

BENARES HOTELS LIMITED
40th ANNUAL REPORT 2010-11



The Gateway Hotel Ganges Varanasi



The Gateway Hotel Ganges Varanasi

Corporate Information

Board of Directors

DR. ANANT NARAIN SINGH
(Chairman)

RAYMOND N. BICKSON

SHRIRAMAN

RUKMANI DEVI

A. R. GANDHI

B. L. PASSI

P. K. MOHANKUMAR

Company Secretary

P. K. Bhatia

Auditors

N. Krishnaswamy and Company,
Chartered Accountants,
71A, Kashi Raj Apartments, Kamachha,
Varanasi-221 001

Registered Office

Nadesar Palace Compound,
Varanasi-221 002
Phone : 0542-666 0001

Registrar and Share Transfer Agent

The Indian Hotels Company Limited
Mandlik House, Mandlik Road
Mumbai - 400 001
Phone : 022-66395515
Fax : 022-22027442
Email : shares.dept@tajhotels.com

Shares Listed at

BOMBAY STOCK EXCHANGE LTD.

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai - 400 001

DELHI STOCK EXCHANGE LTD.

3/1, Stock Exchange Building

Asaf Ali Road

New Delhi - 110 002

THE UTTAR PRADESH STOCK
EXCHANGE ASSOCIATION LTD.

Padam Towers

14/113, Civil Lines

Kanpur - 208 001

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HIGHLIGHTS	2010-11 (Rs. Lacs)	2009-10 (Rs. Lacs)
Gross Revenue	2,773.17	2,347.19
Profit Before Tax	733.35	558.30
Profit After Tax	490.46	376.96
Dividend	169.00	169.00
Retained Earnings	453.43	333.09
Funds Employed	3,579.98	3,356.02
Net Worth	2,786.18	2,492.78
Debt : Equity Ratio	0.00:1	0.00:1
Net Worth Per Equity Share (Rs. 10/- each)	Rs. 214.32	Rs. 191.75
Earnings (EAT) Per Equity Share (Rs. 10/- each)	Rs. 37.73	Rs. 29.00
Dividend Per Equity Share (Rs. 10/- each)	Rs. 13.00	Rs. 13.00
	130%	130%

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Notice to the Members

Notice is hereby given that the Fortieth Annual General Meeting of the Members of BENARES HOTELS LIMITED will be held at the Registered Office of the Company at Nadesar Palace Compound, Varanasi-221 002, on Wednesday, 10th August, 2011 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Dr. Anant Narain Singh, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Raymond N. Bickson, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. A.R. Gandhi, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

7. **Commission to Directors**

To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding three per cent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them in such amounts or proportions and in such manner

and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year for a period of five years commencing 1st April, 2011.”

8. To place the **Secretarial Compliance Certificate** obtained pursuant to Section 383A of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules, 2001.

NOTES

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No. 7 and 8 is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED TO THE COMPANY, DULY COMPLETED, NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
- (c) Members are requested to intimate to the Company, changes, if any, in their registered address along with Pin Code Number. Members whose shareholding is in demat form are requested to send the intimation for change of address to their respective Depository Participant(s).
- (d) Members are requested to register their Email address and the changes therein from time to time with the Company to enable the Company to send notices/documents through email as permitted in law.
- (e) The Register of Members and the Share Transfer Books of the Company will remain

closed from Friday, 29th July 2011 to Thursday, 11th August, 2011 (both days inclusive).

- (f) The dividend as recommended by the Directors for the year ended 31st March, 2011, if passed at the meeting, will be made payable on or after Saturday, 20th August, 2011, to those members whose names appear on the Register of Members of the Company on Friday, 29th July, 2011. As regards shares held in electronic form the dividend will be payable to the beneficial owners of shares whose names appear in the statement of beneficial ownership furnished by the Depositories as at the end of business hours on Thursday, 28th July, 2011.
- (g) Members who are holding shares in identical order of names in more than one folio are requested to write to the Company for consolidating their holding in one folio.
- (h) Pursuant to Section 205C of the Companies Act, 1956, all unclaimed/unpaid dividends for a period of 7 years from the date of transfer to the 'Unpaid Dividend Account' are required to be transferred by

the Company to the "Investor Education and Protection Fund" established by the Central Government. Accordingly, the unclaimed dividend paid up to the financial year ended 31st March, 2004, shall be transferred by the Company to the said Fund on the due date in 2011. Members are advised that once the unclaimed dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof.

- (i) Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.

By order of the Board of Directors
of **BENARES HOTELS LTD.**

P K BHATIA
Company Secretary

Place : Mumbai
Date : 2nd May, 2011

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Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of Listing Agreement with the Stock Exchanges)

Name of Director	Dr. Anant Narain Singh	Mr. Raymond N. Bickson	Mr. A.R. Gandhi
Date of Birth	September 26, 1960	December 16, 1955	March 15, 1943
Date of Appointment	January 31, 2001	May 3, 2006	May 28, 1999
Expertise in Specific Functional Area	Agriculture	Hoteliering	Finance
Qualifications	B.Com (Hons) in Company Law	Advancement Management Program at Harvard Business School in Boston. Also studied at the Goethe Institute in Berlin, the Alliance Francaise in Paris, the Université de Sorbonne in Paris, L'école Hôtelière Lausanne, and Cornell University in New York	Fellow member of the Institute of Chartered Accountants in England & Wales, and the Institute of Chartered Accountants of India. Associate member of the Chartered Institute of Taxation, London.
Details of shares held in the Company	24,000	Nil	Nil
List of Companies in which outside Directorships held as on 31.03.2011 (excluding private & foreign companies)	Aditya Dairies Pvt. Ltd Anant Electric Lamp Works Pvt. Ltd. Imalak (Varanasi) Development Pvt. Ltd. Anant Trading Company Pvt. Ltd	The Indian Hotels Company Limited. Taj GVK Hotels and Resorts Limited. Oriental Hotels Limited. Taj Trade and Transport Company Limited. Roots Corporation Limited Taj Safaris Limited Taj SATS Air Catering Limited Taj Hotels and Resorts Limited United Hotels Limited	Tata Sons Limited Tata Asset Management Limited The Paper Products Ltd Tata Business Support Services Limited Tata Global Beverages Limited Tata Communications Limited Piem Hotels Limited Infinity Retail Limited Tata Housing Development Company Limited Nourishco Beverages Limited
Chairman/Member of the *Committees of other Companies on which he is a Director as on 31-03-2011	Audit Committee None	Audit Committee United Hotels Ltd. Oriental Hotels Ltd. Taj GVK Hotels & Resorts Ltd. Roots Corporation Ltd. (Chairman) Taj SATS Air Catering Ltd. (Chairman)	Audit Committee The Paper Products Ltd Tata Business Support Services Limited Tata Asset Management Limited Tata Sons Limited (Chairman) Tata Global Beverages Limited Piem Hotels Limited (Chairman)
	Shareholder's & Investors' Grievance Committee None	Shareholders' & Investors' Grievance Committee The Indian Hotels Company Limited	Shareholders' & Investors' Grievance Committee None

*The Committees include the Audit Committee and the Shareholders'/Investors' Grievance Committee.

Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the business under Item Nos. 7 and 8 mentioned in the accompanying Notice dated 2nd May, 2011.

Item No. 7

At the Annual General Meeting held on 12th September, 2007, the shareholders had passed a Special Resolution approving the payment of commission to the Directors equivalent to an amount not exceeding 3% per annum of the net profit of the Company for a period of 5 years commencing from 1st April, 2006. The said five years have expired on 31st March, 2011.

In view of the fact that the Company has been consistently improving its performance, it is proposed to continue to pay the said commission to the Directors for a further period of five years, subject to the approval of the shareholders at the Annual General Meeting.

All the Directors of the Company are concerned or interested in the resolution mentioned in Item No. 7 of the Notice to the extent of the amount that may be received by them.

Item No. 8

Pursuant to Section 383A of the Companies Act, 1956, the Company has obtained the Secretarial Compliance Certificate from Mr. Arvind Kohli, Company Secretary in Practice. In terms of the Companies (Compliance Certificate) Rules, 2001, the aforesaid certificate is to be laid in the Annual General Meeting of the Company. The said certificate is attached to the Directors' Report.

By order of the Board of Directors
of **BENARES HOTELS LTD.**

P K BHATIA
Company Secretary

Place : Mumbai
Date : 2nd May, 2011

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Directors' Report to the Members

The Directors hereby present the Fortieth Annual Report of the Company together with the Audited Statements of Account for the year ended 31st March, 2011.

OPERATING AND FINANCIAL RESULTS	2010-11	2009-10
	(Rs./Lacs)	(Rs./Lacs)
Income	2,773.17	2,347.19
Gross Profit for the year	893.38	711.50
Less: Depreciation	160.03	153.20
Profit before tax	733.35	558.30
Less: Provision for tax		
- Current Tax	216.89	151.63
- Deferred Tax.....	26.00	29.71
Net Profit	490.46	376.96
Add: Balance brought forward from previous year	994.70	852.81
Balance available for appropriations	<u>1,485.16</u>	<u>1,229.77</u>

APPROPRIATIONS :

(a) A dividend @130% i.e. Rs. 13/- per equity share (previous year 130% i.e. Rs. 13 per share) on 13,00,000 Equity Shares, which, if approved by the Shareholders at the Annual General Meeting to be held on Wednesday, the 10th day of August, 2011 will be paid out of the provision for dividend.....	169.00	169.00
(b) Tax on Dividend.....	28.07	28.07
(c) Amount transferred to General Reserve.....	300.00	38.00
(d) Balance carried forward	988.09	994.70

OPERATIONS

The Company improved its performance during the year under review consequent to the improvement in the global economy which also contributed to gradual recovery in the hospitality sector and control over costs. The Directors hope that the trend of improvement in performance would continue during the current financial year. The Company is also in the process of setting up a hotel in Gondia, Maharashtra.

DIVIDEND

Your Directors recommend the payment of dividend @ 130% (previous year dividend @ 130%) per equity share involving distribution of Rs. 169.00 lacs.

SECRETARIAL COMPLIANCE

In terms of Section 383A of the Companies Act, 1956, the Company has obtained the Secretarial Compliance Certificate from a Practising Company Secretary. A copy of the said Certificate is attached to this Report.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company had no employees during the year who were in receipt of remuneration aggregating to :

- (a) Not less than Rs. 60.00 lacs for the year, if employed throughout the year; or
- (b) Not less than Rs. 5.00 lacs per month, if employed for part of the year.

DIRECTORS

During the year under report, Mr. P. Sanker and Ms. Deepa Misra Harris, Directors resigned from the directorship of the Company on 19th August, 2010 and 15th October, 2010 respectively. The Directors place on record their appreciation of the services rendered by Mr. Sanker and Ms. Harris during their tenure as Director of the Company.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Dr. Anant Narain Singh, Mr. Raymond N. Bickson and Mr. A.R. Gandhi, Directors of the Company are liable to retire by rotation and being eligible seek reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. it has, in the selection of the accounting policies, consulted the Statutory Auditors and has applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for that period;
3. it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of their knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records; and
4. it has prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

Mr. Shriraman, Mr. B.L. Passi and Mr. P.K. Mohankumar are the members of the Audit Committee. Mr. Mohankumar was appointed as a Member of the Audit Committee vice Mr. P. Sanker consequent to his resignation from the directorship of the Company.

CORPORATE GOVERNANCE

Consequent to the Net Worth of the Company exceeding Rs. 25 crores for the first time in the history of the Company as at the end of the financial year 2010-11, Clause 49 of the Listing Agreement with the Stock Exchange/s regarding Corporate Governance has become applicable to the Company from the financial year 2011-12. Accordingly, the Company shall comply with the provisions of Clause 49 in the course of the current financial year.

AUDITORS

At the Annual General Meeting, the Members will be required to appoint the Auditors for the current year and fix their remuneration.

FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, your Directors wish to inform you that electricity, diesel, petrol, and cooking gas are purchased at the prevailing market rates from the government agencies at Varanasi. The generation of electricity is required to supplement the power supply from the Electricity Boards/Agencies.

The activities of the Company are not covered under the list of specified industries in the Schedule to the Rules as stated above.

The information relating to foreign exchange earnings and outgo is furnished at point No. 4 & 5 in the Notes on Accounts.

ACKNOWLEDGEMENTS

The Board desires to place on record its appreciation of the services rendered by the employees of the Company during the year under review.

On behalf of the Board of Directors

DR. ANANT NARAIN SINGH
Chairman

Place : Mumbai
Date : 2nd May, 2011

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ANNEXURE TO DIRECTORS' REPORT

Compliance Certificate

To
The Members
Benares Hotels Limited
Nadesar Palace Compound
Varanasi 221 002

We have examined the registers, records, books and papers of Benares Hotels Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its Officers and Agents, we certify that in respect of the aforesaid financial year :

- (1) The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- (2) The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- (3) The Company being a public limited company, no comments are required to be made.
- (4) The Board of Directors duly met 4 times on May 10, 2010, August 13, 2010, October 28, 2010 and February 4, 2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed, including circular resolutions passed in the Minutes Book maintained for the purpose during the year under report.
- (5) The Company closed its Register of Members from July 30, 2010 to August 16, 2010 and necessary compliance of section 154 of the Act has been made.
- (6) The Annual General Meeting for the financial year ended on March 31, 2010 was held on August 13, 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- (7) No extra ordinary meeting was held during the financial year.
- (8) The Company has not advanced any loan to its directors and/or persons or firms or companies referred to in section 295 of the Act.
- (9) The Company has not entered into any contract falling within the purview of section 297 of the Act.
- (10) The Company has made necessary entries in the register maintained under section 301 of the Act.
- (11) As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members and prior approval of the Central Government.
- (12) The Board of Directors or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
- (13) The Company has :
 - (i) delivered all the certificates on allotment of securities and on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act;
 - (ii) deposited the amount of dividend declared in a separate Bank Account on August 13, 2010, which is within five days from the date of declaration of such dividend;

