



HOTEL LEELAVENTURE LIMITED

Annual Report  
2002 - 2003





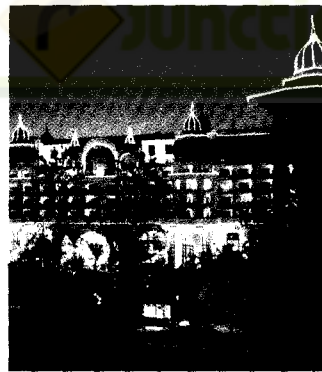
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Or, ways to experience royalty  
outside a history book.



The Leela Kempinski Mumbai



The Leela Palace, Bangalore  
A Kempinski Hotel



The Leela, Goa  
A GHM Resort

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**THE LEELA**  
PALACES & RESORTS  
MUMBAI GOA BANGALORE

  
**THE LEELA**  
Kempinski Mumbai  
A member of  
*The Leading Hotels of the World®*

  
**THE LEELA**  
A GHM  


  
**THE LEELA PALACE**  
Kempinski Bangalore

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JAIPUR: 0141 239 1615/1244. ONLINE: [WWW.THELEELA.COM](http://WWW.THELEELA.COM)

## Mission statement

Hoteliering has gone beyond the status of an industry. It is today an art form. It starts with innovation, continues the search for excellence, and finally celebrates perfection.

These are precisely the three pillars on which The Leela Group has built its reputation.

• Innovation • Excellence • Perfection

They also represent the three faces of modern India.

The India which dares to take on the world with its world class technology, its great tradition enriched over the centuries and its obsessive desire to be hospitable to travellers from all over the world. But beyond all this is the simple fact:

We love and enjoy people. It is this that has made us what we are. It is this that must inspire us in the years to come.

Capt. C.P. Krishnan Nair  
Chairman  
Hotel Leelaventure Limited

## Hotel Philosophy

### Atithi Devo Bhava - The Guest is God

In ancient India there were monks ( sadhus ) who travelled extensively across the country. During his travel, a Sadhu would seek shelter at any place he wished. The host would welcome him, feed him and make him comfortable for as long as he stayed. That was ancient Indian hospitality. Where the guest was no less than God. He still is for us at The Leela.



## CHAIRMAN'S STATEMENT

### LOOKING AHEAD AND BEYOND

Ladies and Gentlemen,

Good morning and on behalf of the Board of Directors, I welcome you all to the Twenty-second Annual General Meeting of your Company. I am happy to share my sense of optimism for the future that stands before us setting aside the difficulty the industry faced over the last three years. The country's healthy economic parameters, the buoyant trading climate, the approval of the Mumbai Convention Centre, the progressive boom in Bangalore and our alliance with GHM for The Leela Goa, all hold the promise of better times ahead.

### Hospitality Industry

The year 2002-03 was turbulent, but interspersed with occasional promises. It witnessed falling occupancies and plummeting room rates in most hotels. War clouds, negative travel advisories and riots in Gujarat almost wiped out international travel to India. Even nature backtracked with many parts of the country facing drought. All these slowed the overall economy.

Fortunately, the declining trend reversed by October 2002 due to favourable economic conditions. Sadly, it was stymied due to Iraq war in March 2003. However, optimism comes from the Government's bold initiative to revive the Hotel Industry. The Budget 2003 made encouraging moves viz: the complete withdrawal of Expenditure Tax, extension of the benefit under



Section 72A of the Income Tax Act, 1961 to the Hotel sector, reduction in the basic Customs Duty, duty-free scheme for import of consumables, exemption of Service Tax in certain categories, etc. Moreover, the Finance Bill 2003 has made a beginning by giving the industry the status of infrastructure. Banks and Financial Institutions will get benefit under Section 10(23G) of the Income Tax Act, 1961 on their interest income on long term loans given to 3 Star hotels and above. Coupled with these initiatives, people's perennial urge to travel will, I am sure, revive the fortunes of the Industry.

## Leela Group of Hotels

**The Leela Palace Bangalore, a Kempinski Hotel**, within two years of its opening, has emerged as the pride of Bangalore. The awesome hotel, soon on its opening in 2001, was chosen by Forbes as the Best among the Eight new Business hotels of the World. It continues to win laurels, the recent being the CNN Ultimate Service Award 2002. It is the only hotel in the Indian sub continent/ Indian Ocean to have bagged this prestigious award.

