



HOTEL CORPORATION OF INDIA LIMITED

**CONTENTS**

| | Page No. |
|--|-----------------|
| 1. Board of Directors | 1 |
| 2. Chairman's Message | 2 |
| 3. Directors' Report | 6 |
| 4. Comments of the Comptroller & Auditor General of India | 33 |
| 5. Independent Auditors' Report | 35 |
| 6. Balance Sheet as at 31 March 2016 | 46 |
| 7. Statement of Profit & Loss for the year ended 31 March 2016 | 47 |
| 8. Cash Flow Statement | 48 |
| 9. Notes forming part of the Financial Statements for the year ended 31 March 2016 | 49 |



BOARD OF DIRECTORS (as on 29 DECEMBER 2016)

Shri Ashwani Lohani

Chairman

Shri Pankaj Kumar

Managing Director

Shri Vinod Hejmadi

Smt. Gargi Kaul

Shri B S Bhullar

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 45th Annual Report of the Company for the year 2015-16.

PERFORMANCE OF THE COMPANY

The over-view of the performance of the Company for the year 2015-16 was as follows :

- During the year, the total revenue has decreased to Rs.4751.82 lakhs as against Rs.5285.88 lakhs in the previous year, a decrease of Rs.534.05 lakhs (10%) over 2014-15. This has mainly on account of decrease in the revenue of Centaur Delhi by Rs.532.20 lakhs.
- The total Operating Expenditure has reduced to Rs.8178.20 lakhs, i.e. by Rs.241.75 lakhs over previous year mainly on account of staff cost by Rs.212.54 lakhs, Fuel Cost by Rs.84.95 lakhs and Maintenance by Rs.68.76 lakhs but offset by increase in Food & Beverage cost by Rs.198.77 lakhs.
- In view of the above, the Gross Operating Loss has increased to Rs.3426.38 lakhs as against Rs.3134.07 lakhs during the previous year.
- Interest of Rs.2038.25 lakhs (previous year Rs.1245.52 lakhs) has been charged to the P&L account, mainly on account of reimbursement of finance costs to Air India on borrowings for operational requirements.
- Depreciation for the year has decreased from Rs.545.34 lakhs in the previous year to Rs.239.52 lakhs in the current year mainly due to implementation of revised depreciation rates based on useful life of assets as per Companies Act 2013 in the previous year.
- The Net Loss after extraordinary items, exceptional items and prior period adjustments was Rs.5775.67 lakhs as against Rs.5045.91 lakhs during the previous year.

HOTEL INDUSTRY SCENARIO

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

Market Size

India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism. During the period between 2010-15, total outbound trips increased by 8.7 per cent to 19.9 million and inbound tourist volume grew at a Compound Annual Growth Rate (CAGR) of 6.8 per cent.

Foreign Tourist Arrivals (FTAs) in India increased by 11.8 per cent year-on-year to 670,000 tourists in August 2016, while Foreign Exchange Earnings (FEEs) from tourism increased by 13.1 per cent year-on-year to Rs.12,903 crore (US\$ 1.92 billion), according to data from the Ministry of Tourism.

Tourist arrivals in India on e-Tourist Visa (e-TV) grew by 196.6 per cent year-on-year to 66,097 tourists in August 2016, attributable to the introduction of e-TV for 150 countries as against the earlier coverage of 113 countries, according to data from the Ministry of Tourism.



Online hotel bookings in India are expected to double by 2017 due to the increasing penetration of the internet and smart phones.

Government Initiatives

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. 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:

- Government of India plans to cover 150 countries under e-visa scheme by the end of the year besides opening an airport in the NCR region in order to ease the pressure on Delhi airport.
- The Ministry of Tourism plans to revise its guidelines to exempt home stays from service tax or commercial levies and make their licensing process online, which is expected to encourage people to offer home stays to tourists.
- The Union Cabinet has approved the signing of Memorandum of Understanding between the Ministry of Tourism of India and the Ministry of Trade Industry and Tourism of Colombia in order to boost cooperation in the field of tourism between the two countries.
- The Heritage City Development and Augmentation Yojana (HRIDAY) action plans for eight missions cities including Varanasi, Mathura, Ajmer, Dwaraka, Badami, Vellankini, Warangal and Amaravati have been approved by HRIDAY National Empowered Committee for a total cost of Rs. 431 crore (US\$ 64.27 million).
- Under 'Project Mausam' the Government of India has proposed to establish cross cultural linkages and to revive historic maritime cultural and economic ties with 39 Indian Ocean countries.
- 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.

CHALLENGES FACED BY THE COMPANY

Subsequent to the disinvestment of three out of six units of the Company, 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), viz., one at Air India Building, Mumbai and another one at GSD Complex at T3, New Delhi.

- The business in the remaining 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, lower revenue, which consequently resulted 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 international five star properties/flight kitchen 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 lead to a vicious circle of low revenue, no upgradation, low market share and further resulting in to 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.

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. The Management of the Company along with the support of the Government of India (GOI) is committed to achieve the complete revival of the company by putting in place a Business Plan. 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 has been provided as Equity Infusion against which 27,00,000 Equity Shares of Rs.100/- each were issued to the Government of India (GoI). Since the fund was provided by the GoI 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), the renovation work is under process.

- **Centaur Hotel Delhi Airport (CHDA) including Chefair Flight Catering, Delhi (CFCD) :**

Out of the total funds provided by the Central Government, Rs.16.60 crores was sanctioned for these units. As per the direction of the Board, Airports Authority of India (AAI) being a PSU has been assigned the job of renovation of these units and the status is as under :

- **Centaur Hotel Delhi Airport**

Renovation work of 80 guest rooms is under progress. The renovation work has been taken up with AAI for speedy completion which is expected to be completed by the end of February 2017.

- **Chefair Flight Catering, Delhi**

The Hi-lifts have been transported to Mumbai for conversion to CNG and get them registered at Mumbai for operational use since the registration of new heavy diesel vehicle has been banned in Delhi through an order of Supreme Court till further order.

- **Centaur Lake View Hotel, Srinagar**

Pending Water proofing work have been taken up with AAI. Due to the prevailing unrest in the valley, renovation work and appointment of Consultant for upgradation of 80 guest rooms from the sanctioned amount of Rs.5 crores got further delayed and is under process.

- **Chefair Flight Catering Mumbai**

Inspite of assured catering business of 30% by Air India, business could not be augmented further as the unit could not be upgraded due to shortage of funds. Air India has offered additional flights amounting to increase in number of flights catered from 3360 in the year 2014-15 to 4392 in the year 2015-16.



- **Dining Facilities Centre, Nariman Point, Mumbai (DFC)**

Since various floors of Air India Building have been let out to various Government agencies on lease, those tenants are catered to on request and additional income is being generated.

With all these initiation, Company was expected to generate enough income to meet the expenses going forward.

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/-
(Ashwani Lohani)

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Forty Fifth Annual Report and the Audited Accounts for the year ended 31st March 2016

REVIEW OF FINANCIAL PERFORMANCE :**(Rupees in Lakhs)**

| PARTICULARS | 2015-16 | 2014-15 | Variance |
|---|------------------|----------------|-----------------|
| TOTAL REVENUE | 4751.29 | 5285.88 | (534.59) |
| TOTAL OPERATING EXPENDITURE | 8178.45 | 8419.95 | (241.49) |
| GROSS OPERATING (LOSS) | (3427.16) | (3134.07) | 293.09 |
| INTEREST | 2038.25 | 1245.52 | 792.72 |
| CASH (LOSS) (5465.41) | (4379.59) | 1085.82 | |
| DEPRECIATION | 239.52 | 545.34 | (305.82) |
| NET (LOSS) BEFORE EXTRA ORDINARY ITEMS | (5704.93) | (4924.93) | 780.00 |
| PRIOR PERIOD ADJUSTMENTS | 70.74 | (121.74) | 192.48 |
| EXTRA ORDINARY ITEMS | - | 200.00 | (200.00) |
| EXCEPTIONAL ITEMS | - | 42.72 | (42.72) |
| NET (LOSS) AFTER EXTRA ORDINARY ITEMS BUT BEFORE TAX | (5775.67) | (5045.91) | 729.76 |

OTHER FINANCIAL INFORMATION**SHARE CAPITAL :**

As on 31 March 2016, the Authorised Share Capital of the Company was Rs.100,00,00,000/- (Rupees One hundred crores) divided into 100,00,000 shares of Rs.100/- each.

As on 31 March 2016, the Paid-up Share Capital of the Company was Rs.62,60,00,000/- (Rupees Sixty Two Crores sixty lakhs) divided into 62,60,000 shares of Rs.100/- each which are held as follows :

- Rs.40,60,00,000 (Rupees Forty Crore sixty lakhs) divided into 40,60,000 shares of Rs.100 each held by Air India Limited being the Holding Company.
- Rs.22,00,00,000/- (Rupees Twenty two crore) divided into 22,00,000 shares of Rs.100/- each held by the Central Government in the name of the President of India.

CHANGES IN SHARE CAPITAL, IF ANY

Subsequently, with the approval of the Board of Air India Limited, Rs.70 Crores loan out of total amount loan of Rs.145 crores due to Air India was converted into Equity in the Company. In order to facilitate the same, the Authorised Share Capital of the Company was increased from Rs.100 crores (Rupees One Hundred Crores) to Rs.150 crores (Rupees One hundred and fifty crores) divided into 150,00,000 shares of Rs.100/- each with the approval of the Shareholders on 20 May 2016. Subsequently, with the approval of the Shareholders,



preferential allotment of Equity shares of 70,00,000 of Rs.100/- each was made to Air India Limited by the Board on 6 June 2016.

