

ECONOMIC OVERVIEW

Global

The global economy in this fiscal stayed fairly robust and constant pace of 3.1%, supported by emerging economies particularly in commodity exporters, but growth in developed markets stayed modest. The pickup in global growth anticipated in the April remains on track, with global output projected to grow by 3.5% in 2017 and 3.6% in 2018. Emerging and developing economies are projected to see a sustained pickup in activity, with growth rising from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018. The US Federal Reserve continued with the interest rate normalization cycle in FY 2016-17 by increasing rates twice, in Dec 2016 and Mar 2017. The global low interest rate and abundant liquidity cycle is likely to slowly normalise

Indian

India has emerged as the fastest growing large economies in the world, with a currency that performed better than most other emerging markets. The Government of India has forecasted that the Indian economy will grow by 7.1% in FY 2016-17. As per the Economic Survey 2016-17, the Indian economy should grow between 6.75 and 7.5% in FY 2017-18. There was a significant upturn in commodity prices after a year of deflation. Consumer spending stayed subdued during the early part of the year impacted by two years of drought. This year was marked by the way for the long awaited and transformational Goods and Services Tax (GST).

INDUSTRY STRUCTURE AND DEVELOPMENTS

Hospitality Industry:

a) Global Industry:

According to World Travel and Tourism Council, the travel and tourism sector had generated Rs. 14.1 trillion (USD208.9 billion) in 2016, which is world's 7th largest in terms of absolute size; the sum is equivalent to 9.6% of India's GDP. Additionally, the sector created 40.3 million jobs in 2016, which ranks India 2nd in the world in terms of total employment generated. The sector accounts for 9.3% of the country's total jobs.

The outlook for the Travel & Tourism sector in 2017 stays robust and will continue to be at the front position of wealth and employment making in the global economy, despite the coming out of a number of challenging headwinds. Direct Travel & Tourism GDP growth is pick-up the pace to accelerate to 3.8%, up from 3.1% in 2016. As

nations seem to be looking increasingly inward, putting in place barriers to trade and movement of people, the role of Travel & Tourism becomes even more significant, as an engine of economic development and as a vehicle for sharing cultures, creating peace, and building mutual understanding. Travel & Tourism forecasts over the next ten years also look extremely favourable with predicted growth rates of 3.9% annually.

b) Indian Industry:

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

Tourism in India accounts for 7.5% of the GDP and is the third largest foreign exchange earner for the country. The tourism and hospitality sector's direct contribution to GDP, in 2016, is estimated to be USD 47 billion. During 2006-16, direct contribution of tourism and hospitality to GDP is expected to register growth at a CAGR of 11.3%. The direct contribution of travel and tourism to GDP is expected to grow at 7.2% per annum, during 2015 - 25, with the contribution expected to reach USD 160.2 billion by 2026.

The sector's total contribution to GDP is expected to (USD billion) increase to USD 136.2 billion by the end of 2016, witnessing growth from USD 88 billion in 2007, and is expected to further grow to USD 280.5 billion by 2026. The total contribution of travel and tourism to Indian GDP is forecasted to increase by 4.97% per annum to USD 280.5 billion by 2025 (7.2% of GDP). In December 2016, the country earned foreign exchange of around USD 2.12 billion, from the tourism sector.

India's Travel and Tourism sector was also the fastest growing amongst the G20 countries, growing by 8.5% in 2016. A further 6.7% growth is forecast for 2017.

c) Government Initiatives:

The Indian government has realized 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:

- Tourism and hospitality is included as one of the 25 focus sectors under the government's 'Make in India' initiative, which aims to 'transform India into a global design and manufacturing hub.
- The government has allowed 100 per cent FDI under the automatic route in the tourism and hospitality sector, including tourism construction projects - such as development of hotels, resorts and recreational facilities.
- The Ministry of Tourism (MoT) is focussing on driving tourism through branding and promotional campaigns, such as 'Incredible India' and 'Atithi Devo Bhava'
- In October 2016, the government set up a task force for adventure tourism to resolve challenges related to the segment's development and promotion in the country.
- Striving to improve the ease of doing business, the MoT has set up a website for online recognition of travel trade service providers.
- The government is encouraging local involvement in tourism by promoting homestays; it is also urging the states to make the licensing process easier for homestays, and exempt them from service tax and other levies.
- The MoT continues to promote tourism through bilateral/tripartite agreements and Memoranda of Understanding (MoUs) with other countries and international organisations; India currently has 48 such agreements in place.

