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EIH Associated Hotels Limited

A member of The Oberoi Group

Annual Report 2005-2006

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BOARD

Mr. P.R.S. Oberoi, *Chairman*
Mr. Vikram Oberoi, *Managing Director*
Mr. S.S. Mukherji
Mr. L. Ganesh
Mr. Rajan Raheja
Mr. Anil Nehru

COMPANY SECRETARY
Mr. R. Mitra

REGISTRAR AND
SHARE TRANSFER AGENT
EIH Limited
4, Mangoe Lane
Kolkata 700 001

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AUDITORS
Ray & Ray
Chartered Accountants
6, Church Lane
Kolkata 700 001

REGISTERED OFFICE
1/24, G.S.T. Road
Meenambakkam
Chennai 600 027

HEAD OFFICE
4, Mangoe Lane
Kolkata 700 001

CORPORATE OFFICE
Maidens Hotel
7, Sham Nath Marg
Delhi 110 054

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The Oberoi Dharma

FUNDAMENTAL CODE OF CONDUCT

We, as members of OBEROI Organisation are committed to display through our behaviour and actions the following CONDUCT which applies to all aspects of our Business :

CONDUCT which is of the highest ethical standards–intellectual, financial and moral and reflects the highest levels of courtesy and consideration to others.

CONDUCT which builds and maintains Team work, with mutual trust as the basis of all working relationship.

CONDUCT which puts the customer first, the Company second and the self last.

CONDUCT which exemplifies care for the customer through anticipation of need, attention to detail, excellence, aesthetics and style and respect for privacy along with warmth and concern.

CONDUCT which demonstrates two-way communication accepting constructive debate and dissent whilst acting fearlessly with conviction.

CONDUCT which demonstrates that people are our key asset, through respect for every employee, and leading from the front regarding performance achievements as well as individual development.

CONDUCT which at all times safeguards the safety, security, health and environment of customers, employees and the assets of the Company.

CONDUCT which eschews the short-term quick-fix for the long-term establishment of healthy precedent.

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The Oberoi Group Mission

OUR GUESTS

We are committed to meeting and exceeding the expectations of our guests through our unremitting dedication to perfection, in every aspect of service.

OUR PEOPLE

We are committed to the growth, development and welfare of our people upon whom we rely to make this happen.

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OUR DISTINCTIVENESS

Together we shall continue the Oberoi tradition of pioneering in the hospitality industry, striving for unsurpassed excellence in high potential locations all the way from the Middle East to Asia Pacific.

OUR SHAREHOLDERS

As a result, we will create extraordinary value for our stakeholders.

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HIGHLIGHTS

Rupees in Million
except item nos. 13, 14, 15 & 16

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	**2005-2006**
FOR THE YEAR										
1. GROSS REVENUE	250.547	240.578	320.280	315.006	371.760	330.091	277.514	361.100	512.259	**664.125**
2. PROFIT BEFORE TAX	101.615	67.893	12.502	(56.145)	(15.447)	(44.147)	(59.157)	(60.345)	(22.836)	**45.185**
3. PROFIT AFTER TAX	87.115	60.758	11.189	(56.145)	(15.447)	(34.160)	(39.128)	(58.054)	(12.285)	**28.963**
4. DIVIDEND	26.250	26.250	21.000	–	–	–	–	–	–	–
5. RETAINED EARNINGS	66.765	48.366	20.679	–	28.417	9.078	4.363	–	30.737	**74.839**
6. FOREIGN EXCHANGE EARNINGS	192.697	172.914	248.003	258.482	234.800	244.604	198.771	191.063	245.073	**337.843**
AT YEAR END										
7. GROSS FIXED ASSETS	582.891	994.743	1131.829	1269.264	1352.560	1360.937	1374.771	1373.555	1403.879	**1401.873**
8. SHARE CAPITAL	105.000	105.000	105.000	105.000	105.000	105.000	105.000	105.000	105.000	**105.000**
9. RESERVES AND SURPLUS	267.765	299.648	287.527	231.382	215.934	151.703	126.006	127.506	127.506	**127.506**
10. NET WORTH	371.416	403.749	392.077	336.382	320.934	256.703	217.576	150.911	140.648	**171.633**
11. BORROWINGS	192.653	550.384	692.130	859.897	966.478	933.423	929.803	986.935	1030.276	**906.776**
12. CAPITAL EMPLOYED	559.347	753.304	862.108	946.552	988.355	1107.806	1131.920	1043.684	1044.924	**942.909**
PER SHARE (Rs.)										
13. NET WORTH PER EQUITY SHARE	35.37	38.45	37.34	32.04	30.57	24.45	20.72	14.37	13.39	**16.35**
14. EARNINGS PER EQUITY SHARE	8.30	5.79	1.07	(5.35)	(1.47)	(3.25)	(3.73)	(5.53)	(1.17)	**2.76**
15. DIVIDEND PER EQUITY SHARE	2.50	2.50	2.00	–	–	–	–	–	–	–
RATIO										
16. DEBT : EQUITY RATIO	0.52 : 1	1.36 : 1	1.77 : 1	2.56 : 1	3.01 : 1	3.64 : 1	4.27 : 1	6.54 : 1	7.33 : 1	**5.28 : 1**

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DIRECTORS' REPORT

The Board presents the Twenty-third Annual Report together with the Audited Statement of Accounts and Auditor's Report in respect of the year ended 31st March, 2006.

