

# Annual Report 2005 - 2006



## KAMAT HOTELS (INDIA) LIMITED

### BOARD OF DIRECTORS

- Mr. Vithal Venketesh Kamat**  
*Executive Chairman & Managing Director*
- Mr. K. P. Kannampilly**  
*Wholetime Technical Director*
- Padmashree Thangam Elizabeth Philip**  
*Director*
- Mr. S. S. Thakur**  
*Director*
- Mr. Pravin N. Ghatalia**  
*Director*
- Mr. Ved Prakash Khurana**  
*Director (Small Shareholders' Nominee)*
- Mrs. Rajyalakshmi Rao**  
*Director*
- Mr. Ramesh N. Shanbhag**  
*Whole-Time Director*
- Mr Vishal V. Kamat**  
*Executive Director*
- Mr. Suhail Kannampilly**  
*Director*
- Mr. T. M. Mohan Nambiar**  
*Director (Appointed as additional Director on 30-4-2006)*
- Mr. Vikram V. Kamat**  
*Director (Appointed as additional Director on 22-7-2006)*

### AUDITORS

**M/s. J. G. Verma & Co.**  
*Chartered Accountants*

**M/s. Anay Gogte & Co.**  
*Chartered Accountants*

### COMPANY SECRETARY

Mr. R. V. Joshi

### BANKERS

Canara Bank  
Andhra Bank  
Oriental Bank of Commerce  
UTI Bank Limited

### REGISTERED OFFICE

70-C, Nehru Road,  
Near Santacruz Airport,  
Vile Parle (E), Mumbai – 400 099  
Tel No. 26164000 Fax No. 26164201

### REGISTRARS AND SHARE TRANSFER AGENTS

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

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# Annual Report 2005 - 2006



## DIRECTORS' REPORT

### DIRECTORS' REPORT

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 31<sup>st</sup> 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
<b>Appropriations:</b>		
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 31<sup>st</sup> 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. 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 30<sup>th</sup> 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 22<sup>nd</sup> 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 : 26<sup>th</sup> 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 31<sup>st</sup> 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.

## ANNEXURE TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### BUSINESS ENVIRONMENT, INDUSTRY STRUCTURE, DEVELOPMENT & OUTLOOK

The year gone by has been remarkable for India's tourism recovery. The Indian economy has been strong and its growth rate is amongst the fastest in the world. The country is witnessing a phase of high growth in all sectors and there is a sense of optimism and buoyancy. The tourism sector too is not lagging behind in this era of growth. In fact, the travel and tourism sector is poised to play a key role in the economic growth of the country.

Tourist arrival, hotel occupancies and room rates have touched an all time high. Success of "Incredible India" campaign, introduction of low cost airlines, growing infrastructure thrust by the government and India's emergence as a dominant outsourcing hub have led to a 20% surge in foreign tourists arrival during the first five months of this year compared to the same period last year.

India has always had the potential of being a favoured tourist destination. However, the lack of adequate and sustained all around initiatives on the part of the government as well as the industry has prevented it from realising the potential of the tourism sector. The Government is now acknowledging the potential and role of this sector. Some of the examples of the Government initiatives are the 'Incredible India' campaign, the focus on infrastructure, privatization of the Delhi and Mumbai airports, open sky policy, development of new tourist destinations and circuits, increased fund allocation towards tourism etc. The Indian hotel industry stands to gain considerably from this proactiveness shown by the Government.

The hotel industry is one of the largest and fastest growing industry in the world today. The World Travel and Tourism Council (WTTC) has identified India as one of the foremost tourist growth centres, According to WTTC, India's tourism economy is rising at 8.8% annually against the global growth rate of 5% and has the potential to earn around \$24 bn in foreign exchange through tourism by 2015.

As per current market estimates, the Indian tourism industry is expected to be amongst the most rapidly growing tourism markets in the world as is substantiated by the tourist arrival and revenue output figures for the past two years. In the year 2005, the number of foreign tourist arrivals in India saw a growth of around 13.2% over the previous year, and the number of tourist arrivals touched 3.91 million.

Other factors that have contributed and will continue to contribute to the growth of the tourism industry include increase in number of international patients coming to India for treatment and entry of increasing number of private players, including low cost airlines, in the aviation industry.

India's hotel industry is also increasingly being viewed as investment-worthy, both within the country and outside, and several international chains are keen to establish or enhance their presence here. The Federation of Hotel & Restaurant associations of India has pegged the room shortage in the hospitality sector at 1,00,000. It is predicted that only 10,000 rooms can be added by the end of 2006 which is woefully inadequate.

With shifting of The 2008, Commonwealth Youth Games from Delhi to Pune, there will be requirement of additional hotel rooms in Pune. Similarly, Delhi, which will be hosting the Commonwealth Games in 2010, alone needs 30,000 more rooms of which 15,000 are needed in the branded segment. With India also co-hosting the Cricket World Cup in 2011 hoteliers have a major task ahead in making accommodation available within a given time frame. The infotech revolution too has brightened the prospects of the Indian hospitality industry.

### OPPORTUNITIES, THREATS, RISKS AND CONCERNS

Despite the apparent strides taken by the tourism industry in India, some worries still remain. There is a sizeable mismatch between the demand and supply of star category hotel accommodation. The existing inventory of approximately 95,000 rooms in the country is grossly inadequate to attract and service the increasing numbers of foreign tourists thronging the country.

The existing infrastructure in the country to support the requirements of the increasingly discerning foreign traveler is far from adequate and there has to be a

quantum improvement in the airport facilities, road and transport network and facilities at tourist locales if the momentum in the growth of the industry has to be sustained. The following are some of risks envisaged by the Hotel Industry.

- Airports at major metros and smaller tourist hotspots do not have adequate infrastructure to cater to high traffic volumes.
- There is lack of adequate, good quality highways and other means of transport
- Taxation increases the cost of package tours offered by tour operators thereby making the tours unattractive and expensive, which in turn affects the business of the Company.
- Major negative events (such as tourist attacks, bird flue, natural calamities like floods, diseases and communal disturbances) can spoil the fortunes of this sector at least for that year.
- Growing competitive environment and seasonality of the hotel industry could also affect the performance and financial results of the company.

### REVIEW OF OPERATIONAL AND FINANCIAL PERFORMANCE

The Company has achieved an aggregate turnover of Rs. 8,234.08 lakhs for the financial year ended on 31<sup>st</sup> March, 2006 (of which Rs. 6,373.93 lakhs pertains to The Orchid, Mumbai and Rs. 1,418.95 Lakhs to The Lotus Suites, Mumbai and others Rs. 441.20 Lakhs) This was against a turnover of Rs.5,403.21 Lakhs for the previous year.

Profit after taxes for the year under review was Rs. 15.58 crores as against Rs.4.10 crores for the previous year.

During the year under review the Average Room Occupancy was 89% at The Orchid, Mumbai and 86.60% at The Lotus Suites, Mumbai.

### SEGMENT WISE PERFORMANCE

The Company is presently operating in only one segment i.e. hospitality.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Adequate internal controls have been laid down by the Company to safeguard and protect its assets as well as to improve the overall productivity of its operations. The internal audit department is complemented by the internal auditors M/s. Lovi Mehrotra & Associates in ensuring compliance with the internal control procedures laid down by the Company. Internal audits are carried out at regular intervals and the audit reports are periodically laid before the Audit Committee for review.

### HUMAN RESOURCES AND INDUSTRIAL RELATIONS.

The Company values its employees as of its key assets. Hence efforts are made on an ongoing basis to improve the efficiency of the employees by way of training, providing them with better working conditions and keeping them motivated at all times.

The Company provides its employees with opportunity to grow and prosper. The authority and responsibility chain is clearly defined and the employees are free to convey their ideas, suggestions and apprehensions to their superiors. Team meetings are held at frequent intervals to improve communication and interactions between the employees.

### CAUTIONARY STATEMENT

Statements contained in the Management Discussion and Analysis Report describing the Company's estimates, projections and expectations are forward looking statements and based upon certain assumptions and expectations of future events over which the Company has no control and which could cause actual results to differ materially from those reflected in such statements, Readers should carefully review other information in this Annual Report and in the Company's periodic reports. The Company undertakes no obligation to publicly update or revise any of these futuristic statements, whether as a result of new information, future events, or otherwise.

## 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 31<sup>st</sup> 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 29<sup>th</sup> April, 2005, 7<sup>th</sup> May, 2005, 4<sup>th</sup> June, 2005, 30<sup>th</sup> July, 2005, 24<sup>th</sup> September, 2005, 29<sup>th</sup> October, 2005 and 28<sup>th</sup> 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 29<sup>th</sup> April, 2005, 4<sup>th</sup> June, 2005, 30<sup>th</sup> July, 2005, 29<sup>th</sup> October, 2005, 28<sup>th</sup> January, 2006 & 11<sup>th</sup> 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 4<sup>th</sup> 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 31<sup>st</sup> 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

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## 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
<b>Total</b>	<b>4,40,000</b>	<b>2,15,000</b>	<b>15,000</b>	<b>10,000</b>	<b>6,80,000</b>

## 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 4<sup>th</sup> 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 31<sup>st</sup> 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 <sup>th</sup> September, 2003	28 <sup>th</sup> September, 2004	19 <sup>th</sup> March, 2005	24 <sup>th</sup> September, 2005	22 <sup>nd</sup> 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](mailto:cs@khil.com)  
Website : [www.khil.com](http://www.khil.com)

### GENERAL SHAREHOLDERS INFORMATION:

- 19<sup>th</sup> Annual General Meeting  
Date : 23<sup>rd</sup> 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](mailto:cs@khil.com)  
Website : [www.khil.com](http://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 } 26<sup>th</sup> July, 2006 (B M)\*  
Unaudited 1<sup>st</sup> quarter Results June 30, 2006 }  
Mailing of Annual Report by end of August 2006  
Annual General Meeting 23<sup>rd</sup> September, 2006  
Unaudited 2<sup>nd</sup> quarter Results September 30, 2006 by 30<sup>th</sup> October, 2006 ( B M)  
Unaudited 3<sup>rd</sup> quarter Results December, 31<sup>st</sup> 2006 by 31<sup>st</sup> January, 2007 (B M)  
Unaudited 4<sup>th</sup> quarter Results March 31<sup>st</sup> 2007 by 30<sup>th</sup> April, 2007 (B M)  
\* (B M) - Board Meeting
- Dates of book closure : from 12<sup>th</sup> September, 2006 to 23<sup>rd</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Public:</b>		
-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 31<sup>st</sup> 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. 28<sup>th</sup> 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 31<sup>st</sup> March, 2006, as envisaged in clause 49 of the listing agreement with stock exchanges.

