrepancies arising on account of physical verification of fixed assets and assessing the loss on impairment of assets, if any. In view of the above, the company is unable to ascertain the impact on the charge for depreciation for the year as required by Schedule II part C of the Act. (Refer Note no. 34).
6. The Company has capitalised fixed assets aggregating to Rs. 31.65 lacs on the basis of statement provided by the Airport Authority of India in the absence of any supporting documents for the same. (Refer Note no. 35 (a)).

7. The Company has not complied with certain provision of the Act. As a consequence thereof:
 - a. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.
 - b. Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.

EMPHASIS OF MATTERS

1. Net worth of the Company continues to be completely eroded.
 - 1.1 Company continues to be under severe financial stress as reflected by:
 - a. Trade Receivables Rs. 3,323.63 lakhs.
 - b. Trade Payables Rs. 701.98 lakhs.
 - c. Statutory dues Rs. 849.22 lakhs.

Despite the foregoing, these accounts have been prepared on a “Going Concern” basis as stated in Note no. 53.
2. Non compliance with requirement of Schedule III Part C of the Act relating to Trade Receivables as referred in Note no. 12.
3. Loans and Advances and Other advances receivable are considered good for recovery as referred to in Note Nos. 25 and 26.
4. Pending wage agreements with workmen and Officers Cadre as referred to in Note no. 30.
5. Note no. 31 relating to Capital Work in Progress.
6. Impairment of Assets in respect of assessment of potential impairment of loss as referred to in Note no. 33.
7. In respect of non compliance with Schedule –III relating to non-disclosure of information of dues/payments to MSME as referred to in Note no. 43.
8. The Company has not obtained confirmation of balance from Trade Receivables, Trade Payables, Loan and Advances, Deposits and Other liabilities as referred to in Note no. 45.
9. Inventory reporting system, billing backlog and Procurement cycle as referred to in Note no. 51.

10. Strengthening the internal audit processes as referred to in Note no. 52.

Our opinion is not qualified in respect of all these matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required under Section 143(5) of the Act, we enclose herewith, as per Annexure "B", our report on the directions issued by the Comptroller & Auditor General of India.
3. As required by section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. *Except for the effect of the matters described in Basis for Qualified Opinion paragraph*, in our opinion, the aforesaid financial statements comply with Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Amendment Rules, 2016.
 - e. The Company being a Government Company as defined in Section 2(45) of the Companies Act, 2013, is exempted from applicability of section 164(2) of the Companies Act, 2013 vide circular no. 1/2/2014 –CL.-V dated 5th June, 2015 issued by Ministry of Corporate Affairs.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure "C"; and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Amendment Rules, 2017, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The company has disclosed the impact of pending litigation on its financial position in its financial statement – Refer to Note No. 23(a), 23(b), 23(e), 24 and 25.
 - ii. The company does not have any long-term contracts including derivatives contracts and hence there are no material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

- iv. The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. Based on the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company. (Refer Note no. 13.1).

For M. A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date: 6 October, 2017

ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

As referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2017, we report that :

- i. (a) *The Company is in the process of updating its Fixed Assets Records maintained with reference to full particulars, quantitative details and location thereof.*
- (b) *The Company proposes to conduct physical verification of its Fixed Assets in a phased manner i.e. once in five years (Financial Year 2014-15 to 2018-19). However, since the Fixed Assets have not been physically verified by the Management during the year, and in the absence of updated records of Fixed Assets referred to in (a) above, the extent of the discrepancies if any, cannot be ascertained and hence, the resultant impact of the same on the accounts will be dealt with in the year in which finality is reached. (Refer Note no. 32).*
- (c) *According to the information and explanations provided to us, the title deeds of immovable properties are held in the name of the Company except, in case of 4 flats at Sher-e-Punjab Society wherein company is in the process of obtaining the requisite documents to ensure that the title deeds are in its name.*
- ii. *As explained to us, inventories have been physically verified once in a year by the management. In our opinion, the frequency of verification by the management is not reasonable. The company is unable to identify discrepancies, if any, between the book stock and physical stock [Refer Note no. 51(a)].*
- iii. *The Company has not granted any loans to any party, covered in the register maintained under section 189 of the Act and hence clause 3(iii) of the Order is not applicable.*
- iv. *According to the information and explanations provided to us, the Company has not made any loans, investments, guarantees and securities, within the meaning of section 185 and 186 of the Act, and hence clause 3(iv) of the Order is not applicable.*
- v. *According to the information and explanations provided to us, the Company has not accepted deposits within the meaning of section 73 to 76 or any other relevant provision of the Companies Act, 2013, and hence clause 3(v) of the Order is not applicable.*
- vi. *Based on the information & explanation provided to us by the management, maintenance of cost records has not been prescribed by the Central Government under sub-section (1) of section 148 of the Act in respect of the Company's products.*
- vii. (a) *According to the records of the Company, undisputed relevant statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Luxury Tax, Value Added Tax, and other material statutory dues, as applicable, have not been regularly deposited with the appropriate authorities. The extent of the arrears of outstanding statutory dues as at 31st March, 2017 for a period of more than six months from the date they became payable are as follows:*

Name of the Statute	Amount (Rs)
Employees Provident Fund	496,835
Employees State Insurance Act, 1948	50,749
Value Added Tax of Respective States	36,68,267
Luxury Tax Act of Respective States	2,02,05,361
Central Excise and Service Tax Act	2,25,64,851
The Income Tax Act, 1961	67,926
Work Contract Tax Act, 1989	5,09,064
Professional Tax Act, 1975	2,800
TOTAL	4,75,65,853

(b) Statutory dues which have not been deposited on account of dispute and the forum where dispute is pending are as under:

(Amount in Lakhs)

Name of the Statute	Nature of Dues	Amount in dispute (Rs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	Tax	18.93	2000 – 01	Joint Commissioner of Sales Tax Appeal
	Interest	0.29		
	Penalty	0.02		
	Less: Paid	10.00		
	Total	09.24		
Sales Tax	Tax	264.57	2001 – 02	Joint Commissioner of Sales Tax Appeal
	Interest	169.41		
	Penalty	15.82		
	Less: Paid	25.00		
	Total	424.80		
Sales Tax	Tax	216.63	2002 – 03	Joint Commissioner of Sales Tax Appeal
	Interest	167.89		
	Penalty	1.00		
	Less: paid	20.00		
	Total	365.51		

Name of the Statute	Nature of Dues	Amount in dispute (Rs)	Period to which the amount relates	Forum where dispute is pending
Luxury Tax	Tax	21.75	2000 – 01	Addl. Commissioner Sales Tax
	Less: Paid	08.78		
	Total	12.97		
Luxury Tax	Tax	65.05	2000 – 01	Addl. Commissioner Sales Tax
	Interest	93.32		
	Penalty	0.08		
	Less: paid	25.31		
	Total	133.14		
Luxury Tax	Tax	19.84	2002 – 03	Commissioner of Sales Tax
	Interest	20.76		
	Penalty	1.00		
	Less: Paid	30.32		
	Total	14.64		
Luxury Tax	Tax	06.97	2002 – 03	Commissioner of Sales Tax
	Penalty	0.14		
	Less: Paid	6.30		
	Total	0.81		
Excise Duty	Tax	197.28	2005 – 06	Commissioner of Central – Appellate Tribunal, Mumbai

- viii. Based on our audit procedures and the information and explanations provided to us, the Company did not have any borrowings from financial institution, bank, government and debenture holders. Hence, clause 3(viii) of the Order is not applicable.
- ix. According to the information and explanations given to us, the Company has not raised any moneys by way of Initial Public Offer or Further Public Offer (including debt instrument) and term loans. Hence, clause 3(ix) of the Order is not applicable.
- x. To the best of our knowledge and belief, and according to the information and explanations given to us, and considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the year and, nor have we been informed of such case by the management.
- xi. According to the information and explanations given to us and based on our audit procedures, the Company has neither paid nor provided for managerial remuneration and hence clause 3(xi) of the Order is not applicable.

- xii. According to the information and explanations given to us, the Company is not a Nidhi Company and hence clause 3(xii) of the Order is not applicable.
- xiii. *According to the information and explanations obtained by us:*
- (i) *the Company has not appointed Independent Directors and hence to that extent the Company has not complied with the provisions of section 177 (2) of the Act, which in turn results in non compliance with section 177(iv) of the Act.*
- (ii) *the Company has not complied with the provisions of section 188 of the Act. However, details of the related parties have been disclosed in the financial statements which are identified by the Management in terms of Accounting Standard 18 (AS-18) "Related Party Disclosure" and the same are relied upon by us.*
- xiv. According to the information and explanations give to us, during the year Company has made preferential allotment of 75,00,000 equity shares which is in compliance with section 42 of the Act, *except to the extent of delay in allotment of 5,00,000 equity shares beyond the prescribed limit of sixty days as per sub section 6 of section of 42 of the Act as referred to in Note no 54.*
- xv. According to the information and explanations obtained by us, the Company has not entered into any non-cash transactions with directors or persons connected with them and hence clause 3(xv) of the Order is not applicable.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For M. A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date: 6 October, 2017

ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

As referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2017, we report that:

Based on the information and explanations obtained by us, we furnish our comments on the Directions issued by the Comptroller and Auditor General of India relating to the accounts of the Company for the year ended 31st March, 2017.

<p>1. Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available?</p>	<p>According to the information, explanations and records provided to us, the Company has clear title for leasehold land. Further, the Company does not own any freehold land.</p>
<p>2. Whether there are any cases of Waiver/Write off of debts/loans/interest etc., if yes, the reasons therefore and the amount involved.</p>	<p>During the year under review, there were no cases of waiver/write off of debts/loans/interest and hence the said clause is not applicable.</p>
<p>3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.</p>	<p>The company is neither maintaining inventories lying with third parties nor has it received assets as gift from Government or other authorities and hence the said clause is not applicable.</p>

For M. A. Parikh & Co
Chartered Accountants
(Firm's Registration No: 107556W)

Mukul Patel
Membership No.: 032489

Place: Mumbai
Date: 6 October, 2017

ANNEXURE - C TO THE INDEPENDENT AUDITORS' REPORT**REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 (“THE ACT”)**

We have audited the internal financial controls over financial reporting of **Hotel Corporation of India Limited (“the Company”)** as of 31st March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

DISCLAIMER OF OPINION

According to the information and explanation given to us, the Company has not established its internal financial controls over financial reporting on criteria based on or considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31st March, 2017.

We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the Company and our disclaimer does not affect our opinion on the financial statements of the Company.