**The Leela Goa, a GHM Resort**, won recognition for the 3rd consecutive year from the "World Travel Agent's Forum" as the best resort in the Asia Pacific Region. The resort entered into a tie-up with GHM (Mauritius) Limited the world's leading resort operators and hence there is every reason why our Goa Resort will emerge internationally as the most preferred destination, for the discerning tourist, in the years to come.

**The Leela Kempinski Mumbai** continues to excel in the quality of service and care. This magnificent oasis of lush greens is in the process of enhancing guest experience. Investments are in place to launch new restaurants, refurbish rooms and upgrade its services with state-of-the-art facilities. The proposal of establishing a global standard Convention Centre and modernisation of airport will boost Mumbai as a tourist and corporate destination. This path breaking impetus will bring in the inflow of tourists and thereby balance the demand-supply mismatch that is hampering performance today.

**The Leela Galleria** at Mumbai and Bangalore became fully functional during the year. They house the best multinational companies. These commercial complexes will generate steady rental income and will substantially enhance the profitability of your company in the years to come.

**The Leela Business Park** is a foresight driven diversification. Already, it has emerged as a much sought after address on the Andheri Kurla Road. By the year end, it will be completed and will help generate substantial revenues for reduction in the debt burden of your Company.

## Financial Restructuring

The last 3 years witnessed severe stress on the financial performance of the Company due to various extraneous factors. The three tier strategy of raising equity, rationalising debts and unlocking the value of idle assets paid off. Due to these efforts, the Company raised necessary funds and completed all its new projects. Your Company successfully restructured most of its debts that substantially brought down the interest burden. Further efforts are in progress to rationalise and lower the cost of funds in tune with the international scenario. Your Company has also embarked on cost rationalisation measures which are imperative in a highly competitive environment. These initiatives will bear fruit and translate into a healthy growth in operational margin and profits.

As a part of the corporate restructuring commitment, I am happy to inform you that the Scheme of Amalgamation of the subsidiary, Leela Hotels Limited, with your Company has been approved by the High Court of Judicature at Bombay with effect from April 1, 2002.

Consequent to Delhi High Court's judgement upholding the Arbitral award in our favour, we have received a part of the refund due from HUDCO. The Company is hopeful that remaining dispute would be duly resolved and a favourable decision with regard to balance sums would evolve. These sums when received will also be essentially used to reduce the debt burden so as to improve the profitability of your Company.

Finally, I would like to thank all the Financial Institutions, Banks, Stakeholders and all who have supported us to build a better and stronger Company. The unstinted support you extended speaks of large faith as well expectations. Your Company shall meet those unmanifest expectations through a combination of insight, intuition and understanding that it stands for. Further, I would also like to record my sincere appreciation to the people who work for us, for their dedication and hard work, which alone can enable us to re-emerge as a true blue chip Company in times to come.

### **Board of Directors**

Capt. C.P. Krishnan Nair  
Mr. Vivek Nair  
Mr. Dinesh Nair  
Mr. Venu Krishnan  
Mr. R. Venkatachalam  
Mr. Vijay Amritraj  
Mr. P.C.D. Nambiar  
Mrs. Anna Malhotra  
Air Vice Marshal H.M. Shahul  
Mr. Anil Harish  
Dr. K.U. Mada  
Mrs. Madhu Nair  
Mr. Sudhir Kumar  
Mr. V. Suresh

### **Auditors**

Picardo & Co.  
Chartered Accountants

### **Bankers**

State Bank of India  
Global Trust Bank Limited  
Bank of Baroda

### **Solicitors**

Kanga & Co.

### **Registered Office**

The Leela,  
Sahar, Mumbai - 400 059

### **22nd Annual General Meeting**

Date : Thursday, September 25, 2003  
Time : 11.00 a.m.  
Venue : Shree Bhaidas Maganlal Sabhagriha,  
U-1, Juhu-Vile Parle Development Scheme,  
Vile Parle (W), Mumbai - 400 056.

