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Mahindra Holidays & Resorts India Limited

Annual Report 2011-12



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# Corporate Information

## Board of Directors

A K Nanda Chairman  
Rajiv Sawhney Managing Director & CEO  
Uday Y Phadke  
Cyrus J Guzder  
Vineet Nayyar  
Rohit Khattar  
Rama Bijapurkar  
Sridar A Iyengar

## Chief Financial Officer

Aloke Ghosh

## Company Secretary

Dinesh Shetty

## Auditors

Deloitte Haskins & Sells  
Chartered Accountants

## Bankers

YES Bank Limited  
HDFC Bank Limited

## Registered Office

Mahindra Towers, 2nd Floor,  
No. 17 / 18, Patullos Road,  
Chennai – 600 002  
Tamil Nadu, India

## Corporate Office

Mahindra Towers, 1st Floor,  
"A" Wing, Dr. G M Bhosle Marg,  
P.K. Kurne Chowk, Worli,  
Mumbai - 400 018.



## Directors' Report

### Directors' Report to the Shareholders

Your Directors are pleased to present their Sixteenth Report together with the audited accounts of your Company for the year ended 31st March, 2012.

#### Financial Results

	Rs. in lakh	
	2012	2011
<b>Income:</b>		
Income from sale of Vacation Ownership and other services	57,383	48,713
Other Income	6,275	4,703
<b>Total Income</b>	<b>63,658</b>	<b>53,416</b>
<b>Expenditure :</b>		
Less: Employee Cost & other expenses	(47,037)	(36,462)
<b>Profit before Depreciation, Interest and Taxation</b>	<b>16,621</b>	<b>16,954</b>
Less: Depreciation	(2,034)	(2,010)
Interest	(35)	(16)
<b>Profit for the year before tax</b>	<b>14,552</b>	<b>14,928</b>
Less: Provision for Tax – Current Tax	(4,102)	(4,305)
– Deferred tax (net)	14	(347)
<b>Net Profit for the year after tax</b>	<b>10,464</b>	<b>10,276</b>
Balance brought forward from earlier years	22,378	17,046
<b>Balance carried forward</b>	<b>32,842</b>	<b>27,322</b>
<b>Appropriations:</b>		
General Reserve	(1,046)	(1,028)
Proposed Final Dividend on Equity shares	(3,386)	(3,369)
Income Tax on Proposed Final Dividend	(549)	(547)
<b>Surplus carried to Balance Sheet</b>	<b>27,861</b>	<b>22,378</b>



## Dividend

Your Directors are pleased to recommend a dividend of Rs.4 per Equity Share of the face value of Rs.10 each for the financial year 2011-12. The dividend, if approved at the ensuing Annual General Meeting, will be paid to the Shareholders whose names appear on the register of members of the Company as on the Book Closure Date. The equity dividend outgo for the financial year 2011-12, inclusive of tax on distributed profits would absorb a sum of Rs. 3,935 lakh (as against Rs.3,916 lakh comprising the dividend of Rs.4 per Equity Share paid for the previous year).

## Operations and Financial Overview

Club Mahindra, the Company's flagship brand in the vacation ownership business, continued to drive the Company's business during the year. The Company added over 18,000 new members to its vacation ownership business, taking the total membership to 143,258 at the end of the year.

Your Company added significant inventory during the year. This was achieved by a combination of greenfield developments and expansion of existing properties, acquisitions and leases. The Company added 485 units to its room inventory across 10 resorts during the year representing a single year increase of 31%.

Your Company also expanded its land-bank during the year with the acquisition of additional land parcels in Munnar (Kerala) and Kanha (Madhya Pradesh). Including these, Mahindra Holidays now has a land-bank of over

200 acres at ten destinations across eight different states.

During the year, the ongoing investments in technology and redesigning business processes, as well as implementation of TQM principles across the organisation started paying dividends. This has facilitated the implementation of a complete online booking solution for the members, which has significantly increased the functionalities, efficiency and transparency in the holiday booking process and resulted in tangible benefits.

The Company has formalised a strategy to achieve its growth plans. The key elements of this strategy are following a 'Member First' philosophy, achieving a significant increase in choice of destinations and inventory, and complete upgrading of the holiday experience. As this strategy becomes operational, the end-to-end experience of Club Mahindra members will be upgraded to a different level, one of much greater engagement and satisfaction, and offering holistic returns from a long-term investment.

In spite of tough macroeconomic situation, the Company performed creditably during the year. Your Company's total income (including other income) grew at 19 per cent from Rs.53,416 lakh in 2010-11 to Rs.63,658 lakh in 2011-12. Profit After Taxes (PAT) increased from Rs.10,276 lakh in 2010-11 to Rs.10,464 lakh in 2011-12. As a result, diluted EPS of the Company was Rs.12.46 in 2011-12, up from Rs.12.21 in the previous year.



## Share Capital

During the year under review, the Company has allotted 4,10,000 equity shares of Rs. 10 each to the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust. Consequent to that the paid-up equity share capital of the Company stands at Rs. 8464 lakh comprising of 8,46,39,772 equity shares of Rs.10 each fully paid-up.

## Capital Expenditure

During the year, the Company added Rs. 2,797 lakh to its gross block, comprising investment in resort properties and Rs.62 lakh for software. The Capital work in progress as on 31st March, 2012, stood at Rs. 18,364 lakh mainly representing resorts under development.

## Awards and Recognitions

Your Company's focus on customer delight and commitment to offer great holiday experiences has earned it the following awards and recognitions during the year:

- RCI's prestigious 'Presidents Club Award' for 2011. The award is given to those who excel in transforming the vacation experience.
- 12 RCI Gold Crown Resorts and 1 Silver Crown Resort in India. This evaluation is based on the RCI member comment card ratings and an independent assessment of resort facilities, amenities and service. Only a small percentage of RCI affiliated resorts worldwide achieve this distinction.
- At the Travellers' Choice Awards 2012 by Trip Advisor, Coorg was included in the 'Top 25 All Inclusive Resorts in Asia' and Ashtamudi was included in 'Top 25 Relaxation/Spa Hotels in India'.
- Club Mahindra, the flagship brand of Mahindra Holidays, was awarded the 'Product of the Year 2012' in the 'Holidays & Hospitality' category based on independent consumer survey carried out by Nielsen. 'Product of the Year' has been awarding companies in 28 countries for 25 years and enjoys global success.
- The Company received the prestigious 'CSI 2011 Awards for Excellence in IT' from Computer Society of India (CSI) – India's largest industry association for IT.

## Corporate Social Responsibility Initiatives

Your Company continued to carry out initiatives aimed at contributing to the socio-economic well being and development of the communities and the ecosystem that



it interacts with. These are discussed in the Management Discussion and Analysis Report forming part of this Annual Report.

## Sustainability

In line with the philosophy of the Mahindra Group, your Company recognises the importance of sustainability, and is committed to conserve the ecological integrity of its locations through responsible business practices, and by greater accountability and transparency. Your Company actively participated in the Group's journey for Corporate Sustainability Reporting. The 'Sustainability Report' of the Group is prepared in accordance with the internationally accepted framework specified by the Global Reporting Initiative (GRI). Besides this, the Company continued to work in line with the five-year 'Sustainability Roadmap', which lays out the plan of initiatives to be carried out until 2013-14.

The details of the initiatives taken by your Company in this regard are discussed in the section on Sustainability in the Management Discussion and Analysis Report forming part of this Annual Report.

## Initial Public Offer (IPO)

During 2009-10, your Company had successfully carried out an Initial Public Offer of 92,65,275 lakh equity shares which was oversubscribed by more than nine times. The issue comprised a fresh issue of 58,96,084 equity shares of Rs.10 each and offer for sale of 33,69,191 equity shares by the Promoters of the Company. The net proceeds to the Company from the issue was Rs.17,688 lakh and the shares were listed on the National Stock Exchange of

India Limited and the Bombay Stock Exchange Limited on 16th July 2009.

As on 31st March 2012, the Company has utilised Rs. 12,624 lakh from the IPO proceeds.

### Corporate Governance Report

A Report on Corporate Governance along with a Certificate from the Statutory Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

### Management Discussion and Analysis Report

A detailed analysis of the Company's operational and financial performance as well as the initiatives taken by the Company in key functional areas such as Human Resources, Quality and Information Technology is separately discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report. This report also discusses in detail, initiatives taken by the Company in the areas of Corporate Social Responsibility and Sustainability.

### Stock Options

Your Company has formulated the Mahindra Holidays & Resorts India Limited Employees' Stock Option Scheme 2006 (MHRIL ESOS). The MHRIL ESOS is administered and implemented by Mahindra Holidays & Resorts India Limited Employees Stock Option Trust in accordance with the directions of the Remuneration Committee and in terms of the Deed of Trust. On the recommendation of the Remuneration Committee of your Company, 586,500 new Options were granted under the MHRIL ESOS during the year under review.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

### Directors

Mr. Cyrus Guzder and Mr. A K Nanda, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. As stipulated in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, brief resume of Mr. Cyrus Guzder and Mr. A K Nanda, are provided in the Report on Corporate Governance, which forms part of this Annual Report.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

### Subsidiary Companies

As on 31st March, 2012, your Company had six subsidiary companies viz., Mahindra Hotels and Residences India Limited, Mahindra Holidays and Resorts USA Inc., MHR Hotel Management GmbH, Heritage Bird (M) Sdn Bhd, BAH Hotelanlagen AG and Bell Tower Resorts Private Limited.

Mahindra Hotels and Residences India Limited was incorporated to carry out the business of hotels and restaurants, including ancillary activities such as interior decoration, recreational facilities and travel agency.

Mahindra Holidays and Resorts USA Inc., was incorporated to carry out the business of resorts, hotels, vacation facilities, leisure activities and related ancillary activities.

MHR Hotel Management GmbH was incorporated to carry out the business of managing hotels.

Heritage Bird (M) Sdn Bhd is a wholly-owned subsidiary of your Company. The principal activity of the company is purchasing, maintaining and leasing resorts.

BAH Hotelanlagen AG is a subsidiary of your Company which was incorporated to carry out the business of hotel, tourism and related activities.

During the year, Bell Tower Resorts Private Limited became a wholly-owned subsidiary of your Company



on 21st December, 2011. The principal activity of the company is to carry out the business of building and operating holiday resorts in India and abroad.

The statement pursuant to Section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries is attached. The consolidated financial statements of the Company prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report and Accounts.

In accordance with the general circular issued by Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Annual Accounts of the subsidiary companies and the related detailed information will be made available to any Shareholder of the Company who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiaries would also be available for inspection by any Shareholder at the Registered Office of the Company and at the Office of the respective subsidiary companies, during working hours up to the date of the Annual General Meeting.

### Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants, Chennai retire as auditors of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and fix their remuneration. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be reappointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

### Public Deposits, Loans and Advances

The Company has not accepted any deposits from the public or its employees during the year under review. The details of loans or advances which are required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement are furnished separately.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company continuously strives to conserve energy, adopt environment friendly practices and employ technology for more efficient operations. These initiatives have been discussed in greater detail in the sections on Sustainability in the Management Discussion and Analysis report.

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure II to this Report.

### Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 and Rules made thereunder

The Company had 8 employees who were in receipt of remuneration of not less than Rs.60,00,000 during the year ended 31st March, 2012 or not less than Rs.5,00,000 per month during any part of the said year. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the statement may write to the Company.

### Acknowledgement and Appreciation

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, bankers, financial institutions and the Central and State Governments for their unstinted support. The Directors would also like to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board

Place: Mumbai

Date: April 25, 2012

**A. K. NANDA**

Chairman



## Annexure I to the Directors' Report for the year ended 31st March, 2012

### INFORMATION TO BE DISCLOSED UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999:

a)	Options granted	1786350					
b)	The pricing formula	Grant I-Granted on 15th July, 2006	Grant II - Granted on 30th March, 2007	Grant III - Granted on 1st November, 2007	Grant V - Granted on 1st November, 2008	Grant VI - Granted on 21st February, 2012	Grant VII - Granted on 21st February, 2012
		The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an independent Chartered Accountant using Discounted Cash Flow Method				Average price preceding the specified date - 25th July, 2011	Average price preceding the specified date - 29th October, 2011
		Average price - average of the daily high and low of the prices of the Company's Equity Shares quoted on National Stock Exchange of India Limited during the 15 days preceding the specified date.					
		The specified date - Date on which the Remuneration Committee decided to recommend to the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust to grant the Options.					
c)	Options vested	904,931 Options stand vested as on 31st March, 2012.					
d)	Options exercised	866,854					
e)	The total number of shares arising as a result of exercise of options	866,854 equity shares of Rs. 10/- each. These were transferred from the Trust to the Eligible Employees.					
f)	Options lapsed	262,905					
g)	Variation of terms of options	The Mahindra Holidays & Resorts India Limited Employees' Stock Option Scheme 2006 formulated prior to the Initial Public Offering (IPO) of the Company was ratified by the Company subsequent to IPO on 16th December 2009 by seeking the consent of shareholders through Postal Ballot.					
h)	Money realised by exercise of options	Rs. 22,824,268/-					
i)	Total number of options in force	656,591					
j)	Employee-wise details of options granted to:						

i)	Senior Managerial Personnel	Names of Directors and Senior Managerial Persons to whom stock options have been granted	Number of options granted in July 2006 *	Number of options granted in March 2007 *	Number of options granted in November 2007 **	Number of options granted in November 2008 ***	Number of options granted in February 2012 #	Number of options granted in February 2012 #
		Mr. A.K.Nanda	200,000	-	9,510	10,500	-	-
		Mr. Rajiv Sawhney	-	-	-	-	400,000	-
		Mr. U.Y.Phadke	10,000	-	3,170	3,500	-	-
		Mr. Cyrus J Guzder	10,000	-	-	-	-	-
		Mr. Rohit Khattar	10,000	-	-	-	-	-
		Ms. Rama Bijapurkar	-	-	15,000	-	-	-
		Mr. Vineet Nayyar	-	-	10,000	-	-	-
		Mr. Sridar Iyengar	-	-	-	-	-	27,500
		Mr. Ravindra Khanna	12,000	3,570	-	2,830	-	-
		Ms. Vimla Dorairaju	12,200	3,910	-	3,090	-	-
		Mr. Indranil Chakraborty	-	-	-	-	-	65,000
		Mr. Alope Ghosh	-	-	-	-	-	40,000
		Mr. Mohit Bhatia	-	-	-	-	-	54,000
		Mr. Ramesh Ramanathan (resigned w.e.f. 30th April, 2011)	100,000	12,200	-	10,100	-	-
		Mr. Anirudha Haldar (resigned w.e.f. 23rd September, 2011)	9,000	1,870	-	2,200	-	-
		Mr. M. Harinath (resigned w.e.f. 20th April, 2012)	9,150	2,040	-	1,670	-	-

\* All the above Options have been exercised.

\*\* 56700 options have been vested till 31st March, 2012, of which 51364 options have been exercised by the eligible employees.

\*\*\* 132809 options have been vested till 31st March, 2012, of which 115748 options have been exercised by the eligible employees.

# fresh Grant of Options made during the year.



ii)	Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Name of Employee	Number of options granted in February 2012						
		Mr. Rajiv Sawhney Mr. Indranil Chakraborty Mr. Alope Ghosh Mr. Mohit Bhatia	400,000 65,000 40,000 54,000						
iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL							
k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated, in accordance with Accounting Standard (AS) 20 'Earnings per Share'		Rs. 12.46						
l)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.		The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs. 36.11 lakh, Profit after tax lower by Rs. 36.11 lakh and the basic and diluted earnings per share would have been lower by Rs.0.04.						
m)	Weighted-average exercise prices and weighte average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.		Options Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)				
			15th July, 2006	16.00	4.28				
			30th March, 2007	52.00	16.36				
			1st November, 2007	52.00	16.55				
			1st November, 2008	52.00	16.04				
			21st February, 2012	370.00	113.81				
			21st February, 2012	323.00	129.93				
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:		The fair value of the stock options have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:						
			Grant dated 15th July, 2006	Grant dated 30th March, 2007	Grant dated 1st November, 2007	Grant dated 1st November, 2008	Grant dated 21st February, 2012	Grant dated 21st February, 2012	
(i)	risk-free interest rate,			7.82%	7.92%	7.72%	7.34%	8.00%	8.00%
(ii)	expected life,			4.50	5.00	5.00	5.00	6.00	6.00
(iii)	expected volatility,			Nil	Nil	Nil	Nil	0.33	0.33
(iv)	expected dividends, and			Nil	Nil	Nil	Nil	Rs.4.00	Rs.4.00
(v)	the price of the underlying share in market at the time of option grant.			Not Applicable as the shares of the Company are not listed at the time of option grant.				329.80	329.80

**Note:**

- (i) The entire options granted under Grant - IV on 4th February, 2008 were either lapsed or surrendered.
- (ii) The options granted under Grant I, Grant II & Grant III stand augmented by 5 Bonus options for every 3 existing options on account of 5:3 Bonus Issue made in November, 2007.

## Annexure II to the Directors' Report for the year ended 31st March, 2012

### PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

#### A. CONSERVATION OF ENERGY

- Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- Additional investments and proposals, if any, are being implemented for reduction of consumption of energy: Installation of CFL bulbs and Solar hot water system in large resorts.
- Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:  
The above measures have resulted in reduction of Energy consumption.
- Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of industries specified in the schedule: Not Applicable

#### B. TECHNOLOGY ABSORPTION

##### Research & Development (R&D)

1.	Areas in which Research & Development is carried out:	:	The Company has not carried out any R&D activities during the year.
2.	Benefits derived as a result of the above efforts	:	Not Applicable.
3.	Future plan of action	:	Not Applicable.
4.	Expenditure on R&D	:	Nil
5.	Technology absorption, adaptation and innovation	:	Nil
6.	Imported technology for last 5 years	:	Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo are given in the Notes on Accounts.

For and on behalf of the Board

Place: Mumbai  
Date: April 25, 2012

**A. K. NANDA**  
Chairman

Particulars of loans and advances, and investments in its own shares by listed companies, their subsidiaries, associates etc. required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the Company and its holding company Mahindra & Mahindra Limited

##### Loans and advances in the nature of loans to subsidiary:

(Rs. in lakh)

Name of the Company	Balance as on 31st March,2012	Maximum outstanding during the year
Bell Tower Resorts Private Limited	6486.83	6486.83



## Management Discussion and Analysis

Mahindra Holidays & Resorts India Limited ('Mahindra Holidays' or 'the Company') is a leading player in the leisure hospitality industry. It has established vacation ownership in India, and is the market leader in the business. It offers complete holiday solutions to its customers that are designed for the discerning and differentiated needs of families.

This chapter presents an overview of the markets and opportunities as well as the operational and financial performance of the Company during 2011-12.

It also highlights Mahindra Holidays' strategy, and discusses important initiatives taken by the Company during the year to achieve its growth and performance objectives.

### Introduction and Key Achievements

2011-12 was a very significant year in the history of the Company, in which it realigned its strategic direction in dealing with its members and internally in terms of management structures and priorities – to ensure that Mahindra Holiday's growing membership consistently gets the best holiday experience and the widest choice of destinations that the leisure hospitality industry in India offers.

These initiatives are on-going in nature; and the full measure of benefits will accrue over a longer period of time. Even then, the performance for 2011-12 has shown that the changes it had initiated in the previous year – significant investments in technology, improvements in operation processes and increase in managerial bandwidth – have begun to achieve their business objectives.

Here are the key highlights.

- *First, Mahindra Holidays added as many as 485 units to its room inventory – taking total room inventory to 2,049 units. This is the first time that the Company registered such a significant jump in inventory in a single financial year.* This was achieved through greenfield developments, expansion of existing properties, acquisitions and long-term leases, and resulted in several new destinations being added to its resorts portfolio. By the end of 2011-12, Mahindra Holidays offered members a choice of 42 resorts in 35 destinations across all parts of the country – something that no other company in India currently offers to its customers. The pace of inventory growth and development of new destinations will continue in the future. Key



developments have been covered in greater detail in the section on 'Properties and New Projects'.

- *Second, Mahindra Holidays added over 18,000 members to its vacation ownership business in 2011-12, compared to around 15,300 members a year ago – taking the total membership base to over 143,000 at the close of 2011-12.* This is especially creditable given the tough macroeconomic situation that India is going through. It goes to show that the wide range of measures aimed at strengthening the customer acquisition process, which began last year, are now bearing fruit. The Company expects membership growth to continue increasing over the next few years, the more so if the economic environment improves. Further details on opportunities for future growth and performance of the Company's key products can be found in the section on 'Markets and Opportunities' and 'Business Performance' respectively.
- *Third, with a significantly upgraded information technology (IT) infrastructure, Mahindra Holidays implemented a complete online booking and payment solution for its members during the year.* This has brought about significant increase in the

efficiency and transparency of the holiday booking process, and has elevated member satisfaction to a new level. In a short period of time, 13 per cent of the bookings have moved to this new online platform. In a related technology led initiative, the Company launched upgraded websites for its key businesses. These feature best-in-class functionalities and self-help tools, and offer unmatched user experience and interactivity to the consumers. More on other important technology initiatives can be found in the section on 'Information Technology'.

- *Fourth, Mahindra Holidays embraced 'Member First' as its guiding philosophy for all activities that contribute to the overall holiday experience – from holiday planning to resort operations.* Important transformations include standardising resort processes for a uniform experience across resorts. This was made possible with the implementation of superior and robust systems and processes based on principles of Total Quality Management. A more exhaustive discussion on these can be found in the sections on 'Member Relations' and 'Quality'.
- Fifth, these operational achievements reflected in a better financial performance for 2011-12 – which



occurred despite a much more difficult overall macroeconomic milieu. The key financial results were:

**Total income of the Company (including other income) grew at 19.2 per cent from Rs. 534.2 crore in 2010-11 to Rs. 636.6 crore in 2011-12.**

**Profit after tax (PAT) increased from Rs. 102.8 crore in 2010-11 to Rs.104.6 crore in 2011-12. Net margin (PAT/Total income) stood at 16.4 per cent during 2011-12.**

**Diluted EPS was Rs. 12.46 in 2011-12, up from Rs. 12.21 in the previous year.**

Going forward, the Company will seek to consolidate its gains as the initiatives start delivering their full benefits. Mahindra Holidays has put in place

ambitious long-term targets and formalised its strategy to achieve higher growth objectives. This has three key elements.

- **'Member First':** The entire member experience will be guided by this philosophy, which will be extended to all aspects of the Company's operations. More specifically, 2012-13 will see the holiday booking process become more interactive where members will get information on holiday options based on their preferences – aided by new technology-led initiatives deployed during the year. Processes are also being streamlined to proactively provide members information on new resorts and destinations along with dates for holidays when special activities are being carried out at these locations.
- **Choice of Destinations:** Significant increase in the choice of destinations and room inventory will be a key area of focus. The objective will be to build resorts to our specifications, and at the same time leverage quality acquisitions that meet 'Club Mahindra' standards. Mahindra Holidays will aggressively pursue opportunities for long-leases where resorts will be managed by the Company, enabling a rapid increase in its geographic footprint.
- **Holiday Experience:** The resort experience itself will be taken to a new plane. Each resort will offer unique experiences so that, with guaranteed uniformity in service standards, members will always like to visit newer and different destinations.

As this strategy becomes operational, the end-to-end experience of Club Mahindra members will be upgraded to a different level – one with much greater engagement and satisfaction, and offering greatly satisfactory returns from a long-term investment.

### Markets and Opportunities

Built on the timeshare model, Mahindra Holidays' principal business is to offer vacation ownership products that offer holiday entitlements to its members over the life of the product. Given the nature of the product, Company looks at urban families with a capability to incur discretionary expenditure as its key market. Besides, the market for travel and tourism is growing rapidly in India. The key factors that define this opportunity are:

- At a macro-consumer level, nominal per capita incomes grew at around 13 per cent during the last

10 years. If one were to look at car ownership as a proxy for the target market segment for vacation ownership product, only one in twenty-five car owners has a Club Mahindra membership. The situation does not change much if one considers the entire timeshare membership in India. With strong macro-economic fundamentals, incomes are expected to grow significantly in the medium-term – resulting in a significant increase in the consumer base for the Company's products..

- The size of the tourism industry in India is estimated at Rs.3,835 billion, 84 per cent of which is from domestic tourism. In the US, the timeshare market is estimated at around 2 per cent of the total travel and tourism market. Even if one assumes a much lower 1 per cent share for India, the potential size of the market can be Rs.38 billion. In contrast, the current size of timeshare industry in India is merely Rs.75 billion.
- Besides, the hospitality sector in India is witnessing significant activity over the last few years. According to research done by Cushman & Wakefield, the sector will have a cumulative demand for 690,000 additional room nights between 2009 and 2013. According to another research by Group RCI and Cushman & Wakefield in 2009, the size of the Indian timeshare industry is projected to grow at an annual rate of 16 per cent between 2006 and 2015.

### Business Performance: Vacation Ownership

This means that that there is significant potential for further growth of the vacation ownership business in India. Accordingly, improving the effectiveness of its sales and distribution network, which comprises own employees, franchisees and agents, has been an important focus area for the Company. Moreover, as the recent growth experience has not been limited to the top metropolitan and Tier I cities, extending the sales and marketing beyond these areas will be equally important for future growth. To complement its physical presence, the Company has been looking at innovative ways to tap existing independent agents in other industries with experience in marketing complex and high value products and services.

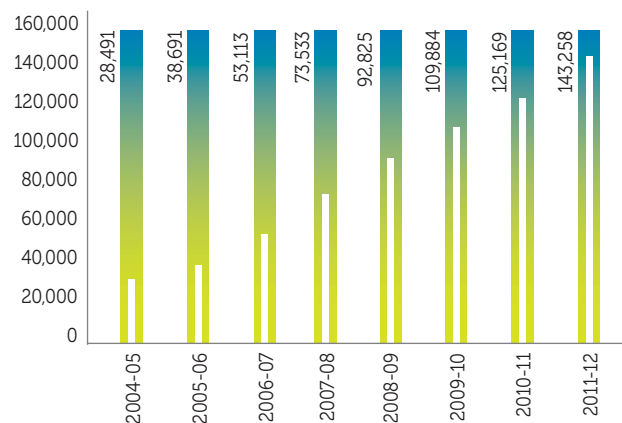
Vacation ownership accounts for a significant part of the Company's business and continues to drive its growth. 'Club Mahindra' is the Company's flagship product in the business, which entitles a week's holiday every year

for a period of 25 years. Apart from this, the Company also offers a niche product aimed at younger people in metros.

As shown in the chart, Mahindra Holidays has recorded significant growth in the membership of its vacation ownership business over the last few years.