- (iii) paid/posted warrants for dividends to all the members on August 23, 2010, which is within a period of 30 (thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with HDFC Bank, Hindustan Times Building, Kasturba Gandhi Marg, Connaught Place, New Delhi on September 19, 2010;
- (iv) transferred amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years as applicable, to Investor Education and Protection Fund on 4th October, 2010;
- (v) duly complied with the requirements of section 217 of the Act.
- (14) The Board of Directors of the Company is duly constituted. No alternate directors, additional directors or director to fill Casual vacancy were appointed during the year.
- (15) The Company has not appointed any Managing Director / Whole-time Director/ Manager during the financial year.
- (16) The Company has not appointed any sole-selling agent during the financial year.
- (17) The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year.
- (18) The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
- (19) The Company has not issued any shares, debentures or other securities during the financial year.
- (20) The Company has not bought back any shares during the financial year.
- (21) The Company has not redeemed any preference shares or debentures during the year.
- (22) There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares during the financial year.
- (23) The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 during the financial year.
- (24) The Company has not made any borrowings during the financial year.
- (25) The Company has made no loans and investments, nor given any guarantees nor provided any securities to other bodies corporate. Hence there were no entries in the register kept for the purpose.
- (26) The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
- (27) The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.

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(28)The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.

(29)The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.

(30)The Company has not altered the provisions of Articles of Association of the Company during the year under scrutiny.

(31)There were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.

(32)The Company has not received any money as security from its employees during the financial year.

(33)The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

ARVIND KOHLI
Company Secretary
(CP No 2818)

Place : New Delhi
Date : 2nd May, 2011

ANNEXURE 'A'
(Registers as maintained by the Company)

Sr. No.	Particulars	Section Reference
1.	Members' & Directors' Minutes Book	192
2.	Register of Directors, Manager, Secretaries	303
3.	Register of Charges	143
4.	Register of Loans and Investments	372A
5.	Register of Members	150/151
6.	Register of Particulars of Contracts	301
7.	Register of Transfer of Shares	108

ANNEXURE 'B'

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31st March, 2011.

Sr. No.	Form No.	U/Section	Particulars	Due on	Filed on
1.	eForm 32	303(2)	Change in Directorships	18.08.2010	02.09.2010
2.	eForm 66	383A	Secretarial Compliance Certificate	12.10.2010	06.09.2010
3.	eForm 23AC & 23ACA	220	BalanceSheet, P&L A/c etc. March 31, 2010	12.10.2010	08.09.2010
4.	eForm 20B	159	Annual Return August 13, 2010	12.11.2010	21.09.2010
5.	eForm 1	205(C)	Transfer of unpaid dividend to IEPF	03.11.2010	02.11.2010
6.	eForm 32	303(2)	Changes in Directorships	14.11.2010	24.02.2011

Place : New Delhi
Date : 2nd May, 2011

ARVIND KOHLI
Company Secretary
(CP No 2818)

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Auditors' Report to the Members

1. We have audited the attached Balance Sheet of Benares Hotels Limited, as at 31st March, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit;
 - (ii) In our opinion, books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement

dealt with by this Report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- (v) We invite attention, without qualifying our report, to Note No. B. 1(c) regarding loss on discarded assets in Schedule No. 8 Notes to Accounts, wherein, we have relied on the physical verification carried out by another firm and the loss arrived at as per fixed assets register.
- (vi) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India :
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

For and on behalf of
N. KRISHNASWAMY & COMPANY
Chartered Accountants
Firm Registration No. 001555S
N. KRISHNASWAMY
Partner
Membership No. 4797

Place : Mumbai
Dated : 2nd May, 2011

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the Management during the year and there is a regular programme of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Material discrepancies noticed on such verification have been adjusted as per note no. B. 1(c) of the Notes to Accounts.
- (c) During the year, the Company has not disposed off any major part of the plant and machinery.
- ii. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The Company has not taken or given any loan from or to any companies covered in the Register under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect

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- of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, except the above, there are no other dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- ix. In our opinion and according to the information and explanations given to us, the Company has not taken any loan from any financial institution, bank or debenture holders or granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- x. In our opinion, the Company is not a chit fund or nidhi mutual benefit society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xi. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report), Order 2003 are not applicable to the Company.
- xii. The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xiii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds have been raised to finance short-term or long-term investment.
- xiv. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xv. During the period covered by our Report, the Company had not issued debentures.
- xvi. No money has been raised by public issues during the year under report.
- xvii. According to the information and explanations give to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of
N. KRISHNASWAMY & COMPANY
Chartered Accountants
Firm Registration No. 001555S

N. KRISHNASWAMY
Partner
Membership No. 4797

Place : Mumbai
Dated : 2nd May, 2011

Balance Sheet as at 31st March, 2011

	Schedule	Rupees	Rupees	Previous Year Rupees
EQUITY AND LIABILITIES				
1. SHAREHOLDERS' FUNDS				
(a) Share Capital	1	1,30,00,000		1,30,00,000
(b) Reserves and Surplus.....	2	26,56,17,572		23,62,78,464
Total			27,86,17,572	24,92,78,464
2. NON-CURRENT LIABILITIES				
(a) Deffered Tax Liability (Net)		2,31,32,513		2,05,32,712
(b) Shop Security Deposit		30,57,945		30,57,945
Total			2,61,90,458	2,35,90,657
3. CURRENT LIABILITIES				
(a) Trade Payables	3	3,34,83,133		4,30,25,759
(b) Short Term Provisions.....		1,97,06,879		1,97,06,879
Total			5,31,90,012	6,27,32,638
TOTAL FUNDS EMPLOYED			<u>35,79,98,042</u>	<u>33,56,01,759</u>
ASSETS				
NON-CURRENT ASSETS				
1. (a) FIXED ASSETS				
(i) Tangible Assets	4	25,38,91,274		24,17,81,386
(ii) Intangible Assets		5,34,398		—
(iii) Capital Work in Progress		1,29,76,504		1,04,23,088
			26,74,02,176	25,22,04,474
(b) Deposit with Public Bodies			26,14,812	10,29,732
2. CURRENT ASSETS				
(i) Current Investments	5	2,00,00,000		1,36,19,510
(ii) Inventories		75,31,115		52,83,084
(iii) Trade Receivables		2,60,08,928		2,16,21,626
(iv) Cash and Bank Balances		2,02,85,987		2,50,80,403
(v) Other Current Assets		2,33,562		69,000
(vi) Loans and Advances		1,39,21,462		1,66,93,930
Net Current Assets			8,79,81,054	8,23,67,552
TOTAL FUNDS UTILISED			<u>35,79,98,042</u>	<u>33,56,01,759</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS				
	8			
As per our Report of even date attached For N. KRISHNASWAMY & CO. Chartered Accountants			For and on behalf of the Board	
N. KRISHNASWAMY Partner			Dr. ANANT NARAIN SINGH Chairman	
			RAYMOND N BICKSON Director	
Date : 2nd May, 2011 Place : Mumbai			P K BHATIA Company Secretary	