Dated : 26<sup>th</sup> 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 31<sup>st</sup> 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: 26<sup>th</sup> July, 2006

# Annual Report 2005 - 2006



## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of **KAMAT HOTELS (INDIA) LIMITED**, as at 31<sup>st</sup> March, 2006 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date 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.

We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
3. The Balance Sheet, Profit & Loss Account, and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report, comply with the applicable Accounting Standards referred to in sub-section (3-C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the Directors of the Company, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and the other notes appearing thereon, 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 the affairs of the Company as at 31<sup>st</sup> March, 2006;
  - (ii) in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
  - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **J.G.VERMA & CO.**  
Chartered Accountants

**J.G.VERMA**  
Partner

Membership No. 5005  
Mumbai: 26<sup>th</sup> July, 2006

For **ANAY GOGTE & CO.,**  
Chartered Accountants

**A. R. GOGTE**  
Proprietor

Membership No. 37046

## ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets installed at its various units.  
(b) According to the information and explanations given to us, the fixed assets have been physically verified during the year by the management in accordance with a phased programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.  
(c) There has not been any significant disposal of fixed assets during the year affecting going concern.
2. (a) In our opinion, physical verification of inventories has been conducted by the management at reasonable intervals;  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records of the Company, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies, which were noticed on physical verification of inventory as compared to book records, were not material and have been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956 except interest free trade deposits aggregating to Rs. 73.71 crores (maximum balance Rs. 73.71 crores) to four such parties. In respect of deposit of Rs. 3.20 Crores (maximum balance Rs. 3.20 crores) given to erstwhile Himco, the same stands discharged on giving effect to the Scheme of Amalgamation during the year.  
(b) The rate of interest wherever applicable and other terms and conditions of above deposits given are *prima facie* not prejudicial to the interest of the Company.  
(c) The receipt of the principal amount of these deposits given, and interest thereon wherever applicable was regular.  
(d) There was no overdue amount of such deposit given by the Company during the year.  
(e) According to the information and explanations given to us, the Company has taken loans by way of secured debentures and interest free unsecured trade deposit aggregating to Rs. 9.24 crores (maximum balance – Rs.9.24 Crores) from such parties numbering five.  
(f) The rates of interest wherever applicable and other terms and conditions of above unsecured loans, debentures and deposits taken are *prima facie* not prejudicial to the interest of the Company.  
(g) The payment of the principal amount of these loans, debentures and deposits taken, and interest thereon wherever applicable was regular.
4. 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 for the purchase of inventory

# Annual Report 2005 - 2006



- and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. To the best of our knowledge and belief and according to the information and explanations given to us, (a) the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section; and (b) such transactions exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
  6. The Company has not accepted any deposits from the public within the meaning of Section 58A 58AA and other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Hence the clause (vi) of the Order is not applicable to the Company.
  7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  8. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
  9. (a) According to the records of the Company and the information and explanations given to us, the Company has been generally regular, (*albeit with minor delays in some cases*), in depositing undisputed statutory dues, including provident fund, investor education & protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other applicable statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, there are no undisputed amounts payable in respect of undisputed statutory dues as at 31<sup>st</sup> March, 2006 which were outstanding for a period of more than six months from the date they became payable;
  - (b) According to the information and explanations given to us and on the basis of our examination of the documents and records, there are no cases of non-deposit with appropriate authorities of disputed dues of sales-tax, wealth tax, service tax, customs duty, excise duty, cess.
- The details of disputed income-tax and property tax are as under:

Name of the Statute / Nature of the dues and period	Amount (Rupees in lacs)	Forum where dispute is pending
Income tax Act, 1961 – Disputed demand determined on giving effect to the order of Commissioner (Appeals) for A. Y. 1995-96 & 1996-97 (disputed but recovered by the Department) and on completion of regular assessment for A.Y. 2003-04	29.80	Income-tax Appellate Tribunal and Commissioner of Income-tax (Appeals)
Property tax under BMC Act – Demand raised on revision of ratable value for the period from August 1997 to March, 2006.	293.27	Small Causes Court

10. The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses either during the financial year or immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, *there were delays in repayment of dues relating to the erstwhile Himco aggregating to Rs. 6.26 Crores to financial institutions and banks ranging from one day to eighty-nine days during the year*. There was no default in repayment of dues to debenture holders.
12. In respect of Loans and Advances in the nature of loans of Rs. 200.00 lakhs given by the Company in earlier year (considered doubtful by the management and fully provided for) inter alia on the basis of pledge of certain shares, the Company has maintained adequate documents and records. Except the above, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures, and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us, the term loans raised by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that funds raised on short term basis have prima facie, not been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 except issue of 24,54,545 equity shares to the shareholders of erstwhile Himco in accordance with the Scheme of Amalgamation approved by the High Court.
19. During the year, the Company has not issued any debenture.
20. The Company has not raised money by public issue during the year,
21. To the best of our knowledge and belief, and according to the information given to us, no fraud on or by the Company was noticed or reported during the year.

**For J.G.VERMA & CO.**  
Chartered Accountants

**J.G.VERMA**  
Partner  
Membership No. 5005  
Mumbai: 26<sup>th</sup> July, 2006

**For ANAY GOGTE & CO.,**  
Chartered Accountants

**A. R. GOGTE**  
Proprietor  
Membership No. 37046

# Annual Report 2005 - 2006



## BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SOURCES OF FUNDS:</b>				
<b>SHARE HOLDERS' FUNDS:</b>				
Share Capital	A	<b>13,78,59,050</b>		11,33,13,600
Reserves & Surplus	B	<b>1,08,75,75,898</b>		66,04,18,233
			<b>1,22,54,34,948</b>	77,37,31,833
<b>LOAN FUNDS:</b>				
Secured Loans	C	<b>1,32,67,93,796</b>		89,28,99,992
Unsecured Loans	D	<b>34,58,23,765</b>		18,069,853
			<b>1,67,26,17,561</b>	91,09,69,845
<b>DEFERRED TAX LIABILITY (NET)</b>			<b>6,60,94,272</b>	7,92,73,359
<b>TOTAL</b>			<b>2,96,41,46,781</b>	1,76,39,75,037
<b>APPLICATION OF FUNDS:</b>				
<b>FIXED ASSETS:</b>				
Gross Block (At Cost)	E	<b>2,97,19,19,746</b>		1,81,34,43,544
Less: Depreciation		<b>36,79,22,714</b>		25,94,59,390
Net Block		<b>2,60,39,97,032</b>		1,55,39,84,154
Capital Work-In-Progress		<b>26,06,19,912</b>		7,63,53,809
			<b>2,86,46,16,944</b>	1,63,03,37,963
<b>INVESTMENTS:</b>	F		<b>3,98,21,672</b>	16,39,100
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>				
Inventories	G	<b>2,73,35,070</b>		2,16,21,628
Sundry Debtors		<b>5,30,77,033</b>		4,15,48,791
Cash & Bank Balances		<b>6,07,77,195</b>		6,07,17,243
Loans & Advances		<b>10,94,39,700</b>		11,44,67,056
		<b>25,06,28,998</b>		23,83,54,718
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS:</b>	H	<b>19,15,22,825</b>		10,79,91,165
<b>NET CURRENT ASSETS:</b>			<b>5,91,06,173</b>	13,03,63,553
<b>MISCELLANEOUS EXPENDITURE:</b> (To the extent not written off)	I		<b>6,01,992</b>	16,34,421
<b>TOTAL</b>			<b>2,96,41,46,781</b>	1,76,39,75,037
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS:</b>	M			

Signature on the above Balance Sheet & Schedules "A" to "I" and "M".

As per our report of even date

**For J. G. VERMA & CO.**  
Chartered Accountants

**J.G. Verma**  
Partner

**For ANAY GOGTE & CO.**  
Chartered Accountants

**A. R. Gogte**  
Proprietor

**G. N. Shenoy**  
Chief Financial Officer

**R. V. Joshi**  
Company Secretary

**V. V. Kamat**  
Executive Chairman & Managing Director

**R. N. Shanbhag**  
Wholetime Director

**Vishal V. Kamat**  
Executive Director

Mumbai: 26th July, 2006

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## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>INCOME:</b>				
Rooms, Restaurants, Bar, Banquets, Time Share & Other Income	J		<b>82,34,07,762</b>	54,03,21,544
<b>TOTAL</b>			<b>82,34,07,762</b>	54,03,21,544
<b>EXPENDITURE:</b>				
Operating & General Expenses	K		<b>46,29,44,661</b>	317,159,064
Interest and Financial Charges	L		<b>12,27,88,181</b>	9,65,05,953
Depreciation			<b>6,55,81,661</b>	4,44,81,154
<b>TOTAL</b>			<b>65,13,14,503</b>	45,81,46,171
<b>PROFIT FOR THE YEAR BEFORE TAX</b>			<b>17,20,93,259</b>	8,21,75,373
Less: Provision for Current Tax		<b>1,48,00,000</b>		71,20,000
Provision for Deferred Tax		-		3,40,07,410
Provision for Fringe Benefit Tax		<b>15,00,000</b>		-
Provision for Wealth Tax		<b>1,700</b>		7,200
			<b>1,63,01,700</b>	4,11,34,610
<b>PROFIT AFTER TAX BUT BEFORE ADJUSTMENTS</b>			<b>15,57,91,559</b>	4,10,40,763
LESS: PRIOR PERIOD ADJUSTMENTS (NET)			-	3,49,991
<b>NET PROFIT AFTER ADJUSTMENTS</b>			<b>15,57,91,559</b>	4,06,90,772
ADD: SURPLUS BROUGHT FORWARD FROM LAST YEAR			<b>3,44,38,400</b>	5,894,434
<b>TOTAL</b>			<b>19,02,29,959</b>	4,65,85,206
<b>APPROPRIATIONS:</b>				
Proposed Dividend on Equity Shares (Tax Free)		<b>1,97,96,093</b>		-
Interim Dividend on Equity Shares (Tax Free)		-		1,07,42,850
Tax on Proposed Dividend		<b>27,76,402</b>		-
Tax on Interim Dividend		-		14,03,956
Transfer to General Reserve		<b>78,00,000</b>		-
			<b>3,03,72,495</b>	1,21,46,806
<b>BALANCE PROFIT CARRIED TO BALANCE SHEET</b>			<b>15,98,57,464</b>	3,44,38,400
<b>TOTAL</b>			<b>19,02,29,959</b>	4,65,85,206
Basic and Diluted Earnings Per Share	M (10)		<b>12.38</b>	3.79
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS: M				