During 2011-12, the Company added over 18,000 members, taking the total membership to 143,258 as on 31 March 2012.

### Cumulative Vacation Ownership Membership



### Business Performance: Other Products

#### Mahindra Homestays

Mahindra Homestays provides experiences of authentic India by providing accommodation in Indian homes. Currently, the product provides extensive choice of homes: palaces, heritage properties, plantations, rural, city and farm homes.

During the year, the Company started offering the choice of homestays in lieu of holiday entitlements for its vacation ownership members, which has received a favourable response. Another important development was upgrading of the website for the business which allows customers to search and compare homes. This has increased conversion of online visits to sales. A large share of the business now comes from the product's online portal [www.mahindrahomestays.com](http://www.mahindrahomestays.com).



During 2011-12, significant inventory was added, especially in the eastern part of the country. There was substantial increase in the number of room nights marketed in the product during the year.

**As on 31 March 2012, Mahindra Homestays was affiliated with 318 homes aggregating over 900 rooms across over 50 locations in 16 states.**

### Club Mahindra Travel

Club Mahindra Travel, registered with IATA in Chennai and Mumbai, started as a travel integration service for 'Club Mahindra' members to take care of their entire range of travel needs. The business has successfully diversified to provide a complete range of travel services including Meetings, Incentives, Conferences, and Exhibitions (MICE) for corporate clients. It operates through a separate website [www.clubmahindra.travel](http://www.clubmahindra.travel) as well as through a network of offices.

The business launched a new website during the year to improve the user experience. For Club Mahindra members, the website is now integrated with the ERP system and will offer additional functionalities for a

complete travel solution. During the year, the business also extended its physical network and presence. It started an office in Bangalore, in addition to its existing offices in Chennai, Mumbai and Delhi. To increase its presence in smaller cities and towns, the business is partnering with local travel agencies and appointing franchisees.

**During 2011-12, the Company signed up its first three franchisees in Mumbai, Pune and Bangalore and established 10 priority partners across the country.**

During the year, the Company expanded its corporate ticketing business along with its MICE business. Overall, business volume grew creditably during the year.

### Club Mahindra Fundays

Club Mahindra Fundays is a corporate product, which allows enrolled organisations to offer holiday entitlements to its employees or group vacations either as a part of their reward and recognition programme or as an employment perquisite or compensation. The performance of the product during the year was satisfactory.

### Properties and New Projects

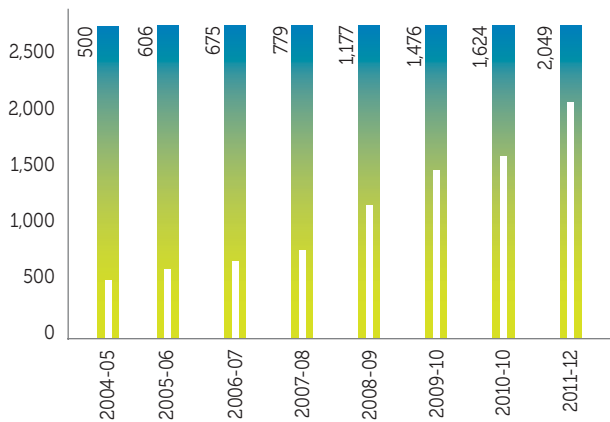
Mahindra Holidays currently has a pan-India presence through its extensive network of resorts across a cross-section of destinations: hills and hill stations, beach, backwater, wildlife, fort and heritage. Most of these resorts are either owned or managed under a long lease – where the Company manages the entire resort and has complete control of the service delivery. This allows the Company to provide its members with the holiday experience that they have come to expect from 'Club Mahindra'. The Company also uses short leases to expand the selection of holidays available to its members and to balance short-term demand-supply mismatch.

One of the most important achievements of the Company during the year was the substantial increase in inventory.

**The Company added 485 units to its room inventory across 10 resorts during 2011-12. After accounting for inventory retired, the net addition during the year was 425 units – representing a 26.2 per cent increase in inventory over the previous year.**



## Inventory (Number of Units)



This was achieved by a combination of greenfield developments and expansion of existing properties, acquisitions and leases.

As far as owned resorts are concerned, the greenfield project in Tungi (near Lonavala, Maharashtra) was completed during the year. Besides this, the expansion of the Company's existing property at Gir also became operational.

During 2011-12, Mahindra Holidays acquired Bell Tower Resorts Private Limited which runs a 106 unit resort in Goa. This was offered to our members in the latter part of the year. The company currently operates as a subsidiary of Mahindra Holidays.

It also added significant inventory by way of long leases in different parts of the country. These include resorts in Mahabaleshwar (Maharashtra), Kumarakom (Kerala), Baiguney (Sikkim), Jaisalmer (Rajasthan), Mussoorie, Kanatal and Rishikesh (Uttarakhand).

As a result, by the end of 2011-12, Mahindra Holidays offered its members a choice of 42 resorts in 35 destinations – something that no other company in India currently offers to its customers. In line with the Company's strategy for future growth, increasing this inventory will continue to be an important area of focus.

Mahindra Holidays has a strong pipeline of greenfield projects, acquisition and leases, as well as expansion of existing properties that will become operational during the next few years. Significant expansion of its existing properties in Munnar is under implementation. As for greenfield projects, the Company's new resort in Coorg is under development, whereas three other projects are under various stages of planning.

During the year, the Company also expanded its land bank to ten destinations across eight states. This will provide the flexibility to build destinations and add customised inventory on an ongoing basis over the next few years.

## Resort Operations

Efficient resort operations are central to delivering a holiday experience that meets the expectations of our members. As a Company marketing long duration products and services to its members, Mahindra Holidays ensures that quality of infrastructure and facilities are well maintained and upgraded regularly to meet customer expectations.

The Company has a unique distinction of having 12 RCI Gold Crown resorts and 1 Silver Crown resort in India, which bears testimony to the high standards of resort facilities, amenities and services that our resorts offer. During the year, Mahindra Holidays received RCI's 'Presidents Club Award' for excellence in transforming the vacation experience. This is the first time that a vacation ownership company in Asia has been accorded with this honour.

During the year, the Company made significant investments to upgrade around 100 rooms at its flagship resorts in Goa and Munnar. Several engineering initiatives were also taken to promote sustainable practices at resort locations. Some of these have been discussed in further details in the section on 'Sustainability'.



In recognition of the quality of its services and the unique value proposition that the product offers, 'Club Mahindra', the flagship brand of Mahindra Holidays, was awarded the 'Product of the Year 2012' in the 'Holidays & Hospitality' category based on independent consumer survey carried out by Nielsen. 'Product of the Year' has been awarding companies in 28 countries for 25 years and enjoys global success. Mahindra Holidays is the first company in the Indian hospitality sector to receive this award.

Another key development during the year was introduction of sustainable and responsible tourism in a few of the resorts under the banner of "Love the Destination" to meet the demand for experiential travel – unique experience of the destination which includes its food, music, dance, craft, people, architecture, flora and fauna. This is delivered through 'Experience Experts' who have developed a deep understanding and knowledge of the local environment and culture. This will be embraced by many more resorts in the future.

In the area of food and beverage (F&B), the resorts continued to hold food festivals to showcase regional and international cuisine, and inviting chefs from different parts of the world. Besides, a lot of work is currently in progress and 2012-13 will see significant upgradation of the F&B experience across resort locations, including introduction of a variety of culinary experiences.

### Member Relations

As a Company in the business of service delivery of long-term products at the higher end of discretionary spend, efficient and responsive member relations lie at the core of any strategy for success. Mahindra Holidays has a dedicated in-house team which handles member contact, including the Member Relations Centre (MRC). The team operates through multiple platforms including voice, text messages, email and web based self-help solution. Besides, there are opportunities for exclusive personal contact at resort locations.

Currently, the processes of the member relations department are ISO 9001: 2000 certified. Mahindra Holidays is also the first vacation ownership company in the world to receive the prestigious COPC-2000@ CSP Global Standard by the Customer Operations Performance Centre Inc. for its MRC.

An important development during the year was upgrading of the core reservation engine of the Company. This has allowed incorporating all entitlement related rules of members in the system, which has brought about two key benefits.

First, it has facilitated the implementation of a complete online booking solution for the members, which was launched in December 2011. At present, around 13 per cent of the holiday bookings happen online. Second, coupled with the implementation of a more efficient and robust call centre solution, time taken in off-line booking through the call centre (MRC) has come down significantly – from high double digits to around 5 minutes.

The key focus area in member relations is not just to improve the member satisfaction level, but to move to member advocacy over the entire period of the members association with the Company, be it the administration of the membership process, planning of holidays, payment of fees and charges. As mentioned earlier, the Company has made several important policy changes and is working on many initiatives under the banner of its 'Member First' philosophy.

One such initiative is a new website launched in April 2012, which utilises the functionalities of the significantly upgraded IT infrastructure of the Company. The website has "intelligent" features that will allow assessment of the tastes and preferences of members based on their history, and offer proactive suggestions and holiday options, making the user experience much more interactive.

Apart from this, several other changes have been made to the Company's member relations processes to ensure higher conversion rates in holiday bookings – members booking a holiday after their display of intent at one of the Company's touch points. The changes have augured well for the Company, with significant improvement in conversion rates over the year.

## Human Resources (HR)

Mahindra Holidays is a pioneer in the time-share industry in India. Given the highly specialised nature of the business and the large number locations where the Company carries out its business, attracting and nurturing the right people is at the core of the Company's strategy for success and growth. Accordingly, the HR function at Mahindra Holidays is structured along generalist and specialist responsibilities across its offices and resort locations. The key developments during the year are discussed below.

The Company witnessed significant organisational restructuring to build capabilities and align it with the strategy for future growth. The corporate office was also shifted to Mumbai during the year. One key achievement for HR, indeed for the Company, was the seamless transition to the new structure. This is source of great strength and stands testimony to the highly effective HR systems and process that define the culture of the organisation.

The Company continued with its intensive training and development efforts. Efforts to build a talent pipeline also increased considerably across all levels. For senior managers, the Company nominated people for management development and leadership programmes conducted by some of the best institutions and faculty in the field.



In an important development, the Company introduced a leadership development program for senior chefs with over 15 years of experience called 'Executive ChefElite'.

To attract, recruit and groom young talent, the Company has institutionalised a set of talent development programmes. These include Mahindra Holidays Sales Executive Trainee (MHSET) program for sales, Club Mahindra Executive Trainee (CMET) programme for resort operations and Sous Chef Live for executive training in F&B. The Company has certification programmes for several key functions such as sales, telemarketing, member relations and travel consultants.

As on 31 March 2012, there were 2,322 people on the rolls of the Company. Industrial and employee relations remained cordial throughout the year.

### Quality

Over the last few years, Mahindra Holidays had made considerable progress in its TQM (Total Quality Management) journey under the Mahindra Quality Way banner to create a framework to institutionalise quality across the Company. During 2011-12, the Company achieved its quality goals it had set for the year, some of which are discussed below.

The Company moved ahead with its programme for improving business processes. Around 20 processes, mostly in the area of customer acquisition and resort operations, were completed during the year and close to 90 projects are in various stages of implementation.

To build the necessary skills for the implementation of these projects, over 100 employees were trained on TQM tools and techniques during 2011-12. As envisaged in our previous year's report, the Company initiated the implementation of "Project Evaluation Sheet" and has also started tracking of benefits of these projects in terms of their return on investment.

In our previous report, we had mentioned our plans to introduce Kaizen initiatives to inculcate a culture of continuous improvement within the organisation. This

was launched successfully during the year across the Company: resort operations, corporate office, member relations, IT and customer acquisition.

Around 500 employees – over 20 per cent of the workforce – were successfully trained in Kaizen during 2011-12. This will standardise the improvement activities, and with the help of the Company's intranet, facilitate horizontal deployment across its different locations

Another important initiative that the Company introduced during the year was standardising the 'Daily Workflow Management' processes with defined metrics for solution to everyday problems and issues. This was piloted in the area of resort operations at Munnar and Goa during the year and will be extended to other resort locations in the future.

Given its importance in meeting the core business goals and growth objectives, 2012-13 will continue to witness an unwavering focus on quality. Key activities will be further expansion of the coverage of Kaizen activities, training of employees including the top management, and adoption of ISO 9001: 2008 for the entire company.

### Information Technology (IT)

During the year, the Company significantly upgraded its technology infrastructure to augment the efficiency of its operations, and enhance the user experience of its members. Most of these efforts are as a part of a comprehensive plan to move to a much more scalable and integrated technology environment that encompasses all functions and businesses of the Company under the banner of 'Project PariNaam'.

In August 2011, the Company successfully deployed a new core reservation engine called 'CREST' (Central Reservation



Engine and Support Technology) that was built in-house. As a result, the same system is now available at all resorts location that are owned and operated by the Company, its branch offices and the MRC. Apart from increasing the efficiency and reducing operational costs, this is a much more scalable model and has increased the transparency and customer satisfaction levels. To complement this, the Company also implemented a more efficient and robust call centre solution for the MRC.

During the year, the Company extended the online connectivity to all offices including the venue sales offices called 'Holiday Worlds'. These are now fully integrated with the CRM and can access real-time information to address all customer queries.



In another important initiative to improve the customer acquisition process, the Company has piloted the move from physical paper based lead generation and delivery of holiday vouchers to prospects to use of tablet computers that are integrated with the CRM. All leads generated with the use of tablets are available real-time in the system for follow-up and closure. Besides, this enables the holiday vouchers and other promotional schemes offered to the prospects to be generated from within the system, resulting in better transparency and control. The coverage of the initiative will be increased in the future.

In the area of resort operations, the Company is in the process of upgrading to a SAP based property management system, which will integrate seamlessly with its new IT infrastructure. This has already been implemented at Coorg and will be extended to all other properties managed by the Company during 2012-13. Other key technology initiative was to upgrade the websites of its businesses to benefit from the improvement in capabilities coming from the upgraded IT backbone. New websites became operational for 'homestays' and 'travel' businesses in 2011-12, and for the 'vacation ownership' business in April 2012.

The Company completed the ISO 27001 re-certification for the corporate office, member relations centre, Chennai branch office and the resort at Coorg. This is a standard for Information Security Management System which specifies systems that bring information security under explicit

management control. The Company has also initiated the process for compliance with Payment Card Industry Data Security Standards (PCIDSS). This is expected to be completed in 2012-13.

With its recent initiatives in IT, Mahindra Holidays has established benchmarks for effective implementation of technology in the travel and hospitality sector. In recognition of these efforts, the Company received the prestigious 'CSI 2011 Awards for Excellence in IT' in the sector from Computer Society of India (CSI) – India's largest industry association for IT.

### Corporate Social Responsibility (CSR)

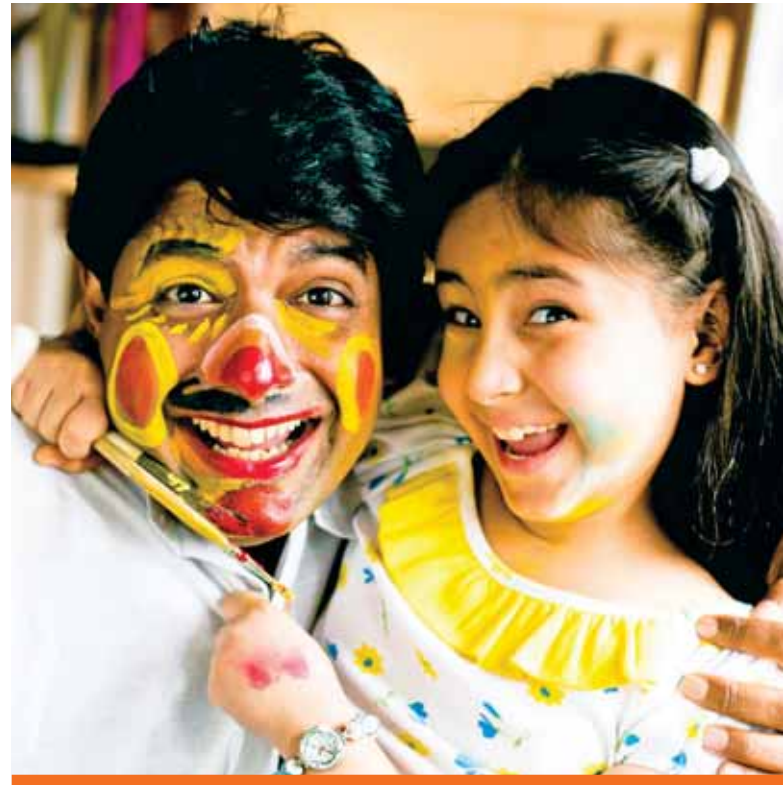
The Mahindra Group has been at the forefront of taking affirmative action as a responsible organisation that seeks to meaningfully contribute to the socio-economic

well being and development of the communities and the ecosystem that it interacts with in carrying out its business. As a part of the Mahindra Group, the Company is committed to contribute 1 per cent of its profit after tax to CSR activities every year primarily in the areas of education, health and environment – both through its Group-level and Company-level activities.

Apart from working with local NGOs and contributing resources for socially relevant projects, the Company also encourages community service by its employees by involving them in the implementation of these CSR activities through its 'Employee Social Options Programme'.

During the year, employees volunteered 2058 man days on CSR initiatives. Some of these were:

- **Education:** The Company sponsored the education of 1,000 girl children through the "Nanhi Kali" project; and the education of another 300 girls in Chennai. At its resort locations in Coorg, Goa, Kodaikanal and Kumbhalgarh the Company supplied educational material and amenities to underprivileged students. It also carried out renovation of a village library in Puducherry. Training and development programmes were carried out at several locations for self-help groups and underprivileged youth. Besides these, information sessions were carried out at several locations in the areas of career awareness and opportunities, personal grooming, hygiene, cleanliness and safety.
- **Environment:** Around 70,000 trees were planted during the year as a part of 'Mahindra Hariyali' – a major tree plantation drive across resort locations. In a related project, saplings were distributed in schools for plantation to sensitise children on issues relating to the environment. Sessions were carried out in the areas of vermiculture, waste management, global warming and water treatment for local communities around the resorts. During the year, the Company also contributed in developing an herbal garden which was inaugurated by former President Dr. Abdul Kalam. Other regular initiatives included installation of solar and other energy efficient lights in villages and areas around our resorts, cleanliness drives on beaches and other ecologically sensitive areas, and 'Say No To Plastic' campaign – all of which were carried out at several locations.
- **Health:** The Company regularly carries out blood donation and medical check-up camps, awareness



sessions in the areas of health, natural remedies, and HIV/AIDS to benefit the local communities in which it operates. During the year, the Company also sponsored amenities and equipment at Puducherry and Coorg; provided assistance for renovation of buildings and construction of toilets and facilities for the school children, elderly and the disabled in Puducherry, Coorg, Udaipur and Ooty; and carried out distribution of blankets and amenities for the underprivileged and needy at Shimla and Gangtok.

## Sustainability

Sustainable development aims at achieving economic growth and improvements in well-being while preserving the natural resources and ecosystem for future generations. As a part of the Mahindra Group, the Company recognises the importance of sustainability, and is committed to conserve the ecological integrity of its locations through responsible business practices, and by greater accountability and transparency.

During the year, Mahindra Holidays continued to work towards the implementation of its five-year 'Sustainability Roadmap', which lays out the plan of initiatives to be carried out until 2013-14. Sustainability handbook was developed for resort operations and the sustainability initiatives across departments have been clearly defined



for implementation across resorts. Some of these activities have already been discussed under the environmental initiatives part of the previous section on CSR.

Apart from these, the Company continued the engineering initiatives to reduce our carbon footprint and meet the sustainability objectives. These include use of solar power; environment-friendly, energy and water saving equipment; timers and motion sensors for lighting of pathways and common areas; eco bio-block sewage

treatment plants and organic waste pulveriser for wet garbage disposal.

The Company's resorts in Coorg and Goa are ECOTEL® certified. It is also committed to Green Globe certification for two resorts in Munnar and Rajasthan, as well as Svaastha Spa at Coorg. In our previous communication, we had mentioned that the Company is applying for pre-certification of its greenfield projects by Indian Green Building Council (IGBC).

**In November 2011, the project at Virajpet, Coorg achieved Gold pre-certification under IGBC Green Homes Rating.**

Mahindra Holidays actively participated in the Group's journey for Corporate Sustainability Reporting. The 'Sustainability Report' of the Group is prepared in accordance with the internationally accepted framework specified by the Global Reporting Initiative (GRI). This reporting framework sets out the principles and indicators that should be use to measure and report their economic, environmental, and social performance. During 2011-12, seven large resorts of the Company participated in sustainability reporting of the Mahindra Group

## Financials

Table 1: Abridged Profit and Loss Statement

(Rs. crore)

	2011-12	2010-11
Operating Income	621.56	522.46
Other Income	15.02	11.70
<b>Total Income</b>	<b>636.58</b>	<b>534.16</b>
Operating & Other Expenses	470.37	364.62
Financial Expenses	0.35	0.16
Depreciation	20.34	20.10
<b>Total Expenditure</b>	<b>491.06</b>	<b>384.88</b>
PBDIT	166.21	169.54
PBDT	165.86	169.38
PBIT	145.87	149.44
PBT	145.52	149.28
Tax	40.88	46.52
<b>PAT</b>	<b>104.64</b>	<b>102.76</b>
<b>Diluted EPS (Rs.)</b>	<b>12.46</b>	<b>12.21</b>

Table 1 presents the abridged profit and loss statement of the Company as a standalone entity. Here are the key highlights of the financial performance.

- Total income, which includes both operating and other income, grew at 19.2 per cent from Rs.534 crore in 2010-11 to Rs.637 crore in 2011-12. This is a significant improvement from the 3.4 percent growth recorded during the previous year and brings out the successful implementation of the Company's efforts aimed at strengthening the



customer acquisition and related processes initiated during the previous year.

- Operating expenses grew at 33.7 per cent from Rs.232 crore in 2010-11 to Rs.310 crore in 2011-12. Other expenses, increased by 20.8 per cent to Rs.160 crore during 2011-12. The key elements of this increase are: resort operations cost of significant inventory added during the year and upgrading current resorts; sales and marketing expenses including implementation

of more robust systems and processes; and creating a management bandwidth to drive these efforts.

- Even as these affected current profitability (see Table 2), the Company was able to report an increase in profits for the year. Profit after tax (PAT) increased from Rs.102.8 crore in 2010-11 to Rs.104.6 crore in 2011-12. Diluted EPS was Rs. 12.46 in 2011-12, up from Rs.12.21 in the previous year.

**Table 2: Profitability Ratios**

	2011-12	2010-11
PBDIT/Total Income	26.11%	31.74%
PBDT/Total Income	26.05%	31.71%
PBT/Total Income	22.86%	27.94%
PAT/Total Income	16.43%	19.23%

Mahindra Holidays continues to be a zero long-term debt company. The liquidity situation of the Company remained comfortable during the year.

### Internal Controls

The Company has an adequate internal control system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency.

The Company has an internal audit function. However, given the size the Company's operations in terms of number of resort locations and nature of its business, it also uses independent internal audit firms to conduct periodic audits in line with an audit plan that is drawn at the beginning of the year. The scope of the exercise includes ensuring adequacy of internal control systems, adherence to management policies and compliance with the laws and regulations of the country. Internal auditors also report on the implementation of their recommendations.

Reports of the internal auditors are placed every quarter before the Audit Committee of the Board of Directors, which reviews the adequacy and effectiveness of the internal control systems and suggests improvements for strengthening them.

### Threats, Risks and Concerns

Mahindra Holidays has a risk management framework in place for identification of risks, assessment of their nature, severity and potential impact, and measures to mitigate them. This framework has established mechanisms for adequate and timely reporting and monitoring. Risks are reviewed periodically and updated to reflect the business environment and change in the size and scope of the Company's operations.

### Macroeconomic Risks

The current global economic situation continues to be uncertain. This coupled with tight monetary policy followed by the RBI has affected India's GDP growth performance during the year. Besides, inflation continues to be high. Apart from increasing costs, this can impact the Company by creating a negative consumer sentiment regarding discretionary spend.

The Company recognises these risks and has initiated measures to minimise their impact. This includes focusing on customer acquisition and experience and expanding the addressable market base. Some of the other initiatives include travel services and vacation ownership product for corporate clients.



### Operational Risks

Operational risks mainly relate to meeting customer expectations in terms of quality of service and maintaining a balance between the inventory of resorts and growth of customers. These assume significance given the long service duration of the key products. The Company may not be able to make available the choice of location / dates as desired by customers on every occasion, which could result in dissatisfaction. Another operational risk is in the ability to consistently attract, retain and motivate managerial talent and other skilled personnel, especially in a high growth industry with unique characteristics.

As mentioned earlier in the report, the Company has invested significant resources in systems and processes to ensure quality of service and overall experience of the customers to mitigate these risks. Regarding room inventory, the Company has been judicious in the use of different options – fresh developments, expansions, leases of different durations and acquisitions – to maintain a balance between the demand and supply. As far as talent management and retention is concerned, the management believes that its human resource practices enhance employee engagement and satisfaction to mitigate these risks.

### Financial Risks

The Company’s business involves significant investments in building resorts for its operations. These expose the Company to risks in terms of timely and adequate availability of funds at competitive rates to finance its growth. Besides, the Company offers its customers schemes to finance the purchase of the vacation ownership and similar products of the Company, which exposes it to credit risks.

Currently, Mahindra Holidays is a zero long-term debt company, and has a strong and stable capital structure to raise capital for further expansion, if necessary. The Company undertakes comprehensive assessment of the profile of its customers and carefully monitors its exposure to credit risk.

### Regulatory and Legal Risks

Mahindra Holidays is exposed to regulatory and legal risks. These include cumbersome processes and risks relating to land acquisition, conversion of land for commercial usage and development of properties, environmental clearances and activities related to development of new resorts. At the same time, there are other regulatory and

legal risks pertaining to tax proceedings, legal proceedings on properties, customer complaints, non-compliance of regulations including environmental regulations and those pertaining to the hospitality sector.

As discussed earlier, the Company has systems and controls in place to mitigate these risks and minimise instances of non-compliance.

## Outlook

Global economic performance deteriorated during the year. India also suffered a deceleration in growth, with the GDP growing at 6.5 per cent in 2011-12, down from 8.4 per cent during 2010-11. Besides, high inflation and interest rates continue to be a cause for worry.

