

Hand-Delivery / E-mail

November 13, 2015

To,
DCS-CRD
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Dear Sir,

Code:- 526668
FAX NO. 22722061/41/39/37
corp.relations@bseindia.com

Sub: Clarification / Confirmation on news item appearing in newspaper Mumbai Mirror dated 11th November, 2015.

This has reference to your letter no. L/DOSS/ONL/RV/GM/2015-16/147 dated November 13, 2015 on the subject cited above. We submit as under:

IL & FS Financial Services Limited (IL&FS) and IL & FS Trust Company Limited (IL&FS / Plaintiffs) have filed suit no. 699 of 2015 in the Hon'ble Bombay High Court against the Company, Promoter Directors, Axis Bank, American Express Bank, Master Card and Visa Inc., praying the Court, inter alia to pass order and decree against the Company and its Promoter Director to jointly pay to IL & FS, Rs. 18.94 Crore as on 31st March, 2015 with interest of 14.25% p.a.. IL & FS has, in the aforesaid suit further made prayer that pending final hearing and disposal of suit, the Company be directed to forthwith deposit all the Credit Card Receivables from American Express, Master Card and Visa in respect of "The Orchid Hotel, Mumbai" and "The Hotel VITS, Mumbai" in the manner prescribed under the Escrow Agreement dated 25th May, 2011, Escrow Accounts Agreement dated 26th September, 2011 and Supplemental Escrow Accounts Agreement dated 13th January, 2012. IL & FS had also filed Notice of Motion No. 1523 of 2015 in the Suit No. 699 of 2015 for interim relief, pending the hearing and final disposal of the aforesaid suit.

The Hon'ble Bombay High Court on 7th May, 2015 passed an order that there will be an ad-interim order in terms of prayer clauses (a)(i), (a)(iii), (a)(iv) and (a) (v) of the Notice of Motion. In the subsequent Court hearing, the advocate for IL & FS pointed out a Public Notice that indicated that a third party was interested in acquiring one of its Hotel Properties. The Hon'ble Bombay High Court had passed an order on 1st September, 2015 to the effect that no sale will be effected without the leave of the Court specially given that there is an active proposal for settlement that is under consideration. Subsequently, Canara Bank, being concerned in the matter joined in the above Suit / Notice of Motion as party claiming that it has a first right over the amount deposited in the Escrow Account. The Hon'ble Bombay High Court therefore passed an order on 27th October, 2015 that effective immediately all the credit card proceeds received from both hotel properties will be deposited by the Company with the Prothonotary & Senior Master, High Court, Bombay.



REGD OFF. 70-C NEHRU ROAD, VILE PARLE (EAST), MUMBAI 400 099. TEL.: 2616 4000 FAX : 2616 4115

CIN : L55101MH1986PLC039307

Email Id : cs@lhill.com, Website : www.lhill.com

Please find attached herewith orders dated 7th May, 2015, 1st September, 2015 and 27th October, 2015 in the aforesaid Suit / Notice of Motion.

As regards sale of one of Hotel Properties of the Company, that is, VITS, Mumbai, the Company had disseminated the relevant information from time to time. The Company had, vide letter dated 3rd September, 2015 a copy whereof is also enclosed, informed the exchanges that as per the terms and conditions of Corporate Debt Restructuring (CDR) Package approved by CDR Empowered Group on 15th February, 2013, an Asset Sale Committee consisting of three banks had been formed to deal with prospective buyers for sale of assets of the Company including Hotel VITS, Mumbai and the Company is intending to sell the assets for the last thirty months. We had also mentioned the above information in our Annual Report 2012-13 and 2013-14. It was further mentioned in the said letter dated 3rd September, 2015 that, at present no event has occurred requiring the Company to make disclosure in terms of Clause 36 of the Listing Agreement. Subsequent to that, no such event has occurred. In the unaudited financials for the quarter ended 30th September, 2015 published by the Company, it was disclosed in the note no. 3(a) that in case of loan from one lender (IL & FS), no provision for the interest for the quarter and half year ended 30th September, 2015 has been made by the Company, as the Company had not accepted its claims and matter is disputed and pending before the Hon'ble Bombay High Court.

We state that the above referred suit / Notice of Motion are pending before the Hon'ble Bombay High Court. Since the amount involved in the matter was not significant vis-à-vis the total debts of the Company and the matter had not acquired finality, communication in this regard was not made to the Exchanges.

The Company does not have any other information which may explain the movement in the price of the scrip.