Signature on the above Profit & Loss Account & Schedules "J" to "M"  
As per our report of even date

For J. G. VERMA & CO.  
Chartered Accountants

J.G. Verma  
Partner

For ANAY GOGTE & CO.  
Chartered Accountants

A. R. Gogte  
Proprietor

G. N. Shenoy  
Chief Financial Officer

R. V. Joshi  
Company Secretary

V. V. Kamat  
Executive Chairman & Managing Director

R. N. Shanbhag  
Wholetime Director

Vishal V. Kamat  
Executive Director

Mumbai: 26th July, 2006

# Annual Report 2005 - 2006



## CASH FLOW STATEMENT

PARTICULARS	Year ended 31.03.2006 (Rupees)	Year ended 31.03.2005 (Rupees)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before tax and extraordinary items	17,20,93,259	8,21,75,373
Adjustment for:		
Depreciation	6,55,81,661	4,44,81,154
Amortisation of Expenses	10,32,429	27,81,283
Loss on Sale of Fixed Assets	6,27,151	6,60,751
Irrecoverable amounts written off	2,32,02,748	44,25,500
Provision for Doubtful Debts/Contingencies	12,702,232	75,00,000
Prior Period Adjustments	-	(3,49,991)
Investments income	(21,509)	(17,100)
Interest income	(8,85,916)	(10,67,029)
Interest paid	12,27,88,181	9,65,05,953
Operating profit before working capital changes	<u>39,71,20,236</u>	<u>23,70,95,894</u>
Trade and other receivables	3,30,82,257	41,90,106
Inventories	(7,51,263)	(12,86,858)
Trade Payables	1,58,32,241	24,96,424
Cash generated from operations	<u>44,52,83,471</u>	<u>24,24,95,566</u>
Interest paid	(12,27,88,181)	(9,65,05,953)
Direct taxes paid (Net of refunds)	(1,49,27,327)	(76,20,801)
Net cash from operating activities	<u>30,75,67,963</u>	<u>13,83,68,812</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(15,49,87,696)	(3,76,55,347)
Sale Proceeds of Fixed Assets	5,21,143	2,71,500
Capital Advance Paid	(8,29,72,472)	-
Refund of Capital Advances	-	67,00,000
Deposits Refunds/Paid (including for properties)	(2,50,57,154)	(60,88,607)
Maturity Proceeds of Investments	-	25,000
Interest Received	8,85,916	10,67,029
Dividend Received	21,509	17,100
Net cash used in investing activities	<u>(26,15,88,754)</u>	<u>(3,56,63,325)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term borrowings	10,91,71,000	-
Repayments of long term borrowings	(15,63,99,648)	(10,73,46,379)
Repayments of Proceeds from short term borrowings	(37,98,421)	(7,30,369)
Dividend paid (including Tax on Dividend)	(1,04,94,815)	(85,91,505)
Net cash used in financing activities	<u>(6,15,21,884)</u>	<u>(11,66,68,253)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	(1,55,42,675)	(1,39,62,766)
CASH & CASH EQUIVALENTS AS AT 01.04.2005 (Opening Balance)	6,07,17,243	7,46,80,009
CASH & CASH EQUIVALENTS ACQUIRED ON AMALGAMATION	1,56,02,627	-
CASH & CASH EQUIVALENTS AS AT 31.03.2006 (Closing Balance)	6,07,77,195	6,07,17,243

Signature on the above Cash Flow Statement

As per our report of even date

**For J. G. VERMA & CO.**  
Chartered Accountants

**J.G. Verma**  
Partner

**For ANAY GOGTE & CO.**  
Chartered Accountants

**A. R. Gogte**  
Proprietor

**G. N. Shenoy**  
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**R. V. Joshi**  
Company Secretary

**V. V. Kamat**  
Executive Chairman & Managing Director

**R. N. Shanbhag**  
Wholtime Director

**Vishal V. Kamat**  
Executive Director

Mumbai: 26th July, 2006

# Annual Report 2005 - 2006



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "A"</b>			
<b>SHARE CAPITAL:</b>			
<b>AUTHORISED:</b>			
1,55,00,000 Equity Shares of Rs. 10/- each		<b>15,50,00,000</b>	15,50,00,000
1,45,00,000 Cum. Red. Preference Shares of Rs. 10/- each		<b>14,50,00,000</b>	14,50,00,000
<b>TOTAL</b>		<b><u>30,00,00,000</u></b>	<b><u>30,00,00,000</u></b>
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>			
1,31,97,395 (Prev. Year 1,07,42,850) Equity Shares of Rs. 10/- each, fully paid up		<b>13,19,73,950</b>	10,74,28,500
Forfeited Shares Account		<b>58,85,100</b>	58,85,100
<b>TOTAL</b>		<b><u>13,78,59,050</u></b>	<b><u>11,33,13,600</u></b>
Note: Of the above, 24,54,545 Equity Shares of Rs. 10/- each were allotted at par during the year to the shareholders of erstwhile "The Himco (India) Limited" amalgamated with the Company pursuant to the Scheme of Amalgamation approved by the Bombay High Court vide Order dated 9th December, 2005.			
<b>SCHEDULE "B"</b>			
<b>RESERVES &amp; SURPLUS:</b>			
<b>SHARE PREMIUM ACCOUNT</b>			
As per last accounts		<b>55,50,55,142</b>	55,50,55,142
<b>DEBENTURE REDEMPTION RESERVE:</b>			
As per last accounts	<b>1,00,000</b>		5,00,000
Less: Transferred to General Reserve	-		4,00,000
		<b>1,00,000</b>	<u>1,00,000</u>
<b>CAPITAL REDEMPTION RESERVE:</b>			
As per last accounts		<b>2,66,50,000</b>	2,66,50,000
<b>AMALGAMATION RESERVE:</b>			
Set aside during the year	<b>29,39,38,601</b>		-
(Refer Note B (1) in Schedule "M")			
Less: Transferred to General Reserve	<b>29,39,38,601</b>		-
			-
<b>GENERAL RESERVE:</b>			
As per last accounts	<b>4,41,74,691</b>		4,37,74,691
Add: Transfer from Debenture Redemption Reserve	-		4,00,000
Add: Transfer from Amalgamation Reserve	<b>29,39,38,601</b>		-
Add: Transfer from Profit & Loss Account	<b>78,00,000</b>		-
		<b>34,59,13,292</b>	<u>4,41,74,691</u>
Surplus in Profit & Loss Account		<b>15,98,57,464</b>	3,44,38,400
<b>TOTAL</b>		<b><u>1,08,75,75,898</u></b>	<b><u>66,04,18,233</u></b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS:</b>		
<b>DEBENTURES:</b>		
1. 89,39,500 12% Secured Non-Convertible Debentures of Rs. 10/- each [Note 1]	<b>8,93,95,000</b>	8,93,95,000
<b>TERM LOANS:</b>		
<b>FROM A FINANCIAL INSTITUTION:</b>		
2. Tourism Financial Corporation of India (Note 2)	<b>8,79,59,669</b>	-
<b>FROM BANKS:</b>		
3. Abhyudaya Co-Operative Bank (Note 2)	<b>11,08,04,506</b>	-
4. EXIM Bank (Note 2)	<b>21,70,92,500</b>	-
5. ICICI Bank (Note 2)	<b>7,30,95,890</b>	-
6. Andhra Bank (Note 3)	<b>21,73,33,709</b>	28,35,63,967
7. Canara Bank (Note 3)	<b>48,77,72,576</b>	45,42,33,199
8. Oriental Bank of Commerce (Note 4)	-	2,83,01,686
9. The Saraswat Co-operative Bank (Note 5)	<b>12,07,372</b>	-
<b>CASH CREDIT FACILITY FROM A BANK (Note 6)</b>	<b>4,14,93,494</b>	3,51,39,019
<b>INTEREST ACCRUED &amp; DUE</b>	<b>6,39,080</b>	22,67,121
<b>TOTAL</b>	<b><u>1,32,67,93,796</u></b>	<b><u>89,28,99,992</u></b>