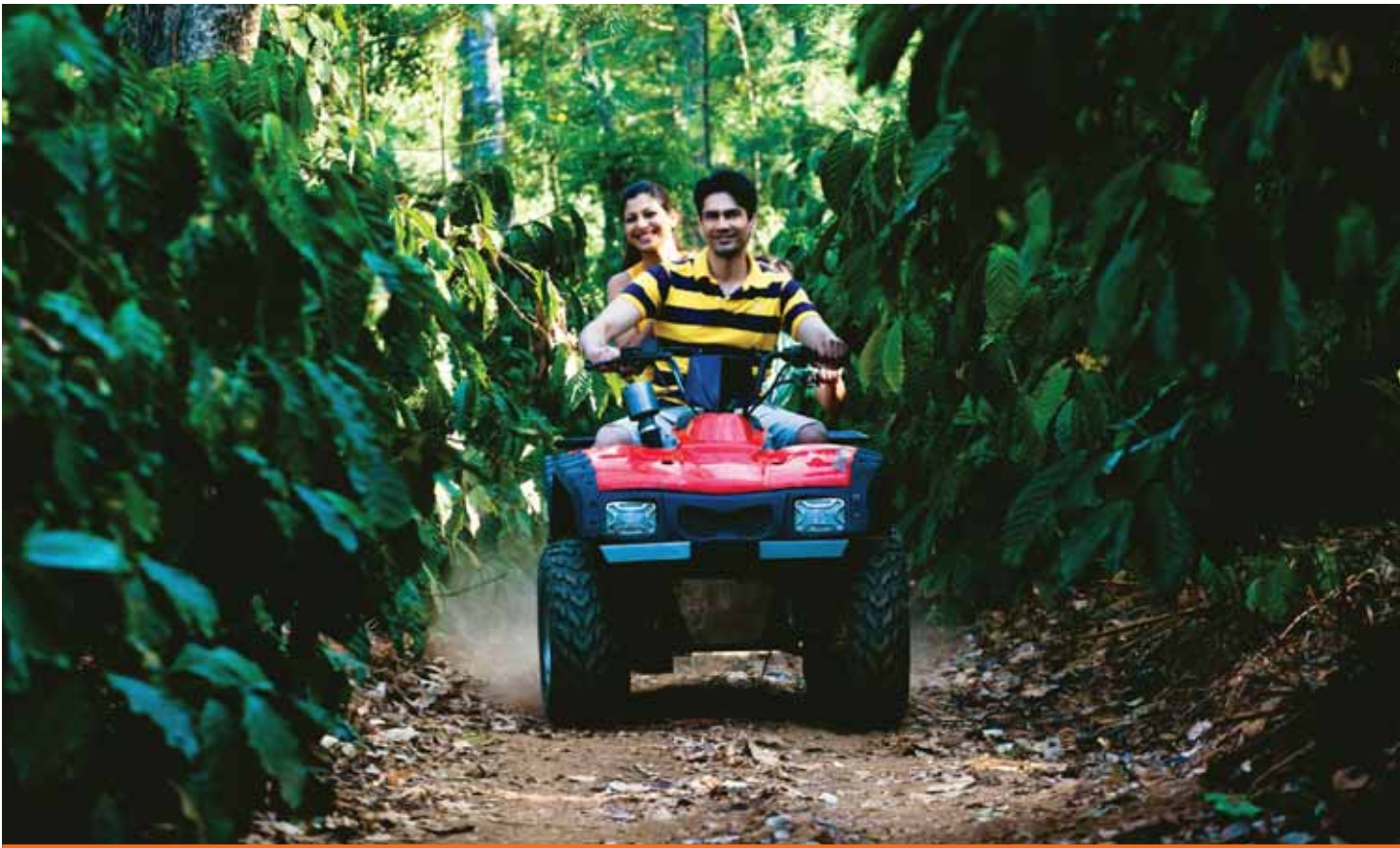
Even so, the Company believes that the superior value of its products and services will continue to attract customers, especially in an environment where the current penetration of the industry is a fraction of the potential market. From the Company's standpoint, the consolidation measures taken during the previous year have created a stronger foundation for growth, and have

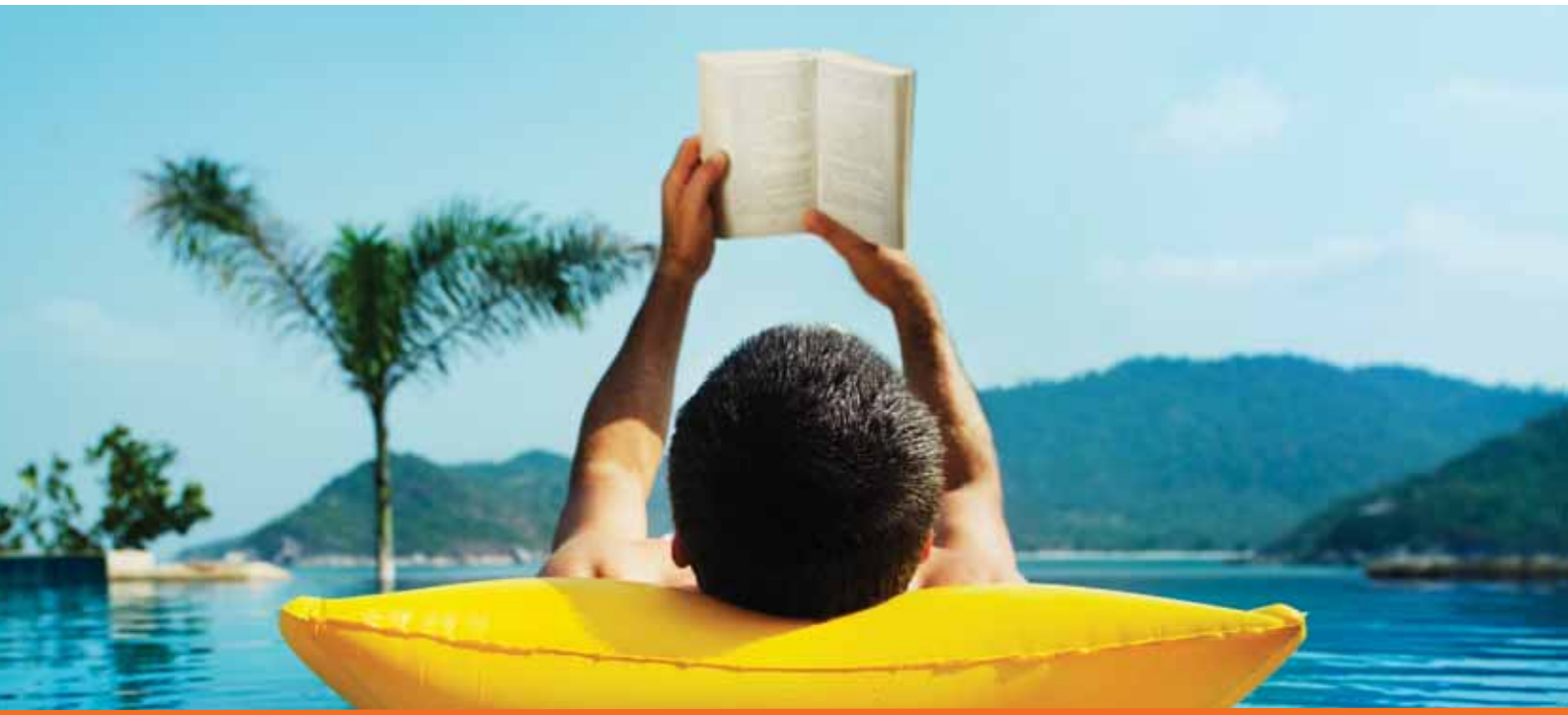
already started to yield results.

Mahindra Holidays has set ambitious target for the future. During 2012-13, focus of the Company will be to leverage the market opportunities and meet these targets. Therefore, the outlook for 2012-13 is optimistic.

## Cautionary Statement

*Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include poor macroeconomic growth and consumer confidence, inability to add resorts and increase the inventory of room, cyclical demand and pricing in the Company's principal markets, changes in tastes and preferences, government regulations, tax regimes, economic development within India and other incidental factors.*





## Corporate Governance Report

### Corporate Governance Philosophy

Mahindra Holidays & Resorts India Limited ('Mahindra Holidays' or 'the Company') is committed to sound corporate governance practices in the way it conducts business and deals with its stakeholders.

Your Company's Corporate Governance practices are aimed at having systems and procedures that ensure transparency and maintain an appropriate balance of accountability between the Directors and the Management. These practices include timely and accurate disclosure of information regarding the operational and financial performance of the Company. These benefit not just the investors, but also your Company's customers, creditors, employees and the society at large. It is the Company's philosophy and strong belief that adhering to such high levels of corporate governance practices go a long way in establishing the credibility of the Company and create significant long term value for all its stakeholders.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges.

The stipulations mandated by Clause 49 became applicable to the Company subsequent to its public listing on 16th July, 2009. However, as a Company which believes in implementing corporate governance practices in its true spirit, Mahindra Holidays has been practicing exceptional corporate governance practices even before the listing, some of which are beyond the mandatory requirements of Clause 49.

As a Company which believes in implementing corporate governance practices that go beyond meeting the letter of law, the Company has adopted practices mandated in the Clause 49 and has established procedures and systems to remain fully compliant with it as on 31st March, 2012.

This chapter reports the Company's compliance with the code of Corporate Governance as prescribed under the Clause 49 of Listing Agreement.

### Board of Directors

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Chairman of the Board is a Non-Executive Director and half of the Board comprises Independent Directors.



The Management of the Company is headed by the Managing Director & CEO who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholders' values are met.

The Non-Executive Independent Directors have the requisite qualifications and experience in general corporate management, finance, hospitality, banking, and other allied fields which enable them to contribute effectively to the Company in their capacity as Directors while participating in its decision making process.

Mr. A K Nanda, Non-Executive Non-Independent Director and Chairman of the Company, is currently a Non-Executive Non-Independent Director of Mahindra & Mahindra Limited (M&M), the holding company. Mr. Uday Y Phadke, Non-Executive Director of the Company is in the employment of the holding company, Mahindra & Mahindra Limited and draws remuneration from it. Mr. Vineet Nayyar, Non-Executive Director of the Company is in the whole-time employment of a Joint Venture of your holding company, Tech Mahindra Limited and draws remuneration from it.

Apart from the above and apart from the reimbursement

of expenses incurred in discharge of their duties and the remuneration that the Independent Directors and Managing Director & CEO would be entitled to under the Companies Act, 1956, none of the Directors have any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its holding company, its Subsidiaries and Associates companies which in their judgement would affect their independence. None of the Directors of the Company are inter-se related to each other.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and / or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

### Composition of the Board

The Board comprises of eight Directors. The names and categories of Directors, the number of Directorships and Committee positions held by them in companies are given below. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees across all the companies in which they are Directors.

		As on 31st March, 2012**		
Directors	Category	Committee Memberships <sup>^</sup>	Committee Chairmanships <sup>^</sup>	Directorships#
Mr. A K Nanda	Non-Executive Chairman	3	3	12
Mr. Rajiv Sawhney*	Managing Director & CEO	1	Nil	2
Mr. Uday Y Phadke	Non-Executive Director	7	Nil	7
Mr. Vineet Nayyar	Non-Executive Director	1	Nil	9
Mr. Cyrus J Guzder	Independent Director	1	1	4
Mr. Rohit Khattar	Independent Director	1	Nil	3
Ms. Rama Bijapurkar	Independent Director	2	Nil	6
Mr. Sridar Iyengar	Independent Director	4	3	9

\* Mr. Ramesh Ramanathan resigned from the Board of the Company with effect from 30th April, 2011 and Mr. Rajiv Sawhney became Managing Director & CEO of the Company with effect from 1st May, 2011.

\*\* Excludes private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956.

<sup>^</sup> Committees considered are Audit Committee and Shareholders/Investors Grievance Committee, including that of Mahindra Holidays & Resorts India Limited.

# Excludes Alternate Directorships but includes Additional Directorships and Directorship in Mahindra Holidays & Resorts India Limited.

## Board Meetings and Attendance

Seven Board Meetings were held during the financial year 1st April, 2011 to 31st March, 2012 on: 25th April, 2011, 25th July, 2011, 8th October, 2011, 29th October, 2011, 5th December, 2011, 31st January, 2012 and 7th March, 2012. The gap between two Meetings did not exceed four months. These Meetings were well attended. The Fifteenth Annual General Meeting (AGM) of the Company was held on 25th July, 2011. The Chairman of the Audit Committee was present at the AGM.

Directors	Number of Board Meetings		Attendance at the last AGM
	Held	Attended	
Mr. A K Nanda	7	7	Yes
Mr. Rajiv Sawhney #	7	6	Yes
Mr. Uday Y Phadke	7	7	Yes
Mr. Vineet Nayyar *	7	4	No
Mr. Cyrus J Guzder	7	5	Yes
Mr. Rohit Khattar	7	6	No
Ms. Rama Bijapurkar	7	7	Yes
Mr. Sridar Iyengar	7	6	Yes
Mr. Ramesh Ramanathan **	7	1	NA

# appointed as Additional Director on 25th April, 2011 and became Managing Director & CEO with effect from 1st May, 2011.

\* In addition to attending Four Board Meetings, Mr. Vineet Nayyar participated in one Board Meeting through teleconference.

\*\* Resigned with effect from 30th April, 2011.

## Board Procedure

A detailed agenda is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director & CEO appraises the Board at every meeting of the overall performance of the Company. A detailed functional report is also placed at Board Meetings.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The Board also reviews major legal issues, minutes of the Board Meetings of Company's unlisted subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, adoption of financial results, transactions pertaining to purchase or disposal of properties, major accounting provisions and write-offs, corporate restructuring, minutes of meetings of the Audit and other Committees of the Board, and information on recruitment of officers just below the Board level, including the Company Secretary and the Compliance Officer.

## Directors seeking Appointment/Re-Appointment

Mr. Cyrus Guzder and Mr. A K Nanda, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

Brief resumes of Directors seeking appointment/re-appointment are given below:

### Mr. Cyrus J Guzder

Mr. Cyrus J Guzder is an Independent Director on the Board of the Company since 1998. He graduated with a M.A. (Hons) degree in Economics and Oriental Studies Tripos from Trinity College, Cambridge University, U.K. in 1967. An industry leader, Mr. Guzder is also known for his association with several causes of public importance and outspoken views on issues of public concern and probity in social life. He has also been actively involved with

management education as a visiting faculty at a leading European business school.

Mr. Guzder has over 40 years of experience in the travel, logistics, freight, express courier and banking industry. He is Chairman and Managing Director of AFL Group, a leading business house consisting of India's leading companies in Logistics, Courier and International Freight Forwarding. He is also Chairman of DACHSER India Private Limited, Zeenia Realtors Limited, Erangel Investments Private Limited, Seejay Investment Limited, Cyfast Enterprises Private Limited, Indglobal Network Support Private Limited and Director of N.S. Guzder & Company Private Limited, BP India Limited, The Great Eastern Shipping Company Limited, BDS Projects India Private Limited, Indian Institute of Human Settlements, Rapidair Aviation Services Private Limited, CJG Warehouse Infrastructure Private Limited and Total Imaging Solutions Private Limited and Governor on the Board of Indian Institute of Information Technology and Management. He was a member of the local advisory Board of Barclays Bank, India.

Mr. Guzder is also known for his keen interest in aviation. He was a Director on the Board of Air India and has held the position of Chairman, CII's National Committee on Civil Aviation. He is also a Member of the Board of Governors of The Reserve Bank of India's Board of Banking Codes and Standards of India.

Outside of his business interests, Mr. Guzder has been active in the area of heritage conservation. He set up the first chapter in Bombay of INTACH (the Indian National Trust for Art and Cultural Heritage). As a member of the Mumbai City Heritage Conservation Committee of the BMC, he has played an active role in conservation of the heritage buildings and precincts of Mumbai. He is the Honorary Consul General of the Republic of Ireland for Mumbai and Western India. He was formerly a Trustee of the Chhatrapati Shivaji Maharaj Vastu Sangrahalaya (formally known as Prince of Wales Museum) and the Bombay National History Society. He co-founded the Bombay Environment Action Group, which has successfully fought several public interest litigations for the preservation of environment in Mumbai.



Mr. Cyrus J Guzder is a Member of the following Board Committees:

Sr. No:	Name of the Company	Names of the Committee	Position held
1	The Great Eastern Shipping Limited	Audit Committee	Member
		Remuneration Committee	Chairman
2	Mahindra Holidays & Resorts India Limited	Audit Committee	Chairman
		Remuneration Committee	Member
		IPO Committee	Member
		Inventory Approval Committee	Member

Mr. Cyrus J Guzder holds 26,700 Equity Shares in the Company.

**Mr. A K Nanda**

Mr. A K Nanda holds a Degree in Law from the University of Calcutta, is a fellow member of the Institute of Chartered Accountants of India (FCA) and a fellow member of the Institute of Company Secretaries of India (FCS). Mr. Nanda has also participated in a Senior Executive Programme at the London Business School. He joined the Mahindra Group in 1973. He has held several important positions within the Group and was also the Company Secretary of Mahindra & Mahindra Limited (M&M) from 1987 to 2006.

He was inducted to the Board of M&M in August, 1992 and resigned as Executive Director in March, 2010 to focus on the social sector and create a favourable ecosystem for senior citizens. He was immediately appointed as a Non-Executive Director of M&M. He is Chairman on the Board of Mahindra Construction Company Limited, Mahindra Consulting Engineers Limited, Mahindra Infrastructure Developers Limited, Knowledge Township Limited, Mahindra Lifespace Developers Limited and Vice-Chairman of Mahindra World City Developers Limited. He is also on the Board of Mumbai Mantra Media Limited, Mahindra World City (Jaipur) Limited, Mahindra Water Utilities Limited and Mahindra Holding Limited.

Mr. Nanda is the Founder Director and Chairman of the Company since 1998. His professional guidance and expert proficiency in understanding the holiday needs of Indian families and providing quality tailor-made

products in the holiday space was instrumental in the successful growth of the Company. Mr. Nanda was also the man behind the Company’s successful IPO. Thanks to his deep entrepreneurial insights, the Company today enjoys a leadership position in the vacation ownership industry in the Country.

Mr. Nanda is also the Chairman of CII Western Region, Chairman Emeritus of the Indo-French Chamber of Commerce, member of the governing Boards of the council of EU Chambers of Commerce in India and of Bombay First. He was the Chairman of CII National Committee on Water from April, 2007 to March, 2009.

Mr. Nanda has been honoured with an award of “Chevalier de la Legion d’Honneur” (Knight of the National Order of the Legion of Honour) by the President of the French Republic, Mr. Nicolas Sarkozy.

Mr. Nanda has also been awarded with the “Real Estate Person of the Year” Award from GIREM Leadership Awards (Triple Tree) in India.

Mr. Nanda has also been awarded with the “CA Business Achiever Award - Corporate” at The Institute of Chartered Accountants of India Award 2009 and “Lifetime Achievement Award” for his outstanding contribution to the Hospitality Industry and the Service Sector by the Golden Star Awards 2010.

Mr. A K Nanda is a Member of the following Board



## Committees:

Sr.No:	Name of the Company	Names of the Committee	Position held
1	Mahindra & Mahindra Limited	Share Transfer and Shareholders/Investors Grievance Committee	Member
		Loans and Investment Committee	Member
2	Mahindra Holidays & Resorts India Limited	Inventory Approval Committee	Chairman
		Loans and Investment Committee	Member
		Remuneration Committee	Member
		Share Allotment/Transfer cum Investor Grievance committee	Chairman
		IPO Committee	Member
3	Mahindra Construction Company Ltd	Remuneration Committee	Member
4	Mahindra Lifespace Developers Ltd.	Investors and Shareholders Grievance Committee	Chairman
		Loans and Investments Committee	Chairman
		Remuneration Committee	Member
		Share Allotment Committee for ESOP	Member
		Committee for Residential Projects in Joint Venture	Member
		Committee for Large Format Developments	Member
		Committee of Director - Knowledge Township Ltd	Member
5	Mahindra Infrastructure Developers Ltd.	Audit Committee	Member
6	Mahindra World City (Jaipur) Limited	Audit Committee	Member
		Capital Issue Committee	Member
		Land Lease Committee	Member
		Loans and Investment Committee	Member
		Remuneration Committee	Chairman
7	Mahindra Holding Limited	Audit Committee	Chairman
8	Mahindra Worldcity Developers Limited	Remuneration Committee	Member
9	Mahindra Consulting Engineers Limited	Remuneration Committee	Member

Mr. A K Nanda holds 496,265 Equity Shares in the Company.

## Remuneration to Directors

### Remuneration Policy

While deciding on the remuneration for Directors, the Board and the Remuneration Committee consider the performance of the Company, the current trends in the industry, the qualifications of the appointee(s), their experience, past performance and other relevant factors. The Board and the Remuneration Committee regularly tracks the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

### Remuneration Paid

The Remuneration paid to Non-Executive Directors including Independent Directors is by way of sitting fees and reimbursement of expenses incurred in attending the Board and Committee Meetings. The Non-Executive Directors are also eligible for commission of upto 1 per cent per annum of the net profits of the Company. A commission of



Rs.140 lakh has been provided as payable to the eligible Non-Executive Directors in the accounts of the year under review.

The remuneration to the Managing Director & CEO was fixed by the Remuneration Committee which was subsequently approved by the Board of Directors and Shareholders.

During the year under review, the Non-Executive Directors were paid a commission of Rs. 140 lakh (provided in the accounts of the year ended 31st March 2011), distributed amongst themselves as shown in the table below.

Detailed information of Directors' remuneration paid during the year 2011-12:

(Rs. in lakh)						
Name of Directors	Category	Sitting Fees (Note 1)	Commission	Salary performance pay and Perquisites	Superannuation and Provident Fund (Note 2)	Total
Mr. A K Nanda	Non-Executive Chairman	1.90	100.00	Nil	Nil	101.90
Mr. Rajiv Sawhney (Note 3)	Managing Director & CEO	Nil	Nil	165.33	6.07	171.40
Mr. Uday Y Phadke	Non-Executive	Nil	Nil	Nil	Nil	Nil
Mr. Vineet Nayyar	Non-Executive	Nil	Nil	Nil	Nil	Nil
Mr. Cyrus J Guzder	Independent	1.75	10.00	Nil	Nil	11.75
Mr. Rohit Khattar	Independent	1.35	10.00	Nil	Nil	11.35
Ms. Rama Bijapurkar	Independent	2.35	10.00	Nil	Nil	12.35
Mr. Sridar Iyengar	Independent	2.00	10.00	Nil	Nil	12.00
Mr. Ramesh Ramanathan (Note 4)	Managing Director	Nil	Nil	21.91	0.34	22.25

**Notes:**

1. Non-Executive Chairman and Independent Directors are paid sitting fees of Rs. 20,000 per meeting for attending meetings of Board / Audit Committee and for attending all other Committee Meetings is Rs.5,000.
2. Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.
3. Salary to Mr. Rajiv Sawhney (w.e.f. 1st May, 2011)
  - a. Salary and Allowances of Rs.129.03 lakh
  - b. Perquisites of Rs. 6.30lakh
  - c. Signing Bonus of Rs. 30.00 lakh
4. Mr. Ramesh Ramanathan resigned from the Board of the Company with effect from 30th April 2011 and Mr. Rajiv Sawhney became Managing Director & CEO of the Company with effect from 1st May, 2011.
5. The Company has not advanced loans to any other Directors during the year.
6. The nature of employment of the Managing Director & CEO with the Company is contractual and can be terminated by giving 3 months notice from either party. The contract does not provide for any severance fees.

## Shares and Convertible Instruments held by Directors

Details of ownership of any shares in the Company by the Directors either on their own or for any other person on a beneficial basis is given below:

Name of Directors	Category	Shares held as on 31st March 2012	No. of Options granted in July, 2006 (Note 1)	No. of Options granted in March, 2007 (Note 2)	No. of Options granted in November, 2007 (Note 3)	No. of Options granted in November, 2008 (Note 4)	No. of Options granted in February, 2012 (Note 5)	No. of Options granted in February, 2012 (Note 6)
Mr. A.K Nanda	Non-Executive Chairman	496,265	200,000	Nil	9,510	10,500	Nil	Nil
Mr. Rajiv Sawhney #	Managing Director & CEO	Nil	Nil	Nil	Nil	Nil	400,000	Nil
Mr. Uday Y Phadke	Non-Executive	16,487	10,000	Nil	3,170	3,500	Nil	Nil
Mr. Vineet Nayyar	Non-Executive	26,700	Nil	Nil	10,000	Nil	Nil	Nil
Mr. Cyrus J Guzder	Independent	26,700	10,000	Nil	Nil	Nil	Nil	Nil
Mr. Rohit Khattar	Independent	26,700	10,000	Nil	Nil	Nil	Nil	Nil
Ms. Rama Bijapurkar	Independent	30,036	Nil	Nil	15,000	Nil	Nil	Nil
Mr. Sridar Iyengar	Independent	Nil	Nil	Nil	Nil	Nil	Nil	27,500

# Mr. Ramesh Ramanathan, Managing Director resigned w.e.f. 30th April, 2011 and Mr. Rajiv Sawhney was appointed as a Managing Director & CEO w.e.f 1st May, 2011

### Notes:

	Date of Grant	Vesting Period	Exercise Period	Exercise Price
1	July 2006	Five equal installments in July 2007, 2008, 2009, 2010 and 2011	Within six years from date of grant	Rs.16/-
2	March 2007	Four equal installments in March 2008, 2009, 2010 and 2011	On the date of vesting or at the end of each year for a period of five years from the date of vesting	Rs.52/-
3	November 2007	Four equal installments in November 2008, 2009, 2010 and 2011	On the date of vesting or at the end of each year for a period of five years from the date of vesting	Rs.52/-
4	November 2008	Four equal installments in November 2009, 2010, 2011 and 2012	On the date of vesting or at the end of each year for a period of five years from the date of vesting	Rs.52/-
5	February 2012	Four equal installments in February 2013, 2014, 2015 and 2016	On the date of vesting or at the end of each year for a period of five years from the date of vesting	Rs.370/-
6	February 2012	Four equal installments in February 2013, 2014, 2015 and 2016	On the date of vesting or at the end of each year for a period of five years from the date of vesting	Rs.323/-

The Options granted in July 2006, March 2007 and November 2007 stand augmented by 5 Bonus options for every 3 existing options on account of 5:3 Bonus Issue made in November 2007.

## Committees of the Board

### Audit Committee

The Audit Committee comprises of four members: Mr. Cyrus J Guzder, Mr. Uday Y Phadke, Ms. Rama Bijapurkar and Mr. Sridar Iyengar. Mr. Cyrus J Guzder, Chairman of the Committee, Ms. Rama Bijapurkar and Mr. Sridar Iyengar are Independent Directors. All members of the Committee have good knowledge of accounting and financial management. The Company Secretary is the Secretary to the Committee.