For M. A. Parikh & Co.
Chartered Accountants
(Firm's Registration No. 107556W)

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date : 6 October, 2017

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.</p> <p>Basis for qualified opinion:</p> <p><i>We draw attention to the following:</i></p> <ol style="list-style-type: none"> 1. <i>In respect of non compliance with Accounting Standards:</i> <ol style="list-style-type: none"> A. <i>AS-15 "Employees Benefits" regarding non provision of liability in respect of New Medical Benefit Scheme as referred to in Note no. 36(B).</i> B. <i>AS-29 "Provisions, Contingent Liabilities and Contingent Assets" regarding non provision in respect of:</i> <ol style="list-style-type: none"> i <i>Lease rentals/turnover levy and Interest on delay in payment aggregating to Rs.2,753.46 lakhs and Rs. 4,353.46 lakhs respectively as referred in Note no. 28.</i> ii. <i>Interest towards delay in allotment of Shares to Government of India amounting to Rs. 21.86 lakhs as referred in Note no. 54.</i> 	<p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This has been adequately disclosed in Note 36 (b)</p> <p>The Auditors' comments are noted. The Company would review the matter in the financial year 2017-18.</p> <p>Government of India has provided fund to the tune of Rs.5 crores as an Equity Infusion and the entire amount was given at one go and</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p><i>Had the Company provided for as stated in (i) and (ii) above:</i></p> <p>a. <i>Other Expenses would have been higher by Rs. 2,753.46 lakhs</i></p> <p>b. <i>Finance Cost would have been higher by Rs. 4,375.32 lakhs</i></p> <p>c. <i>Loss for the year, Reserves and Surplus and Other current liabilities would have been higher by Rs. 7,128.78 lakhs</i></p> <p>iii. <i>Interest and penalty towards outstanding statutory dues, non compliance with statutory requirements and non filing of statutory returns as stated in Note nos.47, 48 and 49.</i></p> <p>2. <i>In respect of non compliance with Schedule II Part C of the Act relating to depreciation as referred to in Note no. 34.</i></p> <p>3. <i>Regarding capitalisation of Fixed Assets aggregating to Rs. 31.65 lakhs, without any supporting documents as stated in Note no. 35(a) which is not in accordance with Generally Accepted Accounting Principles (GAAP).</i></p> <p>4. <i>In respect of noncompliance with certain provisions of the Act to the extent stated below:</i></p> <p>a. <i>Section 149(4) relating to appointment of Independent Directors.</i></p> <p>b. <i>Section 177(2) and Section 178 relating to composition of Audit Committee and Nomination and Remuneration Committee of the Board.</i></p>	<p>hence the same is not considered as Application Money. Further, due to some administrative formalities to be complied with the Ministry, allotment took more time. However, time limit of sixty days under section 6 of section 42 of the Act is not applicable to the Company as it had issued the shares under section 62 of the Companies Act, 2013.</p> <p>The interest and penalty on outstanding dues and on late filing of returns would be accounted for at the time of payment / filing of returns.</p> <p>The Company would carry out physical verification of fixed assets in a phased manner during 2017-18 and depreciation if any would be amended accordingly.</p> <p>The Company would obtain all supporting documents in 2017-18 once the renovation is completed and final bills paid by AAI</p> <p>Hotel Corporation of India Limited (HCI) is a subsidiary of Air India Limited (AIL), a Government Company. As per Article 22 of the Articles of Association of the Company, all the Directors of the Company are appointed by AIL in consultation with Government of India.</p> <p>HCI has requested AIL to nominate at least two Independent Directors on its Board and the reply from AIL is awaited.</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>Qualified Opinion:</p> <p><i>In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, these financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;</i></p> <p>a) <i>in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;</i></p> <p>b) <i>in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and</i></p> <p>c) <i>in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.</i></p> <p>Reason for Qualification</p> <p>1. The Company has not provided for actuarial liability in respect of employees covered by New Medical Scheme (Retired employee Reimbursement Scheme) as referred to in Note no. 36(B).</p> <p>2. During the year, provision has been made for lease rentals at the rate of Rs. 163/- per sqmtr and turnover levy payable @2% of annual turnover aggregating to Rs. 212.64 lakhs. However, no provision has been in respect of Lease rental /turnover levy and Interest due to Airports Authority of India, Mumbai International Airport Ltd. (MIAL) and Delhi International Airport Ltd (DIAL) aggregating to Rs. 2,753.46 lakhs</p>	<p>As per the provisions of Section 177(2) the Audit Committee shall consist of a minimum of three Directors with Independent Directors forming a majority.</p> <p>As required under section 178, the Nomination and Remuneration Committee should consist of 3 or more Non Executive Directors out of which not less than one half should be Independent Directors.</p> <p>Presently there is no Independent Director on the Board of HCI and the matter has been taken up with ALL.</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact. The Company would review the matter in the financial year 2017-18.</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>and Rs. 4,353.46 lakhs respectively in relation to the period as referred to in Note no. 28.</p>	
<p>3. During the year, The Company has issued 5,00,000 equity shares of Rs. 100/- each to Government of India. However, due to delay in certain administrative approvals there was a delay in allotment of shares resulting in non compliance with subsection 6 of section 42 of the Act. Consequently the Company is liable to pay interest of Rs. 21.86 lacs which was not provided for. (Refer Note No. 54).</p>	<p>The Government of India has provided fund to the tune of Rs.5 crores as an Equity Infusion and the entire amount was given at one go and hence the same is not considered as Application Money. Further, due to some administrative formalities to be complied with the Ministry, allotment took more time. However, time limit of sixty days under section 6 of section 42 of the Act is not applicable to the Company as it had issued the shares under section 62 of the Companies Act, 2013.</p>
<p>4. The Company has not provided for Interest and penalty in relation to the following:</p>	
<p>a. Non filing of statutory returns in respect of Luxury Tax, Value Added Tax, Service Tax and Work Contract Tax. (Refer Note no. 47).</p>	<p>This is a statement of fact</p>
<p>b. Non deduction of Tax at Source (Contracts and Professional) and Works Contract Tax at Centaur Delhi. (Refer Note no. 48)</p>	<p>This is a statement of fact</p>
<p>c. Unpaid statutory dues in respect of Luxury Tax, Value Added Tax, Service Tax, Provident Fund and ESI. (Refer Note no. 49)</p>	<p>This is a statement of fact</p>
<p>5. The Company has adopted the opening balance of fixed assets as on 1st April, 2014 as per the books pending ascertainment of discrepancies, arising on account of physical verification of fixed assets and assessing the loss on Impairment of assets, if any. In view of the above, the company is unable to ascertain the impact on the charge for depreciation for the year as required by Schedule II part C of the Act. (Refer Note no. 34)</p>	<p>This is a statement of fact</p>
<p>6. The Company has capitalised fixed assets aggregating to Rs. 31.65 lacs on the basis of statement provided by the Airport Authority of India in the absence of any supporting documents for the same. (Refer Note no. 35 (a))</p>	<p>This is a statement of fact. The Company would obtain all supporting documents in 2017-18 once the renovation is completed and final bills paid by AAI</p>
<p>7. The Company has not complied with certain provision of the Act. As a consequence thereof:</p>	<p>This is a statement of fact.</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>8. a. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.</p> <p>b. Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.</p>	<p>Hotel Corporation of India Limited (HCI) is a subsidiary of Air India Limited (AIL), a Government Company. As per Article 22 of the Articles of Association of the Company, all the Directors of the Company are appointed by AIL in consultation with Government of India.</p> <p>HCI has requested AIL to nominate at least two Independent Directors on its Board and the reply from AIL is awaited.</p> <p>As per the provisions of Section 177(2) the Audit Committee shall consist of a minimum of three Directors with Independent Directors forming a majority.</p> <p>As required under section 178, the Nomination and Remuneration Committee should consist of 3 or more Non Executive Directors out of which not less than one half should be Independent Directors.</p> <p>Presently there is no Independent Director on the Board of HCI and the matter has been taken up with AIL.</p>
<p>Emphasis of Matters</p>	
<p>1. Net worth of the Company continues to be completely eroded.</p>	<p>This is a statement of fact</p>
<p>1.1 Company continues to be under severe financial stress as reflected by:</p> <p>a. Trade Receivables Rs. 3,323.63 lakhs</p> <p>b. Trade Payables Rs. 701.98 lakhs</p> <p>c. Statutory dues Rs. 849.22 lakhs</p> <p>Despite the foregoing, these accounts have been prepared on a "Going Concern" basis as stated in Note no. 53.</p>	<p>This is a statement of fact</p>
<p>2. Non compliance with requirement of Schedule III Part C of the Act relating to Trade Receivables as referred in Note no. 12.</p>	<p>This is a statement of fact</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
3. Loans and Advances and Other advances receivable are considered good for recovery as referred to in Note Nos. 25 and 26.	This is a statement of fact
4. Pending wage agreements with workmen and Officers Cadre as referred to in Note no. 30.	This is a statement of fact
5. Note no. 31 relating to Capital Work in Progress.	This is a statement of fact
6. Impairment of Assets in respect of assessment of potential impairment of loss as referred to in Note no. 33.	This is a statement of fact
7. In respect of non compliance with Schedule –III relating to non-disclosure of information of dues/ payments to MSME as referred to in Note no. 43.	The Company is in the process of obtaining the relevant information from its suppliers and compiling the same.
8. The Company has not obtained confirmation of balance from Trade Receivables, Trade Payables, Loan and Advances, Deposits and Other liabilities as referred to in Note no. 45.	This is a statement of fact
9. Inventory reporting system, billing backlog and Procurement cycle as referred to in Note no. 51.	This is a statement of fact
10. Strengthening the internal audit processes as referred to in Note no. 52.	This is a statement of fact
Our opinion is not qualified in respect of all these matters.	
Report on Other Legal and Regulatory Requirements	
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A" a statement on the matters specified in paragraphs 3 and 4 of the Order.	This is a statement of fact
2. As required under Section 143(5) of the Act, we enclose herewith, as per Annexure "B", our report on the directions issued by the Comptroller & Auditor General of India.	This is a statement of fact
3. As required by section 143(3) of the Act, we report that: a. We have sought and obtained all the information and explanations which to the best	This is a statement of fact

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>of our knowledge and belief were necessary for the purposes of our audit;</p> <p>b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.</p> <p>c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.</p> <p>d. <i>Except for the effect of the matters described in Basis for Qualified Opinion paragraph</i>, in our opinion, the aforesaid financial statements comply with Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Amendment Rules, 2016.</p> <p>e. The Company being a Government Company as defined in Section 2(45) of the Companies Act, 2013, is exempted from applicability of section 164(2) of the Companies Act, 2013 vide circular no. 1/2/2014 –CL.-V dated 5th June, 2015 issued by Ministry of Corporate Affairs.</p> <p>f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure “C”; and</p> <p>g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Amendment Rules, 2017, in our opinion and to the best of our information and according to the explanations given to us:</p> <p>i. The company has disclosed the impact of pending litigation on its financial position in its financial statement – Refer to Note No. 23(a), 23(b), 23(e), 24 and 25.</p> <p>ii. The company does not have any long-term contracts including derivatives contracts and hence there are no material foreseeable losses.</p>	

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.</p> <p>iv. The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. Based on the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company. (Refer Note no. 13.1).</p>	

ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>As referred to in our Independent Auditors 'Report to the members of the Company on the financial statements for the year ended 31st March 2017, we report that :</p> <p>I. (a) <i>The Company is in the process of updating its Fixed Assets Records maintained with reference to full particulars, quantitative details and location thereof.</i></p> <p>(b) <i>The Company proposes to conduct physical verification of it's Fixed Assets in a phased manner i.e. once in five years (Financial Year 2014-15 to 2018-19). However, since the Fixed Assets have not been physically verified by the Management during the year, and in the absence of updated records of Fixed Assets referred to in (a) above, the extent of the discrepancies if any, cannot be ascertained and hence, the resultant impact of the same on the accounts will be dealt with in the year in which finality is reached. (Refer Note no. 32).</i></p> <p>(c) <i>According to the information and explanations provided to us, the title deeds of immovable properties are held in the name of the Company except, in case of 4 flats at Sher-e-Punjab Society wherein company is in the process of obtaining the requisite documents to ensure that the title deeds are in its name.</i></p> <p>ii. <i>As explained to us, inventories have been physically verified once in a year by the management. In our opinion, the frequency of verification by the management is not reasonable. The company is unable to identify discrepancies, if any, between the book stock and physical stock (Refer Note no. 51(a)).</i></p> <p>iii. <i>The Company has not granted any loans to any party, covered in the register maintained under section 189 of the Act and hence clause 3(iii) of the Order is not applicable.</i></p> <p>iv. <i>According to the information and explanations provided to us, the Company has not made any loans, investments, guarantees and securities, within the meaning of section 185 and 186 of the Act, and hence clause 3(iv) of the Order is not applicable.</i></p>	<p>This is a statement of fact. The Fixed Assets records are being updated with regard to location, etc.</p> <p>This is a statement of fact</p> <p>This is a statement of fact. The Company is in the process of obtaining the requisite documents.</p> <p>This is a statement of fact. The Company would increase the frequency of inventory verification during 2017-18.</p> <p>This is a statement of fact</p>

AUDIT OBSERVATIONS		MANAGEMENT COMMENTS																				
<p>v. According to the information and explanations provided to us, the Company has not accepted deposits within the meaning of section 73 to 76 or any other relevant provision of the Companies Act, 2013, and hence clause 3(v) of the Order is not applicable.</p>		This is a statement of fact																				
<p>vi. In our opinion and based on the information & explanation given by the management, maintenance of cost records has not been prescribed by the Central Government under sub-section (1) of section 148 of the Act in respect of the Company's products.</p>		This is a statement of fact																				
<p>vii (a) According to the records of the Company, <i>undisputed relevant statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Luxury Tax, Value Added Tax, and other material statutory dues, as applicable, have not been regularly deposited with the appropriate authorities. The extent of the arrears of outstanding statutory dues as at 31st March, 2017 for a period of more than six months from the date they became payable are as follows:</i></p> <table border="1"> <thead> <tr> <th>Name of the Statute</th> <th>Amount (Rs)</th> </tr> </thead> <tbody> <tr> <td>Employees Provident Fund</td> <td>496,835</td> </tr> <tr> <td>Employees State Insurance Act, 1948</td> <td>50,749</td> </tr> <tr> <td>Value Added Tax of Respective States</td> <td>36,68,267</td> </tr> <tr> <td>Luxury Tax Act of Respective States</td> <td>2,02,05,361</td> </tr> <tr> <td>Central Excise and Service Tax Act</td> <td>2,25,64,851</td> </tr> <tr> <td>The Income Tax Act, 1961</td> <td>67,926</td> </tr> <tr> <td>Work Contract Tax Act, 1989</td> <td>5,09,064</td> </tr> <tr> <td>Professional Tax Act, 1975</td> <td>2,800</td> </tr> <tr> <td>Total</td> <td>4,75,65,853</td> </tr> </tbody> </table>		Name of the Statute	Amount (Rs)	Employees Provident Fund	496,835	Employees State Insurance Act, 1948	50,749	Value Added Tax of Respective States	36,68,267	Luxury Tax Act of Respective States	2,02,05,361	Central Excise and Service Tax Act	2,25,64,851	The Income Tax Act, 1961	67,926	Work Contract Tax Act, 1989	5,09,064	Professional Tax Act, 1975	2,800	Total	4,75,65,853	This is a statement of fact
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Employees Provident Fund	496,835																					
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Work Contract Tax Act, 1989	5,09,064																					
Professional Tax Act, 1975	2,800																					
Total	4,75,65,853																					
<p>(b) Statutory dues which have not been deposited on account of dispute and the forum where dispute is pending are as under:</p>		This is a statement of fact																				

AUDIT OBSERVATIONS					MANAGEMENT COMMENTS
(Amount in Lakhs)					This is a statement of fact
Name of the Statute	Nature of Dues	Amount in dispute (Rs)	Period to which the amount relates	Forum where dispute is pending	
Sales Tax	Tax Interest Penalty Less: Paid Total	18.93 0.29 0.02 10.00 09.24	2000 – 01	Joint Commissioner of Sales Tax Appeal	
Sales Tax	Tax Interest Penalty Less: Paid Total	264.57 169.41 15.82 25.00 424.80	2001 – 02	Joint Commissioner of Sales Tax Appeal	
Sales Tax	Tax Interest Penalty Less: paid Total	216.63 167.89 1.00 20.00 365.51	2002 – 03	Joint Commissioner of Sales Tax Appeal	
Luxury Tax	Tax Less: Paid Total	21.75 08.78 12.97	2000 – 01	Addl. Commissioner Sales Tax	
Luxury Tax	Tax Interest Penalty Less: paid Total	65.05 93.32 0.08 25.31 133.14	2000 – 01	Addl. Commissioner Sales Tax	
Luxury Tax	Tax Interest Penalty Less: Paid Total	19.84 20.76 1.00 30.32 14.64	2002 – 03	Commissioner of Sales Tax	
Luxury Tax	Tax Penalty Less: Paid Total	06.97 0.14 6.30 0.81	2002 – 03	Commissioner of Sales Tax	
Excise Duty	Tax	197.28	2005 – 06	Commissioner of Central –Appellate Tribunal, Mumbai	

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>ii. Based on our audit procedures and the information and explanations provided to us, the Company did not have any borrowings from financial institution, bank, government and debenture holders. Hence, clause 3(viii) of the Order is not applicable.</p>	<p>This is a statement of fact</p>
<p>iii. According to the information and explanations given to us, the Company has not raised any moneys by way of Initial Public Offer or Further Public Offer (including debt instrument) and term loans. Hence, clause 3(ix) of the Order is not applicable.</p>	<p>This is a statement of fact</p>
<p>iv. To the best of our knowledge and belief, and according to the information and explanations given to us, and considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the year and, nor have we been informed of such case by the management.</p>	<p>This is a statement of fact</p>
<p>v. According to the information and explanations given to us and based on our audit procedures, the Company has neither paid nor provided for managerial remuneration and hence clause 3(xi) of the Order is not applicable.</p>	<p>This is a statement of fact</p>
<p>vi. According to the information and explanations given to us, the Company is not a Nidhi Company and hence clause 3(xii) of the Order is not applicable.</p>	<p>This is a statement of fact</p>
<p>vii. <i>According to the information and explanations obtained by us:</i></p> <p>(i) <i>the Company has not appointed Independent Directors and hence to that extent the Company has not complied with the provisions of section 177 (2) of the Act, which in turn results in non compliance with section 177(iv) of the Act.</i></p>	<p>This is a statement of fact</p> <p>As per the provisions of Section 177(2) the Audit Committee shall consist of a minimum of three Directors with Independent Directors forming a majority.</p> <p>As required under section 178, the Nomination and Remuneration Committee should consist of 3 or more Non Executive Directors out of which not less than one half should be Independent Directors.</p> <p>Presently there is no Independent Director on the Board of HCI and the matter has been taken up with AIL.</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>(ii) <i>the Company has not complied with the provisions of section 188 of the Act. However, details of the related parties have been disclosed in the financial statements which are identified by the Management in terms of Accounting Standard 18 (AS-18) "Related Party Disclosure" and the same are relied upon by us.</i></p> <p>viii. According to the information and explanations give to us, during the year Company has made preferential allotment of 75,00,000 equity shares which is in compliance with section 42 of the Act, <i>except to the extent of delay in issuance of 5,00,000 equity shares beyond the prescribed limit of sixty days as per sub section 6 of section of 42 of the Act as referred to in Note no 54.</i></p> <p>x. According to the information and explanations obtained by us, the Company has not entered into any non-cash transactions with directors or persons connected with them and hence clause 3(xv) of the Order is not applicable.</p> <p>x. According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.</p>	<p>Related Party Transaction details disclosed in financial statements are in compliance with AS 18 and relates to Air India Limited, which is the Holding Company of HCI. These transactions were held at arms length and in the ordinary course of business. Provisions of section 188 of the Companies Act, 2013 are not applicable to a Government Company in respect of contracts or arrangements entered into by it with any other Government Company.</p> <p>This is a statement of fact.</p> <p>The Government of India has provided fund to the tune of Rs.5 crores as an Equity Infusion and the entire amount was given at one go and hence the same is not considered as Application Money. Further, due to some administrative formalities to be complied with the Ministry, allotment took more time. However, time limit of sixty days under section 6 of section 42 of the Act is not applicable to the Company as it had issued the shares under section 62 of the Companies Act, 2013.</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p>

ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

AUDIT OBSERVATIONS		MANAGEMENT COMMENTS
<p>As referred to in our Independent Auditors 'Report to the members of the Company on the financial statements for the year ended 31st March 2017, we report that :</p> <p>Based on the information and explanations obtained by us, we furnish our comments on the Directions issued by the Comptroller and Auditor General of India relating to the accounts of the Company for the year ended 31st March, 2017.</p>		<p>This is a statement of fact</p> <p>This is a statement of fact</p>
<p>1. Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available?</p>	<p>According to the information, explanations and records provided to us, the Company has clear title for leasehold land. Further, the Company does not own any freehold land.</p>	<p>This is a statement of fact</p>
<p>2. Whether there are any cases of Waiver/Write off of debts/loans/interest etc., if yes, the reasons therefore and the amount involved.</p>	<p>During the year under review, there were no cases of waiver/write off of debts/loans /interest and hence the said clause is not applicable.</p>	<p>This is a statement of fact</p>
<p>3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.</p>	<p>The company is neither maintaining inventories lying with third parties nor has it received assets as gift from Government or other authorities and hence the said clause is not applicable.</p>	<p>This is a statement of fact</p>

AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<p>was established and maintained and if such controls operated effectively in all material respects.</p> <p>Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.</p> <p>Meaning of Internal Financial Controls over Financial Reporting</p> <p>A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.</p>	<p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p>

BALANCE SHEET AS ON 31st MARCH 2017

(Amount in Rupees)

Particulars	Notes	As at March 31, 2017	As at March 31, 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,376,000,000	626,000,000
Reserves and Surplus	4	(3,041,263,974)	(2,498,558,361)
		(1,665,263,974)	(1,872,558,361)
Non-current liabilities			
Other long-term liabilities	5	1,942,901,313	1,488,722,752
Long-term provisions	6	323,074,893	330,303,929
		2,265,976,206	1,819,026,681
Current liabilities			
Other short-term liabilities	5	110,317,026	845,534,382
Trade payables	7		
Total outstanding dues of Micro Enterprises and Small Enterprises		-	-
Total outstanding dues of other than Micro Enterprises and Small Enterprises		70,198,408	86,625,183
Other current liabilities	8	422,633,361	372,834,949
Short-term provisions	6	85,424,582	79,883,473
		688,573,377	1,384,877,987
TOTAL		1,289,285,609	1,331,346,307
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	298,412,120	307,204,990
Capital work-in-progress	9	1,014,395	3,512,395
Long-term loans and advances	10	439,908,926	461,179,549
		739,335,441	771,896,934
Current assets			
Inventories	11	22,545,986	22,111,800
Trade receivables	12	332,363,259	288,864,557
Cash and Cash equivalents	13	142,883,378	132,474,629
Short-term loans and advances	10	52,157,545	115,998,387
		549,950,168	559,449,373
TOTAL		1,289,285,609	1,331,346,307