### NOTES:

- (1) The Debentures under item (1) are secured by second charge on whole of the immoveable and moveable property of Kamats Holiday Resorts (Silvassa) Private Limited, situated at Silvassa together with all plant and machinery thereat under Debenture Trust Deed dated 6<sup>th</sup> April 2005. These Debentures shall be redeemed in one instalment on the expiry of twelve years from the date of allotment with a call option to redeem the same after the end of three years from the date of allotment, i.e. 31<sup>st</sup> March 2005.
- (2) The Loans under items (2), (3) and (5), have been taken over from the erstwhile The Himco (India) Limited (HIMCO) pursuant to amalgamation of the said company with the Company during the year. These loans together with Loan under item (4) are secured by (a) equitable mortgage of land & buildings of the company being "The Lotus Suites Hotel" and hypothecation of movable assets of the Company (save and except book debts) all situated at Andheri (East), Mumbai, to rank pari passu amongst the lenders; (b) personal guarantee of Mr. V.V.Kamat, Executive Chairman & Managing Director of the company; and (c) Corporate Guarantee issued by Plaza Hotels Private Limited (PHPL).
- (3) The Loans under item (6) and (7) are secured by (i) hypothecation of moveable properties of the Company (save and except stocks and book debts); (ii) personal guarantee of Mr. V. V. Kamat, Executive Chairman and Managing Director of the Company; (iii) a Corporate Guarantee issued by PHPL, (iv) equitable mortgage by deposit of title deeds of immovable properties being buildings and structures constructed by the Company and the plots of land belonging to PHPL at Vile Parle (East), Mumbai and (v) further charge created on Company's immoveable properties being "The Orchid Hotel" at Vile Parle (East), Mumbai, on a *pari passu* basis amongst the lenders. Corporate Loan included in item (6) of Rs.24.00 Crores is further secured by (i) assignment of credit card receivables from American Express credit cards; and (ii) pledge of 22,50,150 equity shares of the PHPL held by promoters and their relatives. Rupee Term Loans included in item (7) aggregating to Rs. 48.33 Crores are further secured by (i) assignment of credit card receivables from Master and Visa credit cards; and (ii) pledge of 22,50,150 equity shares of the PHPL.

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## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

Schedules "C" Contd.....

held by promoters and their relatives. Balance Rupee Term Loan included in item (7) of Rs.7.00 Crores is further secured by hypothecation of Diners Credit Card receivables and equitable mortgage of Company's office premises at Malkani Chambers, situated at Vile Parle (East), Mumbai and pledge of certain investments held by the promoters.

- (4) The loan under item (8) was secured by hypothecation of Credit card receivables and by equitable mortgage of Company's office premises at Malkani Chambers situated at Vile Parle (East), Mumbai and certain investments held by promoters. This loan has been fully repaid during the year.
- (5) The loan under item (9) was also taken over from erstwhile HIMCO under amalgamation and secured by pledge of Company's investment in Bonds.
- (6) The Cash Credit Facility is secured by hypothecation of stocks and book debts of the company including certain Credit Card collections (Limit Rs. 3.60 Crores).
- (7) Amount payable within one year Rs. 18.56 Crores (Prev. Year Rs. 10.64 Crores).

	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS:</b>		
<b>1. Short Term Loans &amp; Advances:</b>		
From Banks (Due to issue of cheques)	17,37,114	9,82,209
2. Vehicle Loans from a Bank	59,92,305	11,60,139
3. Security Deposits	36,90,000	34,27,507
4. Advance Time-Share Membership Money Received (Taken over from erstwhile "The Himco (India) Limited" on Amalgamation)	32,19,04,348	-
5. Sales Tax Deferred	1,24,99,998	1,24,99,998
<b>TOTAL</b>	<b>34,58,23,765</b>	<b>1,80,69,853</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

### SCHEDULE "E"

#### FIXED ASSETS:

PARTICULARS	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	AS AT 01.04.2005	TRANSFERRED ON AMALGAMA- TION (NOTE 1)	ADDITIONS NOTE 4)	DEDUCT- IONS	AS AT 31.03.2006	UPTO 01.04.2005	TRANSFERRED ON AMALGAM- ATION (NOTE 1)	FOR THE YEAR	DEDU- CTIONS	TODATE	AS AT 31.03.2006	AS AT 31.03.2005
Deposits for Hotel Properties: (Note 2)	60,10,00,000	-	14,40,000	-	60,24,40,000	-	-	-	-	-	60,24,40,000	60,10,00,000
Land: (Freehold)	24,59,008	25,61,08,000	-	-	25,85,67,008	-	-	-	-	-	25,85,67,008	245,9,008
Buildings (Note 3)	82,99,96,521	58,25,34,405	11,13,32,876	38,943	1,52,38,24,859	11,20,81,745	2,45,22,917	2,95,67,319	-	16,61,71,981	1,35,76,52,878	71,79,14,776
Plant & Machinery	24,41,48,763	12,49,70,448	2,29,79,328	1,02,585	39,19,95,954	7,35,63,399	1,20,76,605	1,84,58,887	28,063	10,40,70,828	28,79,25,126	17,05,85,364
Furniture and Fixture & Office Equipments:	12,58,27,809	4,04,25,283	1,21,74,608	3,71,813	17,80,55,887	6,97,93,155	67,11,995	1,64,43,897	1,40,926	9,28,08,121	8,52,47,766	5,60,34,654
Vehicles:	86,61,603	15,65,434	68,58,682	16,01,723	1,54,83,996	40,21,091	5,36,916	11,11,558	7,97,781	48,71,784	1,06,12,212	46,40,512
Crockery, Cutlery, Linen, Uniforms etc. (Operating Supplies Capitalised)	13,49,840	-	2,02,202	-	15,52,042	-	-	-	-	-	15,52,042	13,49,840
<b>Total</b>	<b>1,81,34,43,544</b>	<b>1,00,56,03,570</b>	<b>15,49,87,696</b>	<b>21,15,064</b>	<b>2,97,19,19,746</b>	<b>25,94,59,390</b>	<b>4,38,48,433</b>	<b>6,55,81,661</b>	<b>9,66,770</b>	<b>36,79,22,714</b>	<b>2,60,39,97,032</b>	<b>1,55,39,84,154</b>
Previous Year Total	1,77,72,56,220	-	3,76,55,347	14,68,023	1,81,34,43,544	21,55,14,008	-	4,44,81,154	5,35,772	25,94,59,390	1,55,39,84,154	-
Capital Work-in-Progress (Note 5)	7,63,53,809	10,12,93,631	19,90,09,107	11,60,36,635	26,06,19,912	-	-	-	-	-	26,06,19,912	7,635,3,809

#### NOTES:

1. Taken over on Amalgamation consequent to Scheme of amalgamation of "The Himco (India)Limited" with the Company. Refer Note B(1) of Schedule 'M'.
2. Include deposit of Rs. 60.00 Crores (Prev. year Rs. 60.00 Crores) paid to Plaza Hotels Private Limited (PHPL), (a Company wherein some directors of the Company are Directors) under agreement dated 01.04.1994 for hotel for an initial period of 30 years .
3. Buildings include (i) cost of residential flats of Rs. 54.34 lakhs (Prev. year Rs. 54.34 lakhs) and (ii) cost of shares of Rs.1,500/- (Prev. Year Rs.1,500/-) in Co-operative Housing Society and Owners Condominium representing ownership right.
4. Include Rs. 0.39 lakhs (Prev. Year Rs.9.96 lakhs) for adjustment on account of fluctuation difference in rates of Foreign Currency Loan taken for acquiring Fixed Assets.
5. Capital work-in-progress includes:
  - (i) Advances/deposit for fixed assets Rs. 537.47 lakhs (Prev. Year Rs.505.76 lakhs)
  - (ii) Incidental expenses (including borrowing costs) pending allocation Rs.207.78 lakhs (Prev. Year Rs.207.78 lakhs)
  - (iii) Rs. 9.66 Crores (Prev. Year Rs.50.00 Lakhs) paid to PHPL towards proposed extension of existing hotel.
  - (iv) Capital Work-In-Progress pending allocation includes: Staff Cost Rs.22,769/- (Prev. Year Rs. Nil); Travelling Expenses by Directors Rs. 61,729/- (Prev. Year Rs. Nil ); by Others Rs. 1,83,824/- (Prev. Year Rs. Nil); Interest on Fixed Loans Rs. 4,33,970/- (Prev. year Rs. Nil); General Expenses Rs.3,53,258/- (Prev. Year Rs.Nil); Rent, Rates & Taxes Rs. 12,146/- (Prev. Year Rs. Nil); Bank Guarantee Commission Rs. 3,50,380/- (Prev. Year Rs.Nil); Legal & Professional Charges Rs.61,182/- (Prev. Year Rs.Nil); Postage & Telephone Charges Rs.950/- (Prev. Year Rs.Nil); Finance Charges Rs. 10,71,008/- (Prev. Year Rs. Nil); Printing & Stationery Rs. 23,042/- (Prev. Year Rs. Nil); Insurance Charges Rs 24,162/- (Prev. Year Rs.Nil); Advertisement ChargesRs. 2,00,000/- (Prev. Year Rs. Nil); Consultancy Fees Rs. 21,10,767/- (Prev. Year Rs. Nil); Building Under Construction Rs.7,46,47,318/- (Prev. Year Rs.Nil); Furniture & Fixtures Rs. 19,71,144/- (Prev. Year Rs. Nil); Plant & Machinery Rs. 79,66,607/- (Prev. Year Rs. Nil).