# Hotel Leelaventure Limited

## NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Hotel Leelaventure Limited will be held at Shree Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (W), Mumbai 400 056 on Thursday, 25th September, 2003 at 11.00 a.m. to transact the following business :-

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To confirm the payment of dividend on cumulative redeemable preference shares as final dividend.
3. To appoint a Director in place of Mr. Sudhir Kumar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. K.U. Mada who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs. Anna Malhotra who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business

7. To consider and if thought fit, to pass with or without modifications, as an Ordinary Resolution, the following :-

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 and of the Articles of Association of the Company, subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the re-appointment of Mr. Vivek Nair as the Vice Chairman and Managing Director of the Company for a period of five years with effect from 8th August, 2003 with the remuneration, perquisites and benefits as approved by the Remuneration Committee in its meeting held on 28th July, 2003 and with the powers and authority as set out in the draft Agreement submitted to this meeting and for identification initialled by the Chairman of the meeting, which Agreement is hereby specifically approved with the liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or remuneration in such manner as may be agreed to between the Board of Directors and Mr. Vivek Nair.

**RESOLVED FURTHER THAT** in the event of any statutory amendment, modification or relaxation by the Central Government to

Schedule XIII to the Companies Act, 1956, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including powers conferred by this Resolution) be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances, etc. within such limit or ceiling as may be prescribed under such amendment, modification or relaxation and the agreement between the Company and the Vice Chairman & Managing Director be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in General Meeting.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to take such steps and do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this Resolution."

8. To consider and if thought fit, to pass with or without modifications, as a Special Resolution, the following :-

**"RESOLVED THAT** subject to the provisions of the Companies Act, 1956, (including any statutory modification(s), or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist the Equity Shares of the Company from the Stock Exchanges at Ahmedabad, Bangalore, Cochin, Delhi and Mangalore.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable in order to give effect to the foregoing resolution or otherwise considered by it to be in the best interests of the Company."

By order of the Board of Directors  
For **HOTEL LEELAVENTURE LIMITED**

Mumbai  
17th August, 2003  
Registered Office:  
Hotel Leelaventure Limited  
The Leela, Sahar, Mumbai - 400 059

V.S. Satyamoorthy  
Company Secretary

## NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing Proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 11th September, 2003 to Thursday, 25th September, 2003 (both days inclusive).
4. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos. 7 and 8 above, and the relevant details in respect of item nos. 3 to 7 pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, are annexed hereto.
5. Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims to the Office of the Registrar of Companies, Central Government Office Building, "A" Wing, 2nd Floor, Next to Reserve Bank of India, CBD, Belapur - 400 614.

Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.



Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March 1996 onwards, are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31st March 1996 is due for transfer to the Fund on 8th November, 2003.

6. Members holding shares in the physical form are requested to promptly notify any changes in their addresses/bank account details to the Company. Members holding shares in the dematerialised form are requested to notify

the aforesaid changes to their depository participant(s) where they hold their depository account.

7. Members desiring any information as regards the Accounts, are requested to write to the Company 10 days in advance so as to enable the Company to keep the information ready.

## EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

### ITEM NO. 7

At the Seventeenth Annual General Meeting of the Company held on 23rd September, 1998, the members approved the re-appointment of Mr. Vivek Nair as the Vice Chairman and Managing Director of the Company for a period of five years from 8th August, 1998 to 7th August, 2003.

Mr. Vivek Nair has been associated with the Company since its inception and with his able guidance and supervision, the Company could set up the prestigious hotel at Bangalore and the Galleria at Mumbai and Bangalore. Considering the valuable contribution made by him to the Company, his expertise in the hotel industry, the Board has approved his re-appointment as the Vice Chairman and Managing Director at its meeting held on 28th July, 2003 for a period of five years from 8th August, 2003 to 7th August, 2008. The terms and conditions on which Mr. Vivek Nair has been appointed as the Vice Chairman and Managing Director of the Company shall contain the following remuneration which was approved by the Remuneration Committee in its meeting held on 28th July, 2003 :-

#### (1) Salary:

Rs. 2,00,000/- per month in a suitable scale of pay with annual increment not exceeding 20% of the salary per annum with authority to the Board of Directors of the Company to grant such increments within the said scale as it may determine from time to time.