The terms of reference of the Committee are in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee has been granted powers as prescribed under Clause 49 II(C) of the Listing Agreement. Generally, all items listed in Clause 49 II(D) are covered in the terms of reference and inter-alia include:

- Acting as a link between the statutory and the internal auditors and the Board of Directors of the Company;
- Selecting and establish accounting policies, review reports of the statutory and the internal auditors and meet them to discuss their findings, suggestions and other related matters;
- Reviewing the remuneration payable to the statutory auditors, their appointment/re-appointment and to recommend a change of auditors, if felt necessary;

- Reviewing financial statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis.

The Committee met four times during the year under review and the gap between two Meetings did not exceed four months. During the financial year 1st April, 2011 to 31st March, 2012, the Committee met on: 25th April, 2011, 25th July, 2011, 29th October, 2011 and 31st January, 2012. The attendance at the Meetings is as under:

Members	Number of Meetings	
	Held	Attended
Mr. Cyrus J Guzder	4	3
Mr. Uday Y Phadke	4	4
Ms. Rama Bijapurkar	4	4
Mr. Sridar Iyengar	4	4

Invitees to the Meetings of the Audit Committee include Chairman of the Board, Managing Director & CEO, Statutory Auditors, Chief Financial Officer, Chief Internal Auditor & Head – Corporate Management Services of Mahindra & Mahindra Limited, the holding Company, Internal Auditors and Resident Internal Auditor.

### Share Allotment/Transfer – cum – Investor Grievances Committee

The Company's Share Allotment/Transfer – cum - Investor Grievances Committee functions under the Chairmanship of Mr. A K Nanda, Chairman of the Board and a Non-Executive Director. Mr. Uday Y Phadke and Mr. Rajiv Sawhney (w.e.f. 1st May, 2011) are the other members of the Committee. Mr. Dinesh Shetty, Company Secretary, (w.e.f. 8th October, 2011) is the Compliance Officer of the Company.

The Committee meets as and when required, to inter-alia deal with matters relating to its terms of reference which include transfer of shares and monitoring redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc.

The Committee met Five times during the year 1st April, 2011 to 31st March, 2012 on: 25th April, 2011, 25th July, 2011, 29th October, 2011, 31st January, 2012 and 20th February, 2012.



Members	Number of Meetings	
	Held	Attended
Mr. A K Nanda	5	5
Mr. Uday Y Phadke	5	5
Mr. Rajiv Sawhney *	5	3
Mr. Ramesh Ramanathan **	5	1

\* Appointed on the Board of the Company on 25th April, 2011 and became Managing Director & CEO w.e.f 1st May, 2011.

\*\* Resigned from the Board of the Company w.e.f 30th April, 2011.

During the year, 6 complaints were received from the Shareholders, all of which have been attended to/resolved. As of 31st March 2012, there are no pending share transfers or complaints from the shareholders.

### Remuneration Committee

The role of the Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director of the Company. The broad terms of reference of the Committee are, to recommend to the Board about the Company's policy on remuneration package for Executive Directors, to advise the Board in framing the remuneration policy for key managerial personnel of the Company from time to time, to give directions for administration of the ESOP scheme and to attend to any other responsibility as may be entrusted by the Board within the terms of reference.

The Committee has formulated the Mahindra Holidays & Resorts India Limited Employees' Stock Option Scheme (MHRIL ESOS) which is administered and implemented by Mahindra Holidays & Resorts India Limited Employees Stock Option Trust in accordance with the directions of the Committee and in terms of the Deed of Trust. The Committee also attends to such other matters as may be prescribed from time to time.

Ms. Rama Bijapurkar is the Chairperson of the Committee. Mr. A K Nanda, Mr. Cyrus J Guzder, Mr. Vineet Nayyar and Mr. Rohit Khattar are the other members of the Committee. The Committee met thrice during the year 1st April, 2011 to 31st March, 2012 on: 25th April, 2011, 25th July, 2011 and 29th October, 2011. The attendance at the Meetings is as under:

Members	Number of Meetings	
	Held	Attended
Ms. Rama Bijapurkar	3	3
Mr. A K Nanda	3	3
Mr. Vineet Nayyar *	3	2
Mr. Cyrus J Guzder	3	2
Mr. Rohit Khattar	3	3

\* In addition to attending two Remuneration Committee Meetings, Mr. Vineet Nayyar participated in one Remuneration Committee Meeting through teleconference.

### Loans & Investment Committee

The Loans & Investment Committee approves the loans, investment, subscription/acquisition, sale/transfer and all related aspects of these transactions. The committee consists of Mr. A K Nanda, Chairman and Mr. Rajiv Sawhney, Managing Director & CEO as the members. Subsequent to resignation of Mr. Ramesh Ramanathan w.e.f. 30th April, 2011 Mr. Rajiv Sawhney, Managing Director & CEO was appointed as member of the Committee w.e.f. 1st May, 2011. There were no meetings of the Committee during 2011-12.

### IPO Committee

The IPO Committee was formed by the Board to oversee all activities and matters pertaining to Public Issue of the Company. Mr. A K Nanda is the Chairman of the Committee. Mr. Uday Y Phadke and Mr. Cyrus J Guzder are the members of the Committee, whereas Mr. Ramesh Ramanathan ceased to be a member following his resignation w.e.f. 30th April, 2011. Mr. Rajiv Sawhney, Managing Director & CEO was appointed as member of the Committee w.e.f. 1st May, 2011. There were no meetings of the Committee during 2011-12.

### Inventory Approval Committee

Inventory Approval Committee was constituted by the Board for evaluating and approving property acquisition as well as long term lease proposals of the Company. Mr. A K Nanda, Chairman and Mr. Cyrus J Guzder continue to be members of the Committee whereas Mr. Ramesh Ramanathan ceased to be a member following his resignation w.e.f. 30th April, 2011. Mr. Rajiv Sawhney, Managing Director & CEO was appointed as member of the Committee w.e.f. 1st May, 2011. The Committee met twice during the year 1st April, 2011 to 31st March, 2012 on: 16th December, 2011 and



31st March, 2012. The attendance at the Meetings is as under.

Members	Number of Meetings	
	Held	Attended
Mr. A K Nanda	2	2
Mr. Rajiv Sawhney	2	2
Mr. Cyrus J Guzder	2	1

## Disclosures

### Code of Conduct

The Board has laid down two separate Codes of Conduct ("Codes"), one for Board Members and other for Senior Management and Employees of the Company. These Codes have been posted on the Company's website www.clubmahindra.com. All Board Members and Senior Management personnel of the Company have affirmed compliance with these Codes. A declaration signed by the Managing Director & CEO to this effect is enclosed at the end of this Report.

### CEO /CFO Certification

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director & CEO and the Chief Financial Officer of the Company have certified to the Board regarding the financial statements, and matters related to internal controls in the prescribed format for the year ended 31st March, 2012.

### Risk Management

Your Company has a well-defined risk management framework in place which is reviewed periodically. This has been discussed in greater detail in the Management Discussion and Analysis Chapter of this Annual Report.

### Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20 per cent of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any material non-listed Indian subsidiary during the year under review. The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources. The minutes of Board Meetings of subsidiaries of the Company are placed before the Board of Directors of the Company.

### Related Party Transactions

During the financial year 2011-12, there were no materially significant transactions entered into between the Company and its Promoters, Directors or the management, holding company, subsidiaries or relatives that may have potential conflict with the interests of the Company at large. Further, details of related party transactions form part of notes to the accounts of the Annual Report.

### Accounting Treatment in Preparation of Financial Statements

The Company has followed the Accounting Standards laid down by The Institute of Chartered Accountants of India and The Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

### Details of Non-compliance Relating to Capital Markets

The Company has complied with all the requirements of regulatory authorities with respect to capital markets. There were no instances of non-compliances by the Company and no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets during the year under review.

### Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its Designated Employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The Code lays down Guidelines, through which it advises the designated employees on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautions them of the consequences of violations.

### Proceeds from Public Issues

The Audit Committee has been monitoring the uses and applications of funds by major category such as capital expenditure, sales and marketing, working capital on a quarterly basis as part of its quarterly declaration of financial results. The Company has not utilised the funds generated out of public issue for any purpose other than those stated in the offer document/prospectus, as amended.

### Details of Unclaimed Shares

As per the provisions of Clause 5A of the Listing Agreement, the Company has a Demat account titled

"Mahindra Holidays & Resorts India Limited - Unclaimed Shares Demat Suspense Account" ("Demat Suspense Account") for transferring the unclaimed shares which were allotted pursuant to Initial Public Offer (IPO) of the Company.

The Company has 9 shareholders with 370 outstanding shares in the suspense account lying at the year ended 31st March, 2012. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. The details as required to be disclosed in the Annual Report are given below:

Particulars	No. of cases	No. of shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e. 1st April, 2011	9	370
Number of shareholders who approached issuer / Registrar and Share Transfer Agent for transfer of shares from suspense account during the year 2011-12	Nil	Nil
Number of shareholders to whom shares were transferred from suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e 31st March, 2012	9	370

### Management Discussion and Analysis Report

Management Discussion and Analysis Report (MDA) has been attached as a separate chapter and forms part of this Annual Report.

### Compliance with Clause 49

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

As regards the non-mandatory requirements, the Company has set up the Remuneration Committee of the Board of Directors, the details of which have been provided under the section "Committees of the Board". During the year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure that its financial statements remained unqualified. The Company has not adopted any other non-mandatory requirement specified in Annexure 1 D of the Clause 49.

### Corporate Governance Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified

that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance.

The Company has been a strong believer in good Corporate Governance and has been adopting the best practices that have evolved over a decade.

The Company is in substantial compliance with the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

### General Shareholder Information

#### Sixteenth Annual General Meeting

Date : 25th July, 2012

Time : 3.00 P.M

Venue : Tapovan Hall

Chinmaya Heritage Centre  
No.2, 13th Avenue, Harrington Road,  
Chetpet, Chennai – 600 031.



**Details of Annual General Meetings held during past three years and Resolutions passed**

Year	Date	Time	Venue	Special Resolutions Passed
2009	29th June, 2009	4.00 PM	Mahindra Towers, 2nd Floor, No.17/18, Patullos Road, Chennai – 600 002	No Special Resolution was passed at the AGM
2010	26th July, 2010	3.00 PM	Rani Seethai Hall, 603, Anna Salai, Chennai – 600 006.	No Special Resolution was passed at the AGM
2011	25th July, 2011	3.00 PM	Tapovan Hall, No.2, 13th Avenue, Harrington Road, Chetpet, Chennai – 600 031.	1. Remuneration to Managing Director & CEO 2. Remuneration by way of Commission to Non-Executive Directors

No Extraordinary General Meeting (EGM) was held during last 3 years. No Special Resolution was passed through Postal Ballot during 2010-11 and 2011-12.

**Dates of Book Closure/Record Date**

Dates of book closure for dividend will be from 14th July, 2012 to 25th July, 2012, both days inclusive.

**Dividend Payment Date**

Dividend, if declared at the Annual General Meeting will be paid on or after 26th July, 2012 but before 3rd August, 2012.

**Financial Year**

The financial year covers the period from 1st April to 31st March

**Financial Reporting for 2012 – 13**

The First Quarter Results – 30th June, 2012	By end of July, 2012
The Half Yearly Results – 30th September, 2012	By end of October, 2012
Third Quarter Results – 31st December, 2012	By end of January, 2013
Approval of Annual Accounts – 31st March, 2013	By end of April, 2013

Note: The above dates are indicative.

**Means of Communication**

The quarterly, half-yearly and yearly results as required under Clause 41 of the Listing Agreement are normally published in Business Standard (English editions) and Dinamani (Tamil edition). These are not sent individually to the Shareholders.

The Company’s results and official news releases are displayed on the Company’s website at [www.clubmahindra.com](http://www.clubmahindra.com). Presentations are also made to international and national institutional investors and analysts, which are also put up on the website of the Company.

**Listing on Stock Exchanges**

The equity shares of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The requisite listing fees have been paid in full to the Stock Exchanges where the Company’s shares are listed.



## Mahindra Holidays & Resorts India Limited's (MHRIL) Stock Exchange Codes

BSE 533088

NSE MHRIL

## Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity shares

ISIN: INE998I01010

## Stock Performance

### BSE and NSE – Monthly High / Low and Volumes

	National Stock Exchange			Bombay Stock Exchange		
	High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume
April, 2011	416.00	350.00	593,679	415.70	350.00	185,897
May, 2011	384.55	351.35	509,972	386.00	350.00	212,027
June, 2011	373.95	333.10	560,502	375.00	335.00	19,549
July, 2011	411.95	341.55	572,687	412.30	341.95	765,179
August, 2011	386.85	340.25	191,460	381.85	341.20	38,481
September, 2011	359.95	306.00	211,174	359.95	304.15	108,507
October, 2011	350.00	304.00	562,472	348.95	310.00	358,623
November, 2011	347.80	287.00	100,414	341.00	284.05	34,234
December, 2011	314.25	253.00	166,018	312.95	266.05	92,541
January, 2012	310.40	280.00	347,744	314.00	279.00	103,192
February, 2012	333.90	280.05	1,027,300	335.00	289.00	198,734
March, 2012	304.80	265.00	414,955	304.00	262.65	111,504

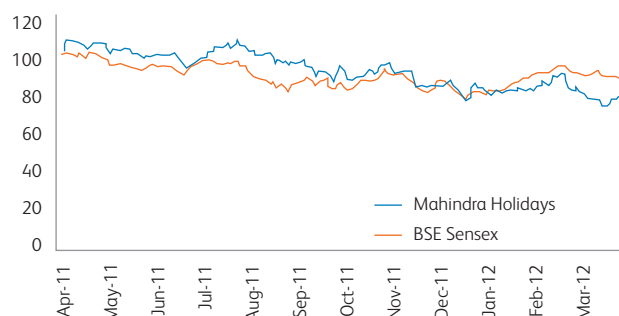




Performance in comparison to BSE – Sensex, NSE Nifty and BSE 500 Index

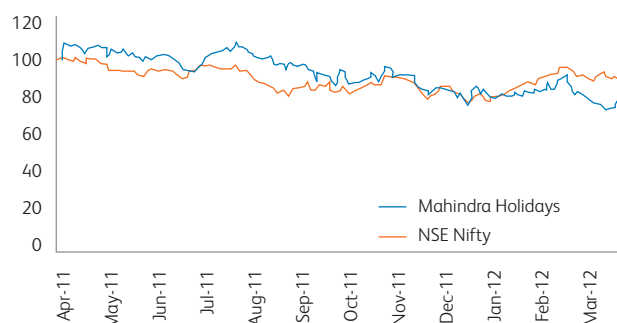
Month	MHRIL's Closing Price on NSE on the last trading day of month (Rs.)	BSE Sensex at the Close of last trading day of the month	NSE Nifty at the Close of last trading day of the month	BSE 500 Index at the Close of last trading day of the month
April, 2011	380.10	19,136	5,750	7,427
May, 2011	358.05	18,503	5,560	7,234
June, 2011	348.55	18,846	5,647	7,265
July, 2011	381.35	18,197	5,482	7,111
August, 2011	347.35	16,677	5,001	6,487
September, 2011	337.30	16,454	4,943	6,386
October, 2011	340.50	17,705	5,327	6,763
November, 2011	306.45	16,123	4,832	6,117
December, 2011	303.80	15,455	4,624	5,779
January, 2012	301.50	17,194	5,199	6,549
February, 2012	297.00	17,753	5,385	6,857
March, 2012	301.25	17,404	5,296	6,760

Mahindra Holidays Share Performance versus BSE Sensex



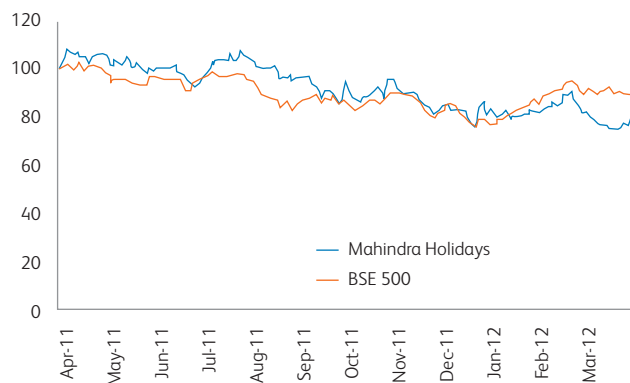
Note: Share price of Mahindra Holidays and BSE Sensex have been indexed to 100 on 1 April, 2011

Mahindra Holidays Share Performance versus NSE NIFTY



Note: Share price of Mahindra Holidays and NSE NIFTY have been indexed to 100 on 1 April, 2011

Mahindra Holidays Share Performance versus BSE 500



Note: Share price of Mahindra Holidays and BSE 500 have been indexed to 100 on 1 April, 2011

Share Transfer System

Trading in equity shares of the Company through recognised Stock Exchanges is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects.

The Share Allotment/Transfer-cum-Investors Grievance Committee meets as and when required to consider the other transfer proposals and attend to Shareholders' grievances. As of 31st March, 2012, there are no pending share transfers pertaining to the year under review.

## Distribution of Shareholding as on 31st March, 2012

Number of Shares	Number of Shareholders	Percentage of Shareholders	Total Number of Shares	Percentage of Shareholding
1 to 100	9,647	81.91 %	351,574	0.42%
101 to 500	1,397	11.86 %	332,124	0.39%
501 to 1000	249	2.11 %	195,158	0.23%
1001 to 5000	304	2.58 %	739,442	0.87%
5001 to 10000	61	0.52 %	446,436	0.53%
10001 to 50000	89	0.76 %	2,002,733	2.37%
50001 to 100000	14	0.12 %	1,162,016	1.37%
100001 & above	17	0.14 %	79,410,289	93.82%
<b>Total</b>	<b>11,778</b>	<b>100.00 %</b>	<b>84,639,772</b>	<b>100.00%</b>

## Shareholding Pattern as on 31st March, 2012

Category of Shareholders	Total Holdings	Holdings in Percentage
Promoters holdings	69,985,642	82.69%
Mutual Funds	111,052	0.13%
Banks, Financial Institutions & others	541,237	0.64%
Foreign Institutional Investors	3,072,648	3.63%
Bodies Corporate	3,549,838	4.19%
NRI/OCBs/Foreign Nationals	1,080,894	1.28%
Indian Public	6,298,461	7.44%
<b>Total</b>	<b>84,639,772</b>	<b>100.00%</b>

## Dematerialisation of Shares

As on 31st March, 2012, 99.96 per cent of the paid-up Equity Share Capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share, as trading in the Equity Shares of the Company on exchanges is permitted only in dematerialised form. Non-Promoters' holding is 17.31 per cent.

## Outstanding ADRs/GDRs/ Warrants or any Convertible Instruments, conversion date and likely impact on Equity

The Company has not issued any ADRs/GDRs/Warrants or any convertible instruments.

## Offices of the Company

### Registered Office:

Mahindra Towers, 2nd Floor,  
No.17/18, Patullos Road,  
Chennai – 600 002.  
Tel: 044-3988 1000  
Fax: 044-3027 7778

### Corporate Office:

Mahindra Towers, 1st Floor,  
'A' Wing, Dr. G.M. Bhosle Marg,  
P.K. Kurne Chowk,  
Worli, Mumbai – 400 018.  
Tel: 022 - 3368 4722  
Fax: 022 - 3368 4721

Apart from the registered & corporate office, the Company has an extensive network of branch offices, including site offices at the resorts to carry out the business of the Company. Details of these offices can be found at the Company's website [www.clubmahindra.com](http://www.clubmahindra.com)

### Registrar and Share Transfer Agents

M/s. Karvy Computershare Private Limited  
Unit: Mahindra Holidays & Resorts India Limited  
Plot No.17-24, Vittalrao Nagar, Madhapur,  
Hyderabad – 500 081, Andhra Pradesh, India.  
Tele no: + 91-040-23420815 to 820  
Fax No.: + 91-040-23420814/57  
E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)



Jiyo life

### Address for Correspondence

Shareholders may correspond with the Company at its Registered Office or with the Registrar and Transfer Agents M/s. Karvy Computershare Private Limited at the above mentioned address in respect of all matters relating to transfer / dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of the Company.

### Company Secretary & Compliance Officer

Mr. Dinesh Shetty  
Mahindra Towers, 2nd Floor,  
17/18, Patullos Road,  
Chennai – 600 002.  
Tamilnadu, India.  
Tele: +91 44 3988 1000  
Fax : +91 44 3027 7778

### Company's Investor E-mail ID

The Company has also designated [investors@mahindraholidays.com](mailto:investors@mahindraholidays.com) as an exclusive email ID for Shareholders for the purpose of registering complaints. This has also been displayed on the Company's website.

### Company's website

[www.clubmahindra.com](http://www.clubmahindra.com)

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## Declaration on Codes of Conduct

To

The Members of Mahindra Holidays & Resorts India Limited

I, Rajiv Sawhney, Managing Director & CEO of Mahindra Holidays & Resorts India Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2012.

**Rajiv Sawhney**

Managing Director & CEO

Mumbai, 25th April, 2012

## Certificate

To

The Members of Mahindra Holidays & Resorts India Limited

We have examined the compliance of conditions of Corporate Governance by Mahindra Holidays & Resorts India Limited ("the Company") for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 008072S)

B.Ramaratnam  
Partner  
(Membership No. 21209)

Place: Mumbai  
Date: April 25, 2012



# Auditors' Report

## To The Members of Mahindra Holidays & Resorts India Limited

- 1) We have audited the attached Balance Sheet of **Mahindra Holidays & Resorts India Limited** as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) 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:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No.008072S)

B. Ramaratnam  
Partner  
(Membership No.21209)

Mumbai, April 25, 2012

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## Auditors' Report on financial statements

### Annexure referred to in paragraph 3 of the auditors' report to the members of Mahindra Holidays & Resorts India Limited on the accounts for the year ended March 31, 2012

- (i) Having regard to the nature of Company's business / activities / result, clauses (v), (vi), (viii), (x), (xii) to (xvi), (xviii) and (xxi) of CARO are not applicable to the Company in the current year.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, VAT, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, VAT, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
  - (c) As on March 31, 2012, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of disputes except the following :

Name of the statute	Nature of the dues	Financial Years	Amount (Rs.)	Forum where the dispute is pending
Income Tax	Income Tax & Fringe Benefit Tax	2005- 06 to 2007-08	1,312,279,665	Income Tax Appellate Tribunal
Income Tax	Income Tax & Fringe Benefit Tax	2008-09	651,080,890	Commissioner of Income Tax – Appeals

- (viii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short term basis have not been used during the year for long term investment.
- (ix) To the best of our knowledge and according to the information and explanations given to us, no fraud by or on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No.008072S)

B. Ramaratnam  
Partner  
(Membership No.21209)

Mumbai, April 25, 2012



## Balance Sheet as at March 31, 2012

Rs.

Particulars	Note	As At March 31, 2012	As At March 31, 2011
<b>Equity and Liabilities</b>			
<b>Shareholders' Funds :</b>			
Share Capital	3	838,456,040	836,056,780
Reserves and Surplus	4	4,849,955,905	4,196,910,572
		<b>5,688,411,945</b>	<b>5,032,967,352</b>
<b>Non- Current liabilities</b>			
Deferred tax liabilities (net)	5	366,332,586	367,777,070
Deferred Income - Advance towards members facilities (See note 2 (vii) (a))		10,679,165,528	9,840,211,688
Long term provisions	6	14,651,206	11,350,883
		<b>11,060,149,320</b>	<b>10,219,339,641</b>
<b>Current liabilities</b>			
Short term Borrowings	7	7,921,190	15,822,018
Trade payables	8	849,831,365	635,438,042
Deferred Income - Advance towards members facilities (See note 2 (vii) (a))		551,183,416	441,606,571
Other current liabilities	9	1,171,567,998	829,042,682
Short term provisions	10	402,087,356	398,225,451
		<b>2,982,591,325</b>	<b>2,320,134,764</b>
		<b>19,731,152,590</b>	<b>17,572,441,757</b>
<b>Assets</b>			
<b>Non-current Assets</b>			
Fixed Assets	11		
Tangible assets		4,394,560,663	4,378,100,480
Intangible assets		15,664,985	24,044,772
Capital work in progress	40	1,836,382,470	1,345,026,170
Intangible assets under development		118,028,392	3,018,000
		6,364,636,510	5,750,189,422
Non-current investments	12	823,220,828	317,768,404
Long term loans and advances	13	1,290,460,004	742,820,240
Other Non-current Assets	14	3,633,623,913	4,451,311,260
		5,747,304,745	5,511,899,904
<b>Current assets</b>			
Current investments	15	1,261,699,089	1,133,078,282
Inventories	16	36,704,110	31,401,494
Trade receivables	17	5,180,511,527	4,379,376,671
Cash and cash equivalents	18	83,947,468	628,328,307
Short term loans and advances	19	1,041,665,808	126,440,779
Other current assets	20	14,683,333	11,726,898
		<b>7,619,211,335</b>	<b>6,310,352,431</b>
		<b>19,731,152,590</b>	<b>17,572,441,757</b>

See accompanying notes forming part of the financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**  
Chartered Accountants

**B. Ramaratnam**  
Partner

**A.K. Nanda**  
Chairman

**Rajiv Sawhney**  
Managing Director

Place: Mumbai  
Date: April 25, 2012

**Aloke Ghosh**  
Chief Financial Officer

**Dinesh Shetty**  
Company Secretary



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## Statement of Profit & Loss for the year ended March 31, 2012

Rs.