Summary of significant accounting policies

2

The accompanying notes are an integral part of the financial statements 1-55

As per our report of even date

For and on behalf of
M.A.PARIKH & CO.
Chartered Accountants
FRN : 107556W

Sd/-
Mukul Patel
Partner
M.No. 032489

Place : Mumbai
Date : 6 October 2017

For and on behalf of the Board

Sd/-
Rajiv Bansal
Chairman

Sd/-
Thrity C. Dalal
Chief Financial Officer

Place : New Delhi
Date : 29 September 2017

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2017

(Amount in Rupees)

Particulars	Notes	2016-17	2015-16
Continuing operations			
Income			
Revenue from operations	14	499,866,443	464,238,533
Revenue from operations		499,866,443	464,238,533
Other income	15	20,746,152	10,890,362
Total revenue		520,612,595	475,128,895
Expenses			
Cost of raw material consumed	16	133,607,771	110,130,205
Employee Benefits	17	546,347,069	522,738,055
Finance Cost	18	134,666,851	203,824,887
Depreciation /Amortisation Expenses	9	22,371,688	23,952,152
Other Expenses	19	218,435,424	184,976,969
Total Expenses		1,055,428,803	1,045,622,268
Loss before Exceptional and Extraordinary Items		(534,816,208)	(570,493,373)
Exceptional Items (Net)	20	38,213,899	-
Prior Period Adjustments (Net)	21	(30,324,494)	7,073,639
Loss for the year		(542,705,613)	(577,567,012)
Earnings per equity share			
Basic and Diluted earnings per share	41	(44.24)	(95.89)
Summary of significant accounting policies	2		
The accompanying notes are an integral part of the financial statements 1-55			

As per our report of even date

For and on behalf of
M.A.PARIKH & CO.
Chartered Accountants
FRN : 107556W

Sd/-
Mukul Patel
Partner
M.No. 032489

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Sd/-
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Chief Financial Officer

Place : New Delhi
Date : 29 September 2017

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017

(Amount in Rupees)

Particulars	2016-2017	2015-2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss After Tax	(542,705,613)	(577,567,012)
Adjustment for		
Depreciation (Net)	22,371,688	23,952,152
Finance Cost	134,666,851	203,824,887
Loss/(Profit) on Sale of Fixed Assets	(553,498)	(832,214)
Bad Debts	-	-
Provision for Doubtful Debts	1,721,915	-
Interest Income	(11,780,000)	(3,664,643)
Operating loss before working capital changes	(396,278,657)	(354,286,830)
Movement in working capital:		
(Increase)/Decrease in Trade and Other Receivables	26,600,266	49,576,591
(Increase)/Decrease in Inventories	(434,186)	(3,057,840)
Increase/(Decrease) in Trade and Other Payables	(249,355,084)	490,108,162
Cash generated from operations	(619,467,661)	182,340,083
Less : Taxes paid	(13,290,581)	22,324,679
Net cash generated/(used in) from operating activities- (A)	(606,177,080)	160,015,404
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Additions)/ Sale of Fixed Assets / CWIP	(11,080,820)	(4,900,042)
Sale of Fixed Assets	553,500	885,518
Interest Received	11,780,000	3,664,643
Net cash generated/(used in) from investing activities- (B)	1,252,680	(349,881)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares	750,000,000	120,000,000
Interest Paid	(134,666,851)	(203,824,887)
Net cash from financing activities - (C)	615,333,149	(83,824,887)
Net increase/ (decrease) in cash or cash equivalents - (A+B+C)	10,408,749	75,840,636
Cash and bank balance as at beginning of the year	132,474,629	56,633,993
Cash and bank balance at the end of the year	142,883,378	132,474,629
Earmarked balances with banks	8,121	8,121
Fixed deposits with banks (Maturity more than 12 months)	4,971,299	7,898,162
Cash and cash equivalents as at the end of the year	137,903,958	124,568,346
	142,883,378	132,474,629

The Cash flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 'Cash Flow Statement' (AS-3) issued by the Institute of Chartered Accountants of India and presents cash flows from operating, investing and financing activities.

As per our report of even date

For and on behalf of

M.A.PARIKH & CO.

Chartered Accountants

FRN : 107556W

Sd/-

Mukul Patel

Partner

M.No. 032489

Place : Mumbai

Date : 6 October 2017

For and on behalf of the Board

Sd/-

Rajiv Bansal

Chairman

Sd/-

Thrity C. Dalal

Chief Financial Officer

Place : New Delhi

Date : 29 September 2017

Sd/-

Gargi Kaul

Director

Sd/-

Shyamala P Kunder

Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE "1"

CORPORATE INFORMATION

Hotel Corporation of India Limited was incorporated as a Government Company on July 8, 1971 under the Companies Act, 1956 with a view to enter the Hotel Industry. The Company is a subsidiary Company of Air India Limited. The Hotel Corporation of India Limited owns Hotels in Delhi & Srinagar and Flight Kitchens in Mumbai & Delhi.

NOTE "2"

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) GENERAL

The Financial Statements are prepared on going concern concept on accrual basis (except as stated elsewhere) under the historical cost convention and are in compliance with generally accepted accounting principles and the Accounting Standards notified under section 133 of the Companies Act, 2013 and relevant Companies (Accounting Standard) Rules notified by Ministry of Corporate Affairs, GOI.

b) INCOME & EXPENDITURE RECOGNITION

- i) Income & Expenditure are accounted on accrual basis
- ii) Sales represent the amount of Invoices to customers, net of trade discounts.

c) FIXED ASSETS

- i) Fixed Assets are stated at historical cost.
- ii) In case of contracts extending over years, revision in cost estimates are reflected in the Accounting period in which the revisions crystallise.
- iii) Leasehold land is amortised over the period of lease.

d) DEPRECIATION AND AMORTISATION

A) DEPRECIATION

a) Until financial year 2013-14, the Accounting Policy followed by the Company was as follows:

- i) Depreciation on fixed assets is provided, irrespective of the lease period, at the rates & in the manner prescribed in Schedule XIV to the Companies Act, 1956 on the Straight Line Method on prorata basis from the month of addition except in the case of the following assets:
- ii) In respect of assets acquired prior to 1st April, 1982, at rates on the estimated useful life of the Fixed Asset.
- iii) In respect of the assets acquired from 1st April, 1982 to 2nd April, 1987 at the rates prescribed under the Income Tax Act, 1961 and rules there under.

iv) Assets purchased/installed during the year having cost less than Rs. 5,000/- each are being fully depreciated in the year of purchase.

b) With effect from financial year 2014-15, the Company has changed its policy as follows:

Depreciation on all Tangible Assets is provided on the Straight Line Method in accordance with Schedule II to the Companies Act, 2013 from the date of its acquisition.

B) AMORTISATION

- i) Kitchen utensils purchased for the first time for a new unit are written off equally in four years. Any additions in the subsequent years are written off in the year of purchase.
- ii) Carpets purchased initially for a new unit/major renovation are capitalised as Fixed Assets in the year of purchase and depreciated on the Straight Line Method as specified in para A (b) above. Carpets purchased in the subsequent years are being written off as Soft furnishings in the year of purchase.
- iii) Heavy curtains are written off in the year of issue.

e) TREATMENT OF EXPENDITURE DURING CONSTRUCTION PERIOD

All revenue expenses directly attributable to ongoing projects are set apart as expenses during construction and capitalised on the basis of value of work completed during the year in which the Assets are put to use.

f) FOREIGN EXCHANGE TRANSACTION

- i) Foreign Currency balances are valued on the basis of exchange rates prevailing as on the date of the Balance Sheet.
- ii) The exchange difference pertaining to the Current Assets and Current Liabilities are transferred to the Statement of Profit and Loss.
- iii) Collection transaction in Foreign Currencies are translated into rupees at the rate of exchange ruling at the date of deposit with the Bank.

g) VALUATION OF INVENTORIES

Stock is valued at cost, except in case of Soft furnishing (linen) and Stores & Supplies (cutlery & crockery) which are being valued at cost irrespective of the period of use and written off to the Statement of Profit and Loss as and when discarded.

h) RETIREMENT BENEFITS

- i) Gratuity and Leave Encashment are provided on the basis of Actuarial Valuation as at the Balance Sheet date.
- ii) Voluntary Retirement Scheme is accounted for in the year of announcement of scheme by the Company and acceptance of the same by the employees.
- iii) Post Retirement Medical Benefit Scheme is accounted as and when claim arises.

i) **INVESTMENTS**

Long term investments, if any, are stated at cost, less permanent diminution in value. Current investments are valued at lower of the cost or fair market value.

j) **LIABILITIES & PROVISIONS**

- i) The Company considers claims under arbitration as Contingent Liability.
- ii) The effect of arbitration awards decided against the Company for which Appeals have been preferred, are accounted in the year of final disposal.
- iii) Show Cause Notices received from various authorities/parties are not considered as Contingent Liabilities. However, when Demand Notices are raised against the same, those demands are either paid or treated as Liabilities, if accepted by the Company, and are treated as Contingent Liabilities if disputed by the Company.
- iv) Outstanding current liabilities are reviewed periodically and those over three years, if not considered payable are transferred to other Income.

k) **ACCOUNTING FOR DOUBTFUL DEBTS**

Debts pertaining to the Government, Government Departments and Public Sector Undertakings are provided for only when specifically known to be doubtful. All other debts are provided for, if they are either more than 3 years old or specifically known to be doubtful.

l) **ACCOUNTING FOR TAXATION**

- i) Current tax is determined as the amount of tax payable in respect of taxable income for the period.
- ii) Deferred tax is recognised on timing differences, between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to consideration of prudence, are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. This is in accordance with AS-22 "Accounting for taxes on Income."

m) **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimated are recognized in the period in which the results are materialized.

n) **IMPAIRMENT OF FIXED ASSETS**

At the end of the year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with AS-28 "Impairment of Assets". If the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

NOTE "3" : SHARE CAPITAL

(Amount in Rupees)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Nos	Amount	Nos	Amount
Authorised Share Capital 150,00,000 (P.Y. - 100,00,000) Equity Shares of Rs 100/- each				
		1,500,000,000		1,000,000,000
TOTAL		1,500,000,000		1,000,000,000
Issued, subscribed and fully paid-up shares 1,37,60,000 (P.Y. - 62,60,000) Equity Shares of Rs 100/- each				
		1,376,000,000		626,000,000
TOTAL		1,376,000,000		626,000,000

3.a. Reconciliation of the shares outstanding at the beginning and at the end of the year

(Amount in Rupees)

Equity Shares	As at March 31, 2017		As at March 31, 2016	
	Nos	Amount	Nos	Amount
At the beginning of the Year	6,260,000	626,000,000	5,060,000	506,000,000
Issued during the Year	7,500,000	750,000,000	1,200,000	120,000,000
As at the end of the Year	13,760,000	1,376,000,000	6,260,000	626,000,000

The company has only one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

In the event of liquidation, Equity Share holders will be entitled to receive the assets of the company remaining after distribution of all preferential amount, in proportion to the number of shares held by them.