BENARES HOTELS LIMITED
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Profit and Loss Account for the Year Ended 31st March, 2011

	Schedule	Rupees	Previous Year Rupees
INCOME :			
1. Rooms, Restaurants, Banquets and Other Income	6	27,28,54,877	23,07,53,904
2. Other Income		44,62,450	39,64,692
3. Total Revenue		<u>27,73,17,327</u>	<u>23,47,18,596</u>
EXPENDITURE :			
1. Cost of Material Consumed.....	7	3,48,80,976	2,75,73,696
2. Employee Benefit Expenses		4,51,42,601	3,85,39,681
3. Interest		1,76,986	—
4. Depreciation.....		1,60,03,878	1,53,19,553
5. Other Expenses		10,77,78,038	9,74,55,798
TOTAL EXPENDITURE.....		<u>20,39,82,480</u>	<u>17,88,88,728</u>
PROFIT BEFORE TAX		<u>7,33,34,847</u>	<u>5,58,29,868</u>
6. Less : Provision for Taxes			
- Current Tax		2,16,89,059	1,51,63,275
- Deferred Tax		25,99,801	29,70,706
Total		<u>2,42,88,860</u>	<u>1,81,33,981</u>
PROFIT AFTER TAXES		<u>4,90,45,987</u>	<u>3,76,95,887</u>
7. Add : Balance brought forward from Previous Year		9,94,70,394	8,52,81,386
8. AMOUNT AVAILABLE FOR APPROPRIATIONS...		<u>14,85,16,381</u>	<u>12,29,77,273</u>
9. APPROPRIATIONS			
(a) Proposed Dividend		1,69,00,000	1,69,00,000
(b) Tax on Dividend.....		28,06,879	28,06,879
(c) Amount Transferred to General Reserve.....		3,00,00,000	38,00,000
(d) Balance Carried Forward to next year.....		9,88,09,502	9,94,70,394
TOTAL		<u>14,85,16,381</u>	<u>12,29,77,273</u>
Earnings Per Share (Basic/Diluted) Rupees		37.73	29.00
(Refer Note No. 15 of Schedule 8)			
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	8		

As per our Report of even date attached
For **N. KRISHNASWAMY & CO.**
Chartered Accountants

N. KRISHNASWAMY
Partner

Date : 2nd May, 2011
Place : Mumbai

For and on behalf of the Board

Dr. ANANT NARAIN SINGH Chairman

RAYMOND N BICKSON Director

P K BHATIA Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

		2010-11		2009-10	
	Rs.	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit before Tax and extraordinary items		7,33,34,847		5,58,29,868	
Adjustments for :					
Depreciation	1,60,03,878		1,53,19,553		
(Profit)/Loss on Sale of Assets	96,634		5,077		
Provision for doubtful debts	9,39,023		21,67,147		
(Dividend from Mututal Fund) shown separately	—		—		
(Interest received) shown separately.....	<u>(3,18,072)</u>	<u>1,67,21,463</u>	<u>(3,54,214)</u>	<u>1,71,37,563</u>	
Operating Profit before Working Capital Changes		9,00,56,310		7,29,67,432	
Adjustments for :					
Trade and Other Receivables	(68,63,787)		(1,50,02,461)		
Inventories	(22,48,030)		32,04,581		
Trade Payables	<u>(95,42,627)</u>	<u>(1,86,54,444)</u>	<u>(21,14,095)</u>	<u>(1,39,11,975)</u>	
Cash Generated from Operations		7,14,01,866		5,90,55,457	
Direct Taxes paid		<u>1,89,64,208</u>		<u>1,53,61,673</u>	
Cash Flow before Extraordinary Items		<u>5,24,37,657</u>		<u>4,36,93,784</u>	
NET CASH FROM OPERATING ACTIVITIES		<u>5,24,37,657</u>		<u>4,36,93,784</u>	
B. CASH FLOW FROM INVESTING ACTIVITIES					
Additions to Fixed Assets	(3,17,26,213)		(2,06,30,925)		
Sale of Fixed Assets	4,28,000		12,500		
Interest Received.....	1,53,509		3,74,931		
Investment in Bank Fixed Deposit.....	<u>(63,80,490)</u>		<u>(1,36,19,510)</u>		
NET CASH USED IN INVESTMENT ACTIVITIES		<u>(3,75,25,194)</u>		<u>(3,38,63,004)</u>	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Short Term Loan from Associate	—		—		
Dividend + Dividend Tax Paid	<u>(1,97,06,879)</u>		<u>(1,29,27,948)</u>		
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,97,06,879)</u>		<u>(1,29,27,948)</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>(47,94,415)</u>		<u>(30,97,168)</u>	
CASH AND CASH EQUIVALENTS Opening 1st April		2,50,80,403		2,81,77,571	
CASH AND CASH EQUIVALENTS Closing 31st March		2,02,85,987		2,50,80,403	

As per our Report attached
For **N. KRISHNASWAMY & CO.**
Chartered Accountants
N. KRISHNASWAMY
Partner

Date : 2nd May, 2011
Place : Mumbai

For and on behalf of the Board

Dr. ANANT NARAIN SINGH Chairman

RAYMOND N BICKSON Director

P K BHATIA Company Secretary

BENARES HOTELS LIMITED
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Schedules forming part of the Balance Sheet

SCHEDULE '1' — SHARE CAPITAL

	Rupees	Previous Year Rupees
1. AUTHORISED		
15,00,000 Equity Shares of Rs. 10/- each.....	<u>1,50,00,000</u>	<u>1,50,00,000</u>
 2. ISSUED, SUBSCRIBED AND PAID-UP		
13,00,000 Equity Shares of Rs. 10/- each.....	<u>1,30,00,000</u>	<u>1,30,00,000</u>
(Of the above, 1,08,000 Equity Shares of the face value of Rs. 10/- each were issued at par, otherwise than for cash)		

SCHEDULE '2' — RESERVES AND SURPLUS

	Rupees	Rupees	Previous Year Rupees
1. CAPITAL RESERVE			
Balance as per Last Account		86,250	86,250
 2. GENERAL RESERVE			
a) Balance as per Last Account	13,67,21,820		13,29,21,820
b) Add : Transferred from Profit and Loss Account..	<u>3,00,00,000</u>		<u>38,00,000</u>
Total		16,67,21,820	13,67,21,820
 3. PROFIT AND LOSS ACCOUNT.....		9,88,09,502	9,94,70,394
 TOTAL		<u>26,56,17,572</u>	<u>23,62,78,464</u>