Accordingly, the Paid-up Share Capital of the Company has increased to Rs.132,60,00,000 (Rupees One hundred and thirty two crores sixty lakhs) in June 2016. Out of which Air India holds Paid up Share Capital to the value of Rs.110.60 crores.

ANNUAL PLAN OUTLAY 2015-16

The Government had approved Annual Plan Outlay of Rs.5.10 crores for the financial year 2015-16 out of which Rs.5 crores was received.

FOREIGN TOURS

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

INDUSTRIAL RELATIONS

Personnel

As on 31 March 2016 the Company had on its payroll a total of 925 employees as against 1008 as on 31 March 2015, 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

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 and 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 2016

| 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 |
|------------------------|---------------------------|-------------------|---------------------------|-------------------|----------------------------|--------------------|
| 923 | 238 | 25.79 | 60 | 6.50 | 63 | 6.83 |

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 earning during the year were Nil as against Rs.2.78 lakhs in the previous year. The outgo of Foreign Exchange during the year was 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 2015-16, 70 Requests/Appeals were received, out of which 58 Requests/Appeals have been disposed off, 5 were rejected and 07 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 2015-16 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 2015-16 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 | 12 June 2015 | 5 | 5 |
| 2 | 28 September 2015 | 5 | 5 |
| 3 | 28 December 2015 | 5 | 5 |
| 4 | 21 March 2016 | 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 the 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. M. A. Parikh & Co, Chartered Accountants, Statutory Auditors of the Company, who will retire at the forthcoming Annual General Meeting of the Company, have been appointed as the sole auditors of the Company for the financial year 2016-17 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 has appointed M/s Vijay Sonone & Company, Practicing Company Secretary, Mumbai, to conduct Secretarial Audit for the financial year 2015-16.

The Secretarial Audit Report for the financial year ended 31 March 2016 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. 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> |
| 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 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 :

| S.No | Name | Designation | Date of appointment |
|------|-----------------------|-------------------|---------------------|
| 1 | Smt. Thrity C Dalal | CFO | 9 February 2015 |
| 2 | 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 between 2016-17.

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 2016 is 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

(ASHWANI LOHANI)
CHAIRMAN

Date : 12 December 2016
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.1274.36 lakhs as compared to Rs.1806.56 lakhs in the previous year, a decrease of Rs.532.20 lakhs over the previous year mainly on account of reduction in the number of room nights sold from 35943 in the previous year to 26027 and reduction in ARR from Rs.4009 in the previous year to Rs.3304 in 2015-16.
- The Total Expenditure is Rs.2701.27 lakhs, as against Rs.3068.95 lakhs in the previous year, a reduction of Rs.367.68 lakhs.
- As a result, the Unit made an Operating Loss of Rs.1426.92 lakhs as compared to Rs.1262.39 lakhs in the previous year.
- After providing for Interest and Depreciation, the Unit made a Net Loss of Rs.2384.40 lakhs as compared to Rs.2054.40 lakhs in the previous year.
- After considering extra-ordinary items and prior period adjustments, the unit has incurred a Net Loss of Rs.2392.37 lakhs as against Rs.2118.50 lakhs in the previous year.

Centaur Lake View Hotel, Srinagar

- The Unit earned a Revenue of Rs.937.42 lakhs as compared to Rs.888.10 lakhs in the previous year, i.e. an increase of 6% over the previous year mainly due to increase in the ARR from Rs.1762 in 2014-15 to Rs.2187 in 2015-16 in spite of reduction in number of room nights sold from 35566 in the previous year to 28764 in 2015-16.
- The Total Expenditure is Rs.1490.42 lakhs as against Rs.1453.36 lakhs in the previous year, an increase of Rs.37.06 lakhs.
- As a result, the Unit made an Operating Loss of Rs.553 lakhs as against Rs.565.26 lakhs in the previous year.
- After providing for Interest and Depreciation, the Unit incurred a Net Loss of Rs.881.58 lakhs as compared to Rs.806.77 lakhs in the previous year.
- After considering prior period adjustments, the unit has incurred a Net Loss of Rs.880.76 lakhs as against Rs.808.83 lakhs in the previous year.

Chefair Flight Catering, Mumbai

- The Unit earned Revenue of Rs.1112.63 lakhs as compared to Rs.1001.33 lakhs in the previous year, i.e. an increase of 11% over the previous year mainly due to increase in number of flights catered from 3360 in 2014-15 to 4392 in 2015-16.
- The Total Expenditure is marginally lower at Rs.2048.09 lakhs as against Rs.2093.98 lakhs in the previous year.



- As a result, the Unit made an Operating Loss of Rs.935.45 lakhs as against Rs.1092.65 lakhs in the previous year.
- After providing for Interest and Depreciation, the Unit incurred a Net Loss of Rs.1446.47 lakhs as compared to Rs.1549.81 lakhs in the previous year.
- After considering Prior Period adjustments, the unit has incurred a Net Loss of Rs.1472.56 lakhs as against Rs.1548.38 lakhs in the previous year.

Chefair Flight Catering, Delhi

- The Unit earned Revenue of Rs.575.54 lakhs as compared to Rs.305.99 lakhs in the previous year i.e an increase of 88% mainly on account of increase in number of flights catered from 1825 in 2014-15 to 2270 in 2015-16.
- The Total Expenditure is Rs.1241.41 lakhs as against Rs.863.24 lakhs in the previous year.
- As a result, the Unit made an Operating Loss of Rs.665.86 lakhs as against Rs.557.25 lakhs in the previous year.
- After providing for Interest and Depreciation, the Unit incurred a Net Loss of Rs.1144.33 lakhs as against Rs.849.47 lakhs in the previous year.
- After considering Prior Period adjustments, the unit has incurred a Net Loss of Rs.1180.43 lakhs as against Rs.730.77 lakhs in the previous year.

T3 Lounge, Delhi

- The Unit, which started operations in January 2013, earned Revenue of Rs.486.63 lakhs as compared to Rs.690.64 lakhs in the previous year (30% decrease).
- The Total Expenditure is Rs.351.56 lakhs as against Rs.432.99 lakhs in the previous year.
- As a result, the Unit made an Operating Profit of Rs.135.07 lakhs as against Rs.257.64 lakhs in the previous year.
- After providing for Depreciation and Prior years adjustments, the Unit made Net Profit of Rs.132.29 lakhs as against Rs.314.55 lakhs in the previous year.

POST DISINVESTMENT ISSUES:**Centaur Hotel Mumbai Airport (CHMA):-**

An Arbitration Petition was filed by M/s Sahara Hospitality Limited, the buyer, against the Award granted in the dispute of settlement of Net Current Assets with them in the sale of CHMA. Finally on 8 May 2015 Single Judge of Hon'ble High Court at Bombay passed an Order, setting aside the Arbitral Tribunal Award dated 19 April 2011 which is challenged by the Company before the Hon'ble Division Bench of High Court at Bombay. The matter is yet to come up on regular Board for hearing.

Centaur Hotel Juhu Beach: (CHJB):-

As per the Award was granted by Director (Finance), Air India Limited, the Mediator, in the dispute with regard to the settlement of Net Current Assets, between the Company and the buyer, full and final payment has been made and dispute has been settled.

**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 2015-16, four Board Meetings were held and the Board consisted of the following members:

- | | | |
|---|---|--------------------|
| 1. Shri Rohit Nandan Chairman & Managing Director, AIL (ceased w.e.f. 31 August 2015) | - | Part-time Chairman |
| Shri Ashwani Lohani Chairman & Managing Director-AIL (appointed w.e.f. 31 August 2015) | - | Part-time Chairman |
| 2. Shri Sudhanshu Shekhar Mohanty Addl. Secretary & Financial Advisor, Ministry of Civil Aviation (ceased w.e.f. 6 May 2015) | - | Director |
| Smt. Gargi Kaul Joint. Secretary & Financial Advisor, Ministry of Civil Aviation (appointed w.e.f. 6 May 2015) | - | Director |
| 3. Shri B S Bhullar, Joint Secretary Ministry of Civil Aviation | - | Director |
| 4. Shri. S. Venkat, Director - Finance Air India Limited (ceased w.e.f. 31 October 2015) | - | Director |
| Shri Vinod Hejmadi, Director - Finance Air India Limited (appointed w.e.f. 7 December 2015) | - | Director |
| 5. Shri Pankaj Kumar, Executive Director-Sales & Marketing, Air India Limited | - | Managing Director |

During the year 2015-16, Shri Rohit Nandan ceased to be Chairman effective 31 August 2015 and Shri S Mohanty and S Venkat ceased to be Director effective 6 May 2015 and 31 October 2015 respectively.

The Board places on record its appreciation of the valuable services rendered by Shri Rohit Nandan during his tenure as the Chairman of the Company and Shri S Mohanty, and Shri S Venkat as Director on the Board.



