



THE LEELA

PALACES HOTELS RESORTS



*The Leela Palace Udaipur has been voted  
'Best Hotel in the World' by  
Travel + Leisure USA, in their 2019 Readers' Survey.*

ANNUAL REPORT

2018-19

HOTEL LEELAVENTURE LIMITED

[www.theleela.com](http://www.theleela.com)

**“The Best Hotel in the World.”** To be crowned with this title is the ultimate honour, a recognition we are proud of, having been endorsed by our delighted guests.

Our goal has always been to go beyond, and provide guests exemplary experiences during their stay with us. Replicating the region’s royal splendour and rich heritage, the fairy-tale begins the moment one glimpses The Leela Palace Udaipur. From the gentle tranquillity of Lake Pichola, to awe-inspiring Rajasthani opulence around every corner, we let guests savour the spectacular grandeur of a bygone era.

Indeed, we make each patron feel like royalty, with distinctive dining experiences amidst plush environs, spa therapies that rejuvenate body, mind and spirit, and exquisite art and artefacts adorning the décor. Modern-day luxury is not forgotten – with every latest amenity in place.

Crowning it all is the meticulous, attentive service from our staff, dedicated to making every moment magnificent.

All this, put together, has placed The Leela Palace Udaipur where it is today – **on top of the world.**

We are honoured to say that, in the same survey, ***The Leela Palace New Delhi*** was **rated No. 31** among the **Top 100 Hotels in the World**. The hotel was also ranked **No. 3** among the **Top 10 City Hotels in Asia**, a list in which ***The Leela Palace Bengaluru*** was ranked **No. 10**.



*Porte Cochere at The Leela Palace Bengaluru*



*Lobby Lounge at The Leela Palace New Delhi*

# MISSION STATEMENT

*To not just satisfy our guests, but delight them.*  
*To show the warmth and grace unique to Indian hospitality.*  
*To set a new global standard of service in which wishes are not simply granted, but anticipated.*

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# Corporate Information

## BOARD OF DIRECTORS

|                   |                                 |
|-------------------|---------------------------------|
| Mr. Vivek Nair    | Chairman & Managing Director    |
| Mr. Dinesh Nair   | Co-Chairman & Managing Director |
| Mr. Vinay Kapadia | Director                        |
| Mr. Vijay Sharma  | Director                        |
| Ms. Saija Nair    | Director                        |

## CHIEF FINANCIAL OFFICER

Mr. Rajan Shah

## PRESIDENT

Mr. Rajiv Kaul

## COMPANY SECRETARY

Mr. Alen Ferns

## STATUTORY AUDITORS

N. S. Shetty & Co.  
Chartered Accountants

## SOLICITORS & ADVOCATES

Cyril Amarchand Mangaldas

## Registered & Corporate Office

The Leela Mumbai  
Sahar  
Mumbai 400 059  
E-mail: [investor.service@theleela.com](mailto:investor.service@theleela.com)  
Website: [www.theleela.com](http://www.theleela.com)

## Bankers / Financial Institutions

Bank of Baroda  
Housing Development Finance Corporation Limited  
State Bank of India

## Registrar & Transfer Agents

Karvy Fintech Private Limited  
Karvy Selenium Tower B, Plot No. 31-32,  
Gachibowli, Financial District,  
Nanakramguda,  
Hyderabad 500 032  
Tel: + 91 40 6716 2222 | Fax: + 91 40 2342 0814  
Toll Free No. 1800-3454-001  
E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)

Corporate Identity Number (CIN): L55101MH1981PLC024097

38<sup>th</sup> Annual General Meeting

Date | Thursday, 19<sup>th</sup> September 2019

Time | 11.00 A.M.

Venue | Rangsharda Auditorium, K. C. Marg,  
Bandra Reclamation, Bandra West,  
Mumbai - 400 050.

# DIRECTORS' REPORT

## Dear Members

Your Directors present the 38<sup>th</sup> Annual Report on the business and operations of your Company, together with the audited accounts for the year ended 31<sup>st</sup> March, 2019.