Schedules forming part of the Balance Sheet

SCHEDULE '3' — CURRENT LIABILITIES AND PROVISIONS

	Rupees	Rupees	Previous Year Rupees
A. CURRENT LIABILITIES			
1. Sundry Creditors			
i) Total outstanding dues to Micro, Small, Medium Enterprises	—		—
ii) Total outstanding dues to creditors other than Micro, Small, Medium Enterprises	<u>3,11,13,076</u>		<u>4,08,99,023</u>
		3,11,13,076	4,08,99,023
2. Deposit from Suppliers		3,12,000	2,12,000
3. Dividend Warrants issued but not encashed		20,58,057	19,14,737
Total Current Liabilities		<u>3,34,83,133</u>	<u>4,30,25,760</u>
B. PROVISIONS			
1. Proposed Dividend	1,69,00,000		1,69,00,000
2. Provision for Tax on Proposed Dividend.....	<u>28,06,879</u>		<u>28,06,879</u>
Total Provisions		1,97,06,879	1,97,06,879
TOTAL CURRENT LIABILITIES AND PROVISIONS		<u>5,31,90,012</u>	<u>6,27,32,639</u>

Schedules forming part of the Balance Sheet

SCHEDULE '4' — FIXED ASSETS

FIXED ASSETS (At Cost)	GROSS BLOCK			DEPRECIATION		NET BLOCK	
	As at 01.04.2010 Rupees	Additions Rupees	Deletions Rupees	As at 31.03.2011 Rupees	For the Year Rupees	Up to 31.03.2011 Rupees	As at 31.03.2011 Rupees
1. Land-Freehold	13,05,473 (13,05,473)	— (—)	— (—)	13,05,473 (13,05,473)	— (—)	— (—)	13,05,473 (13,05,473)
2. Buildings	14,43,38,915 (13,89,90,661)	1,33,25,642 (53,48,254)	— (—)	15,76,64,557 (14,43,38,915)	24,74,077 (22,76,730)	1,75,42,635 (1,50,68,558)	14,01,21,922 (12,92,70,357)
3. Plant & Machinery	14,38,96,461 (13,62,55,477)	1,36,36,923 (77,23,013)	78,85,073 (—)	14,96,48,313 (14,39,78,490)	90,95,390 (83,91,799)	6,68,56,881 (6,51,38,468)	8,27,91,432 (7,88,40,022)
4. Intangible Assets	82,028	5,05,969	—	5,87,998	52,461	53,600	5,34,398
5. Furniture, Fixtures & Office Equipment	5,30,02,777 (5,16,43,244)	17,04,261 (13,59,532)	3,07,621 (—)	5,43,99,417 (5,30,02,776)	43,42,625 (46,11,700)	2,48,47,839 (2,07,97,436)	2,95,51,577 (3,22,05,340)
6. Vehicles	4,13,946 (7,65,478)	— (—)	— (3,51,532)	4,13,946 (4,13,946)	39,325 (39,325)	2,93,076 (2,53,751)	1,20,870 (1,60,195)
7. Total	34,30,39,600 (32,89,60,333)	2,91,72,796 (1,44,30,798)	81,92,694 (3,51,532)	36,40,19,703 (34,30,39,600)	1,60,03,877 (1,53,19,554)	10,95,94,031 (10,12,58,213)	25,44,25,672 (24,17,81,386)
8. Capital Work in Progress	1,04,23,088 (42,22,961)	48,09,058 (87,67,442)	22,55,641 (25,67,315)	1,29,76,504 (1,04,23,088)	— (—)	— (—)	1,29,76,504 (1,04,23,088)
9. Grand Total	35,34,62,687 (33,31,83,294)	3,39,81,854 (2,31,98,241)	1,04,48,334 (29,18,847)	37,69,96,207 (35,34,62,688)	1,60,03,877 (1,53,19,554)	10,95,94,031 (10,12,58,213)	26,74,02,176 (25,22,04,474)

Notes :

- (1) Depreciation has been calculated on Straight Line Method.
- (2) Figures in BRACKETS are for Previous Year.

Schedules forming part of the Balance Sheet

SCHEDULE '5' — CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	Rupees	Previous Year Rupees
A. CURRENT ASSETS			
1. CURRENT INVESTMENT			
a) In Fixed Deposit Account		2,00,00,000	1,36,19,510
2. INVENTORIES			
a) Stores and Operating Supplies.....	50,56,298		37,53,630
b) Food and Beverage	24,74,816		15,29,454
(Value at cost and Certified by the Management)			
Total.....		75,31,115	52,83,084
3. TRADE RECEIVABLES (Unsecured)			
a) Outstanding for a period exceeding six months			
Considered Good	36,76,754		34,52,896
Considered Doubtful	68,58,578		59,19,554
	1,05,35,332		93,72,450
b) Other Debts	2,23,32,173		1,81,68,732
	3,28,67,505		2,75,41,182
c) Less : Provision for doubtful debts.....	(68,58,578)		(59,19,554)
Total		2,60,08,927	2,16,21,627
4. CASH AND BANK BALANCES			
a) Cash in hand	5,20,310		1,89,735
b) Balance with Scheduled Banks			
(i) In Current and Cash Credit Accounts	1,97,65,677		2,48,90,668
Total		2,02,85,987	2,50,80,403
5. OTHER CURRENT ASSETS		2,33,562	69,000
B. LOANS AND ADVANCES (Unsecured and Considered good)			
1. Advances recoverable in Cash or in kind or for value to be received	97,60,712		98,08,328
2. Advance payment of Taxes (Net)	41,60,751		68,85,601
Total Loans and Advances		1,39,21,463	1,66,93,930
C. TOTAL CURRENT ASSETS, LOANS & ADVANCES.....		8,79,81,054	8,23,67,553

BENARES HOTELS LIMITED
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Schedules forming part of the Profit and Loss Account

SCHEDULE '6' - ROOMS, RESTAURANTS, BANQUETS AND OTHER INCOME

	Rupees	Rupees	Previous Year Rupees
1. ROOMS, RESTAURANTS, BANQUETS AND OTHER SERVICES			
(Including Sale of Food and Beverages Rs. 7,11,45,883/- Previous Year Rs. 5,89,32,916/-)		27,28,54,877	23,07,53,904
 2. OTHER INCOME			
(a) Interest from bank (Tax Deducted at Source Rs. 5,154/- Previous Year Rs 11,207/-).....	3,18,072		3,54,214
(b) Shop Rent.....	41,44,378		36,10,478
Total		44,62,450	39,64,692
TOTAL INCOME.....		<u>27,73,17,327</u>	<u>23,47,18,596</u>