Particulars	Note	2011-12	2010-2011
<b>Revenue :</b>			
Revenue from operations	21	5,738,298,030	4,871,252,868
Other Income	22	627,457,675	470,324,955
<b>Total Revenue</b>		<b>6,365,755,705</b>	<b>5,341,577,823</b>
<b>Expenditure :</b>			
Employee benefits expense	23	1,264,215,512	847,338,175
Finance Costs	24	3,507,919	1,592,244
Depreciation and amortisation expense	11	203,414,133	201,005,763
Other expenses	25	3,439,457,218	2,798,829,711
<b>Total Expenses</b>		<b>4,910,594,782</b>	<b>3,848,765,893</b>
<b>Profit before tax</b>		<b>1,455,160,923</b>	<b>1,492,811,930</b>
<b>Less : Tax expense</b>			
- Current tax		410,200,000	430,500,000
- Deferred tax		(1,444,484)	34,688,443
<b>Profit for the year</b>		<b>1,046,405,407</b>	<b>1,027,623,487</b>
Earnings per share:			
Basic		12.49	12.30
Diluted		12.46	12.21

See accompanying notes forming part of the financial statements

In terms of our report attached

For [Deloitte Haskins & Sells](#)  
Chartered Accountants

**B. Ramaratnam**  
Partner

Place: Mumbai  
Date: April 25, 2012

For and on behalf of the Board of Directors

**A.K. Nanda**  
Chairman

**Aloke Ghosh**  
Chief Financial Officer

**Rajiv Sawhney**  
Managing Director

**Dinesh Shetty**  
Company Secretary



## Cash Flow Statement for the year ended March 31, 2012

Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>A. Cash flow from operating activities :</b>		
Profit before tax	1,455,160,923	1,492,811,930
Adjustments :		
Depreciation	203,414,133	201,005,763
Finance costs	3,507,919	1,592,244
Interest income	(30,644,819)	(34,233,123)
Dividend income	(110,527,178)	(73,202,446)
Loss/(Gain) on fixed assets sold/scrapped (net)	(321,285)	(864,495)
Provision for doubtful debts	10,380	950,214
Unrealised exchange loss/(gain) (net)	(8,690,566)	(8,706,120)
	56,748,584	86,542,037
Operating profit before working capital changes	<b>1,511,909,507</b>	<b>1,579,353,967</b>
Changes in :		
Deferred Income - Advance towards members' facilities	948,530,685	1,575,785,434
Trade and other receivables	(380,930,074)	(1,426,594,654)
Inventories	(5,302,620)	(1,724,569)
Trade and other payables	696,695,835	(324,115,873)
	<b>1,258,993,826</b>	<b>(176,649,662)</b>
Income taxes paid	(872,033,266)	(465,043,375)
<b>Net cash from operating activities</b>	<b>1,898,870,067</b>	<b>937,660,930</b>
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets including capital work in progress and expenditure pending allocation	(892,237,902)	(1,015,505,509)
Proceeds from sale of fixed assets	1,458,851	27,459,681
Purchase of investments	(505,452,424)	-
Interest received	7,741,517	19,474,010
Dividend income	110,527,178	73,202,446
<b>Net cash (used in) / from investing activities</b>	<b>(1,277,962,780)</b>	<b>(895,369,372)</b>

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## Cash Flow Statement for the year ended March 31, 2012 (contd.)

Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>C. Cash flow from financing activities :</b>		
Repayments of borrowings	(7,900,828)	(84,342,708)
Dividends paid	(336,919,088)	(336,875,004)
Dividend distribution tax paid	(54,656,699)	(55,958,049)
Loan to ESOP Trust	(132,000,000)	-
Proceeds from issue of equity shares to ESOP Trust	147,000,000	-
Advances to subsidiaries	(648,682,785)	-
Finance costs	(3,507,919)	(1,592,244)
<b>Net cash (used in) / from finance activities</b>	<b>(1,036,667,319)</b>	<b>(478,768,005)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(415,760,032)</b>	<b>(436,476,447)</b>
Cash and cash equivalents		
Opening balance	1,758,278,309	2,194,754,756
Closing balance	1,342,518,277	1,758,278,309
	(415,760,032)	(436,476,447)
<b>Reconciliation between cash and cash equivalents with the balance sheet</b>		
Cash and cash equivalents as per balance sheet	83,947,468	628,328,307
Less: Bank balances not considered as cash and cash equivalents	3,128,280	3,128,280
Net cash and cash equivalents	80,819,188	625,200,027
Add: Current investments considered as part of cash and cash equivalents (investment in units of mutual funds)	1,261,699,089	1,133,078,282
<b>Cash and cash equivalents at the end of the year</b>	<b>1,342,518,277</b>	<b>1,758,278,309</b>

See accompanying notes forming part of the financial statements

In terms of our report attached

For [Deloitte Haskins & Sells](#)  
Chartered Accountants

**B. Ramaratnam**  
Partner

Place: Mumbai  
Date: April 25, 2012

For and on behalf of the Board of Directors

**A.K. Nanda**  
Chairman

**Aloke Ghosh**  
Chief Financial Officer

**Rajiv Sawhney**  
Managing Director

**Dinesh Shetty**  
Company Secretary



## Notes to the Financial Statements for the year ended March 31, 2012

1. The company was incorporated on September 20, 1996, and is in the business of selling vacation ownership and providing holiday facilities.

### 2. Accounting policies

#### (i) Basis for preparation of accounts

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### (ii) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/acquisition of fixed assets up to the period the assets are ready for use. Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

- (a) Leasehold land and buildings are amortised over the period of lease.
- (b) Floating cottages grouped under building are depreciated over the useful life of 25 years.
- (c) Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- (d) Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- (e) Intangible assets representing 'vacation ownership' is amortised over a period of ten years.
- (f) Expenditure incurred towards software is amortised over a period of 36 months.
- (g) Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e. 3 / 4 years.
- (h) Non- compete fee is amortised over a period of 5 years.

#### (iii) Assets taken on Lease and Hire Purchase

Assets taken on Lease and Hire Purchase arrangements, where substantially all the risks and rewards of ownership vest in the company are classified as finance leases. Such leases are capitalised at the inception of lease at the lower of fare value and the present value of the minimum lease payments.

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## Notes to the Financial Statements for the year ended March 31, 2012

### (iv) Expenditure during construction period

Revenue expenses incurred in connection with construction of resorts in so far as such expenses relate to the period prior to the date the resort is put to use are treated as part of project cost and capitalised.

### (v) Inventories

Inventories are carried at lower of cost and net realisable value. Cost is determined on First-in-First-out basis. Cost includes the purchase price, non refundable taxes and delivery handling cost. Net realisable value is estimated at the expected selling price less estimated costs of procurement and sales.

### (vi) Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

### (vii) Revenue recognition

- (a) The company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Admission fee, which is non-refundable, is recognised as income on admission of a member. Entitlement fee (disclosed under Advance towards Members facilities), which entitles the vacation ownership member for the vacation ownership facilities over the membership usage period, is recognised as income equally over the usage period. Requests for cancellation of membership is accounted for when it is accepted by the Company. In respect of instalments considered doubtful of recovery by the management, the same is treated as a cancellation and accounted for accordingly.
- (b) Annual subscription fee dues from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.
- (d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On being derecognised, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- (g) Income from home stays is recognised when services are rendered.
- (h) Interest income from loans is accounted on time proportion basis and dividend income from mutual funds is accounted as and when right to receive is established.

### (viii) Foreign exchange transactions

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. The exchange gain / loss arising on settlement of such transactions is adjusted to the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the Balance sheet date and gain or loss arising out of such translation is adjusted to the statement of profit and loss.



## Notes to the Financial Statements for the year ended March 31, 2012

### (ix) Employee benefits

#### (a) Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscounted basis and charged to the statement of profit and loss.

#### (b) Long term employee benefit plans

The Company has defined contribution and defined benefit plans. The plans are financed by the Company and in the case of some defined contribution plans employees also contribute to the plan.

##### Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the statement of profit and loss on an accrual basis. Contributions to superannuation fund are accounted on the same basis and is made to the Life Insurance Corporation of India (LIC).

##### Defined Benefit Plan

The company has an arrangement with the Life Insurance Corporation of India (LIC) to administer its gratuity fund. The contribution paid/payable to the fund based on liability towards gratuity determined on the basis of an independent actuarial valuation as at balance sheet date using the Projected Unit Credit method is debited to the statement of profit and loss. Actuarial gains and losses arising during the year are recognised in the statement of profit and loss. Long term compensated absences similarly determined on an actuarial basis is provided for and is not funded.

### (x) Taxes on income

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date.

### (xi) Share issue expenses

Expenses incurred in connection with issue of share capital are adjusted against securities premium account.

### (xii) Borrowing Cost

Borrowing cost that are attributable to the acquisition, construction or production of qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended to use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred.

### (xiii) Impairment of assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists the recoverable amount of such asset is estimated and impairment is recognised, if the carrying amount of these assets exceed their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the

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## Notes to the Financial Statements for the year ended March 31, 2012

future cash flows to their present values based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting period no longer exists or may have decreased, such reversal of impairment loss is recognised in the statement of profit and loss, except in the case of re-valued asset.

### (xiv) Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### (xv) Cash flow statements

Cash flows are reported using the indirect method, whereby profit/(loss) before extra-ordinary items and tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the company are segregated based on the available information.

### (xvi) Provision & contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are disclosed in the notes.

### (xvii) Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 3 : Share capital</b>		
<b>A. Authorised</b>		
100,000,000 equity shares of Rs. 10 each	1,000,000,000	1,000,000,000
	<b>1,000,000,000</b>	<b>1,000,000,000</b>
<b>B. Issued and subscribed</b>		
84,639,772 (previous year 84,229,772) equity shares of Rs. 10 each fully paid	846,397,720	842,297,720
less: 794,168 (previous year 624,094) equity shares of Rs. 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees.	7,941,680	6,240,940
	<b>838,456,040</b>	<b>836,056,780</b>

### Notes:

3 a) The above includes 48,995,228 equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Statement of Profit & Loss and General Reserve on November 24, 2007 in the ratio of 5 equity shares for every 3 shares held.

3 b) Terms / rights attached to equity shares:

- The company has only one class of shares referred to as equity shares having a par value of Rs. 10/-. Each holder of equity share is entitled to one vote per share.
- The dividends proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.
- For the year ended March 31, 2012, the amount of per share dividend proposed for equity shareholders is Rs. 4. The total dividend appropriation for the year ended March 31, 2012 amounted to Rs. 393,481,836 including tax on proposed dividend of Rs.54,922,748.
- Repayment of capital will be in proportion to the number of equity shares held.

3 c) Shares in the company held by each shareholder holding more than 5% shares specifying the number of shares held.

Name of share holder	No of shares	% held as at March 31, 2012	No of shares	% held as at March 31, 2011
Mahindra & Mahindra Limited (Holding Company)	69,985,642	82.69%	69,985,642	83.09%

3 d) The reconciliation of the number of shares outstanding as at March 31, 2012 and March 31, 2011 is set out below:-

Particulars	As at March 31, 2012		As at March 31, 2011	
	(Shares)	(In Rs.)	(Shares)	(In Rs.)
No of shares at the beginning	83,605,678	836,056,780	83,286,861	832,868,610
Add: Shares issued on exercise of employee stock options	239,926	2,399,260	318,817	3,188,170
Number of shares at the end	83,845,604	838,456,040	83,605,678	836,056,780

3 e) Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.



## Notes to the Financial Statements for the year ended March 31, 2012

i) The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust.					
Method of Settlement	By issue of shares at Exercise Price.					

Grant	Grant I	Grant II	Grant III	Grant V	Grant VI	Grant VII
Date of Grant	15/07/06	30/03/07	01/11/07	01/11/08	21/02/12	21/02/12
Exercise Price (In Rs.)	16.00	52.00	52.00	52.00	370.00	323.00
Average Exercise Price (after Bonus Issue) (In Rs.)	6.00	19.50	19.50	52.00	-	-
Vesting Period in Years	5	4	4	4	4	4
Number of Options Granted	759,325	122,235	56,700	261,590	400,000	186,500
Contractual Life	6 years from the date of grant.		5 years from the date of each vesting.			
Vesting Conditions	35%,30%,15%, 10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.		25% each on expiry of 12, 24, 36 and 48 months from the date of grant.			
No. of Options Exercisable in Each Tranche	Minimum of 25 and a maximum of all options vested till that date.					

ii) Summary of Stock Options (Including Bonus Shares)

Particulars	Grant I 15/07/06	Grant II 30/03/07	Grant III 01/11/07	Grant V ** 01/11/08	Grant VI # 21/02/12	Grant VII ## 21/02/12	Total
Options Outstanding as on 1.4.2011	308,744	60,397	39,992	101,027	-	-	510,160
Options Granted	-	-	-	-	400,000	186,500	586,500
Options Vested during the Year	130,156	-	37,856	31,695	-	-	199,707
Options Exercised during the Year	138,698	45,726	25,727	29,775	-	-	239,926
Options Lapsed during the Year	28,408	-	-	22,186	-	-	50,594
Options Outstanding as on 31.03.2012	141,638	14,671	14,265	49,066	400,000	186,500	806,140
Options Vested but not Exercised	28,760	14,552	14,246	16,991	-	-	74,549

\*\* Issued out of lapsed options.

# Out of the above 90,000 shares has been issued out of lapsed options.

## Out of the above 86,500 shares has been issued out of lapsed options.

iii) In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares but not allotted to the employees have been reduced from the share capital by Rs. 7,941,680 and securities premium account reduced by Rs. 145,676,908. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities

## Notes to the Financial Statements for the year ended March 31, 2012

The General Reserve has been reduced by Rs. 1,314,290 for bonus shares issued on exercise of stock options during the year.

iv) The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS for grant I to V. For grant VI and VII fair value method adopted. The intrinsic value of the shares granted under grant I to V based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on March 31, 2006, Rs. 52 per equity share as on January 1, 2007, August 31, 2008 and November 1, 2008 based on the Discounted Cash Flow Method. The fair value of the shares granted under grant VI and VII is based on the fair value market price is Rs. 370 and Rs. 323 per share respectively. As the difference between the intrinsic value/fair value and the exercise price per share is Rs. Nil no employee compensation cost has been charged.

v) The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. July 15, 2006, March 30, 2007, November 1, 2007 and November 1, 2008 is Rs. 4.28, Rs. 16.36, Rs. 16.55 and Rs. 16.04 respectively.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. February 21, 2012 is Rs. 113.81 for grant VI and Rs. 129.93 for grant VII.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 10,383,964 and the impact on the financial statements would be :

	Rs.	
	Years ended	
	March 31, 2012	March 31, 2011
Increase in employee compensation cost	3,611,380	2,076,793
Decrease in profit after tax	3,611,380	2,076,793
Decrease in basic & diluted earnings per share	(0.04)	(0.03)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant dated	Grant dated	Grant dated	Grant dated	Grants dated
	15/07/06	30/03/07	01/11/07	01/11/08	21/02/12
Risk free interest rate	7.82%	7.92%	7.72%	7.34%	8.00%
Expected life	4.5	5	5	5	6
Expected volatility	Nil	Nil	Nil	Nil	0.33
Expected dividend yield	Nil	Nil	Nil	Nil	Rs. 4.00

3 f) As approved by the Board, the company has given an interest free loan of Rs. 132,000,000 without interest to Mahindra Holidays & Resorts India Limited Employees Stock Option Trust for the purchase of shares of the company under the employee stock option scheme.

## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 4 : Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>	1,474,577	1,474,577
	<b>1,474,577</b>	<b>1,474,577</b>
<b>General Reserve</b>		
As per last balance sheet	384,422,580	283,384,260
Add : Transfer from statement of profit and loss	104,641,000	102,770,000
Less : Bonus shares issued on exercise of stock options	1,314,290	1,731,680
	<b>487,749,290</b>	<b>384,422,580</b>
<b>Securities Premium Account</b>		
As per last balance sheet	1,577,361,044	1,565,289,824
Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	142,900,000	12,071,220
	1,720,261,044	1,577,361,044
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees	145,676,908	4,212,960
	<b>1,574,584,136</b>	<b>1,573,148,084</b>
<b>Surplus in Statement of Profit &amp; Loss</b>		
As per last balance sheet	2,237,865,331	1,704,587,631
Profit for the current year	1,046,405,407	1,027,623,487
	3,284,270,738	2,732,211,118
<b>Appropriations :</b>		
Transfer to General Reserve	104,641,000	102,770,000
Proposed Dividend	338,559,088	336,919,088
Tax on Proposed Dividend	54,922,748	54,656,699
	498,122,836	494,345,787
	<b>2,786,147,902</b>	<b>2,237,865,331</b>
	<b>4,849,955,905</b>	<b>4,196,910,572</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 5 : Deferred Tax Liability (net)</b>		
<b>Deferred tax asset</b>		
Provision for doubtful receivables	491,084	487,716
Provision for compensated absences	7,545,644	5,840,277
Others	8,236,502	5,684,450
	16,273,230	12,012,443
<b>Deferred tax liability</b>		
Difference between book and tax depreciation	382,605,816	379,789,513
<b>Deferred tax liability (net)</b>	<b>366,332,586</b>	<b>367,777,070</b>



## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 6 : Long Term Provisions</b>		
Compensated absences	14,651,206	11,350,883
	<b>14,651,206</b>	<b>11,350,883</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 7 : Short Term Borrowings</b>		
<b>Secured</b>		
Loans repayable on demand		
- from Banks	7,921,190	15,822,018
	<b>7,921,190</b>	<b>15,822,018</b>

Loans from banks are secured by an exclusive charge on inventories, receivables and other moveable assets.

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 8 : Trade Payables</b>		
Total outstanding dues to micro and small enterprises	-	-
Others	849,831,365	635,438,042
	<b>849,831,365</b>	<b>635,438,042</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 9 : Other Current Liabilities</b>		
Unpaid dividend	44,084	44,084
Amounts received from ESOP Trust	150,490,968	6,011,990
Dues to Statutory Authorities (PF,ESI & other taxes)	45,653,637	75,854,804
Unearned Revenue	420,381,301	336,399,180
Accrued Expenses	534,501,356	394,913,410
Gratuity	6,496,652	1,819,214
Commission payable to non - whole time Directors	14,000,000	14,000,000
	<b>1,171,567,998</b>	<b>829,042,682</b>

There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2012.

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 10 : Short Term Provisions</b>		
Compensated absences	8,605,520	6,649,664
Proposed dividend	338,559,088	336,919,088
Tax on proposed dividend	54,922,748	54,656,699
	<b>402,087,356</b>	<b>398,225,451</b>

**Notes** to the Financial Statements for the year ended March 31, 2012

Description of Assets	Gross block (at cost)				Depreciation/Amortisation			Net Block	
	As at April 1, 2011	Additions	Deductions	As at March 31, 2012	As at April 1, 2011	For the year	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2011
	As at April 1, 2011	As at April 1, 2011	As at April 1, 2011	As at March 31, 2012	As at April 1, 2011	For the year	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2011
<b>A : Tangible Assets</b>									
Land	851,985,919	86,706,080	-	938,691,999	-	-	-	-	851,985,919
Land - leasehold	864,000	-	-	864,000	95,990	8,726	-	104,716	759,284
Buildings	2,612,793,509	44,597,914	58,435,000	2,598,956,423	211,541,680	47,907,537	3,338,826	256,110,391	2,342,846,032
Buildings - leasehold	15,608,588	-	-	15,608,588	6,427,736	1,888,348	-	8,316,084	9,180,852
Plant and equipment	865,219,266	82,815,530	18,294,956	929,739,840	228,393,739	59,688,618	5,752,536	282,329,821	636,825,527
Furniture and fittings	737,659,534	41,337,602	18,828,710	760,168,426	353,191,447	62,426,462	12,938,401	402,679,508	384,468,087
Vehicles	47,602,530	13,640,598	3,102,847	58,140,281	23,430,040	4,763,291	2,451,752	25,741,579	24,172,490
Office equipment	166,728,277	10,616,711	366,600	176,978,388	97,280,511	12,194,581	169,909	109,305,183	69,447,766
<b>Sub total A</b>	<b>5,298,461,623</b>	<b>279,714,435</b>	<b>99,028,113</b>	<b>5,479,147,945</b>	<b>920,361,143</b>	<b>188,877,563</b>	<b>24,651,424</b>	<b>1,084,587,282</b>	<b>4,394,560,663</b>
<b>Previous year</b>	<b>4,777,327,668</b>	<b>555,454,552</b>	<b>34,320,597</b>	<b>5,298,461,623</b>	<b>747,397,509</b>	<b>180,689,045</b>	<b>7,725,411</b>	<b>920,361,143</b>	<b>4,378,100,480</b>
<b>B : Intangible Assets</b>									
Software	57,048,297	6,156,783	-	63,205,080	49,335,041	4,407,929	-	53,742,970	77,13,256
Development expenditure	38,540,065	-	-	38,540,065	32,398,364	5,505,949	-	37,904,313	6,141,701
Non-compete fees	20,000,000	-	-	20,000,000	10,432,877	4,000,000	-	14,432,877	9,567,123
Vacation ownership weeks	6,226,938	-	-	6,226,938	5,604,246	622,692	-	6,226,938	622,692
<b>Sub total B</b>	<b>121,815,300</b>	<b>6,156,783</b>	<b>-</b>	<b>127,972,083</b>	<b>97,770,528</b>	<b>14,536,570</b>	<b>-</b>	<b>112,307,098</b>	<b>15,664,985</b>
<b>Previous year</b>	<b>114,911,137</b>	<b>6,904,163</b>	<b>-</b>	<b>121,815,300</b>	<b>77,453,810</b>	<b>20,316,718</b>	<b>-</b>	<b>97,770,528</b>	<b>24,044,772</b>
<b>Total (A+B)</b>	<b>5,420,276,923</b>	<b>285,871,218</b>	<b>99,028,113</b>	<b>5,607,120,028</b>	<b>1,018,131,671</b>	<b>203,414,133</b>	<b>24,651,424</b>	<b>1,196,894,380</b>	<b>4,410,225,648</b>
<b>Total Previous year</b>	<b>4,892,238,805</b>	<b>562,358,715</b>	<b>34,320,597</b>	<b>5,420,276,923</b>	<b>824,851,319</b>	<b>201,005,763</b>	<b>7,725,411</b>	<b>1,018,131,671</b>	<b>4,402,145,252</b>

**Note 11 : Fixed Assets**

Rs.



## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 12 : Non current investments</b>		
<b>Long term Investments (At Cost, Un-Quoted) :</b>		
<b>Investment in Equity Shares (non trade, fully paid up)</b>		
Mahindra World City Developers Ltd. (1 equity share of Rs. 10 each.)	10	10
<b>Investment in Equity Shares of Subsidiaries (trade, fully paid up)</b>		
Mahindra Holidays and Resorts USA INC (100 equity shares of US\$ 0.10 each.)	45,503	45,503
MHR Hotel Management GmbH (Shares equivalent in value to Euros 26,250 out of total share capital of Euros 35,000)	1,567,125	1,567,125
Heritage Bird (M) Sdn. Bhd. (300,002 shares of one Ringgit each.)	4,026,772	4,026,772
Mahindra Hotels and Residences India Ltd. (49,994 equity shares of Rs. 10 each.)	499,940	499,940
BAH Hotelanlagen AG (1385 shares of Euro 50 each.)	311,379,054	311,379,054
Bell Tower Resorts Private Limited (199,38,674 shares of Rs. 10/- each.)	505,452,424	-
<b>Investment in Preference Shares (non trade fully paid up)</b>		
Guestline Hospitality Management and Development Services Limited (25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each.)	250,000	250,000
	<b>823,220,828</b>	<b>317,768,404</b>
Aggregate value of unquoted investments	<b>823,220,828</b>	<b>317,768,404</b>

**NOTE:**

- a) The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz January 14, 2003
- b) The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs. 10 each anytime after thirty six months from the date of allotment.
- c) On December 21, 2011, the Company has acquired the entire share capital of Bell Tower Resorts Private Limited (BTRPL) from the existing shareholders and consequent to that BTRPL has become a wholly owned Subsidiary of the Company. This subsidiary has a 106 room resort in Goa.

## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 13 : Long Term Loans &amp; Advances (Unsecured, considered good)</b>		
Capital advances	144,320,602	83,758,462
Security deposits	278,532,609	268,331,448
Loans and advances to related parties	83,154,425	68,111,228
Payments towards Income Tax (net of provisions)	784,452,368	322,619,102
	<b>1,290,460,004</b>	<b>742,820,240</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 14 : Other Non-Current Assets (Unsecured, considered good)</b>		
Long Term Trade receivables due for payment after one year	3,633,623,913	4,451,311,260
	<b>3,633,623,913</b>	<b>4,451,311,260</b>

Rs.

	As at March 31, 2012 Units	As at March 31, 2012 Value	As at March 31, 2011 Units	As at March 31, 2011 Value
<b>Note 15 : Current Investments</b>				
Investment in Mutual Funds (Unquoted) Units :				
B864d Bsl Interval Income Fund Instl Quarterly Series 1 Dd	-	-	7,050,227	70,923,167
Birla Sunlife Cash Plus - Instl Prim - DDRE	200,330	20,072,017	-	-
Birla Sunlife Cash Manager-IP-DDRE	999,934	100,023,400	-	-
Birla Sun Life Savings Fund	278,879	27,906,826	4,085,160	40,879,375
DWS Treasury Fund Cash-Institutional Plan	995,484	100,043,138	17,499,760	175,867,336
DWS Ultra Short Term Fund - IP - Growth DDRE	-	-	6,179,923	61,909,855
ICICI Prudential Flexible Income Plan	1,482,470	156,748,923	1,614,361	170,694,439
IDFC Money Manager	11,174,159	111,758,347	-	-
IDFC Savings Advantage Fund - Plan A - Monthly Div	-	-	165,379	166,822,112
JM Money Manager Fund Super Plus Plan - Daily Dividend	13,017,914	130,248,133	-	-
Kotak Flexi Debt - Institutional	14,717,687	147,875,959	-	-
JP Morgan India Liquid Fund Super Inst DDRE	4,316,215	43,196,248	-	-
Kotak Qip Series 6	-	-	10,015,090	100,181,943
Kotak Quarterly Interval Plan Series 7	-	-	3,026,702	30,275,802
Sundaram Ultra ST Fund Super Inst. DDRE	1,021,798	10,255,787	5,052,093	50,707,862
TATA Fixed income portfolio fund scheme B2	-	-	10,047,908	100,664,962
Templeton India Ultra Short Bond Fund	15,317,855	153,356,239	474,174	4,747,241
TTMSHD TATA Treasury Manager Ship DDRE	113,977	115,153,382	112,833	113,997,413
TFLD Tata Floater Fund Ddre	14,454,611	145,060,690	-	-
UTI Treasury Advantage Fund- Ins Plan DDRE	-	-	1,356	1,356,785
UTI-Floating rate fund -short term plan-inst DDRE	-	-	44,016	44,049,990
		<b>1,261,699,089</b>		<b>1,133,078,282</b>
Aggregate value of unquoted investments		<b>1,261,699,089</b>		<b>1,133,078,282</b>



## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 16 : Inventories (at lower of cost &amp; net realisable value)</b>		
<b>Stores</b>		
Food, beverages and smokes	9,784,841	7,709,674
Operating supplies	26,919,269	23,691,820
	<b>36,704,110</b>	<b>31,401,494</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 17 : Trade Receivable (unsecured)</b>		
<b>Trade Receivables outstanding for less than six months from the date they are due for payment</b>		
Considered Good	3,471,541,686	2,780,231,021
	3,471,541,686	2,780,231,021
<b>Trade Receivables outstanding for more than six months from the date they are due for payment</b>		
Considered good	1,708,969,841	1,599,145,650
Considered Doubtful	1,513,589	1,503,209
Less: Allowance for trade receivables	1,513,589	1,503,209
	1,708,969,841	1,599,145,650
	<b>5,180,511,527</b>	<b>4,379,376,671</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 18 : Cash &amp; Cash Equivalents</b>		
a. Cash on hand	2,159,664	1,354,391
	2,159,664	1,354,391
b. Balances with Banks		
Current accounts	78,615,440	88,801,552
Deposit account - with maturity of less than 3 months	-	535,000,000
Deposit account - others	2,503,902	2,503,902
c. Earmarked accounts		
Margin money deposits	624,378	624,378
Unpaid dividend accounts	44,084	44,084
	81,787,804	626,973,916
	<b>83,947,468</b>	<b>628,328,307</b>



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## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 19 : Short Term Loans &amp; Advances (unsecured, considered good)</b>		
Inter corporate deposit & advances to subsidiaries	647,717,213	-
Claims Receivable	84,785,625	-
Loan to ESOP Trust	132,000,000	10,000
Balances with Statutory Authorities	9,868,564	10,389,521
Advances to Suppliers	108,207,373	65,110,548
Loans to Employees	5,553,508	13,565,013
Prepaid Expenses	53,533,525	37,365,697
	<b>1,041,665,808</b>	<b>126,440,779</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 20 : Other Current Assets</b>		
Interest accrued on inter corporate deposits		
Subsidiary	14,683,333	-
Others	-	11,726,898
	<b>14,683,333</b>	<b>11,726,898</b>

Rs.