During the year, all meetings of the Board were chaired by the Chairman and the Annual General Meeting was chaired by the Director-Finance-Air India Limited, being the representative of Air India Limited

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:

| | | |
|-------------------|---|---------------|
| 12 June 2015 | - | 230th Meeting |
| 28 September 2015 | - | 231st Meeting |
| 28 December 2015 | - | 232nd Meeting |
| 21 March 2016 | - | 233rd Meeting |

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2015-16

| 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 Rohit Nandan CMD-Air India Limited (ceased w.e.f. 31 August 2015) | Post Graduation in History & MBA from UK | 1 | <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., Director Air India SATS Airport Services Pvt Ltd., Air Mauritius Limited and Air Mauritius Holding Ltd. | In Air India <u>Ltd.</u> , <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. <u>of India Ltd.</u> , <u>Member-</u> Audit Committee In Air India <u>Charters Ltd.</u> , <u>Member-</u> Audit Committee |



| 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 (appointed w.e.f. 31 August 2015) | Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport | 3 | <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., Director Air India SATS Airport Services Pvt Ltd., Air Mauritius Limited and Air Mauritius Holding Ltd. | In Air India <u>Ltd.</u> , <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. <u>of India Ltd.</u> , <u>Member-</u> Audit Committee In Air India <u>Charters Ltd.</u> , <u>Member-</u> Audit Committee |
| Shri Pankaj Kumar | MBA | 4 | In Hotel Corp. of <u>India Ltd.</u> Managing Director | In Hotel Corp. <u>of India Ltd.</u> <u>Member-</u> Audit Committee |
| Shri S Venkat Director (Finance)- Air India Limited (ceased w.e.f 31 October 2015) | B.Com, FCA, FCWA,FCS & CPA(US) | 2 | <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., And SATS Airport Services Pvt 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. <u>of India Ltd.</u> <u>Member</u> Audit Committee, In Air India <u>Charters Ltd.</u> , <u>Member</u> Audit Committee |



| 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 Vinod Hejmadi Director (Finance)- Air India Limited (appointed w.e.f 7 December 2015) | B.Com, FCA | 2 | <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., And SATS Airport Services Pvt 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 <u>In Hotel Corp. of India Ltd.,</u> <u>Member</u> Audit Committee, <u>In Air India Charters Ltd.,</u> <u>Member</u> Audit Committee |
| Government Directors | | | | |
| Shri S Mohonty Addl Secretary & Financial Advisor, Ministry of Civil Aviation (ceased w e f 6 May 2015) | Post Graduate | NIL | <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 <u>In Hotel Corp. of India Ltd.,</u> Audit Committee |
| Smt. Gargi Kaul Joint Secretary & Financial Advisor, Ministry of Civil Aviation (ceased w.e.f. 6 May 2015) | 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 <u>In Hotel Corp. of India Ltd.,</u> Audit Committee |



| 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 B S Bhullar Jt. Secretary, Ministry of Civil Aviation | Post Graduate in Agricultural Science IAS - UP Cadre 1986 Batch | 3 | <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 <u>In Hotel Corp. of India Ltd.,</u> Audit Committee |

BOARD COMMITTEES

AUDIT COMMITTEE:

During the year 2015-16, 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 determine whether the Internal Audit function is commensurate with the size and nature of the Airlines Business and to consider any other matter as desired by the Board.



The Audit Committee met once 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:

28 December 2015 - 18th Meeting

Attendance at the Audit Committee Meetings

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

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 |
|---------------------------------------|---------------------------------|---|
| 44th Annual General Meeting | 29 December 2015 at 1100 hrs | 1 st floor, Transport Annexe Building, Air India Complex, Old Airport, Santa Cruz(E), Mumbai-400 029 |
| 44th Adjourned Annual General Meeting | 11 March 2016 at 1700 hrs | 1 st floor, Transport Annexe Building, Air India Complex, Old Airport, Santa Cruz(E), Mumbai-400 029 |
| Extra Ordinary General Meeting | 11 March 2016 at 1730 hrs | 1 st floor, Transport Annexe Building, Air India Complex, Old Airport, Santa Cruz(E), Mumbai-400 029 |

**SECRETARIAL AUDIT REPORT**FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2016

[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/statutorycompliances 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 2016 ('**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 2016 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, 1992 (up to 14th May 2015) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15th May 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and 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 respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India and made effective 1st July, 2015).



- (ii) Equity Listing Agreement and Debt Listing Agreement entered with National Stock Exchange of India Limited and BSE Limited and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective from 1st December 2015) **(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.

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) The Board of Directors of the Company have accorded their approval subject to members confirmation for increase in its Authorised Share Capital from Rs.100,00,00,000/- (Rupees One Hundred Crore) to Rs.150,00,00,000 (Rupees One Hundred Fifty Crores).
- b) The Members of the Company have authorised its Board of Directors to issue, offer and allot 12,00,000 (Twelve Lacs) Equity Shares of the face value Rs.100/- (Rupees One Hundred) each at par on a preferential basis to the Government of India and its nominees/affiliates in one or more tranches.



- c) Pursuant to the Special Resolution approved by the members the Company is in the process of change the situation of its Registered Office from the State of Maharashtra to the Union Territory of New Delhi (subject to the confirmation of the Central Government /Office of Regional Director).

Vijay Sonone & Co.,

Vijay B. Sonone
Company Secretary in Practice
FCS No: 7301
Certificate of Practice No-7991

Mumbai
6th December 2016

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.



'Appendix A'

To,
The Members,
Hotel Corporation of India Limited,
CIN-U55101MH1971GOI015217
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.

Vijay Sonone & Co.,

Vijay B. Sonone
Company Secretary in Practice
FCS No: 7301
Certificate of Practice No-7991

Mumbai
6th December 2016



Annexure - III

Annexure to Directors' Report for the year 2015-16**FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN****As on financial year ended on 31.03.2016**

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 01-04-2015] | | | | No. of Shares held at the end of the year [As on 31-03-2016] | | | | % 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 | - | 10,00,000 | 10,00,000 | 20 | - | 22,00,000 | 22,00,000 | 35 | 15 |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp. | - | 40,60,000 | 40,60,000 | 80 | - | 40,60,000 | 40,60,000 | 65 | - |
| e) Banks / FI | - | - | - | - | - | - | - | - | - |
| f) Any other | - | - | - | - | - | - | - | - | - |
| Total shareholding of Promoter (A) | | 50,60,000 | 50,60,000 | 100 | - | 62,60,000 | 62,60,000 | 100 | 15 |
| 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 01-04-2015] | | | | No. of Shares held at the end of the year [As on 31-03-2016] | | | | % 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) 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) | | 50,60,000 | 50,60,000 | - | - | 62,60,000 | 62,60,000 | 100 | - |



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 | 80% | NIL | 40,60,000 | 65% | NIL | 15 |
| 2 | President of India | 10,00,000 | 20% | NIL | 22,00,000 | 35% | NIL | 15 |

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 | 80 | 40,60,000 | 80 |
| | President of India | 10,00,000 | 20 | 10,00,000 | 20 |
| | At the end of the year | | | | |
| | Air India Limited | 40,60,000 | 65 | 40,60,000 | 65 |
| | President of India | 22,00,000 | 35 | 22,00,000 | 35 |

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 Rohit Nandan | 1 | 0 | 1 | 0 |
| 2 | Shri S Venkat | 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. **NIL-** **(In Rs Crore)**

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

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/WT/ 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 Managing, Whole Time Directors in the 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 | | ** | ** | - |
| | (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.

** 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 | - | - | - | - | - |



Annexure-IV

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 2016.

The preparation of financial statements of Hotel Corporation of India Limited for the year ended 31 March 2016 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 19 December 2016.

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 2016. 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:

COMMENT ON FINANCIAL POSITION**Balance Sheet****Equity and Liabilities****Current Liabilities****Other Current Liabilities (Note No.8) : ₹37,28,34,949/-**

As per note no. 37, the company (HCIL) has been advised by its Holding company (AIL) that the interest for the year amounting to ₹19.06 crores due on the advances amounting to ₹124.57 crores given to it by AIL does not affect tax deduction at source because the Holding company has claimed it as reimbursement of their finance costs. Accordingly, the Company has not deducted the tax at source.

However TDS on interest other than on securities is to be deducted under section 194A of Income Tax Act 1961, if interest (other than interest on securities) is paid to a resident. HCIL is liable to pay interest amounting to ₹20.97 lakh (from March 2016 to January 2017) for non-deduction of TDS u/s 201 of Income Tax Act 1961 and should have provided for the same. Non provision of the same has resulted in understatement of Other Current Liabilities and Loss for the year by ₹20.97 lakh.

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 : 17 February 2017



MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT 2013 ON SUPPLEMENTARY AUDIT OF ANNUAL ACCOUNTS OF HOTEL CORPORATION OF INDIA LIMITED, FOR THE YEAR ENDED 31st MARCH 2016

| Comments | Management's Replay |
|---|--|
| <p>COMMENT ON FINANCIAL POSITION Balance Sheet Equity and Liabilities Current Liabilities</p> <p>Other Current Liabilities (Note 8): Rs. 37,28,34,949/-</p> <p>As per note no. 37, The company (HCIL) has been advised by its holding company (AIL) that the interest for the year amounting to Rs. 19.06 crores due on the advances amounting to Rs. 124.57 crores given to it by AIL does not affect tax deduction at source because the Holding company has claimed it as reimbursement of their finance costs. Accordingly, the company has not deducted the tax at source.</p> <p>However TDS on interest other than on securities is to be deducted under section 194A of Income Tax Act 1961, if interest (other than interest on securities) is paid to a resident. HCIL is liable to pay interest amounting to Rs. 20.97 lakh (from March 2016 to January 2017) for non-deduction of TDS u/s 201 of Income Tax Act 1961 and should have provided for the same. Non provision of the same has resulted in understatement of Other Current Liabilities and Loss for the year by Rs 20.97 lakhs</p> | <p>The stand of the Company has been reflected in Note no. 37 of the accounts for the year 2015-16 :</p> <p><i>"The Company has been advised by its Holding Company that the interest for the year amounting to Rs.19.06 crores due to it on Rs.124.57 crores advanced to the Company does not attract Tax Deduction at Source because the Holding Company has claimed it as reimbursement of their finance costs. Accordingly, the Company has not deducted tax at source. However, if tax is deductible, the Company will record the liability as and when it arises."</i></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, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date, 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 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) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision 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.