Schedules forming part of the Profit and Loss Account

SCHEDULE '7' — OPERATING AND GENERAL EXPENSES

	Rupees	Rupees	Previous Year Rupees
1. OPERATING EXPENSES			
(A) FOOD AND BEVERAGE CONSUMED			
i Opening Stock	15,29,454		39,08,749
ii Add : Purchases	2,71,44,048		1,91,57,722
Sub Total	2,86,73,502		2,30,66,471
iii Less : Closing Stock	24,74,816		15,29,454
Total		2,61,98,685	2,15,37,017
(B) STORES & SUPPLIES			
i Opening Stock	14,85,029		20,29,650
ii Add : Purchases	87,64,669		58,31,188
Sub Total	1,02,49,698		78,60,837
iii Less : Closing Stock	15,67,407		18,24,158
Total		86,82,291	60,36,679
(C) PAYMENTS AND PROVISIONS FOR EMPLOYEES			
i Salaries, Wages and Bonus	2,71,20,325		2,58,31,727
ii Company's Contribution to Provident Fund and Other Funds	23,39,104		21,20,418
iii Gratuity	9,54,064		9,00,000
iv Workmen and Staff Welfare Expenses	56,97,370		39,32,006
v Reimbursement of expenses on personnel deputed to the Company	90,31,739		57,55,530
Total		4,51,42,601	3,85,39,681
(D) OTHER OPERATING EXPENSES			
i Fuel, Power and Light	2,27,08,037		2,12,46,382
ii Repairs to Building	35,18,061		25,27,221
v Repairs to Machinery	37,63,631		50,83,434
vi Repairs to Other Assets	27,48,384		23,70,681
vii Banquet Expenses	27,22,892		24,27,636
viii Linen and Uniform Washing	40,11,834		35,83,573
ix Recreational Expenses	2,63,228		3,31,743
x Commission to Travel Agents	11,13,816		9,24,486
xi Operating Fees	1,90,87,666		1,59,81,836
xii Licence Fees	17,85,000		17,00,000
Total		6,17,22,549	5,61,76,992
2. GENERAL EXPENSES			
i Rent, Rates and Taxes	61,90,593		55,71,570
ii Insurance	7,31,846		9,42,169
iii Advertisement and Publicity	74,85,615		71,21,430
iv Printing and Stationery	13,58,345		11,71,228
v Passage and Travelling	26,33,758		29,87,888
vi Telephones, Telex, Postage and Telegrams	8,76,059		9,35,351
vii Collecting Agents Commission	26,33,394		21,39,785
viii Garden Expenses	32,99,664		17,88,823
ix Security Charges	46,37,126		41,29,577
x Corporate Services	27,29,243		23,83,318
xi CR&S/CIS Expenses	27,29,243		23,83,318
xii Loss on Sale of Assets	—		5,077
xiii Loss on Discarded Assets	96,634		—
xiv Other Expenses	75,14,902		58,77,077
xv Bad and Doubtful Debts	9,39,023		21,67,147
Total General Expenses		4,38,55,444	3,96,03,757
3. DIRECTORS' REMUNERATION		22,00,045	16,75,048
4. TOTAL (1+2+3)		10,77,78,038	9,74,55,798

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. ACCOUNTING POLICIES :

1. ACCOUNTING STANDARDS

The Financial Statements have been prepared on the basis of historical cost convention following the accrual system of accounting.

2. FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation. None of the Assets were revalued during the course of the year.

3. DEPRECIATION

Depreciation on Fixed Assets is provided on the Straight Line method in accordance with the provisions of Section 205(2)(b), at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

4. INVENTORIES

Inventories of Stores, Operating Supplies and Food and Beverages are valued at lower of cost or net realisable value. Cost is determined on weighted average basis.

5. RETIREMENT BENEFITS

(i) Provident Fund : Liability is determined on the basis of contribution as required under the Statute/Rules.

(ii) Gratuity : Liability is determined on the basis of an independent actuarial valuation made at the year end and is fully funded by the Company.

6. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at prevailing rates of exchange in force, at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange difference arising on foreign currency transactions are recognized as Income or Expense in the period in which they arise.

7. REVENUE RECOGNITION

Revenue (Income) is recognized when no significant uncertainty as to its determination or realization exists.

8. CONTINGENT LIABILITIES

These, if any, are disclosed in the Notes on Accounts. Provision is made in the Accounts in respect of those contingencies which are likely to materialize into liabilities after the year end, till the approval of the Accounts by the Board of Directors and which have material effect on the position stated in the Balance Sheet.

9. TAXES ON INCOME

Tax expense comprises both current and deferred tax at the applicable enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

10. LEAVE ENCASHMENT

The liability on account of leave encashment is determined on the basis of independent actuarial valuation made at the year end.

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
B. NOTES ON ACCOUNTS		
1. Contingent Liability not provided for :		
a) Claims against the Company in respect of arrears of electricity charges not acknowledged as debts	3,45,323	3,45,323
b) On account of dispute in respect of : UP Trade Tax	10,69,834	10,69,834
c) The Company had conducted physical verification of assets during the year through another firm and as the result of such verification, many of the items purchased since 1980 till 2000 which have been depreciated to 5% of its original cost as per the policy of the company have been found either missing or un useable or untraceable and the same have been written off/ retired from the records of the company amounting to Rs. 68.39 lacs and depreciation loss on such account was Rs. 4.57 lacs which has been shown in P & L under Loss on sale of assets. The majority in number of the items written off are kitchen equipment and data processing equipment which are thrown out or discontinued to be used after use for sometime but not reported from time to time. This loss has been set off against the profit of Rs. 3.61 lacs on sale of DG set and the net amount Rs. 0.96 lacs is shown in Schedule 7 against Loss on discarded assets.		
d) Commitments on Capital Account not provided for.....	1,24,26,428	1,77,10,185
2. Value of Raw Materials		
a) Food and Beverage consumed		
(i) Imported	—	—
(ii) Indigenous.....	2,61,98,685	2,15,37,017
Total.....	2,61,98,685	2,15,37,017
b) Stores and Supplies		
(i) Imported	—	—
(ii) Indigenous	86,82,291	60,36,679
Total.....	86,82,291	60,36,679
3. Value of Imports (CIF) Capital Items	1,55,69,199	43,37,424
4. Expenditure in Foreign Currency	1,94,961	1,65,665

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Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
5. Earnings in Foreign Exchange :		
As reported by the Company to the Department of Tourism and Certified by the Management and verified by the Auditors	12,21,26,453	13,19,14,812
6. Exchange difference included in Other Income for the year under review is		
a) Exchange Gain	—	55,306
b) Exchange Loss	57,627	—
7. Remuneration to Auditors :		
(I) Statutory Auditors		
a) As Audit Fees	1,50,000	1,50,000
b) For Tax Audit	50,000	50,000
c) For other matters (Certificates etc.).....	10,015	5,515
d) Service Tax	20,600	34,608
(II) Internal Auditors		
a) As Audit Fees	3,50,008	1,36,000
b) Service Tax	36,051	—
8. Managerial Remuneration		
Computation of Net Profit as per Section 349, read with Sections 198 and 309(5) of the Companies Act, 1956.		
a) Profit before tax as per Profit and Loss Account.....	7,33,34,847	5,58,29,868
b) Add: Depreciation debited in Accounts	10,77,78,038	9,74,55,798
Loss on Sale of Assets	—	5,077
c) Less: Depreciation	10,77,78,038	9,74,55,798
Profit on Sale of Assets	—	—
d) Directors' Remuneration (Commission).....	22,00,045	16,75,048
e) Net Profit for the year	7,55,34,892	5,75,09,993
f) Commission to Directors @ 3% on Rs. 7,33,34,847/- ..	22,00,045	16,75,048
9. (a) There is no interest paid/payable during the year by the Company to the Suppliers covered under Micro, Small, Medium Enterprises Development Act, 2006.		
(b) The above information takes into account only those suppliers who have responded to the enquiries made by the Company for this purpose.		

