

Annual Report 2005 - 2006



DIRECTORS' REPORT

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To

The Members,

Your Directors are pleased to present the Nineteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

YEAR IN RETROSPECT:

The year under review was yet another very fruitful year for the Indian hotel industry witnessing encouraging increase in the foreign tourists arrival which reversed the declining trend of the past. Consequently, leading hotels reported a marked increase in the Average Room Rate (ARR) and occupancy levels depending on their location and status.

Hotel "The Orchid", the flagship of your Company has fared very well in terms of higher income and profitability. The improved performance was complimented by various cost cutting measures coupled with major reduction in borrowing costs on account of restructuring of debt during the year. The average occupancy level during the year was also higher at 89% as compared to 83.80% in the previous year. The performance of hotel "The Lotus Suites" has also been satisfactory with 86.60% occupancy during the year under review. The total turnover for the year amounted to Rs. 8234.08 lakhs (of which Rs. 6373.93 lakhs pertains to The Orchid, Mumbai and Rs. 1418.95 Lakhs to The Lotus Suites, Mumbai and others Rs. 441.20 lakhs) as against Rs. 5403.21 lakhs in the previous year registering an increase of 52.39% over the last year. The increase in turnover is partly due to the merger of The Himco (India) Ltd with your Company.

FINANCIAL RESULTS:

The figures for the financial year under review are summarised below.

Particulars	(Rs. in Lakhs.)	
	Year ended March 31, 2006	Year ended March 31, 2005
Total Income	8234.08	5,403.21
Profit Before Interest, Depreciation & Taxation	3604.63	2,231.62
Less: Interest	1227.88	965.06
Less: Depreciation	655.82	444.81
Profit Before Tax	1720.93	821.75
Less : Provision for taxation (current tax)	148.00	71.20
Less: Provision for taxation (Deferred Tax)	-	340.07
Less: Fringe benefit Tax	15.00	-
Less: Provision for wealth tax	0.02	0.07
Profit after tax before adjustments	1557.91	410.41
Add/(Less): Prior periods' adjustments	-	(3.50)
Profit After adjustments	1557.91	406.91
Add: Balance Brought Forward	344.38	58.94
Distributable Profits	1902.29	465.85
Appropriations:		
i) Proposed Dividend on Equity Shares	197.96	-
ii) Interim Dividend on Equity Shares	-	107.43
iii) Tax on proposed dividend on (i) above	27.76	-
iv) Tax on Interim dividend	-	14.04
v) Transferred to General Reserve	78.00	-
vi) Balance carried over to Balance Sheet	1598.57	344.38

DIVIDEND :

Your Directors are pleased to recommend dividend @15% (Rs. 1.50 per share) for the year ended 31st March, 2006 (Previous year 10%). The dividend tax will be paid by the Company and will be exempt in the hands of the shareholders.

AWARDS

"The Orchid", Asia's first certified Ecofriendly Five Star Hotel continues to maintain the track record of winning awards. The Directors are proud to inform that the following prestigious awards have been added to the kitty of awards during the period under review:

Hospitality India presented The Orchid with the award for "Best Environment Friendly Hotel" for the year 2005. This award was presented by Lt. Gen Shri T.P. S Rawat, Hon'ble Minister for Tourism, Uttaranchal.

United States Asia Environmental Partnership presented to The Orchid the "Environmental Leadership Award" in October 2005. This award recognizes the outstanding contributions made through working in partnership to improve the environment and quality of life for the people of Asia.

Since its inception "The Orchid" has bagged 13 international and 29 national awards. Most of these awards have been won mainly because of the environment awareness created by our flagship Hotel "The Orchid". Your Chairman has also been awarded the prestigious Special Achievement Award of FIE Foundation which was presented to him by Hon'ble Chief Minister of Maharashtra, Shri Vilasrao Deshmukh.

It would be advisable for the Government of India to encourage such ventures by providing grants, interest subsidy, etc. so that more hotels follow the path set by "THE ORCHID."

Amalgamation

The Members and Hon'ble High Court at Bombay approved the Scheme of Amalgamation of The Himco (India) Ltd with Kamat Hotels (India) Ltd. w.e.f. 1st July, 2005, the Appointed Date as per the scheme of amalgamation. 2454545 Equity Shares of Rs. 10/- each of the Company have been issued to the shareholders of The Himco (India) Ltd pursuant to the Bombay High Court's approval to the said Scheme of Amalgamation. The shares were allotted in the swap ratio of 3:22.

Projects Envisaged by the Group

There are many projects which are in the pipeline. Some of the projects which have been crystallised are as follows:

The Orchid Heritage in Pune (Jadhav Gadhi Fort)

This will be a Five Star Hotel with 42 rooms in a heritage (Fort) location surrounded by 15 acres of plain land at a height to enjoy scenic beauty and cool environment. It will be specially suited to high-class foreign tourists and will be an ideal marriage location with grandeur. The project work has started in Jan 2006 and at present it is in full swing.

The Orchid Mumbai - Expansion.

This is a 126 Rooms extension project of the existing " The Orchid", and would be a premium wing to the hotel. The existing facilities of " The Orchid" including its staff would be shared for operating the extended wing of "The Orchid" and the economics of scale would add straight to the bottom line.

The Lotus Suites Baddi in Himachal Pradesh.