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## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "F"</b>			
<b>INVESTMENTS:</b>			
<b>LONG TERM - TRADE (AT COST)</b>			
<b>EQUITY SHARES (QUOTED)</b>			
1 Centurion Bank of Punjab Limited (Note 3) 58,725 Equity Shares of Re. 1/- each, fully paid up (Prev. Year 26,100 Equity Shares of Rs. 10/- each)	2,61,000		2,61,000
2 Fortune Financial Services Limited 39,700 Equity Shares of Rs. 10/- each, fully paid up.	11,91,000		11,91,000
3 Indusind Bank Limited 1,600 Equity Shares of Rs. 10/- each, fully paid up.	72,000		72,000
4 Punjab National Bank Limited 100 Equity Shares of Rs. 10/- each, fully paid up.	3,100		3,100
5 Suvarna Apparel & Fashion Exports Limited 10,000 Equity Shares of Rs. 10/- each, fully paid up.	1,00,000		1,00,000
6 Asian Hotels Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	71		-
7 Bharat Hotels Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	22		-
8 EIH Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	211		-
9 Hotel Leela Venture Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	21		-
10 Indian Hotels Company Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	179		-
11 Oriental Hotels Limited (Note 4) 1 Equity Share of Rs. 10/- each, fully paid up.	68		-
		16,27,672	16,27,100
<b>EQUITY SHARES (UNQUOTED)</b>			
1 Abhyudaya Co-Operative Bank Limited (Note 4) 5,000 Equity Shares of Rs. 10/- each, fully paid up.	50,000		-
2 The Saraswat Co-Operative Bank Limited (Note 4) 2,500 Equity Shares of Rs. 10/- each, fully paid up.	25,000		-
3 The Satara Sahakari Bank Limited (Note 4) 2,000 Equity Shares of Rs. 50/- each, fully paid up.	1,00,000	1,75,000	-
<b>CUMULATIVE REDEEMABLE PREFERENCE SHARES:</b>			
Vishal Amusements Limited (Note 4) 3,50,000 1% Cumulative Redeemable Preference Shares of Rs. 100/- each. (Redeemable on the expiry of ten years from the date of allotment)		3,50,00,000	-
<b>IN GOVERNMENT SECURITIES:</b>			
6 Years National Savings Certificates (Deposited with Government Departments to the extent of Rs. 19,000/-) (Prev. year Rs. 12,000/-) (Rs. 7,000/- acquired on Amalgamation)		19,000	12,000
<b>INVESTMENT - OTHERS:</b>			
ICICI Tax Saving Bonds (Maturing on 16th November 2,017) (200 Bonds of Rs. 5000/- each) (Note 4) (Pledged with a Bank)	10,00,000		-
IDBI Tax Saving Bonds (Maturing on 11th September 2,014) (400 Bonds of Rs. 5000/- each) (Note 4) (Pledged with a Bank)	20,00,000	30,00,000	-
<b>TOTAL</b>		<b>3,98,21,672</b>	<b>16,39,100</b>

### NOTES:

- Aggregate of quoted investments:  
At Cost 16,27,672 16,27,100  
At Market Value 30,05,397 17,58,715
- Aggregate of unquoted investments:  
At Cost 3,81,94,000 12,000
- 58,725 Equity Shares of Re. 1/- each in Centurion Bank of Punjab Limited were allotted in lieu of 26,100 Equity Shares of Rs. 10/- each in Bank of Punjab Limited on amalgamation.
- Acquired on Amalgamation during the year.

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## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "G"</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>			
<b>CURRENT ASSETS:</b>			
<b>INVENTORIES:</b>			
(Valued and Certified by the Management)			
Food & Beverages (At Cost/Weighted Average Cost)	29,96,284		39,55,855
Stores & Operating Supplies (At lower of Cost/weighted average cost and net realisable value)	2,43,38,786		1,76,65,773
		<b>2,73,35,070</b>	2,16,21,628
<b>Sundry Debtors: (Unsecured, considered good, unless otherwise stated)</b>			
Over six months (Incl. Rs.4,61,562/- considered doubtful) (Prev. Year Rs. 10,15,611/-)	56,50,421		1,00,06,893
Others	4,78,88,174		3,25,57,509
	5,35,38,595		4,25,64,402
Less: Provision for Doubtful Debts	4,61,562		10,15,611
		<b>5,30,77,033</b>	4,15,48,791
<b>Cash &amp; Bank Balances:</b>			
On Hand (Including Cheques on hand Rs.1,32,62,092/-) (Prev. Year Rs. 54,69,730/-)	2,19,26,174		1,47,57,542
<b>With Scheduled Banks:</b>			
Current Account	2,56,30,960		2,54,52,589
Deposit Account	1,17,97,513		49,74,212
Dividend Account	8,37,881		1,13,32,900
<b>With Other Bank (See Note 17 on Accounts)</b>			
Current Account	84,667		-
Deposit Account	5,00,000		42,00,000
		<b>6,07,77,195</b>	6,07,17,243
<b>LOANS &amp; ADVANCES:</b>			
(Unsecured, considered good, unless otherwise stated)			
Inter-Corporate Deposits - Considered doubtful [Refer Note 15 (a) on Accounts]	2,00,00,000		2,00,00,000
Less: Provision	2,00,00,000		-
			2,00,00,000
Advances Recoverable in cash or kind or for value to be received	1,10,07,831		35,43,136
Interest receivable	28,85,397		2,21,81,037
Deposits	4,46,06,498		3,73,08,750
Prepaid Expenses	80,86,113		47,24,768
Staff Advances	13,76,536		14,53,177
Payment of Taxes	4,14,77,325		2,52,56,188
		<b>10,94,39,700</b>	11,44,67,056
<b>TOTAL</b>		<b>23,06,28,998</b>	<b>23,83,54,718</b>

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## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "H"</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>			
<b>CURRENT LIABILITIES:</b>			
Sundry Creditors (Include due to Directors Rs. 3,70,964/-) (Prev. Year Rs. 81,902/-)		11,89,95,661	6,27,72,002
Interest Accrued But Not Due		52,22,301	4,16,129
Unclaimed Debentures		1,20,513	1,31,223
Unclaimed Dividend		8,37,496	5,89,461
Interim Dividend		-	1,07,42,850
		<u>12,51,75,971</u>	<u>7,46,51,665</u>
<b>PROVISIONS:</b>			
<b>Provision for Taxation:</b>			
As per last accounts	1,66,94,500		95,67,300
Add: Transferred during the year	<u>1,63,76,700</u>		<u>71,27,200</u>
	3,30,71,200		1,66,94,500
Less : Deductions during the year	<u>57,300</u>		-
		3,30,13,900	1,66,94,500
<b>Provision for Gratuity:</b>			
As per last accounts	45,80,886		41,27,836
Add: Transferred during the year	<u>18,89,460</u>		<u>12,35,966</u>
	64,70,346		53,63,802
Less: Contribution to LIC of India Gratuity Fund	<u>30,02,434</u>		<u>7,82,916</u>
		34,67,912	45,80,886
<b>Provision for Earned Leave:</b>			
As per last accounts	45,64,114		45,03,184
Add: Transferred during the year	<u>27,28,433</u>		<u>60,930</u>
		72,92,547	45,64,114
<b>Provision for Contingencies:</b>			
As per last accounts	75,00,000		-
Add: Transferred during the year	-		<u>75,00,000</u>
	<u>75,00,000</u>		75,00,000
Less: Transferred to Provision for Doubtful Loans & Advances	<u>75,00,000</u>		-
		-	75,00,000
Proposed Dividend		1,97,96,093	-
Tax on Proposed Dividend		27,76,402	-
<b>TOTAL</b>		<u><u>19,15,22,825</u></u>	<u><u>10,79,91,165</u></u>
<b>SCHEDULE "I"</b>			
<b>MISCELLANEOUS EXPENDITURE:</b>			
(To the extent not written off)			
Deferred Revenue Expenses		6,01,992	16,34,421
<b>TOTAL</b>		<u><u>6,01,992</u></u>	<u><u>16,34,421</u></u>

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## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<b>SCHEDULE "J"</b>			
<b>ROOMS, RESTAURANTS, BAR, BANQUETS, TIME SHARE AND OTHER INCOME:</b>			
1. a) Rooms, Restaurants, Banquets, and Other Services [Include sale of food, beverages, etc. Rs. 18,29,42,815/- (Prev. Year 11,27,28,879/-)] (Tax deducted at source Rs.82,16,662/-) (Prev. Year Rs. 42,89,464/-)	74,33,56,834		48,04,99,644
b) Wines and Liquors	4,11,11,776		3,56,47,822
c) Communication Services	1,39,35,485		1,31,96,101
d) Management Fees (Tax Deducted at source Rs. 1,41,433/-) (Prev. Year Rs. 1,42,290/-)	16,35,450		25,02,383
e) Income from Time-Share Business	1,22,03,701		-
f) Income from Institute of Hotel Management	23,81,470		35,37,854
		81,46,24,716	53,53,83,804
2) Other Income:			
a) Dividend (Gross) (Tax Deducted at source Rs. Nil) (Prev. Year Rs. Nil)	21,509		17,100
b) Interest (Gross) (Tax Deducted at source Rs. 1,31,517/-) (Prev. Year Rs. 1,87,654/-)	8,85,916		10,67,029
c) Excess Provisions/Credits Written Back (Including Liabilities not payable, written back)	24,15,994		46,792
d) Shop Licence Fees (Tax Deducted at source Rs. 2,99,456/-) (Prev. Year Rs. 2,12,906/-)	14,98,804		10,18,192
e) Miscellaneous Income	39,60,823		27,88,627
		87,83,046	49,37,740
<b>TOTAL</b>		<b>82,34,07,762</b>	<b>54,03,21,544</b>

## SCHEDULE "K"

### OPERATING AND GENERAL EXPENSES:

#### 1. OPERATING EXPENSES:

##### (a) CONSUMPTION OF PROVISIONS, WINES & SMOKES:

##### i) Provisions, Beverages (excluding Wines and Liquor) and Smokes

Opening Stock	20,57,561	11,43,980
Purchases	4,90,51,313	3,54,75,124
	5,11,08,874	3,66,19,104
Less: Closing Stock	13,29,200	20,57,561
		4,97,79,674

##### ii) Wines and Liquor

Opening Stock	18,98,293	16,09,467
Purchases	84,91,488	80,42,870
	1,03,89,781	96,52,337
Less: Closing Stock	16,67,084	18,98,293
		77,54,044
		87,22,697