	2011-12	2010-11
<b>Note 21 : Revenue from Operations</b>		
<b>Sales of Services</b>		
Income from sale of vacation Ownership	3,971,958,432	3,354,193,530
Income from Resorts :		
- Room rentals	147,679,260	195,396,505
- Food and beverages	432,062,386	384,119,325
- Wine and liquor	14,360,100	15,670,065
- Others	196,262,911	168,234,598
Annual Subscription Fee	929,609,101	720,786,540
Income from travel services & home stays	46,365,840	32,852,305
	<b>5,738,298,030</b>	<b>4,871,252,868</b>



## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	2011-12	2010-11
<b>Note 22 : Other Income</b>		
<b>Dividend income</b>		
Dividend income from current investments	110,527,178	73,202,446
<b>Interest income</b>		
On installment sales	404,415,355	334,965,516
On deposits with bank	7,741,518	14,632,003
On others	22,903,301	19,601,120
Gain on exchange fluctuation (net)	8,690,566	8,706,120
Income from securitisation (see note 26)	60,015,988	11,684,966
Gain on fixed assets sold (net)	321,285	864,495
Miscellaneous income	12,842,484	6,668,289
	<b>627,457,675</b>	<b>470,324,955</b>

Rs.

	2011-12	2010-11
<b>Note 23 : Employee Benefit Expenses</b>		
Salaries, wages and bonus	1,176,576,918	771,396,247
Contribution to Provident & other funds	35,906,480	35,174,569
Staff welfare	51,732,114	40,767,359
	<b>1,264,215,512</b>	<b>847,338,175</b>

Rs.

	2011-12	2010-11
<b>Note 24 : Finance Costs</b>		
Interest on short term borrowings	3,507,919	1,592,244
	<b>3,507,919</b>	<b>1,592,244</b>

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## Notes to the Financial Statements for the year ended March 31, 2012

Rs.

	2011-12		2010-11	
<b>Note 25 : Other Expenses</b>				
Food beverages and smokes consumed				
Opening stock	7,709,674		9,059,077	
Add: Purchases	141,247,353		121,647,646	
	148,957,027		130,706,723	
Less: Closing stock	9,784,841	139,172,186	7,709,674	122,997,049
Operating supplies		193,223,944		168,958,374
Power and fuel		165,216,546		126,955,811
Rent (Including lease rentals)		305,136,407		279,364,088
Rates and taxes		17,484,039		15,693,530
Insurance		10,245,850		13,552,990
Repairs and maintenance :-				
-Buildings		34,742,477		27,003,853
-Resort renovations		56,200,867		25,170,061
-Office equipment		12,417,313		9,273,300
-Others		60,064,091		48,332,147
Communication		57,165,673		57,659,999
Software charges		26,154,351		28,555,185
Consultancy charges		72,335,418		75,268,270
Advertisement		248,927,873		156,099,755
Sales commission		348,473,644		262,210,581
Sales promotion expenses		1,168,982,933		943,832,749
Travelling		148,094,296		117,047,392
Service charges		135,240,795		91,308,817
Provision for doubtful debts		10,380		950,214
Auditors' remuneration includes:				
Audit fees		2,800,000		2,800,000
Other services		1,600,000		1,560,000
Reimbursement of expenses/levies		24,023		36,927
Director's fees		930,000		290,000
Commission to non whole time directors		14,000,000		14,000,000
Bank charges		50,879,194		24,389,845
Discounts		69,846,611		109,609,355
Miscellaneous		100,088,307		75,909,419
		<b>3,439,457,218</b>		<b>2,798,829,711</b>



## Notes to the Financial Statements for the year ended March 31, 2012

### 26. Securitisation

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

	Rs.	
	Year ended March 31,	
	2012	2011
Value of accounts receivable	1,871,112,274	364,664,149
Less: Future interest receivable	420,148,106	102,189,965
Principal amount of receivables	1,450,964,168	262,474,184
Consideration received	1,550,000,000	300,000,000
Profit on securitisation	99,035,832	37,525,816
Less: Reversals in respect of cancelled members	39,019,844	25,840,850
Income from securitisation	60,015,988	11,684,966

### 27. Contingent Liabilities

	Rs.	
	As at Mar 31, 2012	As at Mar 31, 2011
<b>(a) Receivables securitised, with recourse.</b>		
Certain specified receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such cases, the company has recourse to the customer.	2,673,122,303	2,036,782,120
<b>(b) Claims against the company not acknowledged as debts</b>		
Claims not acknowledged as debts represent luxury tax claimed on room revenue and other services provided to members, which has been disputed by the company. The possibility of reimbursement depends on the outcome of the cases pending before the adjudicating authority.	6,420,314	6,420,314
<b>(c) Income tax matters</b>		
i) The Income Tax Department's appeal against the orders of the CIT (A) for the assessment years 1998-99 to 2003-04, in respect of issues relating to revenue recognition, was decided in favour of the company by the appellate tribunal. Amount involved was Rs 208,385,010 (including interest of Rs. 58,051,475). For the assessment year 2004-05 & 2009-10 the company's appeal is pending with CIT(A). For the assessment years 2005-06 to 2008-09, the company has gone on appeal to the ITAT in respect of the same issue.		

## Notes to the Financial Statements for the year ended March 31, 2012

	As at Mar 31, 2012	As at Mar 31, 2011
The amount involved, exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed, is Rs. 2,550,307,954 (Including interest of Rs. 560,448,771); As at March 31, 2011, Rs. 1,925,645,407/- (Including interest of Rs. 382,089,632).		
<p>ii) Disallowance of expenditure during construction, software expenses, website development expenses, renovation expenses and Project design cost. Rs. 110,849,237/- (Including interest of Rs. 24,029,144); As at March 31, 2011 Rs. 43,935,275/- (Including interest of Rs. 7,384,579)</p> <p>The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed.</p> <p>However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.</p>		
<p>iii) Other disallowances (including interest of Rs. 43,757,139) (as at March 31, 2011 Rs. 9,909,258)</p>	193,408,965	166,844,896

### (d) Other matters under appeal

- (i) The Government of Kerala issued an Order dated July 3, 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated July 3, 2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

- (ii) The Company had received a notice dated December 11, 2009 from Commissioner, Ooty Municipality seeking demolition of the unauthorised construction at Zest Danish Villa Resort situated at No.30, Sheddon Road, Ooty. The Company has filed a review petition before the Municipal Administration and Water Supply Department, Chennai and hearing is awaited.

## Notes to the Financial Statements for the year ended March 31, 2012

(iii) The Company engaged a building contractor for construction of a resort. As the construction did not proceed as per agreed timelines the Company terminated the contract. The contractor has claimed Rs. 12.56 crores as damages for termination of the Contract. The Company has made a counter claim of Rs. 20.03 crores towards liquidated damages and other losses. The matter is pending before the Arbitrator.

	Rs.	
	As at March 31, 2012	As at March 31, 2011
<b>28. Capital commitments</b>		
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	542,736,285	771,483,558
<b>29. CIF value of imports</b>		
Capital goods	11,154,240	10,020,062
<b>30. Expenditure in foreign currency</b>		
Salaries	38,977,930	38,797,844
Travel	3,142,603	149,155
Consultancy	5,935,330	10,810,176
Marketing Expenses	13,467,755	16,416,578
Others	21,271,117	28,388,005
<b>31. Earnings in foreign exchange</b>		
Room rentals and restaurant sales	45,533,522	49,923,429
Sale of vacation ownership	98,809,849	81,137,535
Interest	6,588,485	7,527,079

	Rs.			
	2011-12		2010-11	
<b>32. Particulars of consumption</b>	% of total Value	Consumption Rs.	% of total Value	Consumption Rs.
Provisions, beverages (excluding wine, liquor and smokes)	97	134,546,791	94	116,184,509
Wine, Liquor and Smokes	3	4,625,395	6	6,812,540
	100	139,172,186	100	122,997,049
Indigenous	100	139,172,186	100	122,997,049
Imported	-	-	-	-
	100	139,172,186	100	122,997,049

## Notes to the Financial Statements for the year ended March 31, 2012

### 33. Employee benefits

The following table sets out the funded status of the defined benefit scheme and amount recognised in the financial statements.

	Gratuity	
	Rs.	
	2011-12	2010-11
<b>a. Net Asset/ ( Liability) recognised in the balance sheet</b>		
Present value of funded obligation	19,152,550	15,398,391
Fair value of plan assets	12,655,898	13,579,177
Net asset/ (liability)	(6,496,652)	(1,819,214)
<b>b. Expense recognised in the Statement of profit and loss</b>		
Current service cost	6,664,038	3,631,535
Interest cost	1,077,666	1,038,290
Expected return on plan Assets	(1,084,146)	(1,256,627)
Actuarial (gains) / losses	(1,980,120)	(702,006)
Total expense	4,677,438	2,711,192
<b>c. Change in present value of obligation</b>		
Present value of defined benefit obligation as at the beginning of the year	15,398,391	12,978,631
Current service cost	6,664,038	3,631,535
Interest cost	1,077,666	1,038,290
Actuarial (gains) /losses	(56,790)	(702,006)
Benefits paid	(3,930,755)	(1,548,059)
Present value of defined benefit obligation as at the end of the year	19,152,550	15,398,391
<b>d. Change in fair value of plan assets</b>		
Plan assets at the beginning of the year	13,579,177	13,870,609
Expected return on plan assets	1,084,146	1,256,627
Actuarial gains /(losses)	1,923,330	NIL
Contributions by employer	NIL	NIL
Benefits paid	(3,930,755)	(1,548,059)
Plan assets at the end of the year	12,655,898	13,579,177
<b>e. Principal actuarial assumptions</b>		
1. Discount rate	8.0%	8.0%
2. Expected return on plan assets	9.3 %	9.0 %
3. Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
<b>f.</b>		
Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market		

## Notes to the Financial Statements for the year ended March 31, 2012

g. Experience Adjustment to the extent provided by actuary:

	Year ended March 31, 2012 (Rs.)	Year ended March 31, 2011 (Rs.)	Year ended March 31, 2010 (Rs.)	Year ended March 31, 2009 (Rs.)
Present value of commitment	19,152,550	15,398,391	12,978,631	9,975,960
Fair value of the plans	12,655,898	13,579,177	13,870,609	9,996,621
Surplus / (Deficit)	(6,496,652)	(1,819,214)	891,978	20,661
Experience adjustment on plan liabilities	56,790	-	-	-
Experience adjustment on plan assets	1,923,330	-	-	-

h. In the absence of the relevant information from the actuary, the above details do not include the composition of plan assets / experience adjustments for certain years.

### 34. Segment Reporting:

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment

Secondary segment information:

Rs.

	Current year			Previous year		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	5,639,488,181	98,809,849	5,738,298,030	4,790,115,333	81,137,535	4,871,252,868
Segment assets	16,752,774,385	109,005,920	16,861,780,305	15,726,689,588	72,286,381	15,798,975,969
Additions to fixed assets	892,237,902	-	892,237,902	1,015,254,898	250,611	1,015,505,509

### 35. Earnings per share:

	Year ended March 31, 2012	Year ended March 31, 2011
Net profit after tax (in Rs.)	1,046,405,407	1,027,623,487
Weighted average number of Equity Shares used in computing basic earnings per share (Nos)	83,804,330	83,532,990
Weighted average number of Equity Shares used in computing diluted earnings per share (nos) on account of ESOP	83,950,435	84,157,084
Earnings Per Share – Basic (in Rs.)	12.49	12.30
Earnings per share – Diluted (in Rs.)	12.46	12.21
Nominal value of shares (in Rs.)	10	10



## Notes to the Financial Statements for the year ended March 31, 2012

### 36 Related Party Transactions:

- (i) Names of related parties and nature of relationship where control exists:

Related party relationships are as identified by the management and relied upon by the auditors.

A.	Holding company	Mahindra & Mahindra Limited
B.	Subsidiary companies	Mahindra Holidays & Resorts U.S.A Inc.
		Mahindra Hotels and Residences India Limited
		MHR Hotel Management GmbH
		Heritage Bird (M) Sdn Bhd.
		Bell Tower Resorts Private Ltd
		BAH Hotelanlagen AG
C.	Fellow Subsidiaries with whom the company has transactions	Mahindra Intertrade Limited
		Mahindra Navistar Automotives Limited.
		Mahindra United Football Company
		Mahindra Shubhlabh Services Limited.
		Mahindra & Mahindra Financial Services Limited
		Mahindra Lifespace Developers Limited
		Mahindra World City (Jaipur) Limited
		Mahindra World City Developers Limited
		Mahindra First Choice Wheels Limited
		Mahindra First Choice Services Ltd
		Mahindra Logistics Limited
		Mahindra Vehicle Manufacturers Limited
		Mahindra Automobile Distributors Private Limited
		Mahindra EPC Services Private Limited
		Mahindra Consulting Engineers Limited
		Mahindra Steel Service Centre Limited
Mahindra Engineering Services Limited		
Mahindra Retail Private Limited		
D.	Other entities under the control of the company	Mahindra Holidays & Resorts India Limited
		Employees' Stock Option Trust
E.	Key Management Personnel	Mr Ramesh Ramanathan (Managing Director) (upto April 30, 2011)
		Mr Rajiv Sawhney (Managing Director & CEO) (since May 1, 2011)



# Notes to the Financial Statements for the year ended March 31, 2012

(ii) The related party transactions are as under:

(Rs.)

Nature of transactions	Holding company		Subsidiary companies		Fellow Subsidiaries		Other entities under the control of the company		Key Management Personnel	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Year ended										
<b>Finance</b>										
<b>Investment :</b>										
BAH Hotelangen AG	-	-	311,379,054	311,379,054	-	-	-	-	-	-
Mahindra Hotels & Residences India Ltd	-	-	499,940	499,940	-	-	-	-	-	-
MHR Hotel Management GmbH	-	-	1,567,125	1,567,125	-	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	4,026,772	4,026,772	-	-	-	-	-	-
Mahindra Holidays and Resorts USA Inc.	-	-	45,503	45,503	-	-	-	-	-	-
Bell Tower Resorts Private Limited	-	-	505,452,424	-	-	-	-	-	-	-
<b>ICD given :</b>										
Mahindra & Mahindra Financial Services Limited	-	-	-	-	-	300,000,000	-	-	-	-
Bell Tower Resorts Private Limited	-	-	648,682,785	-	-	-	-	-	-	-
<b>ICD repaid :</b>										
Mahindra & Mahindra Financial Services Limited	-	-	-	-	-	300,000,000	-	-	-	-
<b>Sales:</b>										
<b>Fixed Asset</b>										
Mahindra World City Developers Limited	-	-	-	-	-	25,500,000	-	-	-	-
Mahindra First choice Wheels Limited	-	-	-	-	1,080,000	-	-	-	-	-
<b>Services</b>	316,995,845	50,674,437								
Bell Tower Resorts Private Limited	-	-	345,176	-	-	-	-	-	-	-
Mahindra Vehicle Manufacturers Limited	-	-	-	-	296,440	-	-	-	-	-
Mahindra Subhlabh Services Limited	-	-	-	-	580,111	-	-	-	-	-
Mahindra Automobile Distributors Private Limited	-	-	-	-	101,574	-	-	-	-	-
Mahindra EPC Services Private Limited	-	-	-	-	3,475,114	-	-	-	-	-
Mahindra United Football Company	-	-	-	-	-	839,000	-	-	-	-
Mahindra Navistar Automotives Limited.	-	-	-	-	131,079	1,502,206	-	-	-	-
Mahindra Lifespace Developers Ltd	-	-	-	-	1,161,696	-	-	-	-	-
Mahindra First choice Wheels Limited	-	-	-	-	330,000	4,800,000	-	-	-	-
Mahindra First Choice Services Ltd	-	-	-	-	-	65,550	-	-	-	-
Mahindra World City (Jaipur) Limited	-	-	-	-	-	34,859	-	-	-	-
Mahindra Intertrade Ltd	-	-	-	-	2,802,493	911,760	-	-	-	-
Mahindra Logistics Limited	-	-	-	-	42,713	1,693,982	-	-	-	-
Mahindra Steel Service Centre Limited	-	-	-	-	347,987	-	-	-	-	-
Mahindra & Mahindra Financial Services Limited	-	-	-	-	-	66,347	-	-	-	-
Mahindra Retail Private Limited	-	-	-	-	-	135,570	-	-	-	-
<b>Purchases:</b>										
<b>Fixed Asset</b>										
Mr Rajiv Sawhney	-	-	-	-	-	-	-	-	3,225,000	-
<b>Services</b>	36,015,139	22,689,017								
Bell Tower Resorts Private Limited	-	-	4,326,978	-	-	-	-	-	-	-
Mahindra World City Developers Limited	-	-	-	-	-	189,000	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	-	825,000	250,000	-	-	-	-
Mahindra Logistics Limited	-	-	-	-	543,000	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd	-	-	10,182,926	9,867,000	-	-	-	-	-	-
<b>Interest Income</b>										
Heritage Bird SDN BHD	-	-	6,588,485	5,993,243	-	-	-	-	-	-
Mahindra & Mahindra Financial Services Limited	-	-	-	-	-	13,607,877	-	-	-	-
Bell Tower Resorts Private Limited	-	-	16,314,816	-	-	-	-	-	-	-
<b>Dividend paid</b>	279,926,708	279,942,568								
<b>Outstanding:</b>										
<b>Payable</b>										
Mahindra Consulting Engineers Limited	-	-	-	-	82,725	44,120	-	-	-	-
Mahindra Logistics Limited	-	-	-	-	244,000	-	-	-	-	-
Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust	-	-	-	-	-	-	150,490,968	6,011,990	-	-
<b>Receivable</b>	43,015,347	9,291,434								
Bell Tower Resorts Private Limited	-	-	662,400,546	-	-	-	-	-	-	-
Mahindra Lifespace Developers Ltd	-	-	-	-	634,844	486,819	-	-	-	-
Mahindra Vehicle Manufacturers Limited	-	-	-	-	297,341	-	-	-	-	-
Mahindra Subhlabh Services Limited	-	-	-	-	266,160	-	-	-	-	-
Mahindra Automobile Distributors Private Limited	-	-	-	-	-	9,278	-	-	-	-
Mahindra EPC Services Private Limited	-	-	-	-	867,741	-	-	-	-	-
Mahindra Navistar Automotives Limited.	-	-	-	-	32,536	52,783	-	-	-	-
Mahindra Intertrade Ltd	-	-	-	-	100,879	-	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	-	-	305,714	-	-	-	-
Mahindra Logistics Limited	-	-	-	-	-	55,324	-	-	-	-
Mahindra Engineering Services Limited	-	-	-	-	1,391,149	1,391,149	-	-	-	-
Heritage Bird SDN BHD	-	-	82,091,744	67,103,543	-	-	-	-	-	-
Mahindra Hotels and Residences India Ltd	-	-	1,062,681	1,007,685	-	-	-	-	-	-
Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust	-	-	-	-	-	-	132,000,000	10,000	-	-
<b>Key Managerial remuneration</b>										
Mr Ramesh Ramanathan	-	-	-	-	-	-	-	-	2,224,963	26,467,211
Mr Rajiv Sawhney	-	-	-	-	-	-	-	-	17,140,471	-
<b>Loan to Key Managerial Personnel</b>										
Mr Ramesh Ramanathan	-	-	-	-	-	-	-	-	-	2,259,273

## Notes to the Financial Statements for the year ended March 31, 2012

37. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	As at Mar 31, 2012		As at Mar 31, 2011	
		Value in Foreign Currency	Value in Rupees	Value in Foreign Currency	Value in Rupees
Receivables	UAE - Dirham	1,753,683	24,744,462	244,373	3,013,124
Loan to Malaysian Subsidiary	Malaysian Ringgit	4,856,609	82,091,744	4,488,531	67,103,543

38. In June 2009, the company made an Initial Public Offer of 5,896,084 equity shares of Rs. 10 each for cash at a premium of Rs. 290 per equity share, aggregating to Rs. 17,688.25 lakh of which Rs. 12,624.24 lakh have been spent towards the object of the issue (Rs. 11,178.50 lakh were utilised for construction of resorts and Rs. 1,445.74 lakh towards issue expenses) and the balance has been invested in debt schemes of mutual funds.
39. The particulars regarding dues to Micro enterprises and small enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors. There are no dues payable to such parties as at the balance sheet date.
40. Capital work in progress of Rs. 1,836,382,470 (Previous year Rs. 1,345,026,170) includes expenditure during Construction pending allocation of Rs.245, 428,002 (Previous year Rs. 151,593,864).

Description	As at April 01, 2011	Additions	Capitalised during the year	As at March 31, 2012
Salaries, Wages & Bonus	86,011,754	58,522,558	1,871,533	142,662,779
Staff Welfare Expenses	1,910,132	845,900	221,900	2,534,132
Power & Fuel	3,584,856	255,674	30,610	3,809,920
Rent	2,007,462	406,100	83,200	2,330,362
Rates & Taxes	1,923,348	450,625	56,364	2,317,609
Repairs-Others	2,131,272	253,665	30,625	2,354,312
Travelling	18,425,749	10,953,250	988,364	28,390,635
Communication	2,800,733	1,003,523	113,622	3,690,634
Printing & Stationery	841,797	386,040	31,555	1,196,282
Insurance	2,327	11,967	-	14,294
Consultancy Charges	18,727,378	18,890,634	726,566	36,891,445
Freight	3,066,730	1,054,788	239,853	3,881,665
Interest - Others	2,324,346	-	-	2,324,346
Bank Charges	300,989	74,532	3,727	371,794
Miscellaneous	7,534,991	5,541,012	418,210	12,657,793
<b>Total</b>	<b>151,593,864</b>	<b>98,650,267</b>	<b>4,816,130</b>	<b>245,428,002</b>

41. The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified, wherever necessary, to correspond with the current year's classification/disclosure.

For and on behalf of the Board of Directors

A.K. Nanda  
Chairman

Rajiv Sawhney  
Managing Director

Place: Mumbai  
Date: April 25, 2012

Aloke Ghosh  
Chief Financial Officer

Dinesh Shetty  
Company Secretary



## Statement pursuant to section 212 of the Companies Act 1956, relating to subsidiary company

### Name of the subsidiary companies

Particulars	Mahindra Holidays and Resorts USA Inc.	MHR Hotel Management GmbH	Mahindra Hotels and Residences India Ltd	Bell Tower Resorts Private Limited	Heritage Bird (M) Sdn Bhd.	BAH Hotelanlagen AG
The financial year of the subsidiary company ended on	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012
Number of shares in the subsidiary company held by Mahindra Holidays & Resorts India Limited at the above date:						
Equity (nos.)	100	-	49,994	19,938,674	300,002	1,385
Extent of holding (%)	100%	75%	100%	100%	100%	99%
The net aggregate of profits of the subsidiary company for its financial year so far as they concern the members of Mahindra Holidays & Resorts India Limited:						
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2012	-	-	-	(12,333,014)	3,594,441	-
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2012	(823,441)	546,150	(874,361)	(8,033,774)	(5,394,974)	(897,701)
The net aggregate of profits of the subsidiary company for its previous financial years so far as they concern the members of Mahindra Holidays and Resorts India Limited:						
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2011	-	-	-	-	3,873,757	-
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2011	(1,751,982)	490,960	(49,635)	-	(5,982,137)	(10,374,645)

For and on behalf of the Board of Directors

A.K. Nanda  
Chairman  
Rajiv Sawhney  
Managing Director  
Aloke Ghosh  
Chief Financial Officer  
Dinesh Shetty  
Company Secretary

Place: Mumbai  
Date: April 25, 2012

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# Auditors' Report

## To The Members of Mahindra Holidays & Resorts India Limited

1. We have audited the attached Consolidated Balance Sheet of **Mahindra Holidays & Resorts India Limited** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.80,654,023 as at March 31, 2012, total revenues of Rs. 131,052,490 and net cash inflows amounting to Rs. 37,083,041 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No.008072S)

B. Ramaratnam  
Partner  
(Membership No.21209)

Mumbai, April 25, 2012



## Consolidated Balance Sheet as at March 31, 2012

Rs.