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
10. Expenditure on account of the undermentioned accounts are after adjusting recoveries from the third parties as under :		
i) Food and Beverage consumed.....	69,385	69,244
ii) Fuel, Power and Light.....	7,52,430	9,87,956
iii) Rents, Rates and Taxes.....	—	82,492
iv) Other Expenses.....	—	44,063
11. In view of the notification No. S.O. 301(E) dated 8th February, 2011 issued by the Ministry of Corporate Affairs, the Hotel companies have been exempted from disclosing in their Profit and Loss Account the information under paragraph 3(i)(a) and 3(ii)(d) of part II of Schedule VI regarding quantity wise details of turnover.....	—	—
12. a) Income from Rooms, Restaurants & Other Services includes:		
i) Income from Sale of Wine, Beer & Spirits	1,50,01,862	1,26,42,631
ii) Income from Telephone and Telex	1,66,441	1,35,819
b) Food and Beverages (excluding Wine and Liquor) and Smokes consumed		
i) Opening Stock	6,06,702	13,03,142
ii) Add : Purchase	2,18,36,052	1,69,57,444
iii) Less : Closing Stock	7,53,077	6,06,702
iv) Consumption	<u>2,16,89,677</u>	<u>1,76,53,884</u>
c) Food and Beverage consumed includes Wine and Liquor as follows :		
i) Opening Stock	9,22,752	26,05,607
ii) Add : Purchase	53,07,995	22,00,279
iii) Less : Closing Stock	17,21,739	9,22,752
iv) Consumption	<u>45,09,008</u>	<u>38,83,133</u>
13. The Company's business consists of its hotel operations only and hence no separate information for segment-wise disclosures under Accounting Standard on 'Segment Reporting'(AS-17), issued by the Institute of Chartered Accountants of India, is given.		

BENARES HOTELS LIMITED
Fortieth Annual Report 2010-11

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

14. a) Details of transactions with related parties during the year :

i) Nature of Transactions	Promoter Company with significant influence	Associate Company	Key Management Personnel	Total (Rupees)
Receiving of Services	1,23,51,027	—	—	1,23,51,027
	(1,18,46,671)	—	—	(1,18,46,671)
Consultancy Services received	1,90,87,666	—	—	1,90,87,666
	(1,59,81,836)	—	—	(1,59,81,836)
Deputed Personnel Expenses	90,31,739	—	—	90,31,739
	(57,55,530)	—	—	(57,55,530)
Short Term Borrowing (Unsecured loan taken from ELEL Hotels & Investment Ltd @ 8.50% for a period of 3 months and repaid during the year)	1,00,00,000	—	—	1,00,00,000

Note : Figures in brackets are for the previous year.

ii) The Company entered into a licence agreement on a revenue sharing basis with the Owners of the Nadesar Palace in Varanasi and the land on which the Palace is situate. The property licensed to the Company is owned by Dr. Anant Narain Singh and by two private limited companies and a Trust in which Dr. Anant Narain Singh is a director and a trustee respectively. An amount of Rs. 17.00 lacs per annum increasing periodically or 3% of the Net Sales from that property whichever is higher is payable in quarterly instalments as per the terms of the agreement. Thus this year Rs. 17.85 Lacs is provided towards the license fee.

b) Names of related parties and description of relationship :

Name	Nature of Relationship	Balance receivable as at 31st March, 2011	Balance receivable as at 31st March, 2010
		(Rupees)	(Rupees)
The Indian Hotels Company Limited	Associate of The Indian Hotels Company Limited.	30,89,302	(64,77,095)

c) There is no provision for doubtful debts or amounts written off or written back during the year for debts due from or to related parties.

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Rupees	Previous Year Rupees
15. Earning per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year as under :-		
Profit after tax	4,90,45,987	3,76,95,887
Weighted average number of equity shares outstanding during the year (nos.).....	13,00,000	13,00,000
Earnings per share (basic/diluted).....	37.73	29.00
16. Components of deferred tax asset and (liabilities) as under:		
Depreciation	(2,57,00,651)	(2,27,81,676)
Deferred Revenue Expenditure	—	—
Provision for Doubtful Debts	23,31,230	20,12,056
Provision for Leave Encashment	2,36,908	2,36,908
TOTAL	<u>(2,31,32,513)</u>	<u>(2,05,32,712)</u>
17. Previous Year's figures have been regrouped wherever necessary to conform to the current year's presentation.		
18. Public Shareholding		
Number of Shares	4,88,062	4,88,062
% of Shares	37.54%	37.54%
Promoters and promoter group Shareholding		
a) Pledged/Encumbered		
Number of shares	—	—
Percentage of shares (as a % of the total shareholding of promoter and promoter group)....	—	—
Percentage of shares (as a % of the total share capital of the company)	—	—
b) Non-encumbered		
Number of shares	8,11,938	8,11,938
Percentage of shares (as a % of the total shareholding of promoter and promoter group)....	100%	100%
Percentage of shares (as a % of the total share capital of the company)	62.46%	62.46%

BENARES HOTELS LIMITED
Fortieth Annual Report 2010-11

Schedules forming part of the Accounts for the year ended 31st March, 2011

SCHEDULE '8' — ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

19. INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No. :	3480	State Code :	20
Balance Sheet Date :	31.03.2011		

2. Capital Raised During the Year (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	3,57,998	Total Assets	3,57,998
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Sources of Funds

Paid-up Capital	13,000	Reserves & Surplus	2,65,618
Secured Loans	Nil	Unsecured Loans*	3,058
Deferred Tax Liability	23,133	Current Liabilities	53,190

Application of Funds

Net Fixed Assets	2,67,402	Investments	20,000
Net Current Assets	70,596	Misc. Expenditure	—
Accumulated Losses	—		

* (Includes Security Deposits of Rs. 2,527 thousand)

4. Performance of Company (Amount in Rs. Thousands)

Turnover	2,77,317	Total Expenditure	2,03,982
Profit before Tax	73,335	Profit after Tax	49,046
Earnings per share in Rs.	37.73	Dividend %	130%

