

ANNEXURE TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY :

The Company, Kamat Hotels (India) Ltd (KHIL) strongly believes in adopting and adhering to good corporate governance practices. It upholds the values of transparency, professionalism and accountability and endeavors to maintain these values on ongoing basis.

MANAGEMENT DISCUSSION AND ANALYSIS:

The management discussion and analysis report forms part of the Directors' Report.

BOARD OF DIRECTORS

Composition and category of directors and their attendance at Board Meetings :

As on 31st March, 2006 the strength of the Board was ten out of which four directors were executive directors, one was non executive director and the rest were independent non executive directors. This combination has helped the company to take benefit of the experience and expertise of the directors in their core area of competence. The Company has an Executive Chairman who is also Managing Director.

The Company has complied with the requirements of Clause 49 of the Listing Agreement with regard to composition of the Board. The following table explains the details in this regard and also gives information about the, membership of the directors in the Boards and committees of other public limited companies.

Name	Category	Board membership in other companies (1)	Committee chairmanship in other companies	Committee membership in other companies	No. of Board Meetings of KHIL attended	Last AGM Attendance (Yes/No)
Mr. Vithal V Kamat	Executive Chairman & Managing Director (promoter)	1	-	-	7	Yes
Mr. K P Kannampilly	Wholetime Technical Director	1	-	-	7	Yes
Padmashree Thangam E. Philip	Independent Non-Executive Director	2	-	-	6	Yes
Mr. Ramesh N Shanbhag	Whole-Time Director	2	-	-	6	Yes
Mr. S. S. Thakur	Independent Non-Executive Director	7	1	4	7	Yes
Mr. Vishal V. Kamat	Executive Director (promoter)	1	-	-	7	Yes
Mr. Ved Prakash Khurana	Director (Small Shareholders Nominee)	-	-	-	7	Yes
Mr. Pravin N. Ghatalia	Independent Non-Executive Director	7	1	9	7	Yes
Mrs. Rajyalakshmi Rao	Independent Non-Executive Director	3	-	-	4	Yes
Mr. Suhail Kannampilly	Non-Executive Director	-	-	-	7	Yes

① Excluding Private Limited Companies, Section 25 Companies Non Profit Companies, unlimited Companies and Companies where the Director is an alternate Director (Section 278) of the Companies Act, 1956.

During the financial year 2005-2006, seven Board meetings were held on 29th April, 2005, 7th May, 2005, 4th June, 2005, 30th July, 2005, 24th September, 2005, 29th October, 2005 and 28th January, 2006. Leave of absence was granted to Directors who could not attend the Board Meetings.

None of the Directors on the Board is a member of more than ten committees and none of them acts as chairman of more than five committees. For the purpose of Clause 49 of the Listing Agreement the prescribed limits on the number of membership and chairmanship of public limited companies apply only to Audit Committees and Shareholders' Grievance Committee.

All the necessary information was placed before the Board as required by Clause 49 of the Listing Agreement with the Stock Exchanges.

BOARD PROCEDURE :

In its meetings the Board focuses mainly on issues concerning policy and business strategy and deals with important issues relating to business development, internal controls, regulatory compliance and such other matters which need to be considered by the Board for ensuring good corporate governance and enhancing the Company's network and value to the shareholders. The Board also reviews the performance of all the divisions of the Company.

COMMITTEES OF THE BOARD

The Board has formed the following committees in conformity with the applicable statutory requirements and the Listing Agreements entered between the Company and Stock Exchanges.

AUDIT COMMITTEE

The terms of reference of the Audit Committee are in conformity with clause 49 of the Listing Agreement which the company has entered into with the Stock Exchanges. Accordingly, the Audit Committee, inter-alia, oversees the Company's financial reporting process, ensures correct and adequate disclosure of financial information and reviews financial statements, adequacy of Internal control systems and compliance of generally accepted accounting principles. The Committee also recommends the appointment of Statutory Auditors and fixation of their audit fee.

During the year under review six meetings of Audit Committee were held on 29th April, 2005, 4th June, 2005, 30th July, 2005, 29th October, 2005, 28th January, 2006 & 11th February, 2006 which were well attended as under.

Sr.No.	Name of the Member	Category	Meetings attended
1	Mr. Pravin N. Ghatalia	Chairman	6
2	Mr. S. S. Thakur	Member	6
3	Padmashree Thangam E. Philip	Member	4
4	Mr. Ved Prakash Khurana	Member	6

All the members of the Audit Committee are independent Non-Executive directors.