We shall keep the Exchange and the investors updated and make disclosure of relevant information as required under Clause 36 of the Listing Agreement as when required.

Kindly take the same on your record.

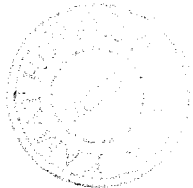
Thanking you,

Yours faithfully,

For Kamat Hotels (India) Limited



Mahesh Kandoi
Company Secretary



REGD OFF. 70-C NEHRU ROAD, VILE PARLE (EAST), MUMBAI 400 099. TEL.: 2616 4000 FAX : 2616 4115

CIN : L55101MH1986PLC039307 Email Id : cs@khit.com, Website : www.khit.com



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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
NOTICE OF MOTION (L) NO. 1338 OF 2015
IN
SUIT (L) NO. 464 OF 2015

IL&FS Financial Services Ltd. & Anr. ...Applicants
In the matter between
IL&FS Financial Services Ltd. & Anr. ...Plaintiffs
Versus
Kamat Hotels (India) Limited & Ors. ...Defendants

Mr. D.D. Madon, *Senior Advocate a/w Mr. Chetan Kapadia, Sachin Chandavana, Atul Tiwari, i/b M/s. M.K. Ambalal & Co., for the Plaintiffs.*

Mr. Akshay Anturkar, *i/b Kalyani Tulankar, for the Defendant*
No. 1

Ms. Suvarna Joshi, *i/b Mr. Ashutosh Marathe, for the Defendant*
No. 7.

CORAM: G.S. PATEL, J
DATED: 7th May 2015

PC:-

1. This is an Application for ad-interim reliefs directed principally against Defendants No. 1, 2 and 3. It is necessary to set out briefly some of the relevant facts.

2. In June 2011, the 1st Defendant, Kamat Hotel (India) Ltd (“Kamat Hotels”), a company in the hospitality sector and one that operates to hotel properties among others, approached Plaintiff No. 1, a non-banking financial company, and other lenders for a term loan of about Rs.120 crores for renovation of properties and offer purposes. The Plaintiff No. 1 had by that time been appointed as a Facility Manager by a group of financial institutions that are referred to in the Plaint and in various documents SMCF Lenders. The loan was sanctioned in November 2011.

3. It seems there were two terms loans, referred to as Term Loan I and Term Loan II. The relevant agreements are dated 25th May 2011 and 26th November 2011. The first Term Loan was repaid.

4. On 13th January 2012, a Common Loan Agreement was executed by Kamat Hotels; various commercial banks and financial institutions as lenders; and Plaintiff No. 2 as an agent for these lenders. On that very day, a Security Trustee Agreement was also executed. About a week later, that Security Trustee Agreement was extended under a Supplemental Security Trustee Agreement by which the 2nd Plaintiff was appointed a co-trustee along with IDBI Trusteeship Limited for the lender institutions. On 13th January 2012 a Supplemental Escrow Agreement was also executed. This extended the security created as a first charge and escrow on the American Express Credit Card receivables from Kamat Hotels’ Orchid Hotel at Vile Parle, Mumbai and its Hotel Vits, Andheri, Mumbai. It also extended the first *pari passu* charge and escrow on Visa and Mastercard credit card receivables for these two hotels.

The supplemental escrow agreement sets out in some detail the agreed procedure for the operation and administration of the escrow account. The credit card receivables escrow agreement covered both Term Loans. Additional documents were later executed in 2012, but these are not immediately germane for the purposes of this ad-interim Application. Rs. 87.06 crores was disbursed to the 1st Plaintiffs, repayable in 18 quarterly instalments.

5. The Plaintiffs' case is that from May 2014 Kamat Hotels has been delinquent in making the required deposits in the contractually mandated escrow account with Canara bank (for the American Express receivables) and with HDFC Bank for the Visa and Mastercard Receivables. The Plaintiffs indicate that the agreement between the parties required Kamat Hotels to maintain the contractually mandated escrow accounts in respect of amounts received from use by customers of these three credit card for its two named hotel properties. Kamat Hotels was to route these receivables only to the designated escrow accounts. It seems that in June 2014 Kamat Hotels admitted that it was not routing its transactions through the Transactions Reporting Authority. It claimed that it needed the amounts received from these credit card receipts or receivables for its day to day operations. For that reason, Kamat Hotels unilaterally opened another account with Axis Bank, Defendant No. 4, and began routing its receivables into this account.