Carried Forward

5,85,02,371

4,23,15,587

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## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	RUPEES	RUPEES	PREV. YEAR RUPEES
<i>Brought Forward</i>		<b>5,85,02,371</b>	4,23,15,587
<b>SCHEDULE "K" (Contd...)</b>			
<b>(b) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:</b>			
Salaries and Wages	9,15,64,075		6,11,04,670
Contribution to Provident and Employees State Insurance Fund	68,28,338		47,65,576
Provision for Leave Encashment	29,65,561		60,930
Retirement Gratuity	13,75,428		11,00,599
Remuneration to Personnel deputed to the Company	1,13,06,595		1,08,02,286
Workmen and Staff Welfare Expenses	<u>1,06,60,269</u>		<u>74,62,117</u>
		<b>12,47,00,266</b>	8,52,96,178
<b>(c) OTHER OPERATING EXPENSES:</b>			
Heat, Light & Power	4,52,11,039		2,86,73,458
Licences, Rates & Taxes	2,46,84,540		2,05,46,650
Repairs to Building	38,79,922		33,11,045
Repairs to Plant & Machinery	89,53,706		69,08,017
Repairs to Others	67,18,889		49,82,826
Replacements	38,71,973		38,57,702
Expenses on Apartment and Board	2,92,82,840		1,96,22,842
Washing and Laundry (Net)	70,02,715		46,71,195
Water Charges	<u>30,20,027</u>		<u>22,76,990</u>
		<b>13,26,25,651</b>	9,48,50,725
<b>2. GENERAL EXPENSES:</b>			
Printing & Stationery	41,83,944		25,65,820
Expenses on Communication Services	94,23,322		60,38,094
Travelling & Conveyance	58,01,161		62,54,449
Insurance	39,38,547		26,57,020
Advertisement, Publicity & Sales Promotion	2,63,53,846		2,56,01,155
Royalty & Fees on Sales	83,35,893		65,21,651
Commission & Discount	1,93,85,560		1,18,42,412
Music Expenses	1,03,69,918		70,43,348
Legal & Professional Fees	91,55,697		64,29,879
Financial Consultancy Charges	23,42,576		-
Sitting Fees	6,80,000		2,60,000
Sales-tax / Luxury Tax etc. assessment dues	-		36,212
Donations	84,555		1,34,503
Bad Debts & Irrecoverable amounts written off (net) (Including Provision for Doubtful Debts of Rs.2,02,232/-) (Previous Year Rs. Nil)	2,34,04,980		44,25,500
Amortisation of Expenses	-		4,81,666
Loss on sale of Fixed Assets (Net)	6,27,151		6,60,751
Premium paid for Sales Tax Deferral Benefit	-		16,66,666
Provision for Doubtful Loans & Advances/ Contingencies	1,25,00,000		75,00,000
Expenses on Amalgamation	24,23,079		-
RCI Time Share Membership Expenses	18,27,950		-
General Expenses	<u>62,78,194</u>		<u>45,77,448</u>
		<b>14,71,16,373</b>	9,46,96,574
<b>TOTAL</b>		<b><u>46,29,44,661</u></b>	<b><u>31,71,59,064</u></b>
<b>SCHEDULE "L"</b>			
<b>INTEREST AND FINANCIAL CHARGES :</b>			
On Fixed Loans (Including Prepayment Premium)		9,02,47,257	7,95,16,073
On Other Loans		2,84,60,051	1,48,71,153
Financial Charges		40,80,873	21,18,727
<b>TOTAL</b>		<b><u>12,27,88,181</u></b>	<b><u>9,65,05,953</u></b>

## SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006.

### SCHEDULE "M"

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES:

###### 1. Basis of Accounting:

The financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956.

###### 2. Sales & Services:

Sales are stated exclusive of taxes.

###### 3. Fixed Assets:

- (a) Fixed Assets are stated at cost of acquisition including related expenses less depreciation.
- (b) Operating Supplies i.e. Crockery, Cutlery, Linen, Uniforms etc. purchased in the initial year at Company's various Units (other than the hotel units "The Orchid" at Vile Parle and "The Lotus Suites" at Andheri) are capitalised without providing for depreciation and purchases in the subsequent years are being charged to Profit & Loss Account as replacement thereof.
- (c) In respect of deposit amounts paid for acquiring management and other rights of enduring nature in the hotel and other properties owned by other parties, the same are shown under fixed assets until the same are refunded by the parties.
- (d) Preoperative Expenses being indirect expenses during construction, including interest and finance charges upto the date of commencement of commercial operations are capitalised prorata over the items of fixed assets.
- (e) Original cost of the Fixed Assets acquired through foreign currency loans is adjusted (a) by exchange differences arising out of repayment of such loans during the year, and (b) at the end of each financial year by any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of the Balance Sheet.

###### 4. Depreciation:

Depreciation is provided in the accounts on Straight Line Method (SLM) at the rates prescribed under Schedule XIV to the Companies Act, 1956.

###### 5. Inventories:

- (a) Items of inventory at "The Orchid" and "The Lotus Suites" hotel units are valued as under:
  - (i) Food & Beverages – at weighted average cost; and
  - (ii) Stores & Operating Supplies – at lower of weighted average cost and net realisable value after providing for reduction in value due to wear and tear, wherever necessary.
- (b) Items of inventories of food provisions, beverages and stores at other units are valued at cost.

###### 6. Retirement Benefits for Employees:

Gratuity payable in accordance with the provisions of the Payment of Gratuity Act, 1972 and Leave Encashment benefit are provided for in the accounts on the basis of actuarial valuation. Gratuity Liability to the eligible employees is covered by a Group Gratuity Scheme of the Life Insurance Corporation of India. Premium paid towards past liability is adjusted to Gratuity Provision and premium paid for the year is charged to the Profit & Loss Account. Company's contribution payable during the year to Provident Fund is charged to the Profit & Loss Account.

###### 7. Investments:

Long Term Investments are stated at cost. Provision is made for any permanent diminution in the value of long-term investments.

###### 8. Revenue Recognition:

- (a) Income from hotel includes income from room rentals, food and beverages; revenue from provision of other hospitality services including swimming pool, health club, etc. and is recognized when services are rendered.
- (b) The Company's business interalia is to sell Time Share and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fees is collected either in full upfront, or on a deferred payment basis. Out of the total membership fee, relevant portion reasonably attributable towards cost required to market Time Share, which is assessed and revised periodically, is recognized as Time Share income in the year in which the purchaser of Time Share becomes a member and the balance representing 'Advance towards members' facilities is being recognized as Time Share income equally over a period for which holiday facilities are provided commencing from the year in which the member is entitled to benefits of membership under the scheme.
- (c) Annual subscription fee dues from timeshare members is recognized as income on an accrual basis.
- (d) Interest on instalment sales is recognized as income on an accrual basis.

###### 9. Foreign Currencies:

- (a) All exchange differences other than those relating to the acquisition of fixed assets are dealt with in the Profit & Loss Account. The rest is adjusted to the cost of the assets.
- (b) All the other foreign currency transactions are converted at the rate prevailing on the date of the transaction. Foreign currency in hand is translated at the year-end exchange rate. Gains and losses out of fluctuations in exchange rates are accounted for on realisation.

###### 10. Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. However, Capitalisation of such costs is suspended during extended periods in which active development of qualifying assets is interrupted. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

## 11. Prior Period and Extra-Ordinary Items:

Income and expenditure pertaining to prior period as well as extra-ordinary items, where material, are disclosed separately.

## 12. Amortisation of Expenses:

The Pre-operative Expenses are amortised over a period of five years.

## 13. Intangible Assets:

- (a) Intangible assets are amortised over their estimated economic useful life as estimated by the Company except that in respect of Computer Software, depreciation is provided @ 16.21% on SLM basis.
- (b) Expenditure incurred from 1<sup>st</sup> April 2003 onwards in the nature of intangible items, which do not qualify as intangible assets are charged to the Profit & Loss Account in the year in which they are incurred.
- (c) Expenditure incurred under the head "Deferred Revenue Expenditure" upto 31<sup>st</sup> March 2003 are continued to be written off over the estimated period over which benefit is expected to accrue.

## 14. Segment Accounting:

Reportable Segments are identified having regard to the dominant source of revenue and nature of risks and returns.

## 15. Taxes on Income:

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## 16. Provisions and Contingencies:

A provision is recognized when the Company a legal and constructive obligation as result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made out of the amount of the obligation. A contingent liability is disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

## B. NOTES ON ACCOUNTS:

### 1. Amalgamation of The Himco (India) Limited (Himco) with the Company:

- (a) Pursuant to the Scheme of Amalgamation of the erstwhile Himco with the Company as approved by the Shareholders in the court convened meeting held on 22<sup>nd</sup> October, 2005 and subsequently sanctioned by the Hon'ble High Court of Judicature at Bombay vide their Order dated 9<sup>th</sup> December, 2005, all the assets and liabilities of the said erstwhile Himco were transferred and vested in the Company with effect from 1<sup>st</sup> July, 2005 and the aforesaid Scheme has been given effect to in the accounts for the year ended 31<sup>st</sup> March, 2006.
- (b) Himco was engaged in the business of hotel and time-share activities and was the owner of a residential star category hotel at Andheri (East), Mumbai in the name of "the Lotus Suites".
- (c) As a consequence of the amalgamation:
  - (i) The entire business and undertaking of the erstwhile Himco including all the assets, liabilities, debts and obligation, whether provided in the books or not and related to the period upto the date of Effective Date have been incorporated in the books of account of the Company as per "Pooling of Interest" method as prescribed by Accounting Standard (AS-14) – "Accounting for Amalgamation" issued by the Chartered Accountants of India.
  - (ii) Pending completion of the relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme of Amalgamation, such assets and liabilities remain in the name of erstwhile Himco.
  - (iii) The financial results of the Company for the year ended 31<sup>st</sup> March, 2006 are inclusive of the figures of the erstwhile Himco for the 9 months period from 1<sup>st</sup> July, 2005 to 31<sup>st</sup> March, 2006.
  - (iv) The figures for the year ended 31<sup>st</sup> March, 2006, which include the figures of the erstwhile Himco as mentioned above, are not comparable with the figures of the previous year.
  - (v) In accordance with the Scheme of Amalgamation approved by the Hon. High Court, all the reserves including Rs.23.44 Crores of Revaluation Reserve, the debit balance of Miscellaneous Expenditure Account and Profit & Loss Account of the erstwhile Himco as on 1<sup>st</sup> July, 2005 have been transferred to Amalgamation Reserve Account. Likewise, the excess of book value of the net assets of the erstwhile Himco over the paid up value of the shares to be issued and allotted to the shareholders of erstwhile Himco have also been credited to the Amalgamation Reserve Account. Further all inter-company loans, advances, deposit balances and other obligations between the erstwhile Himco and the Company cancelled and eliminated. Further a sum of Rs.1,07,98,635/- being the impact of difference in accounting policy with regard to provision of interest on the time share deposit has been adjusted to and transferred to Amalgamation Reserve Account. In terms of Scheme of Amalgamation approved by the High Court, the ultimate credit balance of the Amalgamation Reserve of Rs. 29,39,38,601/- (which is inclusive of Rs. 23.44 Crores being Revaluation Reserve) shall constitute the Company's Free Reserve available for distribution.
  - (vi) A sum of Rs. 1,31,79,087/- being the reduction in Deferred Tax Liability on giving effect to the Scheme of Amalgamation in accordance with Accounting Standard (AS-22) – "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India has been adjusted and transferred to Amalgamation Reserve Account.