Opinion

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. 38(B).*
 - b. *AS-29 “Provisions, Contingent Liabilities and Contingent Assets” regarding non provision in respect of:*
 - i *Damages claimed by Provident Fund authorities (Delhi) aggregating to Rs.373.65 lakhs as stated in Note no. 24(d);*
 - ii *Lease rentals / turnover levy and Interest on delay in payment aggregating to Rs.2664.70 lakhs and Rs.3,777.28 lakhs respectively as referred in Note no. 29;*
 - iii *Interest and penalty towards outstanding statutory dues and non filing of statutory returns as stated in Note nos. 49, 50 and 51.*
2. *In respect of non compliance with Schedule II Part C of the Act relating to depreciation as referred to in Note no. 35.*
3. *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 possible 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, 2016;*
- 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 38(B).
2. The Company has not provided for damages claimed by provident fund authorities relating to Centaur Delhi for the period April 2008 to December 2012 and Chefair Delhi for the period April 2009 to December 2012 aggregating to Rs.373.65 lakhs as referred to in Note No. 24(d)
3. During the year, provision has been made for lease rentals at the rate of Rs.163/- per sq m and turnover levy payable @2% of annual turnover aggregating to Rs.211.71 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.2,664.70 lakhs and Rs.3,777.28 lakhs respectively in relation to the period as referred to in note no 29.



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. 49)
 - b. Non deduction of Tax at Source (Contracts and Professional) and Works Contract Tax at Centaur Delhi. (Refer Note No. 50)
 - c. Unpaid statutory dues in respect of Luxury Tax, Value Added Tax, Service Tax, Provident Fund and ESI. (Refer Note No. 51)
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.
6. 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.3,328.22 lakhs
 - b. Trade Payables Rs.866.25 lakhs
 - c. Statutory dues Rs.641.88 lakhs

Despite the foregoing, these accounts have been prepared on a “Going Concern” basis as stated in Note no. 55 in view of the following:

The Management is committed to the revival of the Company through various initiatives such as:

- i. During the year the Government of India advanced (against equity to be issued) a sum of Rs.5 crore.
- ii. The Holding Company proposed to convert Rs.70 crores of its loan into Equity of the Company.
- iii. The Government of India has reduced the retirement age of employees of the Company from 60 years to 58 years.



2. Loans and Advances and Other advances receivable are considered good for recovery as referred to in Note Nos. 26 and 27.
3. Non compliance with requirement of Schedule III Part C of the Act relating to Trade Receivables as referred in Note no. 11.
4. Catering and Handling Revenue was accounted on provisional basis as referred to in Note No. 30.
5. Pending wage agreements with workmen and Officers Cadre as referred to in Note no. 31.
6. Impairment of Assets in respect of assessment of potential impairment of loss as referred to in Note no. 34.
7. 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. 47.
8. Inventory reporting system, billing backlog and Procurement cycle as referred to in Note no. 53.
9. Strengthening the internal audit processes as referred to in Note no. 54.
10. Note no. 32 relating to Capital Work in Progress.
11. Non Compliance with section 42(6) of the act to the extent of delay in issuance of shares beyond the prescribed limit of sixty days.

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, to the extent applicable.
2. 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 (Refer Note No 54(c)).
 - 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) Rules, 2014.
 - 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 "B"; 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) Rules, 2014, 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. 24(a), 24(b), 24(d), 24(e) 25, 26 and 27.
 - 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.

For M. A. Parikh & Co
Chartered Accountants
FRN : 107556W

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date: 19 December 2016

**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 2016, 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. The reconciliation of Fixed Assets Register with financial records is stated to be in progress. Since the extent to which these balances are subject to reconciliation is not ascertainable, the resultant impact if any, of the same on the accounts will be dealt with in the year in which reconciliation is completed.*
- (b) *The Company proposes to conduct physical verification of its Fixed Assets in a phased manner i.e. once in five years. However, since the Fixed Assets have not been physically verified by the Management during the year, and in the absence of proper 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 within the year in which finality is reached. (Refer Note No. 33).*
- (c) *According to the information, explanations and records provided to us the title deeds of immovable properties are held in the name of the Company.*
- 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 and discrepancies which were noticed on physical verification which were not material have been properly dealt with in the books of accounts.*
- 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. *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.*
- 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 2016 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 | 22,727 |
| Employees State Insurance Act, 1948 | 13,307 |
| Value Added Tax of Respective States | 95,937 |
| Luxury Tax Act of Respective States | 23,727,205 |
| Central Excise and Service Tax Act | 15,233,762 |
| The Income Tax Act, 1961 | 280,429 |
| Work Contract Tax Act, 1989 | 288,183 |
| Total | 39,661,550 |

- (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 | | |
| VAT | Tax | 69.50 | 2006-07 | Commissioner (Appeals) |
| | Interest | 70.37 | | |
| | Less Paid | 06.00 | | |
| | Total | 133.87 | | |



| Name of the Statute | Nature of Dues | Amount in dispute (Rs.) | Period to which the amount relates | Forum where dispute is pending |
|---------------------|----------------|-------------------------|------------------------------------|--|
| VAT | Tax | 43.84 | 2008 – 09 | Commissioner (Appeals) |
| | Interest | 24.66 | | |
| | Penalty | 43.84 | | |
| | Less Paid | 12.00 | | |
| | Total | 100.34 | | |
| VAT | Tax | 157.44 | 2011-12 | Commissioner (Appeals) |
| | Less Paid | 05.00 | | |
| | Total | 152.44 | | |
| 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 | 26.96 | | |
| | Total | 14.64 | | |
| Luxury Tax | Tax | 06.97 | 2002 – 03 | Commissioner of Sales Tax |
| | Penalty | 0.14 | | |
| | Total | 07.11 | | |
| Luxury Tax | Interest | 25.72 | 2010 – 11 | Asst. Commissioner of Luxury Tax |
| | Penalty | 2.90 | | |
| | Total | 28.62 | | |
| Luxury Tax | Interest | 88.26 | 2011-12 | Asst. Commissioner of Luxury Tax |
| | Penalty | 3.15 | | |
| | Total | 91.41 | | |
| 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 money by way of Initial Public Offer or Further Public Offer (including debt instrument) and term loans. Hence, clause 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 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 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 provision 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 the Company has made preferential allotment of shares which is in compliance with section 42 of the Act, except to the extent of delay in issuance of shares beyond the prescribed limit of sixty days as per section of 42(6) of the Act.
- 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 him and hence clause 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
FRN : 107556W

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date: 19 December 2016



ANNEXURE-B 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 2016 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 2016.

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
FRN : 107556W

Mukul Patel
Membership No. : 032489

Place: Mumbai
Date: 19 December 2016

**BALANCE SHEET AS ON 31st MARCH 2016****(Amount in Rupees)**

| Particulars | Notes | As at March 31, 2016 | As at March 31, 2015 |
|--|--------------|-----------------------------|-----------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 626,000,000 | 506,000,000 |
| Reserves and Surplus | 4 | (2,498,558,361) | (1,920,991,349) |
| | | (1,872,558,361) | (1,414,991,349) |
| Non-current liabilities | | | |
| Other long-term liabilities | 5 | 1,488,722,752 | 1,549,094,552 |
| Long-term provisions | 6 | 330,303,929 | 336,710,569 |
| | | 1,819,026,681 | 1,885,805,121 |
| Current liabilities | | | |
| Other short-term liabilities | 5 | 845,534,382 | 207,947,113 |
| Trade payables | 7 | | |
| Total outstanding dues of Micro Enterprises and Small Enterprises | | - | - |
| Total outstanding dues of other than Micro Enterprises and Small Enterprises | | 86,625,183 | 87,269,012 |
| Other current liabilities | 8 | 372,834,949 | 458,625,219 |
| Short-term provisions | 6 | 79,883,473 | 74,151,046 |
| | | 1,384,877,987 | 827,992,390 |
| TOTAL | | 1,331,346,307 | 1,298,806,162 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 9 | 307,204,990 | 328,809,409 |
| Capital work-in-progress | 9 | 3,512,395 | 1,014,395 |
| Long-term loans and advances | 10 | 461,179,549 | 421,033,409 |
| | | 771,896,934 | 750,857,213 |
| Current assets | | | |
| Inventories | 11 | 22,111,800 | 19,053,960 |
| Trade receivables | 12 | 283,821,819 | 333,395,483 |
| Cash and Cash equivalents | 13 | 132,474,629 | 56,633,993 |
| Short-term loans and advances | 10 | 121,041,125 | 138,865,513 |
| | | 559,449,373 | 547,948,949 |
| TOTAL | | 1,331,346,307 | 1,298,806,162 |

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements 1-57

As per our attached 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 : 19 December 2016

