

ANNEXURE - C MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TSA:RMF 2008) quantifies only the direct contribution of Travel & Tourism. But WTTC recognizes that Travel & Tourism's total contribution is much greater, and aims to capture its indirect and induced impacts through its annual research. Travel and tourism industry contributed 10.4% to total GDP and registered healthy growth of 3.9% in 2018 (Source: World Travel and Tourism Council (WTTC)) India continued to build its lead as one of the fastest growing large economies in the world during FY 2018-19. Recent estimates as per the Central Statistical Office pegged GDP growth for FY 2018-19 at 7% led by government expenditure on roads and affordable housing, strong gross capital formation and improved exports. Healthy savings by Indian households (22% of their income), higher proportion of young, working population and policy reforms are the long-term drivers for India's economic growth in future.

There is much to cheer about tourism's progress in India. This has found acknowledgement in the World Economic Forum's travel and tourism competitive index where India is found to have made a smart sprint to become the 40th most coveted destination among the 136 surveyed nations. International tourist arrivals grew by 5.6% in 2018 representing a strong year of progress for global travel and tourism industry (Source: United Nations World Tourism Organization). The growth in arrivals was broad-based, with Africa, Asia Pacific and Europe growing by 7.3%, 6.1% and 5.7%, respectively. The Americas recorded a 2.9% rise in international tourist arrivals. Global air passenger traffic increased by 6.4% for the year, until November 2018 (Source: International Air Transport Association).

The Ministry of Tourism in its 2018-19 Annual Report says that foreign tourist arrivals in India during 2019 were 10.56 million (Provisional) with a growth of 5.2% over same period of the previous year. During 2018, a total of 2.4 million foreign tourists arrived on e-Tourist Visa registering a growth of 39.6%. Encouragingly, non-resident Indians are too visiting the Country in ever increasing numbers.

The travel and tourism industry in India is one of the biggest contributors to India's GDP and hence is critical in supporting the Indian growth story. In 2017-18, the industry's share was 3.7% and is expected to increase by 7.6% in 2018-19. We are leveraging this immense potential for growth to increase scale and strengthen our

business.

The long term outlook for the Indian hospitality business continues to be positive, as the Central Government announces the New Visa Policy of "On arrival Visa Policy", both for the business as well as the leisure segments with the potential for economic growth, increases in disposable incomes and the burgeoning middle class.

1. FUTURE TRENDS

The Ministry report also informs that foreign exchange earnings from tourism during the period 2018-19 were Rs. 1,94,892 crores (Provisional estimates) with a growth of 9.6% over same period of previous year. India is receiving growing numbers of both business visitors and leisure tourists. Global businesses are looking beyond China to India as the next growth engine. The wonder that is India is receiving in terms of mesmerizing destinations and culture was always there. But it is only in recent years that the realization dawned on the government that given a robust infrastructure linked to tourism and a friendly visa regime, including e-visa and visa on arrival would convert curiosity and longings for India into foreigners actually discovering India physically. But considering the country's riches, it has only started realizing the earning potential of tourism. Actually, India should soon find itself among the first ten countries in WEF competitive index.

What is particularly encouraging for the industry is the government recognition that large numbers of jobs requiring a great variety of skills will be created across the country as tourism takes wing. Job creation is the biggest challenge for the government. It will, therefore, be expected that the government will give greater thrust to strengthening tourism infrastructure. Progress is visible but infrastructure building needs speeding up to make tourism a robust industry. As India remains the fastest growing economy in the world with rising disposable income in the hands of people, all this is acting as booster to domestic travel and tourism. According to the World Travel & Tourism Council (WTTC), leisure travel spending in India is expected to grow by 7.6% in 2018 to Rs.14,127 billion and business travel spending by 6.7% to Rs.806.40 billion. Your Company is all ready to make the best of the improving business environment.

Over the longer term, growth of the Travel & Tourism sector will continue to be strong so long as the investment and development takes place in an open and sustainable manner. Enacting pro-growth travel policies that share benefits more equitably can foster a talent and business environment necessary to enable Travel & Tourism to realize its potential. In

doing so, not only can we expect the sector to support over 380 million jobs by 2027, but it will continue to grow its economic contribution, providing the rationale for the further protection of nature, habitats, and biodiversity.

WTTC is proud to continue to provide the evidence base required in order to help both public and private bodies make the right decisions for the future growth of a sustainable Travel & Tourism sector. As per Annual Report of Ministry of Tourism (2018-19), Tourism is a demand based concept defined by its consumption and not by its output. Industries defined in National Accounts, such as Air transport, Hotel & Restaurants, etc. produce the same output irrespective of whether it is consumed by tourist or non-tourist. It is consumption by tourists that defines the tourism economy, which is not available in the National Accounts. Therefore, there is need for preparing Tourism Satellite Account for assessing the contribution of tourism in GDP.