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(vii) The Company has made a provision of Rs. 1,82,44,633/- for stamp duty payable on amalgamation based on preliminary adjudication order passed by Stamp Authorities against which the Company has filed its objections, and speaking order from the adjudicating authority is awaited. Pending outcome of the Company's representation, the aforesaid amount has been capitalized and added to the value of immovable property being the hotel building transferred to the Company pursuant to the merger. Adjustment for any difference between the amount provided and final amount payable on disposal of Company's objections or any further proceedings will be made at the appropriate time.

(viii) The summarized position of Amalgamation Reserve Account is as under:

Particulars	Rupees	Rupees
Book value of assets of erstwhile "The Himco (India) Limited		1,30,76,97,454
Add/(Less):		
(i) Deferred Tax Asset	(5,03,01,264)	
(ii) Miscellaneous Expenditure	(8,83,802)	
(iii) Debit Balance In Profit and Loss Account	(4,92,70,079)	
(iv) Effect of Prior Period Adjustment.	21,50,743	(9,83,04,402)
Balance value of assets transferred		1,20,93,93,052
Less:		
Book value of all the Liabilities transferred		(1,12,76,97,453)
Book value of net assets		8,16,95,599
Less: Value of Equity shares issued and allotted to the shareholders of erstwhile Himco		(2,45,45,450)
Add: Reserves including Revaluation Reserve		23,44,08,000
<b>Sub total</b>		29,15,58,149
Add: Reduction in Deferred Tax Liability on amalgamation		1,31,79,087
<b>Sub-total</b>		30,47,37,236
Less: Amount arising out of difference in accounting policy		(1,07,98,635)
<b>Balance in Amalgamation Reserve Account</b>		<b>29,39,38,601</b>

- (d) The aforesaid balance has been transferred to General Reserve as per the Scheme approved by the Hon'ble High Court of Judicature at Bombay and as per Accounting Standard (AS-14) "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India.
- (e) Pursuant to the Scheme, the Company has issued and allotted 24,54,545 fully paid equity shares of Rs. 10 each to the shareholders of erstwhile Himco in the ratio of 3 equity shares of Rs. 10 each for every 22 equity shares held by them in the erstwhile Himco.
2. Estimated amount of capital commitments to be executed on capital account and not provided for Rs.17,03,15,975/- (Prev. Year Rs. 2,61,37,810/-) (Net of advances).
3. **Contingent liability not provided for in respect of :**
- (a) Disputed Income Tax Demand Rs.29,79,837/- (Prev. Year Rs.27,73,939/-).
- (b) Other matters Rs. 1,11,09,943/- (Prev. Year Rs. 82,99,780/-)
4. The Company has made provision for property tax at Rs. 2,01,02,025/- (Previous year Rs.1,63,17,438/-) based on bills raised by the Mumbai Municipal Corporation on the basis of assessment of ratable value of the Company's Hotels at Vile Parle and Andheri. The Company has disputed the assessment of the said ratable value by filing appeals, which are pending before an appropriate Court. Adjustments, if any, will be made on disposal of appeals.
5. There were no amounts due and remaining unpaid to Small-Scale and/or Ancillary Industrial suppliers on account of principal and/or interest as at the close of the financial year. This disclosure is based on the information available with the Company regarding the status of the suppliers as defined under the Interest on Delayed Payments of Small Scale and Ancillary Industrial Undertaking Act, 1993.
6. In accordance with the terms of issue, the Company redeemed 12,00,000 14% Secured Non-Convertible Debentures of Rs.100/- each in earlier year and paid/adjusted the redemption value to the debenture holders. However, certain debenture holders holding debentures aggregating to Rs.1,00,000/- did not surrender the debenture certificates to the Company duly discharged and the same are pending redemption. Pending completion of formalities for redemption of the said debentures, the Company has shown the unpaid amount (net of amount due on allotment) under "Current Liabilities" and retained a sum of Rs. 1,00,000/- in the Debenture Redemption Reserve. The company has deposited an equivalent amount in a 'no lien bank account' for payment of this amount.
7. **Segment Reporting:**
- Based on the guiding principles given in the Accounting Standard 17, the Company's primary business consists of hotel related activities inter alia comprising revenue from rooms, sale of food & beverages, revenue from provision of other hospitality services including swimming pool, health club, etc. which mainly have identical risks and returns. Besides the above primary segment, the Company also earns some revenue as detailed in the Profit & Loss Account from its Institute of Hotel Management. However, based on the quantum of the revenue, this division does not fall in the definition of reportable segments as given in the aforesaid Accounting Standard.

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## 8. Related Party Disclosures under Accounting Standard 18:

- (a) Holding Company or Subsidiary Company: None
- (b) Associates:  
 Plaza Hotels Private Limited  
 Kamats Development Private Limited  
 Erstwhile The Himco (India) Limited (upto 30.6.2005)  
 Kamat Holiday Resorts Private Limited  
 Kamat Holiday Resorts (Silvassa) Private Limited  
 Vishal Amusements Limited  
 Concept Hospitality Limited  
 Conwy Finance & Leasing Private Limited  
 Blida Investment Private Limited
- (c) Key Management Personnel :  
 Mr. Vithal V. Kamat - Executive Chairman & Managing Director  
 Mr. K. P. Kannampilly - Whole-time Technical Director  
 Mr. Ramesh N. Shanbhag - Whole-time Director  
 Mr. Vishal V. Kamat - Executive Director & also relative
- (d) Other related parties with whom transactions have taken place during the year:  
 V. V.Kamat HUF  
 Sportsfield Amusements  
 Kamats Klub, Lokhandwala
- (a) Summary of transactions during the year with Related Parties entered into on commercial basis in the interest of the Company and approved by the Board, and status of outstanding balances as on 31<sup>st</sup> March, 2006:

Sr. No.	Nature of transactions	Associates	Key Management Personnel & relatives*	Other related Parties
1	Gross Sale of services including Management & Consultancy Fees	30,10,478 (37,81,239)	Nil (Nil)	36,674 (Nil)
2	Purchase of goods & services	3,12,798 (Nil)	Nil (Nil)	Nil (Nil)
3	Remuneration Paid	Nil (Nil)	76,63,380 (45,60,182)	Nil (Nil)
4	Consultancy Fees/Fees paid towards hotel property under Management Agreement	64,03,479 (51,69,209)	Nil (Nil)	Nil (Nil)
5	Reimbursement of contractual remuneration of personnel deputed to Company	1,17,73,843 (1,08,02,286)	Nil (Nil)	Nil (Nil)
6	Rent paid incl. Reimbursement of expenses	1,75,352 (2,18,052)	Nil (Nil)	7,11,799 (7,67,173)
7	Reimbursement received towards expenses incurred	Nil (25,83,435)	Nil (Nil)	1,35,259 (5,524)
8	Interest paid	56,03,400 (58,26,640)	Nil (Nil)	51,24,000 (53,28,141)
9	Dividend paid (including Interim dividend for 2004-05)	Nil (98,20,800)	Nil (7,89,756)	Nil (1,75,200)
10	Security Deposit given / refunded	9,46,00,000 (70,00,000)	Nil (Nil)	25,00,000 (25,00,000)
11	Advances given on Current Account	40,67,137 (5,18,914)	Nil (Nil)	1,56,939 (Nil)
12	Deposits taken	30,00,000 (Nil)	Nil (Nil)	Nil (Nil)
13	Sales Tax Deferred Premium	Nil (16,66,666)	Nil (Nil)	Nil (Nil)
14	12.5% Unsecured Debentures redeemed and converted into 12% Secured Debentures	Nil (4,66,95,000)	Nil (Nil)	Nil (4,27,00,000)
15	Balance outstanding at the year end: Secured Non-convertible Redeemable Debentures	4,66,95,000 (4,66,95,000)	Nil (Nil)	4,27,00,000 (4,27,00,000)
	Accounts receivable	41,75,894 (92,92,704)	Nil (Nil)	1,56,939 (Nil)
	Deposit paid incl. Under Management Contract	69,71,00,000 (63,75,00,000)	Nil (Nil)	4,00,00,000 (25,00,000)
	Amounts Payable	19,24,465 (950)	3,70,964 (81,902)	46,536 (65,481)
16	Corporate Guarantee provided by Plaza Hotels Private Limited	1,50,62,91,000 (90,83,00,000)	Nil (Nil)	Nil (Nil)

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\* Relatives of Key Management Personnel: Mrs. Vidya V. Kamat, Mr. Vikram Kamat and Ms. Vidita Kamat (wife and children respectively of Mr. Vithal V. Kamat), Mrs. Sharda S. Kamat (sister of Mr. Vithal V. Kamat) and Mrs. Sabrina Kannampilly (wife of Mr. K.P. Kannampilly).