#### (2) Commission:

At 1% of the net profits of the Company for each year comprised in the period of appointment as computed pursuant to the provisions of the Companies Act, 1956.

#### (3) Perquisites & Allowances:

- (a) In addition to the salary and commission payable, the Vice Chairman and Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, club fees, medical reimbursement, leave travel concession for himself and his family, mediclaim insurance, personal accident insurance and such other perquisites, allowances, benefits, privileges, facilities and amenities, in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. Vivek Nair.

- (b) For the purposes of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of the Company's car for official duty and telephone at residence (including payment for local calls and long distance official calls), shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

- (c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent this is not taxable under the Income Tax Act, gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

#### (4) Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Vice Chairman and Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites and allowances being maximum amount permissible under Schedule XIII to the Companies Act, 1956.

The information as required under Schedule XIII to the Companies Act, 1956 is given hereunder :-

### I. GENERAL INFORMATION

#### Nature of Industry

Hotel Leelaventure Limited is in the business of owning and operating the various hotels in the country. At present, the Company is operating three prestigious hotels.

#### Commercial Production

The Company is operating three prestigious hotels viz. The Leela Kempinski, Mumbai, The Leela, Goa and The Leela Palace Kempinski, Bangalore and two commercial complexes viz. The Leela Galleria at Mumbai and Bangalore.

#### Financial Performance

During the year ended 31st March, 2003, the Company achieved a revenue of Rs. 135.24 crores, profit before depreciation and taxes of Rs. 31.25 crores and profit after tax of Rs. 15.77 crores after considering the deferred tax credit of Rs. 11.46 crores.

#### Foreign Exchange Earnings

During the year ended 31st March, 2003, the Company has earned foreign exchange equivalent to Rs. 86.11 crores.

#### Foreign Investments and Collaborations

The Company has not made any investments outside India. It has entered into a Sales and Marketing Agreement with Kempinski for The Leela Kempinski, Mumbai and The Leela Palace Kempinski, Bangalore. It has also entered into a collaboration with GHM (Mauritius) Ltd. for The Leela Goa.

### II. INFORMATION ABOUT THE APPOINTEE

#### Background Details

Mr. Vivek Nair is a promoter Director of the Company having been associated with the group since its inception. He is working in the capacity of Managing Director of the Company since 1983.

#### Past remuneration

Mr. Vivek Nair, Vice Chairman and Managing Director was drawing a monthly basic salary of Rs. 1,00,000 (Rupees One Lac only) plus other allowances and perquisites. Besides this, he was also drawing commission calculated on the net profits of the Company.

#### Recognition

Mr. Vivek Nair is the Vice Chairman and Managing Director of the Company since 1996. He holds the position of a Director in various other Companies. He is the Vice President of the Federation of Hotel and Restaurant Associations of India and also the President of the Hotel and Restaurant Association (Western India).



#### Job Profile and his suitability

Mr. Vivek Nair, who has completed B.A. (Hons) from Bombay University and Hotel Management from Cornell University, has been associated with the Company since its inception.

He has been responsible for the day to day operations of the Company under the superintendence, direction and control of the Board.

Under his able leadership, the Company had grown to various locations with manifold increase in the asset base. Due to his expertise in the Management, the Company could build an enviable brand-equity for the Company through sustained quality standards in its services.

The Company had recently set up the new hotel at Bangalore known as The Leela Palace Kempinski, Bangalore. Besides this, the Company has also constructed huge commercial complexes at Mumbai and Bangalore to support its revenue base and neutralise the seasonalities in Hotel operation. Under his dynamic leadership and supervision, the Company could successfully complete all the new projects despite facing severe financial constraints that has now set the Company on a firm footing.

#### Remuneration proposed

Keeping in view his responsibility and role in the development of the Company, it is proposed to increase his monthly basic salary to Rs. 2,00,000 (Rupees Two Lacs only), plus perquisites and other allowances in accordance with the rules of the Company or as per the agreed terms. Further, he would also be entitled for commission @ 1% of the net profits of the Company as in the past.

#### Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person

The salary structure of the managerial personnel has undergone a major change in the industry in the recent past. Keeping in view the type of the Industry, size of the Company, the responsibilities and capabilities of Mr. Vivek Nair, the proposed remuneration is competitive with the remuneration paid by other Companies for similar positions.