3.b. Shares held by Holding Company and President of India

Out of equity shares issued by the company, shares held by its Holding Company and President of India are as below:

Particulars	As at March 31, 2017		As at March 31, 2016	
	Nos	Amount	Nos	Amount
President of India		2,700,000		2,200,000
Air India Limited (Holding Company) and its nominees		11,060,000		4,060,000

3.c. Details of shareholders holding more than 5% shares in the company

Particulars	As at March 31, 2017		As at March 31, 2016	
	Nos	%	Nos	%
President of India	2,700,000	19.62%	2,200,000	35.14%
Air India Limited (Holding Company) and its nominees	11,060,000	80.38%	4,060,000	64.86%
TOTAL	13,760,000	100.00%	6,260,000	100.00%

NOTE "4" : RESERVES AND SURPLUS

(Amount in Rupees)

Particulars	(Amount in Rupees)	
	As at March 31, 2017	As at March 31, 2016
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	(2,498,558,361)	(1,920,991,349)
Loss for the year	(542,705,613)	(577,567,012)
Balance as at the end of the year	(3,041,263,974)	(2,498,558,361)

NOTE "5" : OTHER LIABILITIES

(Amount in Rupees)

Particulars	Non-current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Amount due to Holding Company *	1,891,488,727	1,436,331,182	-	-
Advance Against Share Capital	-	-	-	750,000,000
Deposit	-	2,400,000	40,704,683	28,430,030
Retention Money	-	-	200,231	200,231
Due to J & K Government (Refer Note no. 27)	45,002,586	44,911,570	-	-
Others	6,410,000	5,080,000	69,412,112	66,904,121
TOTAL	1,942,901,313	1,488,722,752	110,317,026	845,534,382

* Represents amount due on Current Account. However, since the Company is unable to pay it within 12 months, it is reflected as Non-Current Liability.

NOTE "6" : PROVISIONS

(Amount in Rupees)

Particulars	Non-current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Gratuity	236,323,950	244,250,484	60,418,669	56,254,873
Leave Encashment	86,750,943	86,053,445	25,005,913	23,628,600
TOTAL	323,074,893	330,303,929	85,424,582	79,883,473

NOTE "7" : TRADE PAYABLES (Refer Note No. 43)

(Amount in Rupees)

Particulars	Current	
	As at March 31, 2017	As at March 31, 2016
Total outstanding dues of Micro Enterprises and Small Enterprises		
Total outstanding dues of other than Micro Enterprises and Small Enterprises	70,198,408	86,625,183
TOTAL	70,198,408	86,625,183

NOTE "8" : OTHER CURRENT LIABILITIES**(Amount in Rupees)**

Particulars	Current	
	As at March 31, 2017	As at March 31, 2016
Other Liabilities		
Statutory dues (Refer Note no. 47, 48 and 49)	84,921,614	64,187,954
Lease Rental & Turnover levy Payable (Refer Note no. 28)	254,385,599	233,121,884
Outstanding Liabilities	12,941,860	14,446,437
Advance from customers	9,477,078	12,931,873
Dues to employees	60,907,210	48,146,801
TOTAL	422,633,361	372,834,949

NOTE "9" : TANGIBLE ASSETS**(Amount in Rupees)**

Particulars	Land (Leasehold)	Buildings (On leasehold land)	Plant & Machinery	Furniture & Fixtures	Office Equipments	Computers	Vehicles	Object d' Art	Total	Previous Year
Cost										
At 1 April 2016	2,708,800	372,837,096	308,038,424	88,213,499	75,507,188	5,244,718	26,411,000	774,250	879,734,975	887,010,158
Additions	-	-	5,176,443	9,597	386,292	9,850	7,996,638	-	13,578,820	2,402,042
Disposal	-	-	956	-	-	-	-	-	956	(9,677,225)
At 31 March 2017	2,708,800	372,837,096	313,213,911	88,223,096	75,893,480	5,254,568	34,407,638	774,250	893,312,839	879,734,975
Depreciation / Amortisation										
At 1 April 2016	1,033,452	131,013,347	259,722,947	86,604,366	64,398,270	4,948,888	24,034,473	774,242	572,529,985	558,200,749
Charge for the year	27,500	8,772,955	8,141,044	1,315,998	3,304,166	172,765	637,260	-	22,371,688	23,952,152
Disposal / Adjustments	-	-	954	-	-	-	-	-	954	(9,622,916)
At 31 March 2017	1,060,952	139,786,302	267,863,037	87,920,364	67,702,436	5,121,653	24,671,733	774,242	594,900,719	572,529,985
Net Block										
At 31 March 2016	1,675,348	241,823,749	48,315,477	1,609,133	11,108,918	295,830	2,376,527	8	307,204,990	328,809,409
At 31 March 2017	1,647,848	233,050,794	45,350,874	302,732	8,191,044	132,915	9,735,905	8	298,412,120	307,204,990
Capital work-in-progress (Refer Note no. 31)										
At 31 March 2016									3,512,395	1,014,395
At 31 March 2017									1,014,395	3,512,395

Notes:

- A) Buildings (on leasehold land) includes cost of residential flats :-
- 4 flats in Sher-e-Punjab Society, Andheri, Mumbai : The Company is in the physical possession of the said flats and copy of Agreement to Sell is in place. During the year the Company has paid Property Tax aggregating to Rs.1.88 lakhs for which the receipt issued by Brihanmumbai Mahanagar Palika is not in the name of the Company. As such, the Company is in the process of obtaining the requisite documents to ensure that the title deeds are in its name.
 - 2 flats in Everest Apartments Cooperative Housing Society, Andheri, Mumbai : The Company has received 10 equity shares (Previous year - 10 equity shares) at a cost of Rs 500 (Previous year - Rs 500).
- B) Mutation in respect of the property of housing colony at Srinagar is not required since records of rights have been obtained in favour of the Company from the concerned Naib Tehsildar. Some part of the land has been encroached by a school for which the Company has filed a suit in the Court.

NOTE "10" : LOANS AND ADVANCES (Unsecured, considered Good)

(Amount in Rupees)

Particulars	Non-current		Current	
	As at Mar 31, 2017	As at Mar 31, 2016	As at Mar 31, 2017	As at Mar 31, 2016
Capital Advance (Refer Note no. 35 (c))	121,017,504	123,898,825	-	-
Loans to Staff	-	-	702,952	513,867
Advance payment of Income Tax and TDS	143,928,719	157,219,300	-	-
VAT refund receivable	-	-	6,711,449	-
Balances with Statutory/ Government Authorities	7,424,007	19,738,062	5,800,000	5,800,000
Receivable on account of sale of properties (Refer Note no.23 (a) (v) , Notes 24 & 25)	18,895,920	18,895,920	-	-
Deposits	8,667,013	8,391,963	-	-
Due from Holding Company	-	-	22,884,934	93,729,772
Prepaid Expenses	-	-	1,865,744	1,446,258
Other advances receivable (Refer Note no. 26)	-	-	10,829,785	11,455,277
Receivable from J & K Government (Refer Note no. 27)	139,975,763	133,035,479	-	-
Interest accrued but not due	-	-	3,362,681	3,053,213
TOTAL	439,908,926	461,179,549	52,157,545	115,998,387

NOTE "11" : INVENTORIES

(Amount in Rupees)

Particulars	As at Mar 31, 2017	As at Mar 31, 2016
	Raw Material/Food and Beverages	4,279,805
Stores	11,791,754	10,691,715
Operating Supplies	6,474,427	8,159,858
TOTAL	22,545,986	22,111,800

NOTE "12" : TRADE RECEIVABLES

(Amount in Rupees)

Particulars	Current	
	As at Mar 31, 2017	As at Mar 31, 2016
Trade Receivables (Unsecured) (Refer Note no. 46)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	123,658,459	114,781,462
Considered doubtful	17,818,805	16,096,890
Other Debts	208,704,800	174,083,095
Considered good	350,182,064	304,961,447
Less: Provision for doubtful debts	(17,818,805)	(16,096,890)
TOTAL	332,363,259	288,864,557

Note: The Company has presented Trade receivables based on "billing dates" as opposed to "due date for payment" and hence, to the extent the requirement of Schedule III has not been complied with.

NOTE "13" : CASH AND BANK BALANCES**(Amount in Rupees)**

Particulars	As at Mar 31, 2017	As at Mar 31, 2016
Cash & Cash Equivalent		
Balances with Banks:		
in Current Accounts	26,553,201	28,071,131
in Fixed Deposits (Refer Note no. 13.2 below)	111,080,167	92,206,771
Cheques on Hand / in Transit	175,602	4,284,433
Cash on Hand	94,988	6,011
Other Balance		
Fixed Deposits with Bank (pledged with Govt Bodies)	8,121	8,121
Fixed Deposits with Banks (Maturity more than 12 months)	4,971,299	7,898,162
TOTAL	142,883,378	132,474,629

13.1 Specified Bank Notes (SBNs)

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 30th March, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as per the mentioned below:

Particulars	SBNs*	Other denomination notes	Total
Closing Cash on hand as on 8th November, 2016	590,000	296,946	886,946
(+) Permitted receipts			
1. Withdrawal from Bank	-	370,000	370,000
2. Other Cash Receipts	102,000	761,811	863,811
(-) Permitted payments	-	1,025,519	1,025,519
(-) Amount deposited in Banks	(692,000)	(131,015)	(823,015)
Closing Cash on hand as on 30th December, 2016	-	272,223	272,223

*For the purpose of the clause, the term "Specified Bank Notes" shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economics Affairs number S. O. 902(E), dated 8th November, 2016.

- 13.2** Fixed deposits include deposits aggregating to Rs 32,13,331/- from a bank for which the Company is in the process of obtaining the fixed deposit receipts.