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman

Sd/-
Thrity C. Dalal
Chief Financial Officer

Place : New Delhi
Date : 12 December 2016

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2016****(Amount in Rupees)**

| Particulars | Notes | 2015-16 | 2014-15 |
|--|-------|----------------------|---------------|
| Continuing operations | | | |
| Income | | | |
| Revenue from operations | 14 | 464,238,533 | 504,125,421 |
| Revenue from operations | | 464,238,533 | 504,125,421 |
| Other income | 15 | 10,890,362 | 24,462,189 |
| Total Revenue | | 475,128,895 | 528,587,610 |
| Expenses | | | |
| Cost of raw material consumed | 16 | 110,130,205 | 91,093,196 |
| Employee Benefits | 17 | 522,738,055 | 543,992,234 |
| Finance Cost | 18 | 203,824,887 | 124,552,389 |
| Depreciation /Amortisation Expenses | 9 | 23,952,152 | 54,534,093 |
| Other Expenses | 19 | 184,976,969 | 206,909,173 |
| Total Expenses | | 1,045,622,268 | 1,021,081,085 |
| Loss before Exceptional and Extraordinary Items | | (570,493,373) | (492,493,475) |
| Exceptional Items (Net) | 20 | - | 8,352,994 |
| Prior Period Adjustments (Net) | 21 | 7,073,639 | (16,255,512) |
| Loss before Extraordinary Items | | (577,567,012) | (484,590,957) |
| Extraordinary item | 22 | - | 20,000,000 |
| Loss for the year | | (577,567,012) | (504,590,957) |
| Earnings per equity share | | | |
| Basic and Diluted earnings per share | 43 | (95.89) | (99.72) |
| Summary of significant accounting policies | 2 | | |
| The accompanying notes are an integral part of the financial statements 1-57 | | | |

As per our attached 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 : 19 December 2016

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman

Sd/-
Thrity C. Dalal
Chief Financial Officer

Place : New Delhi
Date : 12 December 2016

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016****(Amount in Rupees)**

| Particulars | 2015-2016 | 2014-2015 |
|---|----------------------|----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss After Tax | (577,567,012) | (504,590,957) |
| <u>Adjustment for</u> | | |
| Depreciation (Net) | 23,952,152 | 54,534,093 |
| Interest Charged | 203,824,887 | 124,552,389 |
| (Profit) on Sale of Fixed Assets | (832,214) | (12,000) |
| Bad Debts | - | 118,847 |
| Provision for Doubtful Debts | - | - |
| Interest Income | (3,664,643) | (8,448,076) |
| Operating loss before working capital changes | (354,286,830) | (333,845,704) |
| Movement in working capital: | | |
| (Increase)/Decrease in Trade and Other Receivables | 49,576,591 | (241,107,018) |
| (Increase)/Decrease in Inventories | (3,057,840) | 3,342,729 |
| Increase/(Decrease) in Trade and Other Payables | 490,108,162 | 697,608,215 |
| Cash generated from operations | 182,340,083 | 125,998,222 |
| Taxes paid | 22,324,679 | 12,967,381 |
| Net cash generated/(used in) from operating activities -(A) | 160,015,404 | 113,030,841 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| (Additions)/ Sale of Fixed Assets / CWIP | (4,900,042) | (77,806,405) |
| Sale of Fixed Assets | 885,518 | 12,000 |
| Interest Received | 3,664,643 | 8,448,076 |
| Net cash generated/(used in) from investing activities -(B) | (349,881) | (69,346,329) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Issue of Equity Shares | 120,000,000 | - |
| Interest Paid | (203,824,887) | (124,552,389) |
| Net cash from financing activities -(C) | (83,824,887) | (124,552,389) |
| Net increase/ (decrease) in cash or cash equivalents - (A+B+C) | 75,840,636 | (80,867,877) |
| Cash and bank balance as at beginning of the year | 56,633,993 | 137,501,870 |
| Cash and bank balance at the end of the year | 132,474,629 | 56,633,993 |
| Earmarked balances with banks | 4,050,039 | 3,910,318 |
| Fixed deposits with banks (Maturity more than 12 months) | 7,898,162 | 7,895,965 |
| Cash and cash equivalents as at the end of the year | 120,526,428 | 44,827,710 |
| | 132,474,629 | 56,633,993 |

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 attached 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 : 19 December 2016

For and on behalf of the Board

Sd/-

Ashwani Lohani

Chairman

Sd/-

Thrity C. Dalal

Chief Financial Officer

Place : New Delhi

Date : 12 December 2016

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 accounts are prepared in accordance with the generally accepted accounting principles under the historical cost convention on the basis of a going concern.

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 crystalise.
- 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.

**l) 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 Accounting Standards 28 on Impairment of Assets prescribed by Companies (Accounts) Rules, 2014. 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, 2016 | As at March 31, 2015 |
|--|----------------------|----------------------|
| Authorised Share Capital 100,00,000 (P.Y. - 51,00,000) Equity Shares of Rs 100/- each | 1,000,000,000 | 510,000,000 |
| | 1,000,000,000 | 510,000,000 |
| Issued, subscribed and fully paid-up shares 62,60,000 (P.Y. - 50,60,000) Equity Shares of Rs 100/- each | 626,000,000 | 506,000,000 |
| TOTAL | 626,000,000 | 506,000,000 |

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, 2016 | | As at March 31, 2015 | |
|----------------------------------|----------------------|--------------------|----------------------|-------------|
| | Nos | Amount | Nos | Amount |
| At the beginning of the Year | 5,060,000 | 506,000,000 | 5,060,000 | 506,000,000 |
| Issued during the Year | 1,200,000 | 120,000,000 | | |
| As at the end of the Year | 6,260,000 | 626,000,000 | 5,060,000 | 506,000,000 |

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, 2016 | As at March 31, 2015 |
|--|----------------------|----------------------|
| President of India | 2,200,000 | 1,000,000 |
| Air India Limited (Holding Company) and its nominees | 4,060,000 | 4,060,000 |

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

| Particulars | As at March 31, 2016 | | As at March 31, 2015 | |
|--|----------------------|--------------|----------------------|-------|
| | Nos | % | Nos | % |
| President of India | 2,200,000 | 35.14 | 1,000,000 | 19.76 |
| Air India Limited (Holding Company) and its nominees | 4,060,000 | 64.86 | 4,060,000 | 80.24 |
| TOTAL | 6,260,000 | 100% | 5,060,000 | 100% |



NOTE "4" : RESERVES AND SURPLUS

(Amount in Rupees)

| Particulars | As at March 31, 2016 | As at March 31, 2015 |
|--|------------------------|------------------------|
| Surplus/(Deficit) in the Statement of Profit and Loss | | |
| Balance as per last financial statements | (1,920,991,349) | (1,416,400,392) |
| Profit/(Loss) for the year | (577,569,012) | (504,590,957) |
| Balance as at the end of the year | (2,498,560,361) | (1,920,991,349) |

NOTE "5" : OTHER LIABILITIES

(Amount in Rupees)

| Particulars | Non-current | | Current | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | As at March 31, 2016 | As at March 31, 2015 | As at March 31, 2016 | As at March 31, 2015 |
| Amount due to Holding Company * | 1,436,331,182 | 1,498,023,998 | - | - |
| Advance Against Share Capital | - | - | 750,000,000 | 120,000,000 |
| Deposit | 2,400,000 | 2,400,000 | 28,430,030 | 32,113,404 |
| Retention Money | - | - | 200,231 | 200,231 |
| Due to J & K Government | 44,911,570 | 44,820,554 | - | - |
| Others | 5,080,000 | 3,850,000 | 66,904,121 | 55,633,478 |
| TOTAL | 1,488,722,752 | 1,549,094,552 | 845,534,382 | 207,947,113 |

* 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, 2016 | As at March 31, 2015 | As at March 31, 2016 | As at March 31, 2015 |
| Gratuity | 244,250,484 | 246,792,841 | 56,254,873 | 51,688,597 |
| Leave Encashment | 86,053,445 | 89,917,728 | 23,628,600 | 22,462,449 |
| TOTAL | 330,303,929 | 336,710,569 | 79,883,473 | 74,151,046 |

NOTE "7" : TRADE PAYABLES (Refer Note No. 45)

(Amount in Rupees)

| Particulars | Current | |
|--|----------------------|----------------------|
| | As at March 31, 2016 | As at March 31, 2015 |
| Total outstanding dues of Micro Enterprises and Small Enterprises | | |
| Total outstanding dues of other than Micro Enterprises and Small Enterprises | 86,625,183 | 87,269,012 |
| TOTAL | 86,625,183 | 87,269,012 |



NOTE "8" : OTHER CURRENT LIABILITIES

(Amount in Rupees)

| Particulars | Current | |
|--|----------------------|----------------------|
| | As at March 31, 2016 | As at March 31, 2015 |
| Other Liabilities | | |
| Statutory dues (Refer Note no. 50 and 51) | 64,187,954 | 107,589,887 |
| Lease Rental & Turnover levy Payable (Refer Note no. 29) | 233,121,884 | 211,950,622 |
| Outstanding Liabilities | 14,446,437 | 32,856,254 |
| Advance from customers | 12,931,873 | 50,135,197 |
| Dues to employees | 48,146,801 | 56,093,259 |
| TOTAL | 372,834,949 | 458,625,219 |