The Company Secretary Mr. R. V. Joshi is currently the Secretary of the committee.

REMUNERATION COMMITTEE:

Details of the composition of the Committee and attendance of the members in its meetings are as follows:

Sr.No	Name of the Member	Category	Meetings Attended
1	Mr. S. S. Thakur	Chairman	1
2	Padmashree Thangam E. Philip	Member	1
3	Mr. Ved Prakash Khurana	Member	1

One meeting of the Remuneration Committee was held on 4th June, 2005

The scope and broad terms of reference of the Remuneration Committee are:

- To review the remuneration package of the Executive Directors and recommend suitable annual revision within the upper limit sanctioned by the members.
- To recommend compensation, if any, to the Non-Executive Directors in accordance with the Companies Act.

The Company Secretary Mr. R. V. Joshi is currently the Secretary of the Committee.

Details of remuneration paid to the Executive Directors during the year ended 31st March, 2006

Name of the Director	Salary & allowances (Rs.)	Perquisites (Incl. PF) (Rs.)
Mr. Vithal V. Kamat Executive Chairman and Managing Director	42,00,000	2,91,949
Mr. K. P. Kannampilly Wholetime Technical Director	13,56,000	1,68,446
Mr. Ramesh N. Shanbhag Whole-Time Director	8,16,000	95,228
Mr. Vishal V. Kamat Executive Director	6,96,000	39,758

Annual Report 2005 - 2006



DETAILS OF SITTING FEES PAID TO NON EXECUTIVE DIRECTORS:

Directors Name	Board Meeting Fee (Rs.)	Audit Committee Fee (Rs.)	Remuneration Committee Fee (Rs.)	Shareholders' Grievance Committee Fee (Rs.)	Total (Rs.)
Padmashree Thangam E. Philip	70,000	35,000	5,000	5,000	1,15,000
Mr. S. S. Thakur	80,000	60,000	5,000	-	1,45,000
Mr. Ved Prakash Khurana	80,000	60,000	5,000	5,000	1,50,000
Mr. Pravin N. Ghatalia	80,000	60,000	-	-	1,40,000
Mrs. Rajyalakshmi Rao	50,000	-	-	-	50,000
Mr. Suhail Kannampilly	80,000	-	-	-	80,000
Total	4,40,000	2,15,000	15,000	10,000	6,80,000

SHAREHOLDERS' GRIEVANCE COMMITTEE:

The composition of the Committee and attendance of the Members in the Meetings:

Sr.No	Name of the Member	Category	Meetings Attended
1	Mr. Ved Prakash Khurana	Chairman	1
2	Padmashree Thangam E. Philip	Member	1
3	Mr. Vishal V. Kamat	Member	1

A meeting of the Shareholders' Grievances Committee was held on 4th June, 2005.

Basically, all share related issues are handled and redressed by the Share Transfer Committee itself. However, pending cases are referred to the Shareholders' Grievance Committee

The scope and broad terms of reference of the Shareholders' Grievances Committee are:

- To look into shareholders' complaints, if any, and to redress the same;
- To approve requests for issue of duplicate share certificates due to loss, misplacement, mutilation etc. of original share certificates and also to deal with requests for transmission of shares referred by the Share Transfer Committee.

As certified by the Share Transfer Agents M/s. Intime Spectrum Registry Ltd, during the year under review the Company received 54 shareholders' complaints which were promptly responded to and resolved to the satisfaction of the concerned shareholders. As on 31st March, 2006 there were no pending share transfers with the Company.

Details of shareholdings of the Non Executive Directors is as follows:

Name	No. of Shares
Padmashree Thangam E. Philip	NIL
Mr. S. S. Thakur	NIL
Mr. Pravin N. Ghatalia	NIL
Mr. V. P. Khurana	1,500
Mrs. Rajyalakshmi Rao	NIL
Mr. Suhail Kannampilly	NIL
Mr. T. M. Mohan Nambiar (appointed as additional Director on 30-4-2006)	200
Mr. Vikram V. Kamat (appointed as additional Director on 22-7-2006)	500

ANNUAL GENERAL MEETINGS HELD FOR THE LAST 3 YEARS:

Particulars	FY-2002-03	FY-2003-04	Extra Ordinary General Meeting	FY-2004-2005	Court Convened Meeting
Date	29 th September, 2003	28 th September, 2004	19 th March, 2005	24 th September, 2005	22 nd October, 2005
Location	Kamats Klub, Goregaon, Mumbai	Shri Vile Parle Kelavani, Mandar's Juhu	"Vishal Hall", Vishal Shopping Centre, Hotel Jagruti Hall, Vile Parle (West), Mumbai	"Vishal Hall", Vishal Shopping Centre, Hotel Highway Inn, Andheri Kuria Road, Andheri (East), Mumbai - 400 069	"Vishal Hall", Vishal Shopping Centre, Hotel Highway Inn, Andheri Kuria Road, Andheri (East), Mumbai - 400 069
Time	3.30 p.m.	3.30 p.m.	4.00 p.m.	11.00 a.m.	10.30 a.m.

DISCLOSURES:

CEO and CFO Certification :

The Managing Director and Chief Financial Officer have given a Certificate to the Board as contemplated in Clause 49 of the Listing Agreement.

Related Party Transactions :

Transactions with the Related Parties are disclosed in note no. 8 to the Accounts in the Annual Report.

Code of Conduct :

The Board of Directors has laid down a "Code of Conduct"(Code) for all the Board Members and the senior management of the Company and this Code is posted on the Website of the Company. Annual declaration is obtained from every person covered by the Code.

Risk Management :

The Audit Committee and the Board regularly discuss the significant business risks identified by the Management and their mitigation process is being taken up

A note on the risk identification is included in Management Discussion and Analysis annexed to the Directors' Report.

The Company, during the year, has not entered into any transactions of material nature with the Directors that may have potential conflict with the interest of the Company at large. No penalties or restrictions have been imposed on the Company by the Stock Exchanges or SEBI on any capital market related matters during the last three years.

MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Report, publication of financial results, press releases in leading English & Vernacular language newspapers and by submission and filing of reports and returns with all statutory bodies. The quarterly results are published in prominent daily newspapers. The shareholders can contact the Company for necessary information through the following

Telephone No. : 26164000
Fax No. : 26164201
Email : cs@khil.com
Website : www.khil.com

GENERAL SHAREHOLDERS INFORMATION:

- 19th Annual General Meeting
Date : 23rd September, 2006
Venue : "Shubham Hall", Landmark Bldg., Opp. Vile Parle Railway Stn., Jn. of Besant Road & V. P. Road, Vile Parle (West), Mumbai - 400 056
Time : 11.00 a.m.
- REGISTERED OFFICE OF THE COMPANY AND ADDRESS WITH FAX FOR CORRESPONDANCE :
Name of the Company : Kamat Hotels (India) Limited
Registered Office : 70-C, Nehru Road, Vile Parle (East), Mumbai 400 099
Telephone No. : 26164000
Fax No. : 26164201
Email : cs@khil.com
Website : www.khil.com
- Name and designation of Compliance Officer: Mr. R. V. Joshi - Company Secretary
- Tentative Financial Calendar
Audited Annual Accounts for the year 2005 -2006 } 26th July, 2006 (B M)*
Unaudited 1st quarter Results June 30, 2006 }
Mailing of Annual Report by end of August 2006
Annual General Meeting 23rd September, 2006
Unaudited 2nd quarter Results September 30, 2006 by 30th October, 2006 (B M)
Unaudited 3rd quarter Results December, 31st 2006 by 31st January, 2007 (B M)
Unaudited 4th quarter Results March 31st 2007 by 30th April, 2007 (B M)
* (B M) - Board Meeting
- Dates of book closure : from 12th September, 2006 to 23rd September, 2006 (both days inclusive)
- Listing of Equity Shares on Stock Exchanges and Market Price Data

<u>Name of the Stock Exchange(s)</u>	<u>Stock Code/Symbol</u>
The Stock Exchange- Mumbai	526668
National Stock Exchange of India Limited	KAMAT HOTEL EQ

The Company has paid listing fee to both the Stock Exchanges upto the financial year 2006-2007.

Annual Report 2005 - 2006



7. Stock Market Data

Market Price Data.