The financial highlights are set out below :

	Rupees	
	2005-2006	2004-2005
Revenue	**664,124,862**	512,258,655
Profit before Interest, Depreciation & Tax	**237,630,526**	149,082,187
Interest & Finance Charges	**111,446,870**	92,774,001
Depreciation	**45,875,571**	43,022,423
Profit/(Loss) before Extraordinary Items	**80,308,085**	13,285,763
Extraordinary Items	**35,123,185**	36,122,260
Profit/(Loss) before Tax	**45,184,900**	(22,836,497)
Provision for Tax written back	**-**	1,829,046
Deferred Tax Asset/(Liability)	**(14,336,295)**	8,722,068
Fringe Benefit Tax	**(1,885,137)**	-
Net Profit/(Loss) after Tax	**28,963,468**	(12,285,383)

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 ("the Act") and based on representations from the Management, the Board states that:

a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and that there are no material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at the end of the Financial Year and of the Profit of the Company for that period;

c) the Directors have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the Annual Accounts on a "going concern" basis.

The annexed Management Discussion and Analysis forms a part of this Report and covers, amongst other matters, the performance of the Company during the Financial Year under review as well as future prospects.

The Report on Corporate Governance in accordance with Clause 49 of the Listing Agreement along with the Auditor's Report is enclosed.

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The Board has, through separate Schemes of Arrangement/Amalgamation, under Sections 391 and 394 of the Companies Act, 1956, approved of :

(a) the amalgamation of Indus Hotels Corporation Limited with the Company with effect from 1st April, 2005; and

(b) the acquisition from EIH Limited of two hotels, viz. The Oberoi Cecil, Shimla and Trident Hilton, Bhubaneswar with effect from 1st April, 2006 in consideration and exchange of fully paid up Preference Shares and Debentures to be issued and allotted by the Company to EIH Limited in terms of the Scheme.

The Schemes are subject to and will come into effect after receiving the necessary approvals on completing the requisite formalities for which steps and proceedings have already been initiated by all the companies concerned. Pending the above, no effect of the Scheme of Amalgamation has been given in the attached Accounts of the Company.

During the Financial Year, the Foreign Exchange earnings of the Company were Rs. 337,843,321 against Rs. 245,072,962 in the previous year. The outgoing in Foreign Exchange was Rs. 43,619,522.

Energy conservation continues to be a key focus activity of the Company.

Mr. S.S. Mukherji and Mr. L. Ganesh, Directors, are due to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Auditors of the Company, Messrs. Ray & Ray, Chartered Accountants, retire and are eligible for re-appointment.

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

The Board takes this opportunity to thank all employees for their commitment, dedication and co-operation.

For and on behalf of the Board

New Delhi	VIKRAM OBEROI	P.R.S. OBEROI
30th May, 2006	*Managing Director*	*Chairman*

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INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006

A. Employed throughout the year and were in receipt of remuneration for the year which in the aggregate was not less than Rs. 2,400,000

Name of the Employee	*Age*	*Designation/ Nature of Duties*	*Gross Remuneration (Rs.)*	*Qualification(s)/ Experience (Years)*	*Date of Commencement of Employment*	*Particulars of Previous Employment*
1	2	3	4	5	6	7
REITZ S.	49	General Manager, The Oberoi Rajvilās, Jaipur	6,326,587	ABITUR, Germany (30)	April, 2005	Aman Resorts, Bhutan
WHIFFEN A.	37	Executive Chef, The Oberoi Rajvilās, Jaipur	5,105,779	Trade School of Chefs, Bournemouth, Dorset (20)	May, 2003	The Sandy Lane Hotel, Barbados

B. Employed for a part of the year and was in receipt of remuneration which in the aggregate was not less than Rs. 200,000 per month

Name of the Employee	*Age*	*Designation/ Nature of Duties*	*Gross Remuneration (Rs.)*	*Qualification(s)/ Experience (Years)*	*Date of Commencement of Employment*	*Particulars of Previous Employment*
1	2	3	4	5	6	7
JONES P.	38	General Manager, The Oberoi Rajvilās, Jaipur	959,294	Higher National Diploma in Hotel Management (19)	March, 2003	EIH Limited

NOTES :

1. The above employees are/were on lien from EIH Limited and are/were governed by individual service contracts.
2. No employee listed above is/was a relative of any Director of the Company.
3. The above employees have/had adequate experience to discharge their duties.
4. No employee listed above holds/held by himself or along with his spouse and dependent children 2% or more of the Equity Shares of the Company.

For and on behalf of the Board

New Delhi
30th May, 2006

Vikram Oberoi
Managing Director

P.R.S. Oberoi
Chairman

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