NOTE "14" : REVENUE FROM OPERATIONS**(Amount in Rupees)**

Particulars	2016-17	2015-16
Revenue from Hotels and Flight Kitchen		
Rooms - Guest Accommodation	134,008,228	152,464,781
Food, Cigars and Cigarettes	266,315,287	239,297,779
Other Services	69,579,513	53,204,610
License fees for Shops and Offices	29,758,343	19,051,616
Beverages (Wine and Liquor)	188,042	170,762
Telex and Telephone	17,030	48,985
TOTAL	499,866,443	464,238,533

NOTE "15" : OTHER INCOME

(Amount in Rupees)

Particulars	2016-17	2015-16
Interest Income	11,780,000	3,664,643
Insurance claim received	-	3,502,153
Profit on sale of asset	553,498	832,214
Excess provision written back	2,924,610	782,219
Sundry balances written back (Net)	-	174,301
VAT refund	1,419,290	-
Others	4,068,754	1,934,832
TOTAL	20,746,152	10,890,362

NOTE "16" : COST OF RAW MATERIAL CONSUMED

(Amount in Rupees)

Particulars	2016-17	2015-16
Food Consumed (Including Cigars and Cigarettes)		
Opening stock	2,822,192	3,283,814
Add: Purchases	125,922,458	103,735,394
Less: Closing stock	(3,842,959)	(2,822,192)
	124,901,691	104,197,016
Beverages (Wine and Liquor)		
Opening Stock	438,035	440,673
Add: Purchases	31,822	25,067
Less: Closing stock	(436,846)	(438,035)
	33,011	27,705
Consumption of Stores and Supplies		
Opening Stock	10,691,715	10,378,960
Add: Purchases	9,773,108	6,218,239
Less: Closing Stock	(11,791,754)	(10,691,715)
	8,673,069	5,905,484
Cost of Raw material consumed	TOTAL	
	133,607,771	110,130,205

NOTE "17" : EMPLOYEE BENEFITS

(Amount in Rupees)

Particulars	2016-17	2015-16
Salaries, Wages and other benefits (Refer Note no. 30)	413,695,202	395,862,242
Gratuity	45,469,355	44,440,006
Leave Encashment	22,983,892	16,820,047
Contribution to Provident Fund and Other Fund	39,242,872	38,737,379
Staff Welfare Expenses	18,482,371	22,577,779
Bonus	6,473,377	4,300,602
TOTAL	546,347,069	522,738,055

NOTE "18" : FINANCE COST

(Amount in Rupees)

Particulars	2016-17	2015-16
Interest Expenses	134,666,851	203,824,887
TOTAL	134,666,851	203,824,887

NOTE "19" : OTHER EXPENSES

(Amount in Rupees)

Particulars	2016-17	2015-16
Power & Fuel	89,502,103	96,876,147
Lease Rent	21,354,731	21,262,278
Security Charges	14,745,953	10,265,370
<u>Repairs & Maintenance:</u>		
Building	6,640,868	5,043,692
Plant and Machinery	3,441,191	3,369,608
Others	25,101,373	12,931,374
Miscellaneous Expenses	4,413,823	4,369,827
<u>Traveling & Conveyance:</u>		
Traveling	572,399	578,709
Conveyance	2,939,650	2,270,877
Vehicle Expenses	4,104,949	5,191,081
Soft Furnishing	3,077,501	3,241,284
Rates and Taxes	20,337,237	6,414,305
Printing and Stationery	2,231,184	2,033,504
Legal and Professional Charges	7,729,303	7,213,609
Communication costs	1,683,805	1,664,579
Insurance	1,548,977	1,463,657
Advertisement and Publicity	296,070	345,856
Commission	135,904	100,684
Sundry balances written off (Net)	1,050,738	-
Payment to Auditor (Refer note below)	305,750	340,528
Share Issue Expenses	5,500,000	-
Provision for Doubtful Debts	1,721,915	
TOTAL	218,435,424	184,976,969
Note : Payment to Auditor	31-Mar-17	31-Mar-16
For Audit Fees	225,000	225,000
For Service Tax	34,875	58,145
For Reimbursement of expenses	45,875	57,383
TOTAL	305,750	340,528

NOTE "20" : EXCEPTIONAL ITEMS (NET)

(Amount in Rupees)

Particulars	2016-17	2015-16
Damages on late payment of Provident Fund [Refer Note no. 23 (d)]	38,213,899	-
TOTAL	38,213,899	-

NOTE "21" : PRIOR PERIOD ADJUSTMENTS (NET)

(Amount in Rupees)

Particulars	2016-17	2015-16
Employee Benefits	1,705,889	3,871,909
Legal & Professional Charges	269,600	-
Repairs and maintenance	314,540	715,857
Rates and Taxes	-	2,245,186
Power & Fuel	-	251,726
Printing and Stationery	-	55,000
Communication costs	-	16,093
Excess interest recovered from employee	-	3,000
Miscellaneous Expenses	149,828	5,000
Stores and Supplies	1,750	-
(A)	2,441,607	7,163,771
License fees for Shops and Offices	-	90,132
Revenue from Food, Cigars and Cigarettes	31,995,259	-
Revenue from Other Services	770,842	-
(B) (Refer Note no. 29)	32,766,101	90,132
TOTAL (A-B)	(30,324,494)	7,073,639

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
22.	Estimated amount of contract remaining to be executed on capital account and not provided for (Net of mobilisation advance).	283,799	405,125
23.	Contingent Liabilities in respect of :		
a)	Claims against the Company not acknowledged as debts		
i)	Disputed Sales Tax Liability for which the Company has preferred an appeal with Additional Commissioner of Sales Tax in relation with demand of Sales Tax on "slump sale" for the sale of 2 properties in 2002-03 i.e. Centaur Hotel Mumbai Airport & Centaur Hotel Juhu Beach against which Company has paid Rs 55 lakhs (previous year Rs 78 lakhs) under protest.	85,455,094	126,420,087
ii)	Claims of Luxury Tax authorities, for financial year 2000-01 and 2002-03 for which the Company has preferred an appeal with Additional Commissioner of Sales Tax against which Company has paid Rs.70.71 lakhs (previous year Rs. 52.27 lakhs) under protest.	22,891,000	32,008,000
iii)	Claim of excise duty for which the Company has preferred an appeal.	19,728,246	19,728,246
iv)	During the year, the Company has paid Rs 1.22 crores under the Amnesty Scheme 2016-17 towards property tax for premises at Delhi which is subject to final adjudication / further order from Hon'ble High Court of Delhi.	-	75,873,895
v)	Counter Claim of Rs. 2.36 crores by M/s Sahara Hospitality Ltd. (formerly known as M/s Batra Hospitality Pvt. Ltd.), the buyer of Centaur Hotel Mumbai Airport, towards Net Current Assets which was disputed by the Company, as the Net Current Assets and other obligations of the buyer were to be settled in terms of the Agreement to Sell dated 18.4.2002. In the prior years, the Hon'ble Arbitral Tribunal published their award under which the buyer had to finally pay an amount of Rs 1.88 crores and interest thereon along with legal costs of Rs 0.40 crores. The Company has recorded an amount of Rs 1.88 crores in the books of Accounts. The buyers preferred an appeal in the Hon'ble High Court of Bombay against the award. The Hon'ble High Court has set aside the Arbitration Award. This has been challenged by the Company before the Divisional Bench of the Hon'ble High Court of Bombay which has been admitted and is pending for hearing .(Refer Note no. 25).	23,567,000	23,567,000
vi)	The Management Contract Agreement executed on 15.9.2010 with M/s B.D.&P Hotels (India) Pvt Limited and an interest free Security Deposit of Rs.10 crores and proportionate Minimum Guaranteed Amount of Rs 1.08 crores was deposited by the party. However, before the hotel could be handed over under Management Contract, instructions were received from the Ministry of Civil Aviation as per the Committee of Secretaries , Government of India, that the J&K State Government had indicated that since the land was leased to the Company by J&K Government, the Management Contract was not feasible. Hence, after approval of the Board of Directors,	5,400,000	5,400,000

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	Management Contract Agreement was terminated effective 26.09.2011 and the Security deposit and Minimum Guaranteed amount were returned to the party. Thereafter, party filed a writ in the High Court of Bombay for invoking arbitration. The Hon'ble High Court granted the appeal of the party and sole arbitrator was appointed. The party challenged the termination of the Agreement and claimed Rs 341 crores plus 18% interest from the Company, The Arbitration Award was received on 14th August 2015 directing HCI to hand over the property to the party along with legal cost of Rs 54 lakhs, which has been challenged by the Company in the Hon'ble High Court of Bombay. The same has been admitted and pending for hearing.		
vii)	The Company had entered into an Agreement with M/s. N S Associates for renovation of guest rooms together with connected shafts and corridors at Centaur Hotel, Delhi Airport. Certain disputes and differences arose with the said Party and the final bill was not settled. Accordingly, the party invoked arbitration clause claiming an amount of Rs 7.88 crores and interest thereon @ 15%. Hearings are in progress.	78,779,081	78,779,081
viii)	Other	50,621,000	50,621,000
b)	Awards that have gone against the Company for which appeals are preferred and pending disposal.	1,062,000	1,062,000
c)	Guarantees given to Customs Authorities	300,000	300,000
d)	Claims made by Provident Fund Authorities:		
i)	The Employees' Provident Fund Organization (EPF) had raised demands for interest/ damages for belated payments made by Centaur Delhi during the period April, 2008 to December, 2012 and by Chefair Delhi for the period April, 2009 to March, 2014 respectively aggregating to Rs. 118.91 lakhs as interest and Rs.240.26 lakhs as damages. During the earlier year, the Company had made a provision for interest of Rs 118.91 lakhs. The Company had filed an appeal with the High Court of Delhi for waiver of damages Rs 187.27 lakhs. The High Court directed the Company to pay Rs 187.27 lakhs and accordingly it has done so during the year, which is presented as an Exceptional Item in the Accounts. As regards the balance of Rs 52.98 lakhs, the Company has, based on the High Court directive, as stated above, considered it prudent to provide for the same as an Exceptional Item during the year.	-	24,025,960
ii)	During the previous year, the Employees' Provident Fund Organization raised demands for interest/ damages for belated payments made by Centaur Delhi during the period January 2014 to March 2016 and by Chefair Delhi for the period March, 2014 to December 2015 respectively aggregating to Rs. 69.90 lakhs as interest and Rs.133.39 lakhs as damages. During the previous year, the Company has made a provision for interest of Rs 69.90 lakhs. The Company had filed appeals with the PF Tribunal for waiver of	-	13,338,801

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	damages. During the year, the Company has, based on the High Court directive as stated in i) above, considered it prudent to provide for the said damages amounting to Rs. 133.39 lakhs as an Exceptional Item in the Accounts.		
e)	Claims made by employees	Amount unascertainable	Amount unascertainable
24.	Subsequent to the sale of Centaur Hotel Juhu Beach in 2002, Govt. of Maharashtra claimed an amount of Rs 4.48 crores from M/s V. Hotels and from the Company for premium payable on the transfer of 1810 sq.mtr of land attached to the hotel property which was on lease from the State Govt. and is to be kept open to sky - to be used only as garden. The same was disputed by the Company before the Revenue Minister, Government of Maharashtra. The Order of the State Government dated 1.6.2014 has directed M/s V. Hotels to make payment of the said premium which has been challenged by them in the Bombay High Court.	44,802,450	44,802,450
25.	During 2002-03, the Company accounted for Rs 2.98 crores as receivable from M/s Sahara Hospitality Ltd on account of Net Current Assets transferred to the respective buyers of Centaur Hotel Mumbai Airport. The buyers M/s Sahara Hospitality Ltd. disputed the same. Based on the Arbitration award the amount receivable from M/s Sahara Hospitality Ltd. is Rs 1.88 crores plus legal costs Rs 0.40 crores. The accounts have been suitably adjusted to the extent of award amount of Rs 1.88 crores in the earlier year. Against the said Award, the buyers preferred an appeal in the High Court of Bombay. In July 2015 the Company has received order from High Court which is in favour of the buyer, which has been challenged by the Company before the Division Bench of the Hon'ble High Court of Bombay. In the opinion of the Management, the amount receivable from M/s Sahara Hospitality Ltd Rs 1.88 crores are considered good for recovery and the shortfall, if any, will be adjusted in the year in which finality is reached based on the award of the High Court of Bombay. (Refer note no. 23 (a) (v) relating to Counter Claim of Rs 2.36 crores by M/s Sahara Hospitality Limited).	18,848,920	18,848,920
26.	Other Advances receivable Rs.108.30 lakhs (previous year Rs 114.55 lakhs) includes Rs. 38.42 lakhs due from AAI for the period from 1986-87 to 2005-06 and Rs. 9.54 lakhs due from MIAL for the period from 2006-07 to 2009-10 . The Company is of the view that the above sum is good for recovery and hence no provision is required in respect thereof.	4,796,500	4,796,500
27.	The matters relating to cost of construction of Centaur Lake View Hotel Srinagar and the cost sharing arrangement between the hotel and Sher e Kashmir Convention Centre (SKICC) between the Company and Government of Jammu & Kashmir (J&K) had been agreed by both the parties in a joint meeting held on 15 October 2004 and all the matters of divergent views were settled.		
a)	Cost Sharing Arrangement Amount receivable from J & K government in respect of cost sharing arrangements with SKICC is Rs . 982 lakhs.		