#### Pecuniary relationship with the Company, or relationship with the managerial personnel

Mr. Vivek Nair is a promoter Director of the Company. Further, he is related to Capt. C.P. Krishnan Nair, Mr. Dinesh Nair and Mrs. Madhu Nair, Directors of the Company.

### III. OTHER INFORMATION

#### Reasons for inadequate profits

The Hotel Industry faced severe threat during the last 3 years due to border tensions, terrorist activities and other socio-economic factors. The 9/11 terrorist attack in USA worsened the situation followed by sporadic terrorist attacks in various parts of the nation coupled with travel advisories by west nations and other extraneous factors. The industry posted the worst performance during the last two decades.

#### Steps taken/to be taken for improvement

The Company completed all the new projects including the Leela Palace Kempinski, Bangalore. The Company also implemented various measures to reduce the financial cost and economise its cost of operations. The Company also entered into a Collaboration with GHM (Mauritius) Ltd. for The Leela Goa to achieve better international presence. All the assets of the Company including the new Leela Palace Kempinski, Bangalore and Leela Galleria at Bangalore and Mumbai, etc, were put into operation.

#### Expected increase in productivity and profits

The prospects for the financial year 2003-04 seems to be encouraging and the Company is hopeful of achieving good performance during the current year with substantial increase in the gross revenue and rental income.

The Board of Directors recommends the resolution for approval of the members. The approval of the Central Government will also be duly obtained by the Company.

The terms and conditions for the re-appointment and the remuneration payable to Mr. Vivek Nair as Vice Chairman and Managing Director of the Company as set out in the Notice and Explanatory Statement should be treated as an Abstract of the terms of his re-appointment and memorandum of interest under Section 302 of the Companies Act, 1956.

A Draft of the agreement proposed to be entered between the Company and Mr. Vivek Nair in connection with his re-appointment as Vice Chairman and Managing Director is available for inspection of the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Mr. Vivek Nair may be deemed to be concerned or interested in this Resolution and in his re-appointment.

Except for Capt. C.P. Krishnan Nair, Mr. Dinesh Nair and Mrs. Madhu Nair, who are relatives of Mr. Vivek Nair, no other Director of the Company is concerned or interested in the said Resolution.

#### ITEM NO. 8

The Equity Shares of the Company are presently listed on the Stock Exchanges at Ahmedabad, Bangalore, Cochin, Delhi, Mangalore Mumbai and the National Stock Exchange.

With the wide and extensive networking centres of The Stock Exchange, Mumbai (BSE, Regional Stock Exchange) and the National Stock Exchange of India Limited (NSE), the investors have access to online dealings in the Company's equity shares across the country. Moreover, as per SEBI Notification, the Company's equity shares are compulsorily traded in dematerialised form with effect from 26<sup>th</sup> June, 2000.

The trading volumes of the Company's equity shares at the stock exchanges at Ahmedabad, Bangalore, Cochin, Delhi and Mangalore (hereinafter referred to as "the said stock exchanges") are very low. The annual recurring listing fees paid to the said stock exchanges do not now offer commensurate benefits to the Company and its investors in the changed scenario of the nationwide trading terminals set up by the BSE and NSE. Therefore, the continued listing on the said stock exchanges is not considered necessary. The delisting would further contribute to the reduction in the administrative costs and efforts of the Company.

The Company had earlier obtained the approval of the Members for delisting of the shares at the said stock exchanges in the Nineteenth Annual General Meeting held on 20<sup>th</sup> September, 2000. However, the Company could not complete the process due to certain constraints. Therefore, the Board of Directors at its meeting held on 28<sup>th</sup> July, 2003 has once again decided to apply for voluntary delisting of the Company's equity shares from the said stock exchanges.

The proposed voluntary delisting of the Company's equity shares from the said stock exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary delisting of the Company's equity shares from the said stock exchanges as set out in the Resolution at Item No.8. In terms of the said guidelines, as the Company's equity shares shall continue to remain listed on BSE and NSE, no Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board recommends the Resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the Resolution at Item No.8.