The key drivers for international travel demand growth to India include the easier e-visa regime, Swachh Bharat Abhiyan, Make in India, Yoga Days, Incredible India and other similar initiatives, which are expected to build a positive global image for the country and will have a long term impact for the travel and tourism industry.

As per GLOBAL DATA 2018 recently released by WTTC, While the global economy grew by 3.2%, Travel & Tourism grew significantly more at 3.9%. 1 in 5 new jobs were created by Travel & Tourism over the last five years in India. Over the next ten years over one third of absolute GDP growth and nearly half of employment growth will be generated by China and India.

2. SECTOR OUTLOOK

The outlook for the Indian Hospitality industry is becoming increasingly promising. Industry reports indicate that the demand for hotel rooms will continue to grow at a steady rate. Such demand is driven both by business activity as well as leisure which has a 71% and 29% share respectively. Room demand growth is correlated to GDP growth; consequently with GDP growth picking up, commercial demand is expected to increase.

The leisure demand at 29% of total rooms demand, has also shown robust growth led by a number of factors. Higher disposable income has ensured improved affordability, while the multitude of online travel agents (Makemytrip, Goibibo, Yatra, Expedia etc.) has made it easier and convenient to book rooms online. Being present in both business and leisure segments, The Ummid is well positioned to benefit from increased demand for rooms from the two segments.

The Government has allowed 100% foreign investments under the automatic route in the hospitality industry according to the Consolidated FDI Policy released by the Ministry of Commerce and Industry, Government of India.

The Government has constituted a Steering Committee with representatives of all sectors of tourism and hospitality industry for promotion of tourism in a sustainable manner. The Government has set up a Hospitality Development Board, with the main function of the Board being monitoring and facilitating the clearances/approvals of hotel projects at both - Central/ State government levels.

The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India.

3. SWOT ANALYSIS

Strengths

- A major strength for our Hotel is its preferred owned brands with its vast portfolio commanding leadership in their market segments. Quality service from the said brand strengthens the market position of hotels giving it its competitive edge as it seeks to take advantage of increasing business. Strengthening individual services in the areas of exclusive business meetings, food and spa to offer a wide spectrum of hospitality services in accommodations and beyond.
- Ministry of Tourism has two major schemes viz. Swadesh Darshan - Integrated Development of Theme- Based Tourist Circuits and PRASHAD Pilgrimage Rejuvenation and Spiritual, Heritage Augmentation Drive for development of tourism infrastructure in the country including historical places and heritage cities.
- The Government of Gujarat strongly initiated the promotion of tourism in Gujarat with the slogan like "Kuch Din to Gujarat Gujarat mein."
- The Indian Government organized many types of International exhibitions and Celebration in Gujarat like, "Plast India-2015", "Pravasi Bharatiya Divas" and "Agritech Asia" providing impetus to hospitality industry.
- The "Incredible India 2.0" Campaign of the Ministry was launched by the Hon'ble President of India on 27th September 2017, during the National Tourism Awards function. The 2.0 Campaign marks a shift from the generic promotions being undertaken across the world to market specific promotional plans and content creation. The Campaign covers the important source markets for Indian tourism and also takes



into account emerging markets with significant potential.

- A world level corporate conference viz. “Vibrant Gujarat”, providing impetus to hospitality industry.
- The promoters have an established track record, having created a niche for itself in hospitality industry with good brand image for last 23 years.
- A loyal clientele base of corporate built-up over the years, providing a ready customer base.
- Strategic location of the hotel in the immediate vicinity of Airport with well-developed infrastructure gives it an added advantage over other competitors.
- Your Company continuously renovates its properties to meet the increasing competition in the market and insured its property against natural and man made disasters.
- The Ummed Ahmedabad, Ahmedabad's first Five star hotel is been fruitfully proceeding its successful journey with all its pride even after era of giant groups such as TAJ and Oberoi at this property.
- The hotel property of the company is situated just 1km from the airport and in close proximity to the government and developing industrial areas makes this location an apt choice for all the business travelers. The property is surrounded with greenery and perfectly manicured lawns compliment the city's biggest open-air swimming pool. Enjoy the tranquility of our guest rooms and suites, explore local and global cuisines at the 24-hour coffee shop and fine dining restaurant. The hotel is known for patronizing the who's who of the worlds in recent days.

Weaknesses

Hospitality Industry suffers from event risks such as terrorist attack, government stability, dollar and foreign currency condition, rupee devaluation etc. the company is operating in area, which is prone to these risks.