6. In the correspondence that follows, Kamat Hotels consistently refers to the Axis Bank Account as an escrow account, although it seems to me clear that this account with Defendant No.

4 has nothing whatever to do with the escrow agreement and other financial documents with the Plaintiffs and it is certainly not a contractually mandate escrow account. The material produced in the Plaint indicates that several reminders from the 1st Plaintiff to Kamat Hotels to clear its overdue amounts and to regularise its accounts went unheeded. A cheque issued by Kamat Hotels was dishonoured for insufficiency of funds. At a meeting on 24th November 2014, Kamat Hotels in categorical terms accepted that it had been routing credit card receivables to its account with the 4th Defendant, Axis Bank. It is also accepted its liability to make payment to the lenders, but sought further time.

7. There follows from December 2014 much correspondence and record of meetings but the position that I have just described seems not to have materially altered. Canara Bank, strongly and repeatedly objected to Kamat Hotels' use of the Axis Bank account for credit card receivables. All the lending financial institutions assert that the 1st Defendant routing of credit card receivables to its own account at Axis Bank is an unauthorised and unilateral diversion of the credit card receivables, and that it is directly contrary to and in violation of financial and security documents solemnly agreed to by Kamat Hotels. Some of the documents annexed from page 376 onwards *prima facie* indicate that Kamat Hotels made some so-called "offers" of payments. In comparison to its liability, these offers and the actual payments made are relatively trivial. Kamat Hotels repeatedly claimed that it required these funds for its operations and that if it did not use these funds, it would have to shut down both hotels. This correspondence, annexed to the Plaint in Volume II, does not indicate that Kamat

Hotels disputed its liability to the Plaintiffs and the lender institutions. More importantly, it does not appear from this correspondence that it is even Kamat Hotels' case that the Axis Bank account is in any way authorised, recognised or accepted by the Plaintiffs for the collection of these credit card receivables. Indeed, it seems to be clear *inter alia* from Kamat Hotels' letter dated 6th February 2015, and Canara Bank's letters dated 12th February 2015 and 23rd February 2015, that the Axis Bank account is entirely unauthorised. *Prima facie* it appears that this account with Axis Bank is set up with the sole purpose of diverting funds from contractually mandated escrow accounts with HDFC Bank and Canara Bank.

8. On instructions, Mr. Anturkar, learned Counsel for Kamat Hotels, not only seeks time to put in a reply, but also makes what is essentially a plea for clemency. He says that Kamat Hotels requires these funds for the daily operations of these two hotels. He states that while some years ago credit card receivables may have been trivial, this is no longer so, and both hotel properties depend on these funds for their daily operations, including payment of wage and labour bills. This is no answer at all. Kamat Hotels entered into contractually binding documents with the Plaintiffs and other lender institutions. These are not impeached. Kamat Hotels has taken no proceedings in respect of these. It has not, in correspondence, disputed its liability. The contract required Kamat Hotels, in the most unambiguous terms, to route the receivables from the three credit cards to designated escrow accounts. The contract did not give Kamat Hotels the option of what it calls 're-routing' but which is nothing but diverting these receivables to any

other account. It is not even Kamat Hotels' case that the account it now uses with Axis Bank is at all subject to the contract with the Plaintiffs. Indeed, that account appears to have been set up specifically to keep it outside the purview of the contract and beyond the reach of the lender institutions. I do not think it is at all open to Kamat Hotels to unilaterally change the terms of its agreements with the Plaintiffs, and certainly not to the prejudice of the entities from which Kamat Hotels borrowed, and borrowed heavily. *Prima facie* Kamat Hotels' conduct is a breach of its agreements with the Plaintiffs. To allow this to continue is to permit the continued breach of a binding contract. These agreements and contracts, like all validly made contracts, carry with them a solemnity that the law recognizes and will enforce.

9. Mr. Madon, learned Senior Counsel, for the Plaintiffs presses for ad-interim reliefs in terms of prayer clauses (a)(i), (a)(iii), (a)(iv) and (a)(v). These are, I believe, essential to a preservation of the *status quo* ante and to ensure the sanctity of undisputed contracts. An order in these terms cannot have the effect of suspending the functioning of the 1st Defendant's two hotel properties. In my view, it is necessary that these reliefs be granted at this stage. At the same time, so that the 1st Defendant has the fullest opportunity of putting forward its case, it is necessary to ensure that this order operates for a limited time and the Notice of Motion is heard on a priority basis.