This will be first Three Star Hotel with 94 rooms in Baddi, North India's growing Industrial Town housing, an emerging ambitious SEZ project. One acre of land has already been acquired for this project.

The Lotus Suites, Amboli, Konkan

A three Star Hotel with 60 Rooms at Amboli, Konkan has been planned. This hotel would be themed as a hunters' lodge and will be a recreational hotel for families and corporates.

Kamfotel , Nashik, Maharashtra

Your Company has entered into a management contract for 35 years for management of 32 room Hotel Siddharth at Nashik. Since it is more profitable to redevelop the property by demolishing the existing structure, the Company proposes to make a Three Star Kamfotel with about 145 rooms.

ONGC, MRPL & The Company Tie Up .

Your Company will operate the traveler-related facilities like motels and restaurants at selected ONGC & MRPL Retail Petrol outlets. It will also provide architectural services for the Retail Outlets.

The restaurant expansion plans include approximately 50 restaurants of ONGC and MRPL spread across India and will get integrated in your company's overall restaurant division.

The Restaurant Division Vithal Kamat Veg. Restaurant .

The "Kamats" restaurant once synonymous with "Vithal Kamat", will once again see itself spreading all over the country. The company has embarked upon to achieve a target of 75 restaurants under this brand in the next 5 years. Currently there are 4 restaurants under this brand.

FIXED DEPOSITS:

The Company has neither invited nor accepted any fixed deposits during the year under review.

PARTICULARS OF EMPLOYEES:

Information in accordance with sub-section (2A) of Section 217 of the Companies Act 1956 read with the Companies (particulars of Employees) Rules 1975, and forming part of the Directors' Report for the year ended 31st March, 2006 is given in the Annexure- A to the Report.

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DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. That the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of the Profit of the Company for the financial year ended 31st March, 2006 ;
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies (Amendment) Act, 2000 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
4. The annual accounts have been prepared on a going concern basis.

ADDITIONAL INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988:

- a. Conservation of Energy: The Company continued the energy conservation efforts during the year. It has closely monitored power consumption and running hours on day to day basis thus resulting in optimum utilisation of energy. The hotel is fitted with energy saving devices to conserve energy in the long run.
- b. Technology Absorption : The activities of Company at present do not involve technology absorption and research and development.
- c. Foreign exchange earnings and outgo :

Earnings : Rs. 2,856.19 lakhs
Utilisation (including capital goods) : Rs. 65.07 lakhs

DIRECTORS :

Mr. K. P. Kannampilly, Mr. S. S. Thakur and Mr. Vishal V. Kamat retire by rotation and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

Mr. T. M. Mohan Nambiar was appointed as Additional Director on 30th April, 2006. He holds office upto the forthcoming Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. T. M. Mohan Nambiar for the office of Director, alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956. The Board recommends his appointment as Director retiring by rotation.

Mr. Vikram V. Kamat was appointed as Additional Director on 22nd July, 2006. He holds office upto the forthcoming Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. Vikram V. Kamat for the office of Director, alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956. The Board recommends his appointment as Director retiring by rotation.

Brief profiles of Mr. K. P. Kannampilly, Mr. S. S. Thakur, Mr. Vishal V. Kamat, Mr. T. M. Mohan Nambiar and Mr. Vikram V. Kamat proposed to be re-appointed / appointed as Directors of the Company are given in Annexure II to the notice convening the ensuing Annual General Meeting.

CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussions and Analysis Report together with a certificate from the Company's Auditors confirming compliance is given in the annexure forming part of this report.

AUDITORS :

M/s. J. G. Verma & Co. and M/s. Anay Gogte & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Observations made by the Auditors in their report in para 11 of the annexure in conjunction with notes on accounts are self explanatory and, therefore, do not call for any further comments.

VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM MADRAS STOCK EXCHANGE LIMITED

Madras Stock Exchange Limited has delisted the securities of your Company from their Exchange.

EMPLOYEE RELATIONS:

The relations of the management with staff and workers remained cordial during the entire year.

ACKNOWLEDGEMENTS:

The Directors place on record their appreciation for the sincere and whole hearted co-operation extended by all concerned, particularly Securities & Exchange Board of India, Stock Exchanges, Department of Tourism, company's bankers, Municipal authorities, Government of Maharashtra, Central Government, suppliers, clients and staff and look forward to their continued support. The Directors also thank the Shareholders for continuing their support and confidence in the Company and its management.

ON BEHALF OF THE BOARD OF DIRECTORS

V. V. Kamat

Executive Chairman & Managing Director

Place : Mumbai

Date : 26th July, 2006

ANNEXURE- A TO THE DIRECTORS' REPORT, 2006.

Information as per Section 217 (2A) read with the Companies (Particulars of Employee) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March 2006.

Name	Designation	Qualifications	Remuneration (Rupees)	Experience Years	Age year	Date of Commencement of employment	Particulars of last employment
Mr. Vithal V. Kamat	Executive Chairman & Managing Director	Dip.In Elect. Engg. (IV Sem.)	44,91,949	33	54	1-4-94	Plaza Hotels Pvt. Ltd.

Notes :

1. The nature of employment is contractual.
2. The Remuneration shown above is gross and comprises salary and house rent allowance and is for twelve months period.