- Hotel business in general is sensitive to fluctuation in the economy. Since, demand for hotels is affected by economic growth; a global recession might lead to downturn in the hotel industry.
- Since tourism is global phenomenon, any adverse developments on the geo-political front

are likely to impact global tourist flow and India is not an exception to same. The future of the hospitality industry is very sensitive to the global security environment.

Opportunities

- Ahmedabad is emerging as a global city with a confluence of various culture, positive political circumstances and values and also being a leading industrial city of India, the Company will be able to exploit the business travel potential offered by the city.
- UNESCO has declared Ahmedabad as World Heritage City resulting into increase in foreign visitors.
- At a time of the World Economy melt down, Global Investors envisage for safer Investments and fetch assured returns. Investors look towards India and Gujarat has been a preferred Investment Destination by way of Vibrant Gujarat Summit 2017.
- The Government of Gujarat has declared and initiated many automobile projects resulting into increase in foreign corporate visitors.
- With the increase in the demand of Gujarati Film and Entertainment Industry, the related visitors also increased, who prefer our location only.
- The Government of Gujarat has declared and initiated many automobile projects resulting into increase in foreign corporate visitors
- The Hotel is well established and the promoters with their experience have passed through such phases without many adversities.
- Encapsulated in an oasis of warm and soothing surroundings, “The Ummed Ahmedabad” is a low-rise property spread over four acres of manicured gardens. Feel welcomed in one of the 91 rooms and suites, tastefully appointed using subtle tones, styled with custom made teak furniture and convenient amenities. Elegantly appointed rooms and suites overlook the landscaped gardens and tall trees around the hotel or provide breathtaking views of the turquoise waters of the poolside. Classic Indian and regional art adorn the rooms along with thoughtful amenities to ensure guests feel at home (www.ummedhotels.com).

Threats

- Guest houses replace the hotels. This is a growing trend in the west and is now catching up in India also, thus diverting the hotel traffic.

- Changing trends in the west demand similar changes in India, which here are difficult to implement due to high project costs.
- Fluctuation in foreign tourist arrival. The total dependency on foreign tourists can be risky, as there are wide fluctuations in international tourism.

4. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial performance of the Company for the year 2018-19 is described in the Directors' Report under the head of 'Operation'.

5. SEGMENT WISE PERFORMANCE

The Company has only one segment i.e. Hotel Industry.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal Control Systems and their Adequacy of the company for the year 2018-19 are described in the Directors Report under the head of 'Internal Control Systems And Their Adequacy'.

7. HUMAN RESOURCE DEVELOPMENT/ INDUSTRIAL RELATIONS

During the year, the Company maintained harmonious and cordial industrial relations. No operating days were lost due to strike, lock out etc. Human Resources Development, in all its aspects like training, safety and social values is under constant focus of the management. The Management and the Employees are dedicated to achieve the corporate objective and the targets set before the Company.

During the financial year 2018-19, the company has not received any complaints on sexual harassment and hence no complaints remain pending as of 31st March, 2019.

8. Material developments in Human Resources / Industrial Relations front, including number of people employed

We admire our employees for better performance by taking seminars, exports talk and healthy competition among them. We motivate them to do research and development of Hotel Industries and welcome their suggestion if it achieve the benchmark of our standards. Company understand the value of human capital and tries to preserve and develop it.

9. Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including:

Financial Ratio Particulars	Year Ended	
	31.03.19	31.03.18
(i) Debtors Turnover	5.53	7.10
(ii) Inventory Turnover	8.24	7.56
(iii) Interest Coverage Ratio *	5.94	3.61
(iv) Current Ratio	1.92	2.15
(v) Debt Equity Ratio	0.12	0.12
(vi) Operating Profit Margin (%)	19%	19%
(vii) Net Profit Margin (%) *	14%	11%

or sector-specific equivalent ratios, as applicable.

* Improved business and lower finance costs resulted in improved Interest Coverage Ratio and consequently Net Profit Margin

10. Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof

Return on Net Worth for the Current Financial Year ended on 31.03.19 is 8.01% as compared to 6.62 % in Previous Financial Year ended on 31.03.18. ROI has significantly improved as the Company has maintained healthy capital structure as is evident from debt equity ratio and improved Net Profit Margin.

11. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, predictions and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. As "forward- looking statements" are based on certain assumptions and expectations of future events over which the Company exercises no control. The Company assumes no responsibility to publicly amend, modify or revise the forward looking statement on the basis of subsequent developments, domestic and international economic conditions affecting demand, supply and price conditions in the hospitality industry, changes in the Government regulations, tax regimes and other status.

By Order of the Board of Directors

Place : Ahmedabad
Date : 13/08/2019

U. Champawat
Chairman &
Managing Director
(DIN-00294184)