10. There will, therefore, be an ad-interim order in terms of prayer clauses (a)(i), (a)(iii), (a)(iv) and (a)(v) operative till 19th June 2015. Affidavit in Reply to the Notice of Motion to be filed and

served on or before 25th May 2015. Affidavit in Rejoinder to be filed and served on or before 12th June 2015. Motion to be listed for hearing and final disposal on a priority basis and high on the supplementary board on 17th June 2015.

(G. S. PATEL, J.)

Bombay High

Shephali

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
NOTICE OF MOTION (L) NO. 1338 OF 2015
IN
SUIT (L) NO. 699 OF 2015

IL&FS Financial Services Ltd. & Anr. ...Plaintiffs
Versus
Kamat Hotels (India) Ltd. & 6 Ors. ...Defendants

Mr. D.D. Madon, Senior Advocate, with Mr. A. Kamat, & Mr. Sachin C., i/b M.K. Ambalal & Co., for the Plaintiffs.
Mr. A.V. Anturkar, Senior Advocate, i/b Mr. S.B. Deshmukh, for Defendants Nos. 1 to 3.
Mr. K.A. Suryanarayan, for Defendant No. 4.
Mr. Madekar, i/b Madekar & Co., for Defendant No. 5.
Mr. Francisco Philip, for Defendant No. 6.
Ms. Suvarna Joshi, for Defendant No. 7

CORAM: G.S. PATEL, J
DATED: 1st September 2015

PC:-

1. Mr. Madon for the Plaintiffs points out that this morning there appeared a public notice that indicates that the 1st Defendant, represented by Mr. Anturkar, is in negotiations for sale of one of its properties to a third party. Mr. Anturkar readily agrees that no sale

will be concluded without leave of the Court especially given that there is an active proposal for settlement that is under consideration.

2. List the matter on 16th September 2015 on the supplementary board.

(G. S. PATEL, J.)

“I certify that this Judgment /Order uploaded is a true and correct copy of original signed Judgment/Order.”

Uploaded by : *Shephali*

Uploaded on : 01/09/2015

Shephali

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
NOTICE OF MOTION NO. 1523 OF 2015
IN
SUIT NO. 699 OF 2015

IL & FS Financial Services Ltd. & Anr. ...Plaintiffs
Versus
Kamat Hotels (India) Ltd. & 6 Ors. ...Defendants

Mr. D.D. Madon, Senior Advocate, with Mr. S. Chandarana, Mr. A. Tiwari, i/b M/s. Manilal Kher Ambalal & Co., , for the Plaintiffs.

Mr. A.V. Anturkar, Senior Advocate, with Mr. A.A. Anturkar & Ms. S. Tulankar, i/b Mr. S. Deshmukh, for Defendants Nos. 1 to 3.

Mr. A. Suryanarayanan, for Defendant No. 4.

Ms. T. Loharchalwala, i/b Madekar & Co., for Defendant No. 5.

Mrs. F. Philip, for Defendant No. 6.

Ms. S. Joshi, for Defendant No. 7.

Mr. K. Setalwad, Senior Advocate, with Mr. S.D. Shetty, Mr. R. Singh & Ms. J. Upadhye, i/b M/s. M.. Kini & Co., for Defendant No. 8.

CORAM: G.S. PATEL, J
DATED: 27th October 2015

PC:-

1. An ad-interim order was passed on 7th May 2015. Since then, the matter has been on board on several occasions. Mr. Anturkar, and Mr. Madon and, later, Mr. Setalvad have made the most strenuous efforts at a settlement. For a number of reasons that do not now matter, this settlement appears not to be possible. The Notice of Motion itself will have to be heard. Given that I have heard at least Mr. Madon and Mr. Anturkar for some time on the merits but not yet Mr. Setalvad for Canara Bank, the matter should receive priority. It will not, however, be possible to hear the matter fully on this side of the vacation. All Counsel request seeks leave to apply to have the matter treated as part-heard. Leave granted. That application is to be made on the administrative side. If the current assignment continues, the matter is to be shown as part-heard.

