

Independent Auditor's Report

To the Members of The Indian Hotels Company Limited

Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of The Indian Hotels Company Limited ("the Company"), which comprise the Balance sheet as at March 31, 2018, the Statement of profit and loss (including Other Comprehensive Income), the Statement of changes in equity and the Statement of cash flows for the year then ended, and a summary of the Significant accounting policies and Other explanatory information (hereinafter referred to as "standalone Ind AS financial statements").

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit (including Other Comprehensive Income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free

from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2018, its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Other Matters

The audited Ind AS financial statements of the Company for the corresponding year ended March 31, 2017 included in these standalone Ind AS financial statements, have been audited by the predecessor auditors whose audit report dated May 26, 2017 expressed an unmodified opinion on those audited standalone Ind AS financial statements. Our opinion is not modified in respect of this matter.

The figures for the year ended March 31, 2017 included in the standalone financial statements for the year ended March 31, 2018, have been restated to give effects to the scheme of amalgamation of TIFCO Holdings Limited (a wholly owned subsidiary) with the Company pursuant to an order of National Company Law Tribunal dated March 8, 2018, from the beginning of the preceding year (i.e April 1, 2016) in accordance with the Ind AS. Our opinion is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the standalone Balance sheet, the standalone Statement of Profit and Loss (including other comprehensive income), the standalone Statement of cash flows and the standalone Statement of changes in equity dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act;
- (e) on the basis of the written representations received from the directors as on March 31, 2018 taken on record by the board of directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of section 164(2) of the Act;
- (f) with respect to the adequacy of the internal financial controls with reference to the Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 29 and Note 36 to the standalone Ind AS financial statements;
 - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts, including derivative contracts;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018; and
 - iv. the disclosure in the standalone Ind AS financial statements regarding holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016 have not been made since they do not pertain to the financial year ended March 31, 2018.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Vijay Bhatt

Partner

Membership No: 036647

Mumbai, May 25, 2018

Annexure 'A' to the Independent Auditor's Report

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended March 31, 2018, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In accordance with this program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the Balance Sheet date except in respect of:
 - one plot of leasehold land aggregating ₹ 1.91 crore (Gross Block ₹ 1.91 crores) which is in physical possession of the Company and the settlement of the lease deed in favour of the Company is being processed.
 - one hotel building aggregating ₹ 16.54 crores (Gross Block ₹ 18.53 crores), which is built on land taken on lease and disclosed as a part of the fixed assets in the financial statements. The lease agreement has expired, but the Company is permitted to carry out its operations until the process of auction by the owners of the said land is completed and the premises is handed over to the winning bidder.
 - one commercial / residential building aggregating to ₹ 0.81 crores (Gross Block ₹ 1.30 crores) constructed on the leased land, which is in the possession of the Company acquired pursuant to a scheme of amalgamation of TIFCO Holding Limited (a wholly owned subsidiary). The lease of the said land has expired in the year 2000. TIFCO Holdings Limited has filed a writ Petition in High Court of Mumbai on January 15, 2013 for renewal of lease.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material and have

been properly dealt with in books of account.

- (iii) According to the information and explanations given to us the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraphs 3 (iii)(a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the Company has not granted any loans, or provided any guarantees or security to the parties covered under section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of the investments and guarantees made. The Company has not provided any security to the parties covered under section 186 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not prescribed maintenance of cost records under section 148(1) of the Act. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Duty of Customs, Duty of Excise, Sales-tax, Service Tax, Value Added Tax, Goods and Services Tax, Cess and other material statutory dues have been generally and regularly deposited during the year with the appropriate authorities.
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Profession Tax, Income-tax, Duty of Customs, Duty of Excise, Sales-tax, Service Tax, Goods and Services Tax, Value Added Tax, Cess and other material statutory dues were in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Service Tax, Duty of Customs, Duty of Excise, Goods and Services Tax and Value Added Tax as at March 31, 2018, which have not been deposited

with the appropriate authorities on account of any dispute, except as stated below:

(₹ in crores)

Name of Act	Nature of Dues	Amount Demanded	Amount not Deposited / Under Disputes	Period to which amount relates (Financial Year)	Forum where dispute is pending
Sales Tax and Value Added Tax	Tax, Penalty and Interest	6.06	4.76	1997 – 1998 to 2004 - 2005	Joint Commissioner (Appeals)
		10.10	9.30	2005 - 2009 & 2010 - 2011	Additional Commissioner
		0.18	0.18	2006 - 2008	
		0.66	-	2010 - 2011 to 2015 - 2016	Commissioner (Appeals)
		0.34	0.34	1992 – 1993 to 1995 - 1996	
		1.91	1.91	2005 - 2006 to 2012 - 2013	Assistant / Deputy Commissioner
		0.02	0.02	2005 – 2006	
		2.98	2.54	2011 – 2012 to 2017-2018	
The Income Tax Act, 1961	Tax and Interest	125.51	102.93	2012 – 2013	Commissioner (Appeals)
		2.25	2.25	2009 – 2010 to 2013 - 2014	Assessing Officer
		51.00	34.24	2009 – 2010 & 2011 – 2012	Tribunal
The Finance Act, 1994	Tax, Penalty and Interest	0.16	0.16	2002 - 2003	Commissioner (Appeals)
		3.95	3.72	2006 – 2007 to 2016 - 2017	Additional Commissioner
		0.12	0.11	2012 - 2013	
		0.88	0.87	2006 – 2007 to 2016 - 2017	Joint Commissioner (Appeals)
Property Tax	Demand, Penalty and Interest	8.16	2.76	2006 - 2007 to 2012 – 2013	Tribunal
		0.10	-	1990 – 1991	High Court
		315.42	244.92	2009 – 2010 to 2017 – 2018	
		0.30	0.30	2009 – 2010	Supreme Court

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans to banks and dues to debenture holders. The Company did not have any outstanding dues to financial institutions and government during the year.

(ix) In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, the Company has utilised the money raised by way of rights issue of equity shares during the year, except for unutilised amount of ₹ 51.81 crores, which has been kept in fixed deposit. Moreover, the term loans taken by the Company have been applied by the Company during the year for the purposes for

which they were raised. The Company has not raised money by way of initial public offer (including debt instruments) during the year.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Vijay Bhatt
Partner

Mumbai, May 25, 2018

Membership No: 036647

Annexure 'B' to the Independent Auditor's Report

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of the Act

We have audited the internal financial controls over financial reporting of The Indian Hotels Company Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on "Audit of Internal Financial Controls Over Financial Reporting" issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on "Audit of Internal Financial Controls Over Financial Reporting" (the "Guidance Note") and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Vijay Bhatt
Partner

Mumbai, May 25, 2018

Membership No: 036647