Particulars	Note	As At March 31, 2012	As At March 31, 2011
<b>Equity and Liabilities</b>			
<b>Shareholders' Funds :</b>			
Share Capital	3	838,456,040	836,056,780
Reserves and Surplus	4	4,795,175,575	4,165,003,561
		<b>5,633,631,615</b>	<b>5,001,060,341</b>
<b>Minority Interest</b>		3,426,729	3,282,446
<b>Non- Current liabilities</b>			
Long term Borrowings	5	66,372,256	71,729,964
Deferred tax liabilities (net)	6	366,332,586	367,777,070
Deferred Income - Advance towards members facilities (See note 2 (vii) (a))		10,679,671,456	9,844,248,128
Long term provisions	7	15,158,272	11,350,883
		<b>11,127,534,570</b>	<b>10,295,106,045</b>
<b>Current liabilities</b>			
Short term Borrowings	8	23,088,241	30,534,261
Trade payables	9	885,090,566	681,162,761
Deferred Income - Advance towards members facilities (See note 2 (vii) (a))		553,212,416	441,606,571
Other current liabilities	10	1,183,672,869	830,196,629
Short term provisions	11	402,149,607	398,269,535
		<b>3,047,213,699</b>	<b>2,381,769,757</b>
		<b>19,811,806,613</b>	<b>17,681,218,589</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets	12		
Tangible assets		5,267,356,387	4,754,588,345
Goodwill on consolidation		680,959,412	45,521,974
Intangible assets		17,987,567	24,044,773
Capital work in progress	37	1,837,553,934	1,263,376,650
Intangible assets under development		118,028,392	3,018,000
		<b>7,921,885,692</b>	<b>6,090,549,742</b>
Non-current investments	13	250,010	250,010
Long term loans and advances	14	1,211,975,812	780,151,815
Other Non-Current Assets	15	3,644,717,445	4,485,087,446
		<b>4,856,943,267</b>	<b>5,265,489,271</b>
<b>Current assets</b>			
Current investments	16	1,261,699,089	1,133,078,282
Inventories	17	41,913,032	34,878,796
Trade receivables	18	5,180,511,526	4,379,376,671
Cash and cash equivalents	19	150,571,561	637,215,950
Short term loans and advances	20	398,076,121	128,902,979
Other current assets	21	206,325	11,726,898
		<b>7,032,977,654</b>	<b>6,325,179,576</b>
		<b>19,811,806,613</b>	<b>17,681,218,589</b>

See accompanying notes forming part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**B. Ramaratnam**  
Partner

Place: Mumbai  
Date: April 25, 2012

For and on behalf of the Board of Directors

**A.K. Nanda**  
Chairman

**Aloke Ghosh**  
Chief Financial Officer

**Rajiv Sawhney**  
Managing Director

**Dinesh Shetty**  
Company Secretary

## Consolidated Statement of Profit & Loss for the year ended March 31, 2012

Rs.			
Particulars	Note	Year ended March 31, 2012	Year ended March 31, 2011
<b>Revenue :</b>			
Revenue from operations	22	5,781,134,718	5,004,234,228
Other Income	23	715,673,447	460,214,526
<b>Total Revenue</b>		<b>6,496,808,165</b>	<b>5,464,448,754</b>
<b>Expenditure :</b>			
Employee benefits expense	24	1,328,752,772	899,913,171
Finance costs	25	6,507,600	3,113,992
Depreciation and amortisation expense	12	230,967,335	221,270,597
Other expenses	26	3,497,961,734	2,871,887,647
<b>Total Expenses</b>		<b>5,064,189,441</b>	<b>3,996,185,407</b>
<b>Profit before tax</b>		<b>1,432,618,724</b>	<b>1,468,263,347</b>
<b>Less : Tax expense</b>			
- Current tax		410,200,000	430,500,000
- Overseas Tax		463,441	137,081
- Deferred tax		(1,444,484)	34,675,828
<b>Profit after tax (for the year)</b>		<b>1,023,399,767</b>	<b>1,002,950,438</b>
Minority Share of (profit) / loss		(75,132)	493,925
<b>Profit for the year</b>		<b>1,023,324,635</b>	<b>1,003,444,363</b>
Earnings per share:			
Basic		12.21	12.01
Diluted		12.19	11.92

See accompanying notes forming part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**B. Ramaratnam**  
Partner

Place: Mumbai  
Date: April 25, 2012

For and on behalf of the Board of Directors

**A.K. Nanda**  
Chairman

**Aloke Ghosh**  
Chief Financial Officer

**Rajiv Sawhney**  
Managing Director

**Dinesh Shetty**  
Company Secretary



## Consolidated Cash Flow Statement for the year ended March 31, 2012

Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>A. Cash Flow From Operating Activities :</b>		
Profit before tax	1,432,618,724	1,468,263,347
Adjustments :		
Depreciation	230,967,335	221,270,597
Finance costs	6,507,600	3,113,992
Interest income	(8,574,592)	(28,264,444)
Dividend income	(110,527,178)	(73,202,446)
Loss/(Gain) on fixed assets sold/scrapped (net)	(321,285)	5,495,996
Provision for doubtful debts	10,380	950,214
Unrealised exchange loss/(gain)	(112,582,556)	1,647,982
	5,479,704	131,011,891
Operating profit before working capital changes:	<b>1,438,098,428</b>	<b>1,599,275,238</b>
Changes in		
Deferred income - Advance towards members' facilities	947,029,173	1,575,785,371
Trade and other receivables	(260,189,649)	(1,432,062,462)
Inventories	(7,034,236)	(2,276,904)
Trade and other payables	810,565,639	(381,890,570)
	1,490,370,927	(240,444,565)
Income taxes paid	(874,381,337)	(466,096,051)
<b>Net Cash From Operating Activities</b>	<b>2,054,088,018</b>	<b>892,734,622</b>
<b>B. Cash Flow From Investing Activities :</b>		
Purchase of fixed assets including capital work in progress and expenditure pending allocation	(1,501,242,536)	(1,020,528,298)
Proceeds from sale of fixed assets	1,458,851	27,458,360
Bank balances not considered as cash and cash equivalents	(30,165,430)	-
Interest received	8,469,460	19,498,574
Dividend income	110,527,178	73,202,446
<b>Net Cash (Used In) / From Investing Activities</b>	<b>(1,410,952,477)</b>	<b>(900,368,918)</b>



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## Consolidated Cash Flow Statement for the year ended March 31, 2012 (contd.)

Rs.

	Year ended March 31, 2012	Year ended March 31, 2011
<b>C. Cash Flow From Financing Activities :</b>		
Repayments of borrowings	(12,803,728)	(58,490,501)
Dividends paid	(336,919,088)	(336,875,004)
Dividend distribution tax paid	(54,656,699)	(55,958,049)
Loan to ESOP Trust	(132,000,000)	-
Proceeds from issue of equity shares to ESOP Trust	147,000,000	-
Purchase consideration paid on acquisition of subsidiary	(635,437,438)	-
Finance costs paid	(6,507,600)	(3,113,992)
<b>Net cash (used in) / from finance activities</b>	<b>(1,031,324,553)</b>	<b>(454,437,546)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(388,189,012)</b>	<b>(462,071,842)</b>
Cash and cash equivalents		
Opening balance	1,767,165,952	2,229,237,794
Cash and Bank balances acquired on acquisition of subsidiary	3,375,003	-
Closing balance	1,375,601,937	1,767,165,952
	<b>1,378,976,940</b>	<b>1,767,165,952</b>
	<b>(388,189,012)</b>	<b>(462,071,842)</b>
<b>Reconciliation between Cash and Cash equivalents with the Balance Sheet</b>		
Cash and cash equivalents as per Balance Sheet	150,571,561	637,215,950
Less: Bank balances not Considered as Cash and cash equivalents	33,293,710	3,128,280
Net Cash and cash equivalents	117,277,851	634,087,670
Add: Current investments considered as part of Cash and cash equivalents (Investment in units of Mutual Funds)	1,261,699,089	1,133,078,282
<b>Cash and cash equivalents at the end of the year</b>	<b>1,378,976,940</b>	<b>1,767,165,952</b>

### See accompanying notes forming part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**B. Ramaratnam**  
Partner

Place: Mumbai  
Date: April 25, 2012

For and on behalf of the Board of Directors

**A.K. Nanda**  
Chairman

**Aloke Ghosh**  
Chief Financial Officer

**Rajiv Sawhney**  
Managing Director

**Dinesh Shetty**  
Company Secretary

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

1. The company was incorporated on September 20, 1996, and is in the business of selling vacation ownership and providing holiday facilities.

### 2. Significant Accounting Policies

#### 2.1 Basis for preparation of accounts:

The consolidated financial statements of Mahindra Holidays & Resorts India Limited ("the Company") and its subsidiaries have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The consolidated financial statements present the consolidated accounts which consists of accounts of the Company and that of the following subsidiaries

Name of the company	Country of incorporation	Extent of Holding as on March 31,		Subsidiary since
		2012	2011	
Mahindra Holidays & Resorts USA Inc	USA	100%	100%	November 04, 2003
MHR Hotel Management GmbH	Austria	75%	75%	February 16, 2007
Mahindra Hotels & Residences India Limited	India	100%	100%	April 26, 2007
Heritage Bird (M) Sdn Bhd	Malaysia	100%	100%	March 03, 2008
BAH Hotelanlagen AG	Austria	98.93%	98.93%	January 11, 2010
Bell Tower Resorts Private Limited	India	100%	-	December 21, 2011

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company

#### 2.2 Principles of Consolidation

The financial statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra-group transactions and any unrealised gains or losses on the balances remaining within the group in accordance with Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements" notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

The difference between the cost of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.

The financial statements of the Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment was made in the subsidiary company and further movement in their share of equity, subsequent to the date of investment.

#### 2.3 Accounting Policies

##### (i) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

### (ii) Fixed assets:

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/ acquisition of fixed assets up to the period the assets are ready for use. Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

- Leasehold land and buildings are amortised over the period of lease.
- Floating cottages grouped under building are depreciated over the useful life of 25 years.
- Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- Intangible assets representing 'vacation ownership' is amortised over a period of ten years.
- Expenditure incurred towards software is amortised over a period of 36 months.
- Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e. 3 / 4 years.
- Non- compete fee is amortised over a period of 5 years.

### (iii) Assets taken on Lease and Hire Purchase:

Assets taken on lease and hire purchase arrangements, where substantially all the risks and rewards of ownership vest in the company are classified as finance leases. Such leases are capitalised at the inception of lease at the lower of fair value and the present value of the minimum lease payments.

### (iv) Expenditure during construction period

Revenue expenses incurred in connection with construction of resorts insofar as such expenses relate to the period prior to the date the resort is put to use are treated as part of project cost and capitalised.

### (v) Inventories:

Inventories are carried at lower of cost and net realisable value. Cost is determined on First-in-First-out basis. Cost includes the purchase price, non refundable taxes and delivery handling cost. Net realisable value is estimated at the expected selling price less estimated costs of procurement and sales.

### (vi) Investments:

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

### (vii) Revenue recognition:

- The company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Admission fee, which is non-refundable, is recognised as income on admission of a member. Entitlement fee (disclosed under Advance towards Members



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

facilities), which entitles the vacation ownership member for the vacation ownership facilities over the membership usage period, is recognised as income equally over the usage period. Requests for cancellation of membership is accounted for when it is accepted by the Company. In respect of instalments considered doubtful of recovery by the management, the same is treated as a cancellation and accounted for accordingly.

- (b) Annual subscription fee dues from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.
- (d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On being derecognised, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- (g) Income from home stays is recognised when services are rendered.
- (h) Interest income from loans is accounted on time proportion basis and dividend income from mutual funds is accounted as and when right to receive is established.

### (viii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. The exchange gain / loss arising on settlement of such transactions is adjusted to the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the Balance sheet date and gain or loss arising out of such translation is adjusted to the statement of profit and loss.

### (ix) Employee benefits:

- (a) Short term employee benefit plans  
All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscounted basis and charged to the statement of profit and loss.
- (b) Long term employee benefit plans  
The Company has defined contribution and defined benefit plans. The plans are financed by the Company and in the case of some defined contribution plan employees also contribute to the plan.

#### Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the statement of profit and loss on an accrual basis. Contributions to superannuation fund are accounted on the same basis and is made to the Life Insurance Corporation of India (LIC).

#### Defined Benefit Plan

The company has an arrangement with the Life Insurance Corporation of India (LIC) to administer its gratuity fund. The contribution paid/payable to the fund based on liability towards gratuity determined on the basis of an independent actuarial valuation as at balance sheet date using the Projected Unit

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## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Credit method is debited to the statement of profit and loss. Actuarial gains and losses arising during the year are recognised in the statement of profit and loss. Long term compensated absences similarly determined on an actuarial basis is provided for and is not funded.

### (x) Taxes on income:

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date.

### (xi) Share issue expenses:

Expenses incurred in connection with issue of share capital are adjusted against securities premium account.

### (xii) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction or production of qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred.

### (xiii) Impairment of assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists the recoverable amount of such asset is estimated and impairment is recognised, if the carrying amount of these assets exceed their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present values based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting period no longer exists or may have decreased, such reversal of impairment loss is recognised in the statement of profit and loss, except in the case of re-valued asset.

### (xiv) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### (xv) Cash flow statements:

Cash flows are reported using the indirect method, whereby profit/(loss) before extra-ordinary items and tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the company are segregated based on the available information.

### (xvi) Provision & contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

present value and are determined based on the best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are disclosed in the notes.

### (xvii) Earnings per share:

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 3 : Share Capital</b>		
<b>Authorised</b>		
100,000,000 equity shares of Rs.10 each	1,000,000,000	1,000,000,000
	<b>1,000,000,000</b>	<b>1,000,000,000</b>
<b>Issued and Subscribed</b>		
84,639,772 (previous year 84,229,772) equity shares of Rs. 10 each fully paid.	846,397,720	842,297,720
Less: 794,168 (previous year 624,094) equity shares of Rs. 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees.	7,941,680	6,240,940
	<b>838,456,040</b>	<b>836,056,780</b>

- 3 a) The above includes 48,995,228 equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Statement of Profit & Loss and General Reserve on November 24, 2007 in the ratio of 5 equity shares for every 3 shares held.
- 3 b) Terms / rights attached to equity shares:
- i) The company has only one class of shares referred to as equity shares having a par value of Rs. 10/-. Each holder of equity share is entitled to one vote per share.
  - ii) The dividends proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.
  - iii) For the year ended March 31, 2012, the amount of per share dividend proposed for equity shareholders is Rs. 4. The total dividend appropriation for the year ended March 31, 2012 amounted to Rs. 393,481,836 including tax on proposed dividend of Rs. 59,922,748.
  - iv) Repayment of capital on liquidation will be in proportion to the number of equity shares held.
- 3 c) Shares in the company held by each shareholder holding more than 5% shares specifying the number of shares held.

Name of share holder	No of shares	% held as at March 31, 2012	No of shares	% held as at March 31, 2011
Mahindra & Mahindra Limited (Holding Company)	69,985,642	82.69%	69,985,642	83.09%

- 3 d) The reconciliation of the number of shares outstanding as at March 31, 2012 and March 31, 2011 is set out below:-

Particulars	As at March 31, 2012		As at March 31, 2011	
	(Shares)	(In Rs.)	(Shares)	(In Rs.)
No of Shares at the beginning	83,605,678	836,056,780	83,286,861	832,868,610
Add: Shares issued on exercise of employee stock options	239,926	2,399,260	318,817	3,188,170
Number of shares at the end	83,845,604	838,456,040	83,605,678	836,056,780

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

3 e) Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.

i) The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust.					
Method of Settlement	By issue of shares at Exercise Price.					
<b>Grant</b>	<b>Grant I</b>	<b>Grant II</b>	<b>Grant III</b>	<b>Grant V</b>	<b>Grant VI</b>	<b>Grant VII</b>
Date of Grant	15/07/06	30/03/07	01/11/07	01/11/08	21/02/12	21/02/12
Exercise Price (In Rs.)	16.00	52.00	52.00	52.00	370.00	323.00
Average Exercise Price(after bonus issue) (In Rs.)	6.00	19.50	19.50	52.00	-	-
Vesting Period in Years	5	4	4	4	4	4
Number of Options Granted	759,325	122,235	56,700	261,590	400,000	186,500
Contractual life	6 years from the date of grant.		5 years from the date of each vesting.			
Vesting Conditions	35%,30%,15%, 10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.		25% each on expiry of 12, 24, 36 and 48 months from the date of grant.			
No. of options exercisable in each tranche	Minimum of 25 and a maximum of all options vested till that date.					

ii) Summary of Stock options (including bonus shares)

Particulars	Grant I 15/07/06	Grant II 30/03/07	Grant III 01/11/07	Grant V ** 01/11/08	Grant VI # 21/02/12	Grant VII ## 21/02/12	Total
Options outstanding as on 1.4.2011	308,744	60,397	39,992	101,027	-	-	510,160
Options granted	-	-	-	-	400,000	186,500	586,500
Options vested during the year	130,156	-	37,856	31,695	-	-	199,707
Options exercised during the year	138,698	45,726	25,727	29,775	-	-	239,926
Options lapsed during the year	28,408	-	-	22,186	-	-	50,594
Options outstanding as on 31.03.2012	141,638	14,671	14,265	49,066	400,000	186,500	806,140
Options vested but not exercised	28,760	14,552	14,246	16,991	-	-	74,549

\*\* Issued out of lapsed options.

# Out of the above 90,000 shares has been issued out of lapsed options.

## Out of the above 86,500 shares has been issued out of lapsed options.



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

- iii) In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares but not allotted to the employees have been reduced from the share capital by Rs. 7,941,680 and securities premium account reduced by Rs. 145,676,908. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities. The General Reserve has been reduced by Rs. 1,314,290 for bonus shares issued on exercise of stock options during the year.
- iv) The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS for grant I to V. For grant VI and VII fair value method adopted. The intrinsic value of the shares granted under grant I to V based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on March 31, 2006, Rs. 52 per equity share as on January 1, 2007, August 31, 2008 and November 1, 2008, based on the Discounted Cash Flow Method. The fair value of the shares granted under grant VI and VII is based on the fair value market price is Rs. 370 and Rs. 323 per share respectively. As the difference between the intrinsic value/fair value and the exercise price per share is Rs. Nil no employee compensation cost has been charged.
- v) The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. July 15, 2006, March 30, 2007, November 1, 2007 and November 1, 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.16.04 respectively.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. February 21, 2012 is Rs. 113.81 for grant VI and Rs. 129.93 for grant VII.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 10,383,964 and the impact on the financial statements would be :

	Rs.	
	Years ended	
	March 31, 2012	March 31, 2011
Increase in employee compensation cost	3,611,380	2,076,793
Decrease in profit after tax	3,611,380	2,076,793
Decrease in basic & diluted earnings per share	(0.04)	(0.03)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant dated	Grant dated	Grant dated	Grant dated	Grants dated
	15/07/06	30/03/07	01/11/07	01/11/08	21/02/12
Risk free interest rate	7.82%	7.92%	7.72%	7.34%	8.00%
Expected life	4.5	5	5	5	6
Expected volatility	Nil	Nil	Nil	Nil	0.33
Expected dividend yield	Nil	Nil	Nil	Nil	Rs. 4.00

- 3 f) As approved by the Board, the company has given an interest free loan of Rs. 132,000,000 with out interest to Mahindra Holidays & Resorts India Limited Employees Stock Option Trust for the purchase of shares of the company under the employee stock option scheme.



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 4 : Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>	1,474,577	1,474,577
	<b>1,474,577</b>	<b>1,474,577</b>
<b>General Reserve</b>		
As per last balance sheet	384,422,580	283,384,260
Add : Transfer from Profit and Loss Account	104,641,000	102,770,000
Less : Bonus shares issued on exercise of stock options	1,314,290	1,731,680
	<b>487,749,290</b>	<b>384,422,580</b>
<b>Securities Premium Account</b>		
As per last balance sheet	1,577,361,044	1,565,289,824
Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	142,900,000	12,071,220
	1,720,261,044	1,577,361,044
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees	145,676,908	4,212,960
	<b>1,574,584,136</b>	<b>1,573,148,084</b>
<b>Foreign Exchange Fluctuation Reserve</b>		
As per last balance sheet	15,013	(103,130)
Additions during the year	207,453	118,143
	<b>222,466</b>	<b>15,013</b>
<b>Surplus in Statement of Profit &amp; Loss</b>		
As per last balance sheet	2,205,943,307	1,696,844,731
Profit for the Current Year	1,023,324,635	1,003,444,363
	3,229,267,942	2,700,289,094
<b>Appropriations :</b>		
Transfer to General Reserve	104,641,000	102,770,000
Proposed Dividend	338,559,088	336,919,088
Tax on proposed dividend	54,922,748	54,656,699
	498,122,836	494,345,787
	<b>2,731,145,106</b>	<b>2,205,943,307</b>
	<b>4,795,175,575</b>	<b>4,165,003,561</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 5 : Long Term Borrowings</b>		
<b>Secured</b>		
- Term loan from Bank	66,372,256	71,729,964
	<b>66,372,256</b>	<b>71,729,964</b>

**Note:**

The above loan is secured by way of mortgage of building of BAH Hotelanlagen AG and is repayable over six years. The rate of interest is Euribur plus 1.25%

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

	As at March 31, 2012	As at March 31, 2011
Rs.		
<b>Note 6 : Deferred Tax Liability (net)</b>		
<b>Deferred tax asset</b>		
Provision for doubtful receivables	491,084	487,716
Provision for Compensated Absences	7,545,644	5,840,277
Others	8,236,502	5,684,450
	16,273,230	12,012,443
<b>Deferred tax liability</b>		
Difference between book and tax depreciation	382,605,816	379,789,513
<b>Deferred tax liability (net)</b>	<b>366,332,586</b>	<b>367,777,070</b>

	As at March 31, 2012	As at March 31, 2011
Rs.		
<b>Note 7 : Long Term Provisions</b>		
Gratuity	279,106	-
Compensated absences	14,879,166	11,350,883
	<b>15,158,272</b>	<b>11,350,883</b>

	As at March 31, 2012	As at March 31, 2011
Rs.		
<b>Note 8 : Short Term Borrowings</b>		
<b>Secured : From Banks</b>		
- Loans repayable on demand	7,921,190	15,822,018
- Term loan	15,167,051	14,712,243
	<b>23,088,241</b>	<b>30,534,261</b>

Secured by an exclusive charge on inventories, receivables and other moveable/Immovable assets.

	As at March 31, 2012	As at March 31, 2011
Rs.		
<b>Note 9 : Trade Payables</b>		
Total outstanding dues to micro and small enterprises	-	-
Others	885,090,566	681,162,761
	<b>885,090,566</b>	<b>681,162,761</b>



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 10 : Other Current Liabilities</b>		
Unpaid dividends	44,084	44,084
Amounts received from ESOP Trust	150,490,968	6,011,990
Dues to Statutory Authorities (PF,ESI & other taxes)	49,993,453	76,159,680
Unearned Revenue	420,381,301	336,399,180
Accrued Expenses	542,258,346	395,762,481
Gratuity	6,504,717	1,819,214
Commission payable to non-whole time directors	14,000,000	14,000,000
	<b>1,183,672,869</b>	<b>830,196,629</b>

There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at March 31,2012.

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 11 : Short Term Provisions</b>		
Compensated absences	8,667,771	66,93,748
Proposed Dividend	338,559,088	336,919,088
Tax on Proposed Dividend	54,922,748	54,656,699
	<b>402,149,607</b>	<b>398,269,535</b>

**Notes** to the Consolidated Financial Statements for the year ended March 31, 2012

Description of assets	Gross block (at cost)				Depreciation/amortisation			Net block	
	As at April 1, 2011	Additions	Deductions	As at March 31, 2012	As at April 1, 2011	For the year	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2011
<b>A : Tangible Assets</b>									
Land	921,985,172	94,981,585	-	1,016,966,757	-	-	-	1,016,966,757	921,985,172
Land - Leasehold	864,000	-	-	864,000	95,990	8,726	-	104,716	768,010
Buildings	2,892,490,897	359,755,187	58,435,000	3,195,811,084	233,365,097	63,099,115	3,338,826	2,900,685,698	2,659,125,800
Buildings - Leasehold	15,608,588	-	-	15,608,588	6,427,736	1,888,348	-	7,292,504	9,180,852
Plant And Equipment	898,413,086	240,680,827	18,969,358	1,120,124,555	235,224,748	69,676,281	6,426,938	821,650,464	663,188,338
Furniture And Fittings	760,226,876	82,821,589	18,828,710	824,219,755	353,506,959	64,390,620	12,938,401	404,959,178	406,719,917
Vehicles	47,602,530	14,159,796	3,102,847	58,659,479	23,430,040	4,779,952	2,451,752	25,758,240	24,172,490
Office Equipment	166,728,277	10,802,869	366,600	177,164,546	97,280,511	12,214,080	169,909	109,324,682	69,447,766
<b>Sub Total A</b>	<b>5,703,919,426</b>	<b>803,201,853</b>	<b>99,702,515</b>	<b>6,407,418,764</b>	<b>949,331,081</b>	<b>216,057,122</b>	<b>25,325,826</b>	<b>1,140,062,377</b>	<b>5,267,356,387</b>
<b>Previous Year</b>	<b>5,134,425,083</b>	<b>611,926,819</b>	<b>42,432,476</b>	<b>5,703,919,426</b>	<b>753,548,874</b>	<b>200,943,276</b>	<b>5,161,069</b>	<b>949,331,081</b>	<b>4,754,588,345</b>
<b>B : Intangible Assets</b>									
Software Expenditure	57,058,901	8,853,007	-	65,911,908	49,345,644	4,781,572	-	54,127,216	77,13,257
Development Expenditure	38,540,065	-	-	38,540,065	32,398,364	5,505,949	-	37,904,313	6,141,701
Non-Compete Fees	20,000,000	-	-	20,000,000	10,432,877	4,000,000	-	14,432,877	9,567,123
Vacation Ownership Weeks	6,226,938	-	-	6,226,938	5,604,246	622,692	-	6,226,938	622,692
<b>Sub Total B</b>	<b>121,825,904</b>	<b>8,853,007</b>	<b>-</b>	<b>130,678,911</b>	<b>97,781,131</b>	<b>14,910,213</b>	<b>-</b>	<b>112,691,344</b>	<b>17,987,567</b>
<b>Previous Year</b>	<b>114,921,741</b>	<b>6,904,163</b>	<b>-</b>	<b>121,825,904</b>	<b>77,453,810</b>	<b>20,327,321</b>	<b>-</b>	<b>97,781,131</b>	<b>24,044,773</b>
<b>Total (A+B)</b>	<b>5,825,745,330</b>	<b>812,054,860</b>	<b>99,702,515</b>	<b>6,538,097,675</b>	<b>1,047,112,212</b>	<b>230,967,335</b>	<b>25,325,826</b>	<b>1,252,753,721</b>	<b>5,285,343,954</b>
<b>Total Previous Year</b>	<b>5,249,346,824</b>	<b>618,830,982</b>	<b>42,432,476</b>	<b>5,825,745,330</b>	<b>851,002,684</b>	<b>221,270,597</b>	<b>5,161,069</b>	<b>1,047,112,212</b>	<b>4,778,633,118</b>

**Note 12 : Fixed assets**

Rs.