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
b)	The amount payable to J & K government on account of joint construction is Rs 396.76 lakhs, lease premium Rs. 27.09 lakhs and lease rent Rs. 26.17 lakhs aggregating to Rs. 450.02 lakhs and amount receivable on account of joint construction is Rs. 417.76 lakhs. These balances are subject to reconciliation and confirmation. Adjustment, if any will be accounted in the year in which finality is reached.		
28.	Lease rentals and Turnover levy :		
a)	During the year, in accordance with past practice, provision has been made in the Statement of Profit and Loss for lease rentals at the rate of Rs.163/- per sq m and turnover levy payable @2% of annual turnover payable to :		
i)	Mumbai International Airport Ltd (MIAL) for Chefair Flight Catering Mumbai.	5,928,464	5,902,688
ii)	Delhi International Airport Ltd (DIAL) for Centaur Hotel Delhi Airport & Chefair Flight Catering Delhi.	15,335,250	15,268,575
b)	No provision has been made for the following:		
i)	Lease rentals and turnover levy payable to Airports Authority of India upto 2 May 2006.	202,766,494	202,766,494
ii)	Lease rental differential payable to Mumbai International Airport Ltd (MIAL) for Chefair Flight Catering Mumbai, effective 3 May 2006.	11,658,944	10,568,419
iii)	Lease rental differential payable to Delhi International Airport Ltd (DIAL) for Centaur Hotel Delhi Airport and Chefair Flight Catering Delhi, effective 3 May 2006.	60,920,776	53,134,988
c)	No provision has been made for Interest upto 31st March 2017 on amounts due to the following as per books and as per 28 b) above :		
i)	AAI	185,442,579	171,818,253
ii)	MIAL	63,146,433	52,471,600
iii)	DIAL	186,757,384	153,437,673
29.	In earlier years, Catering and Handling Revenue was accounted on provisional basis at Chefair Delhi for the period April 2011 to November 2012 aggregating to Rs. 484.27 Lakhs. The final billing has now been determined at Rs 811.93 lakhs (excluding applicable taxes). Accordingly the incremental billing of Rs 327.66 lakhs has been accounted for as Prior Period Income in the current year.		
30.	The wage agreements with workmen expired on 31.12.2006. The Unions have since submitted their Charters of Demands for the 5 year period ended 31.12.2011. Besides, the wage revision for the 5 year period 1.1.2012 onwards is also pending. Similarly, the wage revision relating to the Officers Cadre which was due on 01.01.2007 for a period of 10 years is still pending.		

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	<p>In view of the Department of Public Enterprises (DPE) guidelines applicable to Public Sector Undertakings (PSUs) no wage revision can be granted to the employees of loss making PSUs. Hence, since the Company has been incurring losses since financial year 2003-04, no provision has been made towards wage revision.</p> <p>However during the year, the Management has announced an interim relief of Rs 3,000/- per month per employee for unionised category and Rs 5,000/- per month per employee for officers effective 1.1.2017 and the same has been provided for upto 31st March 2017.</p>		
31.	<p>Chefair Delhi acquired one Hi - lift TATA Chassis at a cost of Rs10,14,395/- during the financial year 2007-08. Based on operational considerations it was transferred to Chefair Mumbai on 21st March, 2009 for customisation to meet local requirements. This process has been inordinately delayed and the Company is in the process of getting the balance work done from the contractor and hence it continues to reflect as Capital Work –in –Progress as on 31st March, 2017.</p> <p>Further, the Company has made capital advances for customisation to a contractor from time to time aggregating to Rs 12,83,799/- as on 31st March 2017.</p>		
32.	<p>The Company proposes to conduct physical verification of each fixed asset once in five years i.e. for the block period 2014-15 to 2018-19. However, since the Fixed Assets have not been physically verified during the year, and in the absence of un-reconciled records of Fixed Assets, the extent of discrepancies if any, cannot be ascertained and hence, the resultant impact of the same on the accounts will be dealt with in the year in which finality is reached.</p>		
33.	<p>The Company has not conducted an assessment as to whether there is any indication that an asset may be impaired as envisaged under Accounting Standards (AS-28) 'Impairment of Assets'. If the assessment, as and when conducted, indicates any such existence, impairment loss will be recognised in the year in which finality is reached.</p>		
34.	<p>Depreciation:</p> <p>The opening balance of Fixed Assets as on 1st April, 2016 is subject to ascertainment of discrepancies in relation to:</p> <ol style="list-style-type: none"> a) Updation of Fixed Assets Register b) Physical verification of Fixed Assets to be conducted (Refer note No.32) c) Impairment of Fixed Assets (Refer Note No.33) d) In the absence of actual installation date of Fixed Assets prior to 1st April, 2014 the Company has assumed 1st April of each financial year as the date of installation for all Fixed Assets during the relevant financial years. <p>The opening balance of Fixed Assets will be accordingly adjusted to the extent of discrepancies if any arising on account of the above.</p>		

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	The Company will ascertain the impact on the charge for depreciation for the year based on the revised opening balance of Fixed Assets as per notes (a), (b), (c) and (d) and consequently, the provision for depreciation will be revised suitably to comply with Schedule II, Part C of the Companies Act, 2013 .		
35.	Renovation of Hotels :		
a)	The Company had entered into an MOU with Airports Authority of India (AAI) during 2013-14 for renovation of Centaur Delhi, Chefair Delhi and Centaur Srinagar for which the Company had paid an advance of Rs 10 crores in June 2013 to AAI and which was considered as Capital Advance. During 2014-15 fixed assets aggregating to Rs.771.01 lakhs were capitalized on the basis of xerox copies of invoices received from AAI. In the absence of installation reports, the company relied on the declaration made by AAI and has adopted the date stated by AAI as the date of installation and accordingly depreciation has been computed. During the year, the Company has capitalised Rs 31.65 lakhs on the basis of statement provided by AAI in the absence of any supporting documents for the same. The balance amount of Rs. 197.34 lacs with AAI reflects as capital advance which will be used for further renovation of Centaur Delhi.		
b)	Further, the Company received a sum of Rs 12 crores, against issue of equity shares, from the Government of India during 2014-15 for renovation of Centaur Delhi, Chefair Delhi and Centaur Srinagar. Out of the above, the Company advanced a sum of Rs. 10 crores to AAI, which was considered as capital advance, against another MOU entered into for renovation of 80 guest rooms at Centaur Delhi. The said renovation works have been since completed in 2017-18. The balance Rs. 2 crores is being utilized for procurement of equipments for Chefair Delhi. Upto 2016-17, equipments aggregating to Rs 109.80 lakhs were received and capitalised. The balance amount will be utilised as and when the equipments are procured.		
c)	The Company is in the process of obtaining a confirmation for balance of capital advances as stated in a) and b) above aggregating to Rs 1197.34 lakhs due from AAI as on 31st March 2017.		
d)	The Company received a further sum of Rs.5 crores during 2015-16 against issue of equity shares from the Government of India for renovation of hotels. In April 2017, the Company has appointed a Consultant to undertake the upgradation and refurbishing of 75 guest rooms and other allied works for Centaur Srinagar.		
36.	Employee Benefits		
A	Defined Benefit Plan- Gratuity (unfunded)		
a)	Liability recognised in the Balance Sheet -Change in Benefit Obligation:		
	Present value of benefit obligation as at the beginning of the current period	300,505,357	298,481,438

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	Interest cost	23,409,367	23,848,667
	Current service cost	8,914,542	8,914,542
	Benefit paid	(49,232,093)	(42,416,087)
	Actuarial (gain)/ loss on obligations due to change in financial assumptions	10,346,149	(35,548,326)
	Actuarial (gain)/ loss on obligations due to experience	2,799,297	47,225,123
	Liability as at the end of the year	296,742,619	300,505,357
b)	Expenses Recognized in the Statement of Profit and Loss		
	Current service cost	8,914,542	8,914,542
	Net Interest cost	23,409,367	23,848,667
	Actuarial (Gain)/ Loss	13,145,446	11,676,797
	Expenses Recognized in the Statement of Profit and Loss	45,469,355	44,440,006
c)	Balance Sheet Reconciliation:		
	Opening net liability	300,505,357	298,481,438
	Expense recognised in Statement of Profit or Loss	45,469,355	44,440,006
	Benefit paid	(49,232,093)	(42,416,087)
	Net Liability Recognized in the Balance Sheet	296,742,619	300,505,357
d)	Assumptions:		
	Discount rate	6.81%	7.79%
	Salary escalation rate	5.00%	5.00%
	Attrition rate	2.00%	2.00%

B The Company has introduced New Medical Benefit Scheme (Retired Employee Reimbursement Scheme) for those employees who superannuate as on 1st March, 2014 and thereafter. The Said Scheme is voluntary and contributory. Eligible employees are required to make a onetime non refundable contribution as per the said Scheme. Accordingly, the company has received an aggregate contribution of Rs. 64.10 lakhs (previous year Rs 50.80 lakhs) from 249 (previous year 208) retired employees upto 31st March, 2017 which is accounted as a Current Liability.