Information Technology Industry:

a) Global Industry:

As per the NASSCOM Strategic Report 2017, global technology industry had seen modest yet commendable growth of 4% in Current Year 2016, after a couple of years of remaining flat. The Global IT-BPM market (excluding hardware) stood at USD 1.2 Trillion in Current Year 2016. Information Technology services grew by 2.5% to reach USD 649 Billion in Current Year 2016 on account of acceptance of cloud models and investment in cloud infrastructure. Global sourcing market growth continues to outperform ITBPM spends growth. India continued as the world's No. 1 sourcing destination with a 55 % market share.

b) Indian Industry:

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 67 per cent of the US\$ 124-130 billion market. The industry employs about 10 million workforces. The IT industry has

also created significant demand in the Indian education sector, especially for engineering and computer science. The Indian IT and ITeS industry is divided into four major segments - IT services, Business Process Management (BPM), software products and engineering services, and hardware.

The Indian IT sector is expected to grow at a rate of 12-14 per cent for FY2016-17 in constant currency terms. The sector is also expected triple its current annual revenue to reach US\$ 350 billion by FY 2025. Total spending on IT by banking and security firms in India is expected to grow 8.6 per cent year-on-year to US\$ 7.8 billion by 2017. India's internet economy is expected to touch Rs 10 trillion (US\$ 146.72 billion) by 2018, accounting for 5 per cent of the country's GDP.

Cross-border online shopping by Indians is expected to increase 85 per cent in 2017, and total online spending is projected to rise 31 per cent to Rs. 8.75 Lacs crore (US\$ 128 billion) by 2018.

India ranks among the top five countries in terms of digitalization maturity as per Accenture's Platform Readiness Index, and is expected to be among the top countries with the opportunity to grow and scale up digital platforms by 2020.

c) Government Initiatives:

Some of the major initiatives taken by the government to promote IT and ITeS sector in India are as follows:

- The Government of Gujarat has signed 89 MoUs worth Rs 16,000 crore (US\$ 2.3 billion) in the IT sector, during Vibrant Gujarat Global Summit-2017.
- The Government of Telangana has signed an agreement with network solutions giant Cisco Systems Incorporation, to cooperate on a host of technology initiatives, including Smart Cities, Internet of Things, cyber security, education digitisation of monuments.
- The Pune Smart City Development Corporation (PSCDCL) has signed a memorandum of understanding (MOU) with the European Business and Technology Centre (EBTC), which will allow it to gain access to real-time knowledge of technologies, solutions and best practices from Europe.
- Government of India is planning to develop five incubation centres for IoT start-ups, as a part of Digital India and Startup India campaign, with at

- least two centres to be set up in rural areas to develop solutions for smart agriculture.
- The Government of India has launched the Digital India program to provide several government services to the people using IT and to integrate the government departments and the people of India. The adoption of key technologies across sectors spurred by the 'Digital India Initiative' could help boost India's Gross Domestic Product (GDP) by US\$ 550 billion to US\$ 1 trillion by 2025.
- India and the US have agreed to jointly explore opportunities for collaboration on implementing India's ambitious Rs 1.13 trillion (US\$ 16.58 billion) 'Digital India Initiative'. The two sides also agreed to hold the US-India Information and Communication Technology (ICT) Working Group in India later this year.