NOTE "9" : TANGIBLE ASSETS

(Amount in Rupees)

| | Land (Leasehold) | Buildings (On leasehold land) | Plant & Machinery | Furniture & Fixtures | Office Equipments | Computers | Vehicles | Object d' Art | Total | Previous Year |
|---|---------------------|--|----------------------|----------------------------|----------------------|------------------|-------------------|------------------|--------------------|---------------|
| Cost | | | | | | | | | | |
| At 1 April 2015 | 2,708,800 | 372,837,096 | 308,953,552 | 89,824,383 | 79,325,119 | 5,091,667 | 27,495,291 | 774,250 | 887,010,158 | 809,203,753 |
| Additions | - | - | 1,750,546 | 17,230 | 26,500 | 335,800 | 271,966 | - | 2,402,042 | 77,806,405 |
| Disposal | - | - | (2,665,674) | (1,628,114) | (3,844,431) | (182,749) | (1,356,257) | - | (9,677,225) | - |
| At 31 March 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 |
| Depreciation / Amortisation | | | | | | | | | | |
| At 1 April 2015 | 1,005,952 | 122,240,392 | 252,724,742 | 86,915,097 | 64,576,982 | 5,063,626 | 24,899,718 | 774,240 | 558,200,749 | 503,666,656 |
| Charge for the year | 27,500 | 8,772,955 | 9,662,915 | 1,317,385 | 3,612,379 | 68,012 | 491,006 | - | 23,952,152 | 54,534,093 |
| Disposal / Adjustments | - | - | (2,664,710) | (1,628,116) | (3,791,091) | (182,750) | (1,356,251) | 2 | (9,622,916) | - |
| At 31 March 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 |
| Net Block | | | | | | | | | | |
| At 31 March 2015 | 1,702,848 | 250,596,704 | 56,228,810 | 2,909,286 | 14,748,137 | 28,041 | 2,595,573 | 10 | 328,809,409 | - |
| 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 |
| Capital work-in-progress (Refer Note no. 32) | | | | | | | | | | |
| At 31 March 2015 | | | | | | | | | 1,014,395 | 1,014,395 |
| At 31 March 2016 | | | | | | | | | 3,512,395 | 1,014,395 |

Notes:

- A) Buildings (on leasehold land) includes cost of residential flats :-
- 4 flats in Sher-e-Punjab Society, Andheri, Mumbai : conveyance deeds in respect there of are pending execution. Share Certificates have not been received by the Company
 - 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, 2016 | As at Mar 31, 2015 | As at Mar 31, 2016 | As at Mar 31, 2015 |
| Capital Advance | 123,898,825 | 123,898,825 | - | - |
| Loans to Staff | - | - | 513,867 | 551,476 |
| Advance payment of Income Tax and TDS | 157,219,300 | 134,894,621 | - | - |
| Balances with Statutory/ Government Authorities | 19,738,062 | 6,749,316 | 5,800,000 | 5,800,000 |
| Receivable on account of sale of properties (Refer note no.24 b (i) , Notes 25 & 26) | 18,895,920 | 18,895,920 | - | - |
| Deposits | 8,391,963 | 8,303,733 | - | - |
| Due from Holding Company | - | - | 93,729,772 | 73,458,179 |
| Prepaid Expenses | - | - | 1,446,257 | 1,134,069 |
| Other advance receivable | - | - | 15,848,959 | 14,713,657 |
| Receivable from J & K Government (Refer Note no. 28) | 133,035,479 | 128,290,994 | - | - |
| Other Loans and advances | - | - | 3,702,270 | 43,208,132 |
| TOTAL | 461,179,549 | 421,033,409 | 121,041,125 | 138,865,513 |

NOTE "11" : INVENTORIES

(Amount in Rupees)

| Particulars | As at Mar 31, 2016 | As at Mar 31, 2015 |
|--------------------|--------------------|--------------------|
| Raw Material | 3,260,227 | 3,724,488 |
| Stores | 10,691,715 | 10,378,960 |
| Operating Supplies | 8,159,858 | 4,950,512 |
| TOTAL | 22,111,800 | 19,053,960 |

NOTE "12" : TRADE RECEIVABLES

(Amount in Rupees)

| Particulars | Current | |
|--|--------------------|--------------------|
| | As at Mar 31, 2016 | As at Mar 31, 2015 |
| Trade Receivables (Unsecured) | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Considered good | 109,738,724 | 169,342,742 |
| Considered doubtful | 16,096,890 | 16,096,890 |
| Other Debts | | |
| Considered good | 174,083,095 | 164,052,741 |
| | 299,918,709 | 349,492,373 |
| Less: Provision for doubtful debts | (16,096,890) | (16,096,890) |
| TOTAL | 283,821,819 | 333,395,483 |

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, 2016 | As at Mar 31, 2015 |
|--|---------------------------|---------------------------|
| <u>Cash & Cash Equivalent</u> | | |
| Balances with Banks: | | |
| in Current Accounts | 28,071,131 | 15,615,002 |
| in Fixed Deposits | 92,206,771 | 28,968,271 |
| Cheques on Hand / in Transit | 242,515 | - |
| Cash on Hand | 6,011 | 244,437 |
| <u>Other Balance</u> | | |
| Fixed Deposits with Bank (pledged with Govt Bodies) | 4,050,039 | 3,910,318 |
| Fixed Deposits with Banks (Maturity more than 12 months) | 7,898,162 | 7,895,965 |
| TOTAL | 132,474,629 | 56,633,993 |

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

| Particulars | 2015-16 | 2014-15 |
|---|--------------------|--------------------|
| Revenue from Hotels and Flight Kitchen | | |
| Rooms - Guest Accommodation | 152,464,781 | 182,760,936 |
| Food, Cigars and Cigarettes | 239,297,779 | 220,239,727 |
| Other Services | 53,204,610 | 79,650,905 |
| License fees for Shops and Offices | 19,051,616 | 20,335,609 |
| Beverages (Wine and Liquor) | 170,762 | 1,021,461 |
| Telex and Telephone | 48,985 | 116,783 |
| TOTAL | 464,238,533 | 504,125,421 |

NOTE "15" : OTHER INCOME**(Amount in Rupees)**

| Particulars | 2015-16 | 2014-15 |
|------------------------------------|-------------------|-------------------|
| Interest Income | 3,664,643 | 8,448,076 |
| Insurance claim received | 3,502,153 | 5,000,000 |
| Profit on sale of asset | 832,214 | 12,000 |
| Excess provision written back | 782,219 | 5,992,942 |
| Sundry balances written back (Net) | 174,301 | 4,112,682 |
| Others | 1,934,832 | 896,489 |
| TOTAL | 10,890,362 | 24,462,189 |

**NOTE "16" : COST OF RAW MATERIAL CONSUMED**

(Amount in Rupees)

| Particulars | 2015-16 | 2014-15 |
|--|--------------------|-------------------|
| Food Consumed (Including Cigars and Cigarettes) | | |
| Opening stock | 3,283,814 | 3,074,830 |
| Add: Purchases | 103,735,394 | 84,535,106 |
| Less: Closing stock | (2,822,192) | 3,283,814 |
| | 104,197,016 | 84,326,122 |
| Beverages (Wine and Liquor) | | |
| Opening Stock | 440,673 | 115,722 |
| Add: Purchases | 25,067 | 346,533 |
| Less: Closing stock | (438,035) | 440,673 |
| | 27,705 | 21,582 |
| Consumption of Stores and Supplies | | |
| Opening Stock | 10,378,960 | 8,090,065 |
| Add: Purchases | 6,218,239 | 9,034,387 |
| Less: Closing Stock | (10,691,715) | 10,378,960 |
| | 5,905,484 | 6,745,492 |
| Cost of Raw material consumed | TOTAL | 91,093,196 |

NOTE "17" : EMPLOYEE BENEFITS

(Amount in Rupees)

| Particulars | 2015-16 | 2014-15 |
|---|--------------------|--------------------|
| Salaries, Wages and other benefits | 395,862,242 | 390,944,711 |
| Gratuity | 44,440,006 | 62,771,095 |
| Leave Encashment | 16,820,047 | 32,129,788 |
| Contribution to Provident Fund and Other Fund | 38,737,379 | 39,736,293 |
| Staff Welfare Expenses | 22,577,779 | 17,590,115 |
| Bonus | 4,300,602 | 820,232 |
| TOTAL | 522,738,055 | 543,992,234 |

NOTE "18" : FINANCE COST

(Amount in Rupees)

| Particulars | 2015-16 | 2014-15 |
|---------------------|--------------------|--------------------|
| - Interest Expenses | 203,824,887 | 124,552,389 |
| TOTAL | 203,824,887 | 124,552,389 |

**NOTE "19" : OTHER EXPENSES****(Amount in Rupees)**

| Particulars | 2015-16 | 2014-15 |
|---------------------------------------|--------------------|--------------------|
| Power & Fuel | 96,876,147 | 105,371,462 |
| Lease Rent | 21,262,278 | 21,125,408 |
| Security Charges | 10,265,370 | 8,661,896 |
| <u>Repairs & Maintenance:</u> | | |
| Building | 5,043,692 | 4,359,687 |
| Plant and Machinery | 3,369,608 | 3,218,253 |
| Others | 12,931,374 | 20,184,000 |
| Miscellaneous Expense | 4,369,827 | 13,471,395 |
| <u>Travelling & Conveyance:</u> | | |
| Travelling | 578,709 | 332,355 |
| Conveyance | 2,270,877 | 877,178 |
| Vehicle Expense | 5,191,081 | 5,777,831 |
| Soft Furnishing | 3,241,284 | 2,474,510 |
| Rates and Taxes | 6,414,305 | 10,364,846 |
| Printing and Stationery | 2,033,504 | 1,739,180 |
| Legal and Professional Charges | 7,213,609 | 5,114,549 |
| Communication costs | 1,664,579 | 1,575,394 |
| Insurance | 1,463,657 | 1,103,810 |
| Advertisement and Publicity | 345,856 | 670,716 |
| Commission | 100,684 | 126,989 |
| Payment to Auditor (Refer note below) | 340,528 | 240,867 |
| Bad Debts | - | 118,847 |
| TOTAL | 184,976,969 | 206,909,173 |
| Note : Payment to Auditor | | |
| For Audit Fees | 225,000 | 176,000 |
| For Service Tax | 58,145 | - |
| For Reimbursement of expenses | 57,383 | 64,867 |
| TOTAL | 340,528 | 240,867 |