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	The company has not obtained an actuarial valuation of the liability under the scheme in order to comply with provisions of Accounting Standard 15 (AS-15) "Employees Benefits" and hence to that extent it has not complied with the provisions of AS-15.		
37.	Segment information is provided in Annexure "I" as per AS 17 "Segment Reporting" under Rule 7 of the Companies (Accounting) Rules, 2014.		
38.	Related Party Disclosure:		
	Disclosures of Related Party Transactions as per AS-18 "Related Party Disclosure" is as given below except those with State Controlled Enterprise which are not required to be disclosed as per clause 9 of the Standard.		
a)	Related Party Relationships		
i)	Holding Company		
	Air India Limited		
ii)	Person having significant influence		
	President of India (through his representative)		
iii)	Key Managerial Personnel & Relatives		
	Pankaj Kumar - Managing Director		
	T.C.Dalal - Chief Financial Officer - w.e.f. 11.2.2015		
	Shyamala Kunder - Company Secretary		
b)	Related Party Transactions.		
i)	<u>Remuneration paid to Key Managerial Personnel</u>		
	T.C.Dalal - Chief Financial Officer - wef 11.2.2015		
	Remuneration	796,540	1,107,789
	Retirement dues	2,086,065	-
ii)	<u>Sales during the year:</u>		
	Holding Company -Air India Limited	429,298,757	354,812,312
iii)	<u>Finance Cost for the year</u>		
	Holding Company -Air India Limited	121,377,549	190,616,791
iv)	<u>SAP Maintenance cost for the year</u>		
	Holding Company -Air India Limited	14,037,231	6,746,618

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
v)	<u>Loan received during the year</u>		
	Holding Company -Air India Limited	446,000,000	399,700,000
vi)	<u>Advance against Share Capital</u>		
	Holding Company -Air India Limited	-	700,000,000
	President of India (through his representative)	-	50,000,000
vii)	<u>Closing Balance:</u> <u>Holding Company -Air India Limited</u>		
	Trade Receivable	317,487,849	264,267,176
	Due to Air India	1,891,488,727	1,436,331,182
	Other Receivable	22,884,934	93,729,772
	Advance against Share Capital	-	700,000,000
	<u>President of India (through his representatives)</u>		
	Advance against Share Capital	-	50,000,000
	Note : The Related Parties have been identified by the Company and relied upon by the auditors.		
39.	Minimum lease payments payable under Operating lease agreement are as under: (Accounting Standard 19 – Leases).		
	Not later than one year	91,016	91,016
	Later than 1 year and not later than 5 years	364,064	364,064
	Later than 5 years	5,379,918	5,470,934
40.	In accordance with Accounting Standard 22 on "Accounting for Tax on Income" (AS - 22) as prescribed under Section 133 of Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, Deferred Tax Assets consist of substantial amounts of carry forward losses and unabsorbed depreciation under the Income Tax Act, 1961. However, since the availability of sufficient future taxable income against which the said benefits can be set off is not possible to be ascertained with virtual certainty, the Deferred Tax Assets have not been recognized as a measure of abundant caution.		
41.	Earnings per share:		
a)	Loss for the year	(542,705,613)	(577,567,012)
b)	Weighted Average No. of Equity Shares	12,266,849	6,023,288
c)	Nominal value per equity share (Rs.)	100	100

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	d) Basic and Diluted EPS (Rs.) per share	(44.24)	(95.89)
42.	During the financial year 2012-13, the Luxury Tax authority froze seven bank accounts on 15th February 2013 due to non payment of Luxury Tax in relation to Centaur Delhi and these accounts continued to be frozen as on 31st March 2017. The authorities continued to appropriate all the deposits aggregating to Rs. 527 lakhs (previous year Rs 444 lakhs) upto 31st March, 2017 (Including Rs. 83.09 lakhs (previous year Rs125.26 lakhs) for the year) in these bank accounts towards dues on account of Luxury Tax. According to the books, the liability of Centaur Delhi after appropriation, as stated above, as on 31st March 2017 is Rs 213.20 lakhs (previous year Rs.305.18 lakhs).		
43.	The names of the Micro, Small and Medium Enterprises suppliers defined under "The Micro Small and Medium Enterprises Development Act 2006" are being identified and compiled, as the necessary evidence is not in the ready possession of the Company.		
44.	Airports Authority of India (AAI) had executed lease deed with the Company for Delhi property admeasuring 45000 sq. mts. on 21.3.2002 for a period of 30 years effective 1.4.2002 to 31.3.2032. AAI served a 12 month notice dated 8.11.2016 on Centaur Delhi and Chefair Delhi for early determination of lease effective November 2017 as the land was required by them for airside development work namely apron, night parking stand etc. The matter was taken up by the Company with AAI on 23.11.2016 and with Ministry on 27.12.2016 seeking intervention for extension upto 2019. AAI vide their letter dated 1.5.2017 stated that the notice period stands extended upto 31.3.2019 instead of 7.11.2017.		
45.	Confirmation of balances: The Company has not sought confirmation of balances in respect of Trade Receivables, Trade Payables, Loans and Advances, Deposits and Other Liabilities as on 31st March, 2017. Accordingly, such accounts reflect the balances as per their respective ledger accounts and are subject to confirmation, and adjustments, if any on reconciliation of accounts. Since the extent to which these balances are subject to confirmation is not ascertainable, the resultant impact of the same on the accounts cannot be ascertained. The difference , if any, will be adjusted in the accounts as and when reconciliation is completed.		
46.	Sundry Debtors includes :		
a)	Dues from Related Party [Holding Company - Air India Limited] Rs. 31.75 crores (previous year Rs. 26.43 crores) which is subject to reconciliation and confirmation. The difference, if any, will be adjusted in the year in which finality is reached.	317,487,849	264,267,176
b)	Dues from M/s Caribjet Rs. 50.63 lakhs (previous year Rs 50.63 lakhs) . As per the order of the City Civil Cour Bombay dated 11.4.2017 the suit is decreed in favour of the Company for principal amount of Rs 36.78 lakhs plus 9% interest per annum from November 1997 till the date of realisation. The Company is following up with the Court for realisation of	5,063,067	5,063,067

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
	principal and interest. The balance interest would be accounted in the year of receipt.		
47.	The Company is in the process of ascertaining the period for which it has not filed statutory returns relating to Luxury Tax, Service Tax and Works Contract Tax in respect of Centaur Delhi and Chefair Delhi. The liability on account of non-compliance will be ascertained and recognised in due course as and when the liability crystallises.	Amount unascertainable	Amount unascertainable
48.	At Centaur Delhi, compliance in respect of Tax deduction at Source (contractors and professionals) and Works Contract Tax has been done at the time of payment. Consequently, interest and penalty, if any, will be accounted for as and when the liability arises.		
49.	Provident Fund, Employees State Insurance, Luxury Tax, Value Added Tax, Works Contract Tax and Service Tax overdue for more than 6 months as on 31st March 2017. Interest /penalty/ damages payable, if any, on these overdues will be accounted for in the year in which the liability is ascertained.	47,565,853	54,493,872
50.	In the opinion of the Company, the Current Assets and Loans and Advances are approximately of the value stated if realised in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.		
51.	The company is still in the process of :		
	a) Streamlining the inventory reporting system in terms of generation of reports towards movement of item-wise store records and configuring of the stores ledger. Efforts are also being made to ensure that, at the year end consumption as per the stores records is fully reconciled with the financial records and adjustments are duly accounted for. Hence the Company is unable to identify discrepancies, if any, between the book stock and physical stock.		
	b) Instituting a maker checker process in order that a system of checks and balances is in place to prevent revenue leakage through Purchase and misuse and to ensure proper control over the Procurement and Consumption Cycles.		
52.	The Company is still in the process of :		
	a) Strengthening the internal audit process so as to ensure adequate coverage of all the areas and ensure effective internal controls at all units of the Company		
	b) Reviewing the frequency of verification of cash, cheques, drafts etc., in hand through internal audit/officers other than cashiers.		
	c) Laying down Standard Operating Procedures with regard to timely accounting of all transactions to ensure that proper books of accounts are maintained.		

(Amount in Rupees)

S.No	Particulars	2016-17	2015-16
53.	Going Concern :		
	The company has been facing severe liquidity crunch due to various factors like operational losses and its financial and operating performance has been affected in recent years due to a number of external and internal factors. However, the Company has prepared its accounts on a "going concern" basis in view of the following:		
	Various initiatives have been taken by the management for improving the operational performance of the company and increasing the revenues leading to improved financial performance / Net Worth such as:		
	a) Equity infusion of Rs 27 crores upto 31 st March 2017 by Government of India.		
	b) The renovation of 80 guest rooms and other allied works at Centaur Delhi has been completed in the quarter ended June 2017 which augmented the revenue.		
	c) The Company has appointed a consultant for upgradation and refurbishment of 75 guest rooms and allied works at Centaur Srinagar		
	d) The holding company Air India Limited converted Rs 70 crores of advance to the Company into Share Capital.		
	e) The Company had reduced the retirement age for its employees from 60 to 58		
54	During the year, the Company has issued 5,00,000 equity shares of Rs 100/- each to Government of India. Due to delay in obtaining certain administrative approvals, there was a delay in allotment of shares resulting in non compliance with sub section 6 of section 42 of the Companies Act 2013. However, the Company has not provided for interest amounting to Rs 21.86 lakhs for the said delay.		
55	Previous year figures have been regrouped wherever necessary in order to conform to those of the current year.		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of
M.A.PARIKH & CO.
Chartered Accountants
FRN : 107556W

Sd/-
Mukul Patel
Partner
M.No. 032489

Place : Mumbai
Date : 6 October 2017

For and on behalf of the Board

Sd/-
Rajiv Bansal
Chairman

Sd/-
Thrity C. Dalal
Chief Financial Officer

Place : New Delhi
Date : 29 September 2017

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary

Hotel Corporation of India Ltd.

Segmentwise Reporting for the year 2016-17

A. PRIMARY BUSINESS SEGMENT :

Particulars	Hotels	Flight Kitchens	Others	Total
1. SEGMENT REVENUE	203,148,409 (221,178,019)	306,910,256 (252,132,943)	10,553,930 (1,817,934)	520,612,595 (475,128,896)
2. SEGMENT RESULT LOSS Loss before Interest, Exceptional and Extraordinary Items	278,827,955 (216,569,099)	170,674,064 (151,915,321)	(11,138,763) 1,815,934	438,363,256 (366,668,486)
Finance Cost	82,988,854 (110,028,978)	51,677,997 (93,795,909)	-	134,666,851 (203,824,888)
Exceptional Items (Net)	-	-	-	-
Prior Period Adjustments (Net)	165,170 (714,715)	(31,074,497) (6,358,924)	584,833 -	(30,324,494) (7,073,639)
Extraordinary Items	-	-	-	-
Loss after Interest, Exceptional and Extraordinary Items	361,981,979 (327,312,792)	191,277,564 (252,070,154)	-10,553,930 1,815,934	542,705,613 (577,567,012)
3. SEGMENT ASSETS	512,574,004 (582,603,397)	388,158,996 (350,996,342)	388,552,609 (397,746,568)	1,289,285,609 (1,331,346,307)
4. SEGMENT LIABILITIES	625,336,880 (617,909,046)	420,540,293 (392,718,069)	1,908,672,410 (1,443,277,553)	2,954,549,583 (2,453,904,669)
5. CAPITAL EMPLOYED	(112,762,876) (35,305,649)	(32,381,297) (41,721,727)	(1,520,119,801) (1,045,530,985)	(1,665,263,974) (1,122,558,360)
6. TOTAL CAPITAL EXPENDITURE	3,985,081 (652,966)	13,101,534 (4,247,076)	4,600 -	17,091,215 (4,900,042)
Figures in brackets relate to previous year.				

B. GEOGRAPHICAL SEGMENT :

The Company provides services within India and hence, does not have any operations in economic environments with different risks and returns. Hence, it is considered that the Company is operating in a single geographical segment.