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 13 : Non current investments</b>		
<b>Long term Investments (At Cost, Unquoted) :</b>		
<b>Investment In equity shares (Non Trade, fully paid)</b>		
Mahindra World City Developers Ltd. (1 equity share of Rs.10 each.)	10	10
<b>Investment in Preference shares (Non Trade fully paid)</b>		
Guestline Hospitality Management and Development Services Limited (25,000 7% Non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each.)	250,000	250,000
	<b>250,010</b>	<b>250,010</b>
Aggregate value of unquoted investments	<b>250,010</b>	<b>250,010</b>

**NOTE:**

- The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003
- The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs. 10 each anytime after thirty six months from the date of allotment.

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 14 : Long Term Loans &amp; Advances (Unsecured, considered good)</b>		
Capital advances	144,320,602	186,729,000
Security deposits	280,199,810	269,685,311
Payments towards income tax (net of provisions)	787,455,400	323,737,504
	<b>1,211,975,812</b>	<b>780,151,815</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 15 : Other Non-Current Assets (Unsecured, considered good)</b>		
Long Term Trade receivables due for payment after one year	3,644,717,445	4,485,087,446
	<b>3,644,717,445</b>	<b>4,485,087,446</b>

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at	As at	As at	As at
	March 31, 2012	March 31, 2012	March 31, 2011	March 31, 2011
	Units	Value	Units	Value
<b>Note 16 : Current investments</b>				
Investment in Mutual Funds (unquoted)				
Unquoted :				
B864d Bsl Interval Income Fund Instl Quarterly Series 1 DD	-	-	7,050,227	70,923,167
Birla Sunlife Cash Plus - Instl Prim - DDRE	200,330	20,072,017	-	-
Birla Sunlife Cash Manager-Ip-DDRE	999,934	100,023,400	-	-
Birla Sun Life Savings Fund	278,879	27,906,826	4,085,160	40,879,375
DWS Treasury Fund Cash-Institutional Plan	995,484	100,043,138	17,499,760	175,867,336
DWS Ultra Short Term Fund - IP - Growth DDRE	-	-	6,179,923	61,909,855
ICICI Prudential Flexible Income Plan	1,482,470	156,748,923	1,614,361	170,694,439
IDFC Money Manager	11,174,159	111,758,347	-	-
IDFC Savings Advantage Fund - Plan A - Monthly Div	-	-	165,379	166,822,112
JM Money Manager Fund Super Plus Plan - Daily Dividend	13,017,914	130,248,133	-	-
Kotak Flexi Debt - Institutional	14,717,687	147,875,959	-	-
Kotak Floater Long Term Daily Dividend	4,316,215	43,196,248	-	-
Kotak Qip Series 6	-	-	10,015,090	100,181,943
Kotak Quarterly Interval Plan Series 7	-	-	3,026,702	30,275,802
Sundaram Ultra ST Fund Super Inst. DDRE	1,021,798	10,255,787	5,052,093	50,707,862
Tata Fixed income portfolio fund scheme B2	-	-	10,047,908	100,664,962
Templeton India Ultra Short Bond Fund	15,317,855	153,356,239	474,174	4,747,241
TTMSHD Tata Treasury Manager SHIP DDRE	113,977	115,153,382	112,833	113,997,413
TFLD Tata Floater Fund DDRE	14,454,611	145,060,690	-	-
UTI Treasury Advantage Fund- Ins Plan DDRE	-	-	1,356	1,356,785
UTI-Floating Rate Fund -Short Term Plan-inst DDRE	-	-	44,016	44,049,990
		<b>1,261,699,089</b>		<b>1,133,078,282</b>
Aggregate Value of unquoted investments		<b>1,261,699,089</b>		<b>1,133,078,282</b>

Rs.

	As at	As at
	March 31, 2012	March 31, 2011
<b>Note 17 : Inventories (At lower of cost &amp; net realisable value)</b>		
<b>STORES</b>		
Food, beverages and smokes	10,326,539	7,709,674
Operating supplies	31,586,493	27,169,122
	<b>41,913,032</b>	<b>34,878,796</b>

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 18 : Trade Receivable (Unsecured)</b>		
<b>Trade Receivables outstanding for less than six months from the date they are due for payment</b>		
Considered good	3,471,541,685	2,780,231,021
	3,471,541,685	2,780,231,021
<b>Trade Receivables outstanding for more than six months from the date they are due for payment</b>		
Considered good	1,708,969,841	1,599,145,650
Considered Doubtful	2,890,821	2,880,441
Less: Allowance for trade receivables	2,890,821	2,880,441
	1,708,969,841	1,599,145,650
	<b>5,180,511,526</b>	<b>4,379,376,671</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 19 : Cash &amp; Cash Equivalents</b>		
a. Cash on hand	2,458,171	1,354,391
	2,458,171	1,354,391
b. Balances with banks		
Current accounts	114,775,596	97,689,195
Deposit account - with maturity of less than 3 months	-	535,000,000
Deposit account - others	32,669,332	2,503,902
c. Earmarked accounts		
Margin money deposits	624,378	624,378
Unpaid dividend accounts	44,084	44,084
	148,113,390	635,861,559
	<b>150,571,561</b>	<b>637,215,950</b>

Rs.

	As at March 31, 2012	As at March 31, 2011
<b>Note 20 : Short Term Loans &amp; Advances</b>		
Claim Receivable	84,785,625	-
Loan to ESOP Trust	132,000,000	10,000
Balance with Statutory Authorities	10,426,868	10,389,521
Advance to Suppliers	110,613,986	67,572,748
Loans to Employees	4,677,201	13,565,013
Prepaid Expenses	55,572,441	37,365,697
	<b>398,076,121</b>	<b>128,902,979</b>



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

	Rs.	
	As at March 31, 2012	As at March 31, 2011
<b>Note 21 : Other Current Assets</b>		
Interest accrued on deposits	206,325	11,726,898
	<b>206,325</b>	<b>11,726,898</b>

	Rs.	
	2011-12	2010-11
<b>Note 22 : Revenue From Operations</b>		
<b>Sales of Services</b>		
Income from sale of vacation Ownership	3,973,840,032	3,355,950,330
Income from Resorts :		
- Room rentals	175,662,124	270,050,174
- Food and beverages	443,723,751	397,831,832
- Wine and liquor	14,360,100	20,369,526
- Others	197,573,770	206,393,521
Annual Subscription Fee	929,609,101	720,786,540
Income from travel services & home stays	46,365,840	32,852,305
	<b>5,781,134,718</b>	<b>5,004,234,228</b>

	Rs.	
	2011-12	2010-11
<b>Note 23 : Other Income</b>		
<b>Dividend income:</b>		
Dividend income from current investments	110,527,178	73,202,446
<b>Interest income:</b>		
On installment sales	404,415,355	334,965,516
On deposits with bank	8,574,592	15,050,377
On others	-	13,214,067
Gain/(loss) on foreign exchange translation, net	112,582,556	-
Income from securitisation (see note 27)	60,015,988	11,684,966
Gain on fixed assets sold (net)	321,285	-
Miscellaneous income	19,236,493	12,097,154
	<b>715,673,447</b>	<b>460,214,526</b>



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Rs.

	2011-12	2010-11
<b>Note 24 : Employee Benefit Expenses</b>		
Salaries, wages and bonus	1,223,941,484	811,217,356
Contribution to provident & other funds	50,766,162	47,928,456
Staff welfare	54,045,126	40,767,359
	<b>1,328,752,772</b>	<b>899,913,171</b>

Rs.

	2011-12	2010-11
<b>Note 25 : Finance Costs</b>		
Interest on borrowings	6,507,600	3,113,992
	<b>6,507,600</b>	<b>3,113,992</b>

Rs.

	2011-12		2010-11	
<b>Note 26 : Other Expenses</b>				
Food Beverages and smokes Consumed				
Opening Stock	7,709,674		10,918,102	
Add: Purchases	149,352,233		142,567,515	
	157,061,907		153,485,617	
Less: Closing Stock	10,326,539		7,709,674	
		146,735,368		145,775,943
Operating Supplies		203,820,190		145,319,353
Power and fuel		169,814,359		138,788,792
Rent including lease rentals		300,736,235		271,821,270
Rates and taxes		22,155,599		19,274,577
Insurance		11,221,980		14,157,018
Repairs and maintenance				
-Buildings		38,501,296		29,413,652
-Resort Renovations		56,200,867		25,170,061
-Office Equipment		16,135,868		11,618,649
-Others		62,233,044		48,466,824
Communication		57,712,206		57,979,549
Software Charges		26,154,351		28,555,185
Consultancy charges		82,759,368		86,423,636
Advertisement		249,749,289		157,432,336
Sales commission		349,634,558		262,210,581
Sales promotion expenses		1,168,982,933		943,832,749
Travelling		150,081,148		118,982,599
Service Charges		136,178,710		92,468,512
Provision for doubtful debts		10,380		1,865,465

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

Auditors' remuneration includes:			
Audit fees		2,800,000	2,800,000
Other services		1,600,000	1,560,000
Reimbursement of expenses/levies		24,023	36,927
Director's fees		1,149,520	494,960
Commission to non wholetime directors		14,000,000	14,000,000
Loss/(gain) on exchange fluctuation (net)		-	1,647,982
Loss on fixed assets sold/scrapped (net)		-	5,495,996
Bank Charges		50,872,780	24,097,947
Discounts		69,846,611	109,609,355
Miscellaneous expenses		108,851,051	112,587,729
		<b>3,497,961,734</b>	<b>2,871,887,647</b>

### 27. Securitisation

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

	Rs.	
	Year ended March 31,	
	2012	2011
Value of Accounts receivable	1,871,112,274	364,664,149
Less: Future interest receivable	420,148,106	102,189,965
Principal amount of receivables	1,450,964,168	262,474,184
Consideration received	1,550,000,000	300,000,000
Profit on securitisation	99,035,832	37,525,816
Less: Reversals in respect of cancelled members	39,019,844	25,840,850
Income from securitisation	60,015,988	11,684,966

### 28. Contingent Liabilities

	Rs.	
	As at Mar 31, 2012	As at Mar 31, 2011
<b>(a) Receivables securitised, with recourse.</b>		
Certain specified receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such cases the company has recourse to the customer.	2,673,122,303	2,036,782,120
<b>(b) Claims against the company not acknowledged as debts</b>		
Claims not acknowledged as debts represent luxury tax claimed on room revenue and other services provided to members, which has been disputed by the company. The possibility of reimbursement depends on the outcome of the cases pending before the adjudicating authority.	6,420,314	6,420,314

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

	Rs.
	As at Mar 31, 2012
	As at Mar 31, 2011
<b>(c) Income tax matters</b>	
<p>i) The Income Tax Department's appeal against the orders of the CIT (A) for the assessment years 1998-99 to 2003-04, in respect of issues relating to revenue recognition, was decided in favour of the Company by the Appellate Tribunal. Amount involved was Rs. 208,385,010 (including interest of Rs. 58,051,475).</p> <p>For the assessment year 2004-05 &amp; 2009-10 the company's appeal is pending with CIT(A).</p> <p>For the assessment years 2005-06 to 2008-09, the Company has gone on appeal to the ITAT in respect of the same issue.</p> <p>The amount involved, exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed, is Rs. 2,550,307,954 (including interest of Rs. 560,448,771); As at March 31, 2011, Rs. 1,925,645,407/- (including interest of Rs. 382,089,632).</p>	
<p>ii) Disallowance of expenditure during construction, software expenses, website development expenses, renovation expenses and Project design cost Rs. 110,849,237/- (including interest of Rs. 24,029,144); As at March 31, 2011 Rs. 43,935,275/- (including interest of Rs. 7,384,579)</p> <p>The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed.</p> <p>However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.</p>	
<p>iii) Other disallowances (including interest of Rs. 43,757,139) (as at March 31, 2011 Rs. 9,909,258)</p>	193,408,965
	166,844,896

### (d) Other matters under appeal

- (i) The Government of Kerala issued an Order dated July 3, 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated July 3, 2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

- (ii) The Company had received a notice dated December 11, 2009 from Commissioner, Ooty Municipality seeking demolition of the unauthorised construction at Zest Danish Villa Resort situated at No.30, Sheddon Road, Ooty. The Company has filed a review petition before the Municipal Administration and Water Supply Department, Chennai and hearing is awaited.
- (iii) The Company engaged a building contractor for construction of a resort. As the construction did not proceed as per agreed timelines the Company terminated the contract. The contractor has claimed Rs. 12.56 crores as damages for termination of the Contract. The Company has made a counter claim of Rs. 20.03 crores towards liquidated damages and other losses. The matter is pending before the Arbitrator.

	As at March 31, 2012	As at March 31, 2011
<b>29. Capital Commitments</b>		
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	542,736,285	771,483,558

### 30. Employee Benefits

The following table sets out the funded status of the defined benefit scheme and amount recognised in the financial statements.

	Gratuity Rs.	
	2011-12	2010-11
<b>a. Net asset/ ( liability) recognised in the balance sheet</b>		
Present value of funded obligation	19,152,550	15,398,391
Fair value of plan assets	12,655,898	13,579,177
Net asset/ (liability)	(6,496,652)	(1,819,214)
<b>b. Expense recognised in the statement of profit and loss</b>		
Current service cost	6,664,038	3,631,535
Interest cost	1,077,666	1,038,290
Expected return on plan assets	(1,084,146)	(1,256,627)
Actuarial (gains) / losses	(1,980,120)	(702,006)
Total expense	4,677,438	2,711,192
<b>c. Change in present value of obligation</b>		
Present value of defined benefit obligation as at the beginning of the year	15,398,391	12,978,631
Current service cost	6,664,038	3,631,535
Interest cost	1,077,666	1,038,290
Actuarial (gains) /losses	(56,790)	(702,006)
Benefits paid	(3,930,755)	(1,548,059)
Present value of defined benefit obligation as at the end of the year	19,152,550	15,398,391
<b>d. Change In fair value of plan assets</b>		
Plan assets at the beginning of the year	13,579,177	13,870,609
Expected return on plan assets	1,084,146	1,256,627
Actuarial gains /(losses)	1,923,330	NIL
Contributions by employer	NIL	NIL
Benefits paid	(3,930,755)	(1,548,059)
Plan assets at the end of the year	12,655,898	13,579,177



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

		Gratuity Rs.	
		2011-12	2010-11
<b>e</b>	<b>Principal actuarial assumptions</b>		
1.	Discount rate	8.0%	8.0%
2.	Expected return on plan assets	9.3 %	9.0 %
3.	Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
<b>f</b>	Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market.		

**g.** Experience Adjustment to the extent provided by actuary:

	Year ended March 31, 2012 (Rs.)	Year ended March 31, 2011 (Rs.)	Year ended March 31, 2010 (Rs.)	Year ended March 31, 2009 (Rs.)
Present value of commitment	19,152,550	15,398,391	12,978,631	9,975,960
Fair value of the plans	12,655,898	13,579,177	13,870,609	9,996,621
Surplus / (deficit)	(6,496,652)	(1,819,214)	891,978	20,661
Experience adjustment on plan liabilities	56,790	-	-	-
Experience adjustment on plan assets	1,923,330	-	-	-
<b>h.</b>	In the absence of the relevant information from the actuary, the above details do not include the composition of plan assets / experience adjustments for certain years.			

### 31. Segment Reporting:

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment.

Secondary segment information:

Rs.

	As at March 31, 2012			As at March 31, 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Sales	5,682,324,869	98,809,849	5,781,134,718	4,923,096,692	81,137,535	5,004,234,227
Segment assets	17,054,528,527	26,914,176	17,081,442,703	16,530,808,245	5,182,838	16,535,991,083
Additions to fixed assets	1,501,242,536	-	1,501,242,536	1,020,277,687	250,611	1,020,528,298

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

### 32. Earnings per share:

	Year ended Mar 31, 2012	Year ended Mar 31, 2011
Net profit after tax and minority interest (in Rs.)	1,023,324,635	1,003,444,363
Weighted average number of Equity Shares used in computing basic earnings per share (Nos)	83,804,330	83,532,990
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos) on account of ESOP	83,950,435	84,157,084
Earnings Per Share – Basic (in Rs.)	12.21	12.01
Earnings per share – Diluted (in Rs.)	12.19	11.92
Nominal value of shares (in Rs.)	10	10

33. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	As at Mar 31, 2012		As at Mar 31, 2011	
		Value in foreign currency	Value in Rupees	Value in foreign currency	Value in Rupees
Receivables	UAE - Dirham	1,753,683	24,744,462	244,373	3,013,124
Reservation and membership fees payable	United States Dollar	3,610	184,682	-	-

34. In June 2009, the company made an Initial Public Offer of 5,896,084 equity shares of Rs. 10 each for cash at a premium of Rs. 290 per equity share, aggregating to Rs. 17,688.25 lakh of which Rs. 12,624.24 lakh have been spent towards the object of the issue (Rs. 11,178.50 lakh were utilised for construction of resorts and Rs. 1,445.74 lakh towards issue expenses) and the balance has been invested in debt schemes of mutual funds.



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

### 35 Related Party Transactions:

- (i) Names of related parties and nature of relationship where control exists:

Related party relationships are as identified by the management and relied upon by the auditors.

A.	Holding Company	Mahindra & Mahindra Limited
B.	Fellow Subsidiaries with whom the company has transactions	Mahindra Intertrade Limited
		Mahindra Navistar Automotives Limited.
		Mahindra United Football Company
		Mahindra Shubhlabh Services Limited.
		Mahindra & Mahindra Financial Services Limited
		Mahindra Lifespace Developers Limited
		Mahindra World City (Jaipur) Limited
		Mahindra World City Developers Limited
		Mahindra First choice Wheels Limited
		Mahindra First Choice Services Ltd
		Mahindra Logistics Limited
		Mahindra Vehicle Manufacturers Limited
		Mahindra Automobile Distributors Private Limited
		Mahindra EPC Services Private Limited
		Mahindra Consulting Engineers Limited
C.	Other entities under the control of the company	Mahindra Steel Service Centre Limited
		Mahindra Engineering Services Limited
D.	Key Management Personnel	Mahindra Retail Private Limited
		Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust
		Ramesh Ramanathan (Managing Director) (up to 30th April 2011)
		Rajiv Sawhney (Managing Director & CEO) (since 1st May 2011)



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

(ii) The related party transactions are as under:

(Rs.)

Nature of transactions	Controlling company		Fellow Subsidiaries		Other entities under the control of the company		Key Management Personnel	
	Year Ended							
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
<b>ICD given :</b>								
Mahindra & Mahindra Financial Services Limited	-	-	-	300,000,000	-	-	-	-
<b>ICD repaid :</b>								
Mahindra & Mahindra Financial Services Limited	-	-	-	300,000,000	-	-	-	-
<b>Sales</b>								
<b>Fixed Asset</b>								
Mahindra World City Developers Limited	-	-	-	25,500,000	-	-	-	-
Mahindra First choice Wheels Limited	-	-	1,080,000	-	-	-	-	-
<b>Services:</b>	316,995,845	50,674,437						
Mahindra Vehicle Manufacturers Limited	-	-	296,440	-	-	-	-	-
Mahindra Subhlabh Services Limited	-	-	580,111	-	-	-	-	-
Mahindra Automobile Distributors Private Limited	-	-	101,574	-	-	-	-	-
Mahindra EPC Services Private Limited	-	-	3,475,114	-	-	-	-	-
Mahindra United Football Company	-	-	-	839,000	-	-	-	-
Mahindra Navistar Automotives Limited.	-	-	131,079	1,502,206	-	-	-	-
Mahindra Lifespace Developers Ltd	-	-	1,161,696	-	-	-	-	-
Mahindra First choice Wheels Limited	-	-	330,000	4,800,000	-	-	-	-
Mahindra First Choice Services Ltd	-	-	-	65,550	-	-	-	-
Mahindra World City (Jaipur) Limited	-	-	-	34,859	-	-	-	-
Mahindra Intertrade Ltd	-	-	2,802,493	911,760	-	-	-	-
Mahindra Logistics Limited	-	-	42,713	1,693,982	-	-	-	-
Mahindra Steel Service Centre Limited	-	-	347,987	-	-	-	-	-
Mahindra & Mahindra Financial Services Limited	-	-	-	66,347	-	-	-	-
Mahindra Retail Private Limited	-	-	-	135,570	-	-	-	-
<b>Purchases:</b>								
<b>Fixed Asset</b>								
Mr Rajiv Sawhney	-	-	-	-	-	-	3,225,000	-
<b>Services</b>	36,015,139	22,689,017						
Mahindra Logisoft Business Solution Ltd	-	-	25,485,269	23,012,304	-	-	-	-
Mahindra World City Developers Limited	-	-	-	189,000	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	825,000	250,000	-	-	-	-
Mahindra Logistics Limited	-	-	543,000	-	-	-	-	-
<b>Interest Income</b>								
Mahindra & Mahindra Financial Services Limited	-	-	-	13,607,877	-	-	-	-
<b>Dividend paid</b>	279,926,708	279,942,568	-	-	-	-	-	-
<b>Outstanding:</b>								
<b>Payable</b>								
Mahindra Logisoft Business Solutions Ltd	-	-	3,281,243	1,910,486	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	82,725	44,120	-	-	-	-
Mahindra Logistics Limited	-	-	244,000	-	-	-	-	-
Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust	-	-	-	-	150,490,968	6,011,990	-	-
<b>Receivable</b>	43,015,347	9,291,434						
Mahindra Lifespace Developers Ltd	-	-	634,844	486,819	-	-	-	-
Mahindra Vehicle Manufacturers Limited	-	-	297,341	-	-	-	-	-
Mahindra Subhlabh Services Limited	-	-	266,160	-	-	-	-	-
Mahindra Automobile Distributors Private Limited	-	-	9,278	-	-	-	-	-
Mahindra EPC Services Private Limited	-	-	867,741	-	-	-	-	-
Mahindra Navistar Automotives Limited.	-	-	32,536	52,783	-	-	-	-
Mahindra Intertrade Ltd	-	-	100,879	-	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	305,714	-	-	-	-
Mahindra Logistics Limited	-	-	-	55,324	-	-	-	-
Mahindra Engineering Services Limited	-	-	1,391,149	1,391,149	-	-	-	-
Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust	-	-	-	-	132,000,000	10,000	-	-
<b>Key Managerial remuneration</b>								
Mr Ramesh Ramanathan	-	-	-	-	-	-	2,224,963	26,467,211
Mr Rajiv Sawhney	-	-	-	-	-	-	17,140,471	-
<b>Loan to Key Managerial Personnel</b>								
Mr Ramesh Ramanathan	-	-	-	-	-	-	-	2,259,273



## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

36. The Government of India, Ministry of Corporate Affairs, in exercise of the powers conferred Section 212(8) of the Companies Act 1956, has vide its Order No. 47/191/2010-CL-III dated 25th March, 2010 directed that the provisions contained in Section 212(1) of the Companies Act, 1956, pursuant to which the balance sheet etc. of the subsidiaries are required to be attached to the Company's accounts shall not apply for the financial year ended March 31, 2012.

Information disclosed in accordance with the above order:

Particulars	Names of the Subsidiaries									
	Mahindra Holidays and Resorts USA Inc		MHR Hotel Management GmbH		Heritage Bird (M) Sdn Bhd		BAH Hotelanlagen AG		Bell Tower Resorts Private Limited	Mahindra Hotels and Residences India Limited
	INR	USD	INR	EURO	INR	MYR	INR	EURO	INR	INR
Capital	51,120	1,000	2,388,750	35,000	5,052,034	300,002	4,777,500	70,000	199,386,740	500,000
Reserves	7,890,116	154,345	1,556,570	22,807	(7,207,621)	(428,006)	258,576,386	3,788,665	(349,738,543)	(1,094,889)
Total Assets	8,344,573	163,235	4,215,590	61,767	86,865,014	5,158,255	377,875,371	5,536,635	533,135,571	501,500
Total Liabilities	8,344,573	163,235	4,215,590	61,767	86,865,014	5,158,255	377,875,371	5,536,635	533,135,571	501,500
Investments	-	-	-	-	-	-	-	-	-	-
Turnover (incl. other income)	-	-	5,324,813	78,019	13,741,440	816,000	163,528,990	2,396,029	37,519,914	-
Profit (Loss) before tax	(1,095,093)	(21,422)	931,687	13,651	(1,800,533)	(106,920)	(668,535)	(9,795)	(20,366,788)	(874,361)
Provision for taxation	(271,652)	(5,314)	203,487	2,982	-	-	238,875	3,500	-	-
Profit after tax	(823,441)	(16,108)	728,200	10,670	(1,800,533)	(106,920)	(907,410)	(13,295)	(20,366,788)	(874,361)
Proposed dividend	-	-	-	-	-	-	-	-	-	-

Translated at exchange rate prevailing as on March 31, 2012. 1 USD=INR 51.12, 1 EURO=INR 68.25, 1 MYR = INR 16.84

## Notes to the Consolidated Financial Statements for the year ended March 31, 2012

37. The capital work in progress Rs.1, 836,382,470 (Previous year Rs.1,345,026,170) includes expenditure during construction pending allocation Rs.245, 428,002 (Previous year Rs.151, 593,864).

Description	As at April 01, 2011	Additions	Capitalised During The Year	As at March 31, 2012
Salaries, Wages & Bonus	86,011,754	58,522,558	1,871,533	142,662,779
Staff Welfare Expenses	1,910,132	845,900	221,900	2,534,132
Power & Fuel	3,584,856	255,674	30,610	3,809,920
Rent	2,007,462	406,100	83,200	2,330,362
Rates & Taxes	1,923,348	450,625	56,364	2,317,609
Repairs-Others	2,131,272	253,665	30,625	2,354,312
Travelling	18,425,749	10,953,250	988,364	28,390,635
Communication	2,800,733	1,003,523	113,622	3,690,634
Printing & Stationery	841,797	386,040	31,555	1,196,282
Insurance	2,327	11,967	-	14,294
Consultancy Charges	18,727,378	18,890,634	726,566	36,891,445
Freight	3,066,730	1,054,788	239,853	3,881,665
Interest - Others	2,324,346	-	-	2,324,346
Bank Charges	300,989	74,532	3,727	371,794
Miscellaneous	7,534,991	5,541,012	418,210	12,657,793
<b>Total</b>	<b>151,593,864</b>	<b>98,650,267</b>	<b>4,816,130</b>	<b>245,428,002</b>

38. The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified, wherever necessary, to correspond with the current year's classification/disclosure.

For and on behalf of the Board of Directors

A.K. Nanda  
Chairman

Rajiv Sawhney  
Managing Director

Place: Mumbai  
Date: April 25, 2012

Aloke Ghosh  
Chief Financial Officer

Dinesh Shetty  
Company Secretary











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