By order of the Board of Directors  
For HOTEL LECLAVENTURE LIMITED

Mumbai  
17th August, 2003

Registered Office:  
Hotel Leclaventure Limited  
The Leela, Sahar, Mumbai - 400 059

V.S. Satyamoorthy  
Company Secretary





## Details of the Directors seeking appointment/re-appointment in the Forthcoming Annual General Meeting.

(In pursuance of Clause 49 [VI][A] of the Listing Agreement)

Name of the Director	Mr. Sudhir Kumar	Dr. K.U. Mada	Mrs. Anna Malhotra	Mr. Vivek Nair
Date of Birth	02.01.1946	29.12.1933	17.07.1927	03.01.1952
Date of Appointment	02.07.2002	29.01.2000	14.06.1993	03.08.1983
Expertise in specific functional areas	Airport Operations, Finance	Economics Faculty for 7 years; 27 years in RBI/IDBI; was Executive Director of IDBI. Development Banker, Economist and Company Director. Director of Corporate bodies for last 30 years. Participant/Speaker at several national and international conferences on management, corporate and economic affairs.	Held important positions in the Government of India, including that of Secretary, Ministry of Education. Ex-Chairperson of Jawaharlal Nehru Port Trust, Mumbai, the hi-tech port of India.	Associated with the Company since its inception. Specialised in the field of Hotel Management. Vice President of Federation of Hotel and Restaurant Associations of India and President of the Hotel & Restaurant Association (Western India).
Qualifications	B.Com, A.C.A.	M.A. (Econ.), Ph.D., Dip. in Fin. Mgt., FICA	I.A.S.	B.A. (Hons). Hotel Management, (Cornell University).
Directorships held in other Companies	NIL	<p>(a) Director of the following Companies:</p> <ol style="list-style-type: none"> <li>1. Lupin Limited</li> <li>2. Southern Petrochemical Industries Corporation Limited</li> <li>3. Ispat Metallies India Ltd.</li> <li>4. Natco Pharma Ltd.</li> <li>5. Asian Electronics Limited</li> </ol> <p>(b) Member – Executive Committee, National Securities Depository Ltd.</p>	<p>Director of the following Companies:</p> <ol style="list-style-type: none"> <li>1. Malhotra Heart Institute &amp; Medical Centre Pvt. Ltd., New Delhi.</li> <li>2. Medicorp Limited, Chennai</li> <li>3. Simplex Mills Company Ltd., Mumbai.</li> </ol>	<p>Director of the following Companies:</p> <ol style="list-style-type: none"> <li>1. Leela Scottish Lace Pvt. Ltd.</li> <li>2. Standard Precious &amp; Alloy Inds. Pvt. Ltd.</li> <li>3. Buena Vista Travels Pvt. Ltd.</li> <li>4. Leela Housing Pvt. Ltd.</li> <li>5. Wondercraft Apparels Pvt. Ltd.</li> <li>6. Armcess Engineers Pvt. Ltd.</li> <li>7. VIBGYOR Leasing Pvt. Ltd.</li> <li>8. Elegant Eateries Pvt. Ltd.</li> <li>9. PSPL Polymers Pvt. Ltd.</li> <li>10. Aushim Soft Pvt. Ltd.</li> <li>11. Leela Soft Pvt. Ltd.</li> <li>12. Splendour Realtors India Pvt. Ltd.</li> <li>13. Tropicare Textiles Pvt. Ltd.</li> <li>14. Beacon Fabrics Pvt. Ltd.</li> <li>15. Chemtec Water Conditioners Pvt. Ltd.</li> <li>16. VIP Industries Ltd.</li> <li>17. Leela Capital &amp; Finance Ltd.</li> <li>18. Leela International Ltd.</li> <li>19. Buena Vista (International) Ltd.</li> <li>20. Vision Hotels &amp; Resorts Ltd.</li> <li>21. Mumbai International Convention &amp; Exhibition Centre Ltd.</li> <li>22. Leela Lace International Ltd.</li> </ol>
Committee positions held in other Companies	NIL	<ol style="list-style-type: none"> <li>1. Lupin Ltd. (Chairman-Audit Committee)(Member-Investors' Grievances Committee).</li> <li>2. Southern Petrochemical Industries Corporation Ltd. (Chairman-Audit Committee).</li> <li>3. Ispat Metallies India Ltd. (Member-Audit Committee) (Member-Remuneration Committee)</li> <li>4. Natco Pharma Ltd. (Member-Audit Committee) (Chairman-Investors' Grievances Committee)</li> <li>5. Asian Electronics Ltd. (Member-Investors' Grievances Committee)</li> </ol>	NIL	<ol style="list-style-type: none"> <li>1. Leela Capital &amp; Finance Limited (Member-Audit Committee)</li> </ol>