Month	The Stock Exchange, Mumbai		National Stock Exchange of India Limited - Mumbai	
	High (Rs)	Low (Rs)	High (Rs)	Low (Rs)
April 2005	54.70	45.35	55.75	48.00
May 2005	68.90	48.25	68.75	48.85
June 2005	70.65	53.10	70.35	52.00
July 2005	81.90	57.05	82.00	56.00
August 2005	152.40	72.00	152.40	69.95
September 2005	148.70	103.00	146.45	104.25
October 2005	122.50	90.50	120.00	91.00
November 2005	134.40	98.00	134.10	96.00
December 2005	148.00	119.70	148.40	119.30
January 2006	214.60	135.00	217.40	132.50
February 2006	220.95	183.30	221.10	184.20
March 2006	202.00	174.05	200.50	173.10

8. REGISTRARS AND TRANSFER AGENTS:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup, Mumbai - 400 078
Tel No. 25963838 and Fax No. 25946969.

For any queries, investors are requested to get in touch with the Registrar and Transfer Agents at the address mentioned above or the Company Secretary at the Registered Office of the Company.

9. SHARE TRANSFER SYSTEM :

The Share Transfer Committee constituted by the Board considers and approves all physical form share related issues, transfers, transmission of shares, issue of duplicate shares etc. The transfer formalities are attended to on fortnightly basis by the nominated Registrars & Share Transfer Agents. The members of the share transfer committee are:

Mr. Vithal V. Kamat - Executive Chairman and Managing Director
 Mr. Ramesh N. Shanbhag - Wholetime Director
 Mr. Vishal V. Kamat - Executive Director

The shares are transferred and returned within the minimum stipulated period provided all the necessary documents are in order.

10. Distribution of Shareholdings as on 31st March, 2006.

Shareholding of Nominal	Share Value Rs.	Share holders Number	% of Total	Share Amount Rs.	% of Total
1	5,000	6,716	85.8710	99,45,890	7.5360
5,001	10,000	545	6.9680	41,93,370	3.1770
10,001	20,000	335	4.2830	46,84,200	3.5490
20,001	30,000	100	1.2790	24,73,490	1.8740
30,001	40,000	32	0.4090	11,23,290	0.8510
40,001	50,000	21	0.2690	9,81,610	0.7440
50,001	1,00,000	40	0.5110	28,34,150	2.1480
Above 1,00,001		32	0.4090	10,57,37,950	80.1200
Total		7,821	100.0000	13,19,73,950	100.0000

Category of Shareholdings as on 31st March, 2006.

Category	Shares	Percentage (%)
Promoters	90,08,995	68.26
Directors and their Relatives	6,34,554	4.81
Mutual Fund	4,000	0.03
NRI/OCBs	5,70,226	4.32
Public:		
-Corporate Bodies	4,36,229	3.31
- Individual and Others	25,43,391	19.27
Total	1,31,97,395	100.00

11. DEMATERIALISATION OF SHARES:

As on 31st March, 2006, 1,25,72,192 (95.26%) of total Equity Capital was held in dematerialised form. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th May, 2001 as per notification issued by the SEBI. The relative ISIN NO. allotted to the company is INE 967C01018.

12. LOCATION OF HOTELS:

- The Orchid
70-C, Nehru Road, Vile Parle (E),
Mumbai - 400 099
Tel No. 26164040
- Kamats Hotel Siddharth
Near Nasardi Bridge, Nashik Pune Road,
Nashik - 422001
Tel No. 95253-2413376/2412620
- The Lotus Suites
Dhanodham, Kondivita Road, Off. Andheri Kurla Road,
Andheri (East), Mumbai-400 059
Tel No. 28270707
- Vital Kamats Restaurant
Esselworld
Gorai Beach, Borivali (W), Mumbai
- CATERING FOR
Rambhau Mhalgi Prabodini
At Keshav Srushti, Uttan, Bhayander (W), Maharashtra

Declaration on Code of Conduct

It is confirmed that the Board has laid down a Code of Conduct for all Board members and senior management personnel of the Company. The Code of Conduct has been posted on the website of the Company. It is further confirmed that all Directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2006, as envisaged in clause 49 of the listing agreement with stock exchanges.

Dated : 26th July, 2006

Vithal Venketesh Kamat

Place : Mumbai

(Executive Chairman and Managing Director)

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF

THE LISTING AGREEMENTS

To

The shareholders of Kamat Hotels (India) Limited

We have examined the compliance of conditions of Corporate Governance by **Kamat Hotels (India) Limited**, for the year ended 31st March, 2006 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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, we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Shareholders Grievance Committee.

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

For J.G.VERMA & CO.

For ANAY GOGTE & CO.,

Chartered Accountants

Chartered Accountants

J.G.VERMA

A. R. GOGTE

Partner

Proprietor

Membership No. 5005

Membership No. 37046

Mumbai: 26th July, 2006