NOTE "20" : EXCEPTIONAL ITEMS (NET)**(Amount in Rupees)**

| Particulars | 2015-16 | 2014-15 |
|--|----------------|------------------|
| Provident Fund (short provision against wage revision) | - | 4,081,411 |
| Irrecoverable debt | - | 4,271,583 |
| TOTAL | - | 8,352,994 |

**NOTE "21" : PRIOR PERIOD ADJUSTMENTS (NET)****(Amount in Rupees)**

| Particulars | 2015-16 | 2014-15 |
|---|------------------|---------------------|
| Employee Benefits | 3,871,909 | 3,639,786 |
| Legal & Professional Charges | - | 626,596 |
| Repairs and maintenance | 715,857 | 205,800 |
| Interest on delayed PF payments | (3,000) | 11,891,117 |
| 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 | 5,000 | - |
| | 7,163,771 | 16,363,299 |
| Interest on Fixed Deposits (A) | - | 1,731,802 |
| Revenue from Flight Kitchen | - | 30,887,009 |
| License fees for Shops and Offices (B) | 90,132 | - |
| | 90,132 | 32,618,811 |
| TOTAL (A-B) | 7,073,639 | (16,255,512) |

NOTE "22" : EXTRAORDINARY ITEM**(Amount in Rupees)**

| Particulars | 2015-16 | 2014-15 |
|--------------------|----------------|-------------------|
| Arbitration Award | - | 20,000,000 |
| TOTAL | - | 20,000,000 |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|---|-------------|-------------|
| 23 | Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of mobilisation advance) | 405,125 | 405,125 |
| 24 | Contingent Liabilities in respect of : | | |
| a) | Claims against the Company not acknowledged as debts | | |
| i) | Disputed Sales Tax/Value Added Tax Liability for which the Company has preferred an appeal with various authorities (includes 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.78 lakhs - previous year Rs.118 lakhs under protest. | 126,420,087 | 158,916,736 |
| ii) | Claims of Luxury Tax authorities, for which the Company has preferred an appeal with various authorities (includes demand of Luxury Tax for 2 properties in 2002-03 i.e. Centaur Hotel Mumbai Airport and Centaur Hotel Juhu Beach) against which Company has paid Rs.52.27 lakhs - previous year Rs.52.27 lakhs under protest. | 32,008,000 | 32,008,000 |
| iii) | Claim of excise duty ,for which the Company has preferred an appeal | 19,728,246 | 19,728,246 |
| iv) | Claim of property tax of Delhi, for which the Company has preferred an appeal | 75,873,895 | - |
| v) | Others | 50,621,000 | 50,621,000 |
| b) | Claims under Arbitration : | | |
| i) | 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 hearing. (Refer Note no. 26). | 23,567,000 | 23,567,000 |
| ii) | 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, Management | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|---|------------|---------------|
| | 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 . | 5,400,000 | 3,410,000,000 |
| iii) | 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 |
| iv) | 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) | Position upto 2014-15: The Employees' Provident Fund Organization 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 previous year, the Company had made a provision for interest of Rs.118.91 lakhs as Prior Period Expenses. The Company had filed an appeal with Provident Fund Tribunal for waiver of damages for Centaur Delhi. | 24,025,960 | 24,025,960 |
| ii) | For 2015-16: During the 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 year, the Company has made a provision for interest of Rs.69.90 lakhs. The Company has filed appeals with Provident Fund authorities for waiver of damages. Since the Company is hopeful of positive outcome, no provision for the said damages has been made in the books of accounts. | 13,338,801 | - |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|--|----------------------|----------------------|
| e) | Claims made by employees | Amount unascertained | Amount unascertained |
| f) | The Company has not received any claim in respect of Property Tax relating to its flats in Sher-e-Punjab Society. (Refer Note no. 9 (A) (I)) | | |
| 25 | 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 |
| 26 | 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. | 18,848,920 | 18,848,920 |
| 27 | Other Advances receivable Rs.158.49 lakhs (previous year Rs.147.14 lakhs) includes : | | |
| a) | Rs.50.43 lakhs due from M/s Caribjet. The Company has taken legal steps for recovery of said sums. | 5,042,738 | 5,042,738 |
| b) | 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. | 4,796,500 | 4,796,500 |
| | The Company is of the view that the above sums are good for recovery and hence no provision is required in respect thereof. | | |
| 28 | 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.912.60 lakhs. | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|-----------|---|-------------|-------------|
| 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.25.27 lakhs aggregating to Rs.449.11 lakhs and amount receivable on account of joint construction is Rs.417.75 lakhs. These balances are subject to reconciliation and confirmation. Adjustment , if any will be accounted in the year in which finality is reached. | | |
| 29 | Lease rentals and Turnover levy : | | |
| a) | During the year, 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 | 5,902,688 | 5,792,367 |
| ii) | Delhi International Airport Ltd (DIAL) for Centaur Hotel Delhi Airport & Chefair Flight Catering Delhi | 15,268,575 | 14,983,206 |
| 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 | 10,568,419 | 9,482,637 |
| 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 | 53,134,988 | 45,383,052 |
| c) | No provision has been made for Interest upto 31st March 2016 on amount due to : | | |
| i) | AAI | 171,818,253 | 142,185,176 |
| ii) | MIAL | 52,471,600 | 42,849,616 |
| iii) | DIAL | 153,437,673 | 123,586,117 |
| 30 | 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.6 crores. The difference between the value of provisional billing and final billing (including applicable taxes) will be adjusted in the year in which final bills are raised. | | |
| 31 | 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. 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. | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|---|---------|---------|
| 32 | Chefair Delhi acquired one Hi - lift TATA Chassis at a cost of Rs.10,14,395/- during the financial year 2007-08. Based on operational considerations it was transferred to Chefair Mumbai on 21 st March 2009 for customisation to meet local requirements. This process has been inordinately delayed and hence it continues to reflect as Capital Work –in –Progress as on 31 st March 2016. | | |
| 33 | As per the laid down policy on physical verification of fixed assets, the Company is in the process of conducting the verification of each fixed asset once in five years i.e. for the block period 2014-15 to 2018-19. The resultant impact of discrepancy, if any, will be dealt with in the year in which finality is reached. | | |
| 34 | The Company is in the process of conducting 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 indicates any such existence, impairment loss will be recognised in the year in which finality is reached. | | |
| 35 | Depreciation: The opening balance of Fixed Assets as on 1 st April 2015 is subject to ascertainment of discrepancies in relation to: a) Physical verification of Fixed Assets to be conducted (Refer note No.33) b) Impairment of Fixed Assets (Refer Note No.34) c) 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. The opening balance of Fixed Assets will be accordingly adjusted to the extent of discrepancies if any arising on account of the above. 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) and (c) and consequently, the provision for depreciation will be revised suitably to comply with Schedule II, Part C of the Companies Act, 2013 . | | |
| 36 | Renovation of Hotels : a) During 2013-14, the Company had entered into an MOU with Airports Authority of India (AAI) 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. 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 in this regard. The Company computed depreciation for the year based on the dates referred to in the AAI statements. The balance amount of Rs.228.99 lacs with AAI reflects as capital advance which will be used for further renovation of Centaur Delhi. | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|---|--------------------|--------------------|
| b) | Further, during 2014-15, the Company received a sum of Rs.12 crores from the Government of India for renovation of Centaur Delhi, Chefair Delhi and Centaur Srinagar. Out of the above, the Company has advanced a sum of Rs.10 crores to AAI against another MOU entered into for renovation of Centaur Delhi and Srinagar. The balance Rs.2 crores is being utilized for procurement of equipments for Chefair Delhi. During 2015-16 equipments amounting to Rs.16.85 lakhs were received and hence capitalised. The balance amount will be utilised as and when the equipments are procured. | | |
| c) | During the current year 2015-16, the Company received a further sum of Rs.5 crores from the Government of India for renovation of Centaur Srinagar. | | |
| 37 | The Company has been advised by its Holding Company that the interest for the year amounting to Rs.19.06 crores due to it on Rs.124.57 crores advanced to the Company does not attract Tax Deduction at Source because the Holding Company has claimed it as reimbursement of their finance costs. Accordingly, the Company has not deducted tax at source. However, if tax is deductible, the Company will record the liability as and when it arises. | | |
| 38 | 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 | 298,481,438 | 266,347,037 |
| | Interest cost | 23,848,667 | 24,743,640 |
| | Current service cost | 8,914,542 | 9,135,487 |
| | Benefit paid | (42,416,087) | (30,636,694) |
| | Actuarial (gain)/ loss on obligations due to change in financial assumptions | (35,548,326) | - |
| | Actuarial (gain)/ loss on obligations due to experience | 47,225,123 | 28,891,968 |
| | Liability as at the end of the year | 300,505,357 | 298,481,438 |
| b) | Expenses Recognized in the Statement of Profit and Loss | | |
| | Current service cost | 8,914,542 | 9,135,487 |
| | Net Interest cost | 23,848,667 | 24,743,640 |
| | Actuarial (Gain)/ Loss | 11,676,797 | 28,891,968 |
| | Expenses Recognized in the Statement of Profit and Loss | 44,440,006 | 62,771,095 |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|-----------|--|--------------------|--------------------|
| | c) Balance Sheet Reconciliation: | | |
| | Opening net liability | 298,481,438 | 266,347,037 |
| | Expense recognised in Statement of Profit or Loss | 44,440,006 | 62,771,095 |
| | Benefit paid | (42,416,087) | (30,636,694) |
| | Net Liability Recognized in the Balance Sheet | 300,505,357 | 298,481,438 |
| | d) Assumptions: | | |
| | Discount rate | 7.79% | 7.99% |
| | Salary escalation rate | 5.00% | 5.00% |
| | Attrition rate | 2.00% | 2.00% |
| B | <p>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 one time non-refundable contribution as per the said Scheme. Accordingly, the company has received an aggregate contribution of Rs.50.80 lakhs (previous year Rs.32.50 lakhs) from 208 (previous year 136) retired employees upto 31st March 2016 which is accounted as a Current Liability.</p> <p>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.</p> | | |
| 39 | Segment information is provided in Annexure "I" as per AS 17 "Segment Reporting" under Rule 7 of the Companies (Accounting) Rules, 2014. | | |
| 40 | 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) | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|--------|---|---------------|---------------|
| iii) | Key Managerial Personnel & Relatives | | |
| | T.C.Dalal - Chief Financial Officer - wef 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 | 1,107,789 | 131,273 |
| ii) | <u>Sales during the year:</u> | | |
| | Holding Company -Air India Limited | 354,812,312 | 415,157,448 |
| iii) | <u>Finance Cost</u> | | |
| | Holding Company -Air India Limited | 190,616,791 | 123,640,974 |
| iv) | <u>Loan received</u> | | |
| | Holding Company -Air India Limited | 399,700,000 | 428,100,000 |
| v) | <u>Advance against Share Capital</u> | | |
| | Holding Company -Air India Limited | 700,000,000 | - |
| | President of India (through his representative) | 50,000,000 | 120,000,000 |
| vi) | <u>Closing Balance:</u> | | |
| | <u>Holding Company -Air India Limited</u> | | |
| | Trade Receivable | 264,267,176 | 314,661,702 |
| | Due to Air India | 1,436,331,182 | 1,498,023,998 |
| | Other Receivable | 93,928,616 | 73,458,179 |
| | Advance received | - | 49,000,000 |
| | Advance against Share Capital | 700,000,000 | - |
| | <u>President of India (through his representatives)</u> | | |
| | Advance against Share Capital | 50,000,000 | 120,000,000 |
| Note : | The Related Parties have been identified by the Company and relied upon by the auditors | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|------|--|---------------|---------------|
| 41 | 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 | 5,470,934 | 5,561,950 |
| 42 | 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. | | |
| 43 | Earnings per share: | | |
| a) | Loss for the year | (577,567,012) | (504,590,957) |
| b) | Weighted Average No. of Equity Shares | 6,023,288 | 50,60,000 |
| c) | Nominal value per equity share (Rs.) | 100 | 100 |
| d) | Basic and Diluted EPS (Rs.) per share | (95.89) | (99.72) |
| 44 | 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 2015. The authorities continued to appropriate all the deposits aggregating to Rs.444 lakhs (previous year Rs.318.31 lakhs) upto 31st March 2016 (Including Rs.125.26 lakhs (previous year Rs.90.54 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 2016 is Rs.305.18 lakhs. | | |
| 45 | 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. | | |
| 46 | During the previous year, torrential rains and floods from the Dal Lake inundated the Company's property at Srinagar. The Company lodged an insurance claim of Rs.4.85 crores with the Insurance Company against which the claim was passed for Rs.85 lakhs. The Company had accounted Rs.50 lakhs received as adhoc payment in the previous year under the head "Other Income" in the Statement of Profit and Loss. The balance Rs.35 lakhs received during the year has also been accounted under the head "Other Income" in the Statement of Profit and Loss. | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|-----------|---|----------------------|----------------------|
| 47 | 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 2016. 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. | | |
| 48 | Sundry Debtors includes dues from Related party [Holding Company - Air India Limited] Rs. 26.43 crores (previous year Rs.31.47 crores) which is subject to reconciliation and confirmation. The difference, if any, will be adjusted in the year in which finality is reached. | 264,267,176 | 314,661,702 |
| 49 | The Company has not filed statutory returns relating to Luxury Tax, Service Tax and Works Contract Tax in respect of Centaur Delhi and Chefair Delhi. The information relating to precise overdue period in respect of each statute is presently unascertainable. Consequently, the liability on account of non-compliance will be ascertained and recognised in due course as and when the liability crystallises. | Amount unascertained | Amount unascertained |
| 50 | 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. | | |
| 51 | Unpaid Statutory Dues with respect to: | | |
| | Provident Fund, Employees State Insurance, Luxury Tax, Value Added Tax, Works Contract Tax and Service Tax aggregating to Rs.621.81 lakhs (Previous year- Rs.1067.71 lakhs). Interest / penalty / damages payable, if any, on these overdues will be accounted for in the year in which the liability is ascertained. | 62,180,893 | 106,771,00 |
| | 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. | | |
| 53 | The company is 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. | | |
| b) | Clearing the billing backlog referred to in Note no.30 | | |
| c) | 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. | | |