## DIRECTORS' REPORT

### To the Members,

- Your Directors have pleasure in presenting the Twenty Second Annual Report and audited statement of accounts for the year ended 31st March, 2003 together with the Auditors' Report thereon.

### 2. Financial Results

	Year ended 31.03.2003	Year ended 31.03.2002
Revenue	135.24	87.09
Add/(Less): Prior period adjustments	10.07	(0.03)
Total Revenue	145.31	87.06
Profit before interest, depreciation and taxes	37.03	19.69
Less: Interest (net)	5.77	1.94
Profit before depreciation and taxes	31.26	17.75
Less: Depreciation (net)	26.26	15.49
Less: Loss on assets sold	0.03	0.11
Less: Miscellaneous expenditure written off	0.26	0.85
Add/(Less): Provision for taxation and Deferred Tax Credit -(net)	11.06	(0.17)
Net Profit	15.77	1.13
Add/(Less): Extraordinary Expenditure	—	(3.71)
Add: Profit brought forward	0.01	0.46
Transfer from:—		
Forex Earnings Reserve	—	7.75
Debenture Redemption Reserve	16.08	8.18
Profit available for appropriation	31.86	13.81
Transfer to:—		
Debenture Redemption Reserve	4.56	12.47
Dividend on Preference Shares	0.83	1.33
Tax on Dividend	0.11	—
Net Profit carried forward	26.36	0.01

### 3. Redeemable Preference Shares

During the year, the Company issued Non-Cumulative Redeemable Preference Shares for Rs. 35.00 crores and redeemed Cumulative Redeemable Preferences Shares aggregating Rs. 6.40 crores.

### 4. Dividend on Cumulative Redeemable Preference Shares

The Board of Directors has recommended a dividend of Rs. 0.83 crore, at the contracted coupon rates, on the Cumulative Redeemable Preference Shares. Your Directors do not recommend dividend on Non-Cumulative Redeemable Preference Shares.

### 5. Dividend on Equity Shares

Considering the inadequacy of profits and liquidity mis-match, your Directors do not recommend a dividend on Equity Shares for the year ended 31st March, 2003.

### 6. Operations

The year under review saw the commercial launch of The Leela Palace Kempinski, Bangalore and the Leela Galleria at both Mumbai and Bangalore. The total revenue of the Company for the year ended 31st March, 2003 was Rs. 135.24 crores, with the revenue from The Leela Palace Kempinski, Bangalore at Rs. 46.56 crores (previous year Nil), The Leela, Goa at Rs. 24.26 crores (previous year Rs. 23.27 crores) and The Leela Kempinski, Mumbai at Rs. 59.68 crores (previous year Rs. 63.82 crores) and the revenue from the Galleria of Rs. 4.74 crores (previous year: Nil).

The performance of the Company has been better as compared to the previous year with revenues growing by 67%. However, the performance could have been even better had it not been for various extraneous factors, besides global recession, that affected the hotel industry adversely right from the beginning of the financial year. The war like situation on our western borders since April 2002 prompted many countries to issue travel advisories which reduced the flow of foreign visitors to India. Subsequently, the Iraq war and the SARS epidemic further dampened international travel to this part of the continent and affected directly the Indian hospitality industry once again. Moreover, with several new hotels having been set up in North Mumbai and in the vicinity of The Leela Kempinski Mumbai, there was continuous pressure on both occupancy and room rates. The supply has also been growing in North Mumbai by 14% every year.

The internationally renowned GHM Group evinced interest in the management & marketing of The Leela Goa and the Company entered into a 10 years agreement with effect from 1st April, 2003. This alliance should substantially enhance the operational revenue of our Goa Resort in the coming years due to the high standing of GHM and its sister-chain Aman Resorts in the up-scale international market.