OPPORTUNITIES

Indian Hospitality Industry:

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. Travel and tourism has become one of the largest service industries in India and has a huge growth potential. With thousands of tourists coming in and it's growing share in the GDP, the room for growth in travel and tourism in India is nearly exponential.

- Under "Swachh Bharat" Mission Government plans to come up with 100 model 'Swachh Tourist Destinations' under a special clean-up initiative focused on developing iconic heritage, spiritual and cultural places in the country.
- Total outbound trips increased by 8.7% to reach 19.9 million in 2015, while inbound tourist volume grew at a Compound Annual Growth Rate (CAGR) of 6.8% during 2010-2015.
- Foreign Tourist Arrivals (FTAs) during the month of December, 2016 were 10.37 Lacs as compared to 9.13 Lacs during the month of December, 2015 and 8.85 Lacs in December, 2014. There was a 13.6% growth in FTAs in December, 2016 over December, 2015.
- Tourist arrivals on e-Tourist Visa (e-TV) witnessed a year-on-year growth of 196.6% to reach 66,097 tourists in August 2016; this can be attributed to the e-TV visa being expanded to include 150 countries compared to the previous 113 countries.

- The hotel and tourism sector attracted around US\$ 9.23 billion worth of Foreign Direct Investment (FDI) from April 2000 to March 2016.
- 86 Memoranda of Understanding (MoUs) worth around Rs. 15,000 Crores were signed at the first Incredible India Tourism Investment Summit 2016, for the development of tourism and hospitality projects.
- Foreign Exchange Earnings (FEEs) during the month of December, 2016 were Rs. 16,805 Crore as compared to Rs. 14,152 Crore in December, 2015 and Rs. 12,988 Crore in December, 2014.
- The tourism industry is expected to generate 13.45 million jobs across sub-segments such as restaurants (10.49 million jobs), hotels (2.3 million jobs) and travel agents/tour operators (0.66 million).
- India rose by 13 ranks from the 65th to the 52nd rank in the World Economic Forum's Travel and Tourism Competitiveness Index (TTCI) in 2015.
- India was the top international tourism source market for Dubai in 2016, and brought in 1.8 million overnight tourists, reflecting a 12 per cent growth over 2015.

Indian Information Technology Industry:

- India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India.
- Social, Mobility, Analytics and Cloud (SMAC) are collectively expected to offer a US\$ 1 trillion opportunity. Cloud represents the largest opportunity under SMAC, increasing at a CAGR of approximately 30% to around US\$ 650-700 billion by 2020.
- The social media is the second most lucrative segment for IT firms, offering a US\$ 250 billion market opportunity by 2020.
- The Indian e-commerce segment is US\$ 12 billion in size and is witnessing strong growth and thereby offers another attractive avenue for IT companies to develop products and services to cater to the high growth consumer segment.

CHALLENGES, THREATS, RISKS AND CONCERNS

Indian Hospitality Industry:

- The indirect tax levied on the tourism and

hospitality sector's offerings in India is considerably higher at 18–25 per cent than that levied by some of the major tourist destinations globally, where it is below 10 per cent

- The tourism infrastructure at several major tourist destinations in India is inadequate to support sustainable tourism; the primary areas of concern include poor and unsafe road transportation, insufficient regional air connectivity, unsanitary conditions and safety of travelers.
- Although tourist police has been officially deployed by several states, the objective is likely to be achieved once it is strengthened further.
- Unregulated tourism activities at several tourist spots, including some heritage sites in the country, are adversely affecting the ecological balance in those places.
- Tourism and hospitality is a labour-intensive sector, and the country's complex labour laws at the centre as well as at the state level affect the existing and new businesses trying to enter the Indian market.
- The sector has also witnessed a temporary slowdown owing to the government's recent move to demonetise high currency notes of INR 500 and INR 1,000, which effectively removed 86 per cent of the cash value in the economy.
- Being a state subject, tourism is challenged by the inconsistencies in regulations imposed on the sector's businesses.