5. Generic name of Principal Product/Services of the Company (As per Monetary Terms)

Item Code No. (ITC Code)	—	Services Description	Hoteliering and Catering
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Signatures to Schedules 1 to 8

As per our Report attached
For **N. KRISHNASWAMY & CO.**
Chartered Accountants

N. KRISHNASWAMY
Partner

Date : 2nd May, 2011
Place : Mumbai

For and on behalf of the Board

Dr. ANANT NARAIN SINGH Chairman

RAYMOND N BICKSON Director

P K BHATIA Company Secretary

FINANCIAL STATISTICS

(Rs./Lacs)

YEAR	CAPITAL ACCOUNTS										REVENUE ACCOUNTS										
	Capital	Reserves & Surplus	Borrowing	Deferred Taxes	Fixed Assets		Investments	Net Current Assets	Misc Expenses	Gross Revenue	Expenditure (Including Interest)	Depreciation	Profit before Extraord. Items & Taxes	Taxes	Adjustments	Profit After Taxes	Adjustments	Net Transfer to Reserves	Dividend	Tax on Dividend	Rate of Dividend %
					Gross	Block Net															
1989-90	130.00	28.54	223.51		354.89	233.57	—	148.48	—	293.01	222.09	18.93	51.99	3.10	—	48.89	—	38.49	10.40		8%
1990-91	130.00	44.85	218.63		502.44	363.19	—	30.29	—	285.11	237.94	20.47	26.70	—	—	26.70	—	16.30	10.40		8%
1991-92	130.00	125.83	181.95		528.47	360.75	—	77.03	—	421.79	286.34	28.46	106.99	—	—	106.99	—	80.99	26.00		20%
1992-93	130.00	181.24	145.70		572.99	375.23	—	81.71	—	421.09	309.84	30.52	80.73	(0.67)	—	81.40	—	55.40	26.00		20%
1993-94	130.00	231.84	101.98		617.92	389.34	—	74.48	—	462.66	343.17	32.89	86.60	10.00	—	76.60	—	50.60	26.00		20%
1994-95	130.00	284.46	79.46		639.16	377.10	—	116.82	—	516.45	382.22	34.11	100.12	8.50	—	91.62	—	52.62	39.00		30%
1995-96	130.00	427.78	48.94		689.27	390.25	—	216.47	—	755.19	498.42	36.95	219.82	18.00	—	201.82	—	143.34	58.50		45%
1996-97	130.00	616.01	9.88		740.91	487.35	—	268.54	—	904.31	595.56	33.73	275.02	35.50	—	239.52	34.51	188.23	78.00	7.80	60%
1997-98	130.00	781.67	9.74		785.85	498.88	—	422.53	—	985.31	688.39	35.96	280.96	29.50	—	251.46	—	165.66	78.00	7.80	60%
1998-99	130.00	981.38	9.74		985.85	661.34	—	459.78	—	1,083.29	716.74	46.65	319.89	33.60	—	286.29	—	199.71	78.00	8.58	60%
1999-00	130.00	1,161.94	9.74		1,032.95	661.53	—	640.16	—	1,105.09	736.19	48.19	320.70	37.71	5.79	288.78	—	180.56	97.50	10.73	75%
2000-01	130.00	1,313.88	12.97		1,123.18	706.71	—	691.59	58.54	1,252.47	865.18	47.09	340.20	54.00	(5.32)	280.88	—	151.94	117.00	11.93	90%
2001-02	130.00	1,106.06	12.97	141.16	1,282.28	812.41	—	577.78	—	936.29	776.22	55.17	104.90	32.50	—	72.40	—	(25.10)	97.50	—	75%
2002-03	130.00	1,124.68	12.97	145.08	1,411.13	876.48	—	536.25	—	1,104.34	857.04	64.77	182.54	53.92	—	128.62	—	18.62	97.50	12.49	75%
2003-04	130.00	1,188.07	12.97	152.81	1,530.16	929.83	—	554.02	—	1,298.42	957.70	67.29	273.44	92.73	—	180.71	—	63.39	104.00	13.33	80%
2004-05	130.00	1,334.76	14.26	145.75	1,518.08	919.67	100.45	604.65	—	1,532.17	1,046.88	72.16	413.13	140.44	—	272.69	—	146.69	110.50	15.50	85%
2005-06	130.00	1,497.84	14.26	146.71	1,759.20	1,112.36	105.19	571.26	—	1,574.94	1,071.05	67.56	436.33	147.25	—	289.08	—	163.08	110.50	15.50	85%
2006-07	130.00	1,732.48	22.97	153.78	2,141.70	1,468.78	111.50	458.95	—	1,943.33	1,269.77	86.66	586.90	200.17	—	386.73	—	234.64	130.00	22.09	100%
2007-08	130.00	1,990.41	22.97	164.09	2,323.36	1,548.51	—	758.96	—	2,168.87	1,397.41	101.93	669.52	223.08	—	440.45	—	257.93	156.00	26.51	120%
2008-09	130.00	2,182.89	25.27	175.62	3,331.83	2,469.11	—	44.68	—	2,018.78	1,417.40	109.56	491.81	170.05	—	321.76	—	192.48	110.50	18.77	85%
2009-10	130.00	2,362.78	30.58	205.33	3,534.63	2,522.04	—	206.65	—	2,347.19	1,635.69	153.20	558.30	181.34	—	376.96	—	179.89	169.00	28.07	130%
2010-11	130.00	2,656.11	30.58	231.32	3,769.96	2,674.02	—	87.98	—	2,773.17	1,879.79	160.04	733.35	242.89	—	490.46	—	293.39	169.00	28.07	130%

BENARES HOTELS LIMITED

Registered Office : Nadesar Palace Compound, Varanasi 221 002 U.P.

Attendance Slip

[Empty box for recording attendance details]

I hereby record my presence at the FORTIETH ANNUAL GENERAL MEETING of the Company at the Registered Office of the Company at Nadesar Palace Compound, Varanasi 221 002 on Wednesday, 10th August, 2011 at 3.30 P.M.

SIGNATURE OF THE SHAREHOLDER OR PROXY

Notes :

- (1) Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
- (2) Shareholder/Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.
- (3) Shareholders are requested to advise the change in the address, if any, indicating their Folio No. to the Company or to the Registrar and Share Transfer Agent of the Company.

BENARES HOTELS LIMITED

Registered Office : Nadesar Palace Compound, Varanasi 221 002, U.P.

Proxy

I/We _____

of _____

being a Member/Members of BENARES HOTELS LIMITED hereby appoint _____

_____ of _____

_____ or failing him

_____ of

_____ as my/our

Proxy to vote for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on Wednesday, 10th August, 2011 at 3.30 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Folio No.: _____

No. of Shares: _____

Signature



Note : The proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting.



The Gateway Hotel Ganges Varanasi