2. The ad-interim order dated 7th May 2015, in paragraph 10 was in terms of prayer clause (a)(i), (a)(iii), (a)(iv) and (a)(v). That order is continued. Prayer clause (a)(iii) required the Defendant No. 1 to deposit future credit card receipts from American Express, Master Card and Visa in respect of its operations at the Orchid Hotel, Mumbai and Hotel VITS, Mumbai in accordance with certain agreements mentioned in that prayer. The result of this was that these credit card receipts came to be deposited in a designated account with the Canara Bank. Today, there is a controversy, as yet unresolved, as to whether Canara Bank is entitled to appropriate any portion of the amount now in this Escrow Account. There is no dispute that Canara Bank holds a first charge over the Hotel VITS property and is itself independently a lender to the 1st Defendant. Canara Bank claims that it has a first right over the amounts in the Escrow Account. This interpretation of the agreements in question

is seriously disputed by both Mr. Anturkar for the 1st to 3rd Defendants and Mr. Madon for the Plaintiffs. It is undoubtedly one of the issues that will have to be decided at the final hearing of the Notice of Motion.

3. I am, therefore, passing no orders as regards the amount that has already been deposited in the Escrow Account with the Canara Bank. However, to ensure that the equities between the parties are balanced in future, for the future, the order dated 7th May 2015 is partly modified. From today onwards, all credit cards receipts from both Hotel properties mentioned in prayer clause (a)(iii) will be deposited by the 1st Defendant with the Prothonotary & Senior Master, High Court, Bombay. The Prothonotary & Senior Master will invest these amounts periodically, initially for a period of two months each. This arrangement will continue till further orders on the Notice of Motion. As and when the 1st Defendant makes a deposit, intimation will be sent to the Advocates for all the parties. This arrangement is specifically and entirely without prejudice to the rights and contentions of all parties, all of which are specifically kept open.

4. Learned Advocate on behalf of the Axis Bank, the 4th Defendant states that an amount of Rs. 1.58 crores (approximately) is deposited with the Axis Bank by the 1st Defendant. He agrees that this entire amount will be deposited by Axis Bank with the Prothonotary & Senior Master. This is to be done on or before 2nd November 2015. That amount is to be invested by the Prothonotary & Senior Master in accordance with his usual practice.

5. An Additional Affidavit, if any, from the Canara Bank is to be filed and served no later than by 5th November 2015, with no possibility of any extension. No Rejoinders are to be filed to that Affidavit without leave of the Court. The Plaintiffs will be entitled to file and serve a Rejoinder to the 1st Defendant's Affidavit in Reply. That is to be filed and served on or before 5th November 2015.

6. Subject to the matter being assigned as part-heard (should that be necessary), list the matter for hearing and final disposal at 3.00 p.m. on 16th November 2015.

(G. S. PATEL, J.)



Hand-Delivery / E-mail

September 03, 2015

To,
DCS-CRD
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Dear Sir,

Code:- 526668
corp.relations@bseindia.com

Sub: Clarification with reference to the media report titled "Kamat Hotels close to selling VITS Mumbai for Rs.190 Crore"


In response to your email dated September 03, 2015 seeking clarification with reference to the media report titled "Kamat Hotels close to selling VITS Mumbai for Rs.190 Crore", we submit as under:

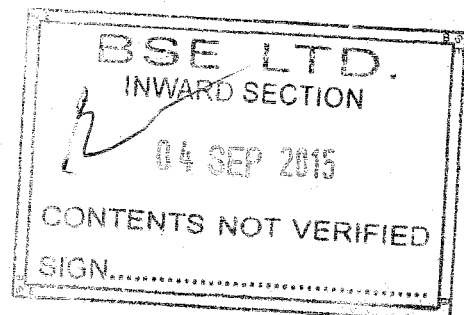
As per the terms and conditions of Corporate Debt Restructuring (CDR) Package approved by CDR Empowered Group on 15th February, 2013, an Asset Sale Committee consisting of three banks had been formed to deal with prospective buyers for sale of assets of the Company including Hotel VITS, Mumbai and the Company is intending to sell the assets for the last thirty months. We have also mentioned the above information in our Annual Report 2012-13 and 2013-14. However, at present no event has occurred requiring the Company to make disclosure in terms of Clause 36 of the Listing Agreement.

We shall keep the exchange and the investors updated and make disclosure as required under Clause 36 of the Listing Agreement as and when such event occurs.

Thanking you,

Yours faithfully,
For Kamat Hotels (India) Limited


Mahesh Kandoi
Company Secretary



REGD OFF. 70-C NEHRU ROAD, VILE PARLE (EAST), MUMBAI 400 099. TEL.: 2616 4000 FAX : 2616 4115

CIN : L55101MH1986PLC039307 Email Id : cs@khil.com, Website : www.khil.com



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