In addition to the above Sitting Fees of Rs.6,80,000/- (Prev. Year Rs. 2,60,000/-) has been paid to non-executive directors.

9. The Company's significant leasing arrangements are in respect of operating leases for premises. These leasing arrangements, which are not non-cancellable, range between 11 months and 9 years generally, or longer and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under Schedule "K" and aggregate Licence fees Income for shops is shown under Schedule "J".

10. Earnings per share (E.P.S.) under Accounting Standard 20:

<b>Basic &amp; Diluted</b>			
<b>Particulars</b>	<b>Current Year (Rupees)</b>	<b>Previous Year (Rupees)</b>	
Profit after tax as per Accounts	15,57,91,559	4,06,90,772	
No. of Shares issued (Nos.)	1,31,97,395	1,07,42,850	
Weighted average no. of shares	1,25,83,759	1,07,42,850	
Nominal Value of Share	10.00	10.00	
Basic & Diluted E.P.S.	12.38	3.79	

11. **Deferred Tax Liability:**

Major Components of Deferred Tax Assets and Deferred Tax Liabilities:

<b>Particulars</b>	<b>Current Year (Rupees)</b>	<b>Previous Year (Rupees)</b>
<b>Deferred tax liabilities</b>		
Difference in depreciation.	22,18,12,999	18,39,49,219
Expenditure claimed as revenue under the Income Tax Act, 1961 but treated as deferred revenue expenditure in the books.	2,02,631	31,70,851
<b>Total</b>	<b>22,20,15,630</b>	<b>18,71,20,070</b>
<b>Deferred tax assets</b>		
Expenses allowable for tax purpose on payment basis	1,79,36,148	1,66,15,960
Unabsorbed Depreciation / Business Loss	13,78,29,848	8,81,41,735
Provision for doubtful debts / Contingencies	1,55,362	30,89,016
<b>Total</b>	<b>15,59,21,358</b>	<b>10,78,46,711</b>
Deferred Tax Liability (net)	6,60,94,272	7,92,73,359
<b>Incremental Liability</b>		<b>(1,31,79,087)</b>

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In accordance with the provisions of Accounting Standard 22 "Accounting for Taxes on Income" the reduction in the Deferred Tax Liability on giving effect to the Scheme of Amalgamation of Himco has been adjusted and transferred to Amalgamation Reserve Account.

12. Balances of Debtors, Creditors, Advances and Deposits are subject to confirmation and consequent reconciliation and adjustments, if any.
13. Details of Auditors' Remuneration:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
As Audit Fees	2,22,750	1,62,500
For Tax Audit Fees	50,000	40,000
For Tax Matters	15,000	15,000
For Other Services (related to erstwhile Himco)	13,000	Nil
For Certification, etc.	42,500	31,500
Reimbursement of Expenses	21,000	20,000
Service Tax	40,984	23,483
<b>Total</b>	<b>4,05,234</b>	<b>2,92,483</b>

14. In respect of the Company's turnover of Food & Beverages, it is not possible to give quantity-wise details of such turnover. The Government of India, Ministry of Finance (Department of Company Affairs) vide their Order No. 46/83/2006-CL-III dated 30<sup>th</sup> May, 2006 has exempted the Company from giving these particulars in the accounts for the financial year ending March 2006 to March 2008, subject to certain specific disclosures, which have been complied with by the company.

15. Current Assets, Loans & Advances include:

- (a) Rs. 2,00,00,000/- (Previous Year Rs.2,00,00,000/-) being Inter Corporate Deposits given by the Company to two companies in earlier year against which the Company has initiated legal proceedings under Section 138 of the Negotiable Instruments Act, 1881 for default in repaying the deposit and interest thereon and also filed civil summary suits which are pending before appropriate Courts. Pending disposal of the summary suits, no credit has been taken on the basis of legal advice, for interest relatable for the year under reference due on these deposits in view of uncertainty of its receipt ultimately. The company holds certain securities as a security against the above ICDs, however, in the absence of their valuation or quotations available, it is not possible to ascertain the value thereof. The ICDs are considered doubtful and fully provided for.
- (b) Rs. 5,00,000/- (Previous Year Rs.5,00,000/-) being deposit for premises paid to a private limited company in which a director of the company is a director.
- (c) Rs. 25,00,000/- (Previous Year Rs. 25,00,000/-) being deposit for premises paid to a proprietary concern of the Managing Director of the Company.
- (d) Rs.3,75,00,000/- (Previous Year Rs.Nil) being deposit for management contract and mortgage arrangement with a bank paid to HUF of the Managing Director of the Company.
- (e) Rs. 40,67,137/- (Prev. Year Rs. 5,18,914/-) due from Companies on current account in which some directors of the Company are directors.

16. In the opinion of the Board of Directors, the current assets, loans & advances are approximately of the value stated, if realised in the ordinary course of the business and the provision for all known liabilities is adequate and not in excess of the amount reasonably considered necessary.

17. Balance with a Non-Scheduled Bank: Name of the Bank: The Satara Sahakari Bank Limited;

- (a) In Fixed Deposit Account: balance outstanding as on 31<sup>st</sup> March, 2006 Rs. 5,00,000/- (Prev. Year Rs.42,00,000/-) and maximum amount outstanding at any time during the year Rs. 42,00,000/- (Prev. Year Rs. 42,00,000/-).
- (b) In Current Account: balance outstanding as on 31<sup>st</sup> March, 2006 Rs. 84,667/- (Prev. Year Rs.Nil) and maximum amount outstanding at any time during the year Rs. 41,34,428/- (Prev. Year Rs. Nil).

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18. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part-II and IV of Schedule VI to the Companies Act, 1956 are given as under to the extent applicable:

## I) Directors' Remuneration :

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Remuneration to Managing and Whole Time Directors (Rs.42,00,000/- to Managing Director (Prev. Year Rs.30,00,000/-)	70,68,000	41,88,600
Contribution to Provident Fund	5,00,184	1,15,848
Perquisites	95,196	2,55,734
Directors sitting fees	6,80,000	2,60,000
<b>Total</b>	<b>83,43,380</b>	<b>48,20,182</b>

## II) Earnings in foreign exchange: (Hotel Services)

Particulars	Current Year (Rupees)	Previous Year (Rupees)
As reported to the Department of Tourism and certified by the management and relied upon by the Auditors (including direct encashments)	28,56,18,718	22,35,56,847

## III) Expenditure in foreign currency (including provisions) on account of:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Commission to Travel Agents, Travelling Expenses, Membership & Subscription, Internet / Website Charges etc.	47,53,020	49,07,354

IV) The Company has not made any remittance in Foreign Currencies on account of dividends during the year under report and does not have information as to the extent to which remittance in foreign currencies on account of dividends have been made by or on behalf of non-resident shareholders. The particulars of dividends paid to non-resident shareholders are as follows:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
<b>Dividend (2003-04):</b>		
(a) Number of non-resident shareholders	Nil	496
(b) Number of Equity Shares held	Nil	4,10,430
(c) Amount of Dividend remittable and paid	Nil	2,46,258
<b>Interim Dividend (2004-2005):</b>		
(d) Number of non-resident shareholders	Nil	439
(e) Number of Equity Shares held	Nil	3,41,575
(f) Amount of Dividend remittable and paid	Nil	3,41,575

## V) Value of Imports on CIF basis:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Capital Goods	10,54,461	26,92,695
Spare Parts	70,656	5,87,628
Provisions, Wines etc.	6,29,287	Nil

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19. The figures for the previous year have been regrouped / rearranged wherever necessary.

20. Information pursuant to Part IV of Schedule VI to the Companies Act, 1956:

	(Rupees in Thousands)
<b>I Registration Details:</b>	
Registration No.	U55101MH1986PLCO39307
State Code	11
Balance Sheet date	31.03.2006
<b>II Capital raised during the year:</b>	
Public Issue*	24545
Bonus Issue	Nil
Right Issue	Nil
Private Placement	Nil
* (Refer Note 1(e) of Notes on Accounts)	
<b>III Position of Mobilisation and Deployment of Funds:</b>	
Total Liabilities	29,64,147
Total Assets	29,64,147
<b>Sources of Funds:</b>	
Paid up Capital	1,37,859
Reserves & Surplus	10,87,576
Secured Loans	13,26,794
Unsecured Loans	3,45,824
Deferred Tax Liability (Net)	66,094
<b>Application of Funds:</b>	
Net fixed assets (incl. Capital work in progress)	28,64,617
Investments	39,822
Net Current Assets	59,106
Miscellaneous Expenditure	602
Accumulated Losses	Nil
<b>IV. Performance of the Company:</b>	
Turnover (including other income)	8,23,408
Total Expenditure	6,51,315
Profit (+)/ Loss (-) before tax	(+ 1,72,093)
Profit (+) / Loss (-) after tax	(+ 1,55,792)
Earnings per equity share (in Rupees)	12.38
Dividend on equity shares (Rate in %)	15%
<b>V Generic Names of Three Principal Products of Company:</b>	
The Company is in the business of hoteliering and catering & timeshare which is not covered under ITC classification.	

As per our report of even date

**For J. G. VERMA & CO.**  
Chartered Accountants

**J.G. Verma**  
Partner

**For ANAY GOGTE & CO.**  
Chartered Accountants

**A. R. Gogte**  
Proprietor

**G. N. Shenoy**  
Chief Financial Officer

**R. V. Joshi**  
Company Secretary

**V. V. Kamat**  
Executive Chairman & Managing Director

**R. N. Shanbhag**  
Wholtime Director

**Vishal V. Kamat**  
Executive Director

Mumbai: 26th July, 2006