Indian Information Technology Industry:

- The Indian IT-BPM industry has been traversing through various challenges. The ambit of reasons, including protectionism in the global market, perplexed political scenario, visa regulations and the emergence of new technologies, have added to the challenges. The IT services sector has been facing the brunt of pressing issues, such as pricing pressure, decrease in IT spending patterns and the average deal size getting smaller.
- With the digital disruption, global companies are shifting towards digital services and cloud computing. These companies are looking for high-value propositions and innovative solutions, rather than what was provided by the Indian companies traditionally. With the shift towards digital, Indian companies are lagging behind in upskilling their employees for 'high-value' work and new-age technologies.
- While the emerging technologies have created opportunities on the one hand, they have also given rise to uncertainties on the other; automation and Artificial Intelligence (AI)-based platforms are replacing processes dependent on

human input to a significant extent.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Company maintains an adequate internal control system, which provides, among other things, reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against significant misuse or loss of Company's assets. Overall responsibility for the risk management processes adopted by the Company lies with the Board. On behalf of the Board, the Audit Committee reviews the effectiveness and efficiency of the Company's internal control policies and procedures for the identification, assessment and reporting of risks.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries and reports the same on quarterly basis. Based on the report of internal auditor, respective departments undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The primary objective of Human Resource (HR) function is to attract and retain talent with requisite competencies, especially for emerging businesses and focus on training and development to improve productivity thereby strengthening the competitive edge of the Company.

Given the dynamic nature of business environment, nurturing the human capital becomes necessary for achieving sustainable growth. With long term objective in mind the Company undertakes and sponsors various training and development programs to impart the employees with necessary skill sets. Talent acquisition helps us to enhance efficiency and also bring about positive cultural change within the Organization.

Industrial Relations throughout the year were cordial at all hotels and operating units of the Company. As on 31st March, 2017, the Company had 106 employees.

MANAGEMENT OUTLOOK AND STRATEGY TOWARDS SUCCESS

The Company is striving and persistently focusing on upgrading its infrastructure and services year on year to meet Global hospitality standards in ambience, comfort and convenience. The Company will also constantly focus on enhancing its hospitality management services as it believes that the Company's hotel management expertise and equity in this segment will enable it to capitalise on the favourable trends in hospitality sector.

The Company and its subsidiaries currently owns / operates / manages more than 40 hotels / properties with a loyal high-end client base. For the Company, hospitality means having customer delight, celebrating the culture, gastronomy and nature of the locations in which they are found.

Financial Performance Summary (Standalone):

Revenues

The Company has earned total revenue of Rs. 3475.34 Lakhs as against the previous year's revenue of Rs. 3242.82 Lakhs.

Expenditure

Total expenditure stood at Rs. 3296.83 Lakhs as against Rs. 3466.04 Lakhs in the previous year.

Profit before Tax

Profit before Tax decreased to Rs.431.12 Lakhs from Rs. 1681.39 Lakhs in the previous year.

Profit after Tax

Profit after Tax decreased to Rs. 343.84 Lakhs from Rs. 1294.04 Lakhs in the previous year.

Financial Performance Summary (Consolidated):

Revenues

During the year consolidated revenues stood at Rs.14103.32 Lakhs as against Rs.14217.84 Lakhs in the previous year.

Expenditure

Total expenditure stood at Rs.16610.92 Lakhs as against Rs. 17571.34 Lakhs in the previous year.

Profit/(Loss) before Tax

Loss for the year before Tax adjustment stood at Rs. 1953.55 Lakhs as against a net loss of Rs. 1394.20 Lakhs in the previous year.

Profit/(Loss) after Tax

Loss for the year after Tax and other adjustments stood at Rs. 2042.33 Lakhs as against net loss of Rs. 1791.87 Lakhs in the previous year.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

Statements made in the Management Discussions and Analysis, 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 has no control, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto and the other information included elsewhere in the Annual Report.