(Amount in Rupees)

| S.No | Particulars | 2015-16 | 2014-15 |
|-----------|--|---------|---------|
| 54 | The Company is 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. | | |
| 55 | 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. The accumulated losses have exceeded the net worth of the company. The company has experienced delayed payments to the lenders, creditors and its employees. | | |
| | However, the management of the company with the support of the Government of India(GOI) is committed to the complete revival of the company by putting in place a Business Plan. 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. Besides, the Company is in the process of upgrading all the properties of the company, during the 12th Five Year Plan (2012-17). In order to facilitate this process, the Government of India has infused equity of Rs.10 crores in financial year 2013-14 and further infusion of Rs.12 crores in 2014-15 for which equity shares were issued in the current financial year 2015-16. These funds are utilised for renovation of its properties in Delhi and Srinagar. Further Rs.5 crores have been infused during the current year 2015-16 to be utilised for renovation of Centaur Srinagar. | | |
| 56 | Earnings in foreign currency : | | |
| | Earnings in foreign currency | - | 277,785 |
| 57 | Previous year figures have been regrouped wherever necessary in order to conform to those of the current year. | | |

As per our attached 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 : 19 December 2016

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman

Sd/-
Thrity C. Dalal
Chief Financial Officer

Place : New Delhi
Date : 12 December 2016

Sd/-
Gargi Kaul
Director

Sd/-
Shyamala P Kunder
Company Secretary



Annexure 1

Segmentwise Reporting for the year 2015-16

A. PRIMARY BUSINESS SEGMENT :

| Particulars | Hotels | Flight Kitchens | Others | Total |
|---|--------------------------------------|--------------------------------------|--|--|
| 1. SEGMENT REVENUE | 221,178,019 (269,465,985) | 252,132,943 (250,248,601) | 1,817,934 (8,873,024) | 475,128,896 (528,587,610) |
| 2. SEGMENT RESULT LOSS Loss before Interest, Exceptional and Extraordinary Items | 216,569,099 (222,573,781) | 151,915,321 (153,303,260) | -1,815,934 (-7,935,955) | 366,668,486 (367,941,086) |
| Finance Cost | 110,028,978 (63,543,746) | 93,795,909 (61,008,643) | - - | 203,824,887 (124,552,389) |
| Exceptional Items (Net) | - - | - (4,081,411) | - (4,271,583) | - (8,352,994) |
| Prior Period Adjustments (Net) | 714,715 (6,615,295) | 6,358,924 (-21,933,740) | - (-937,067) | 7,073,639 (-16,255,512) |
| Extraordinary Items | - - | - - | - (20,000,000) | - (20,000,000) |
| Loss after Interest, Exceptional and Extraordinary Items | 327,312,792 (292,732,822) | 252,070,154 (196,459,574) | -1,815,934 (15,398,561) | 577,567,012 (504,590,957) |
| 3. SEGMENT ASSETS | 582,603,397 (565,487,146) | 350,996,342 (401,000,956) | 397,746,568 (332,318,060) | 1,331,346,307 (1,298,806,162) |
| 4. SEGMENT LIABILITIES | 617,909,046 (621,556,258) | 392,718,069 (450,262,323) | 1,443,277,553 (1,521,978,930) | 2,453,904,668 (2,593,797,511) |
| 5. CAPITAL EMPLOYED | (35,305,649) (-56,069,112) | (41,721,727) (-49,261,367) | (1,045,530,985) (-1,189,660,870) | (1,122,558,361) (-1,294,991,349) |
| 6. TOTAL CAPITAL EXPENDITURE | 652,966 (73,480,610) | 4,247,076 (4,231,636) | - (94,159) | 4,900,042 (77,806,405) |
| 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.