### 1. Financial Performance

The financial performance of the Company during the year under review is summarised below:

₹ lakhs

| Particulars   | Financial Year<br>2018-19 | Financial Year<br>2017-18 |
|---|---------------------------|---------------------------|
| <b>Continuing Operations:</b>   |                           |                           |
| Total income  | 15,852.79                 | 14,428.80                 |
| Less: Expenses other than finance costs and depreciation / amortisation | 15,669.14                 | 14,891.22                 |
| Less: Finance costs   | 39.66                     | 12.70                     |
| Less: Depreciation and amortisation expenses                            | 957.52                    | 1,326.08                  |
| Profit/(loss) before exceptional items and Tax                          | (813.52)                  | (1,891.20)                |
| Exceptional items - Profit/(loss) (net)                                 | (2,966.11)                | (3,293.68)                |
| Profit/(loss) before Tax  | (3,779.63)                | (5,184.88)                |
| Tax expense   | -                         | -                         |
| <b>Profit/(loss) after Tax from continued operations (A)</b>            | <b>(3,979.63)</b>         | <b>(5,184.68)</b>         |
| <b>Discontinued operations:</b>   |                           |                           |
| Profit/(loss) from discontinued operations                              | (8,109.85)                | 2,683.25                  |
| Tax expense from discontinued operations                                | -                         | -                         |
| <b>Profit/(loss) after Tax from discontinued operations (B)</b>         | <b>(8,109.85)</b>         | <b>2,863.25</b>           |
| <b>Profit after Tax (A + B)</b>   | <b>(11,889.48)</b>        | <b>(2,321.63)</b>         |
| Other comprehensive income / (loss), net of tax                         | 22.09                     | 137.08                    |
| <b>Total comprehensive income for the year</b>                          | <b>(11,867.39)</b>        | <b>(2,184.55)</b>         |
| EPS for continued operations  | (0.60)                    | (0.96)                    |
| EPS for discontinued operations   | (1.29)                    | 0.53                      |
| EPS for continued and discontinued operations                           | (1.89)                    | (0.43)                    |

### 2. Dividend

In view of losses, the Directors do not recommend any dividend for the financial year ended 31<sup>st</sup> March, 2019.

### 3. Share Capital

There was no change in the share capital of the Company during the year. The issued and paid up share capital of the Company stands at ₹ 126,11,03,532 (Rupees one hundred twenty six crores eleven lakhs three thousand five hundred thirty two) divided into 63,05,51,766 (sixty three crores five lakhs fifty one thousand seven hundred sixty six) Equity Shares of face value of ₹ 2 (Rupees two) each.

### 4. Fixed Deposits

During the year under review, the Company has not accepted any deposits from the public or from the shareholders.

### 5. Subsidiary Company, its performance and financial position

Your Company has one wholly owned Subsidiary (WOS), viz. Leela Palaces and Resorts Limited. The net loss for the FY 2018-19 was ₹ 3.48 lakhs, compared to loss of ₹ 0.03 lakhs in FY 2017-18. During the year under review, your Company has not incorporated or acquired any company.

The WOS neither carried out any operations during the year nor has there been any material change in the nature of its business.

The Company has not attached the Balance Sheet, Profit and Loss Account and other documents of the WOS with the Annual Report of the Company in terms of general exemption circular notified by the Ministry of Corporate Affairs, Government of India.

However, the Company will make available these documents upon request by any member of the Company interested in obtaining the same. Further, these documents will also be available at the Registered Office of the Company for inspection by any member of the Company.

A Statement containing the salient features of the financial statement of the WOS in Form AOC-I (pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014) is attached to this report as Annexure-I. The audited financial statements and related information of the WOS are also available on the Company's website at <https://www.theleela.com/the-leela/about-the-leela/investor-relations>.

The said WOS is a material subsidiary of the Company as per the threshold laid down under Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Board of Directors of the Company has approved a Policy for determining material subsidiaries which is in line with the Listing Regulations as amended from time to time. The Policy was revised effective from 1<sup>st</sup> April, 2019 in line with the amendments made to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy has been uploaded on the Company's website.

The Audited Consolidated Financial Statements, prepared in accordance with Accounting Standards (Ind AS) as applicable to your Company form part of this Annual Report.

### 6. Secured Non-Convertible Debentures

During the year under review, the Company has not issued/allotted any Non-Convertible Debentures. In the financial year 2008-09, the Company had issued and allotted 12.50% Secured Redeemable Non-Convertible Debentures (NCD) of the face value ₹ 10,00,000 (Rupees ten lakhs) each on private placement basis aggregating to ₹ 90,00,00,000 (Rupees ninety crores) to LIC of India. The said NCDs are listed on the Wholesale Debt Market Segment of BSE Limited.

The Company had paid two installments towards redemption of principal amounting to ₹ 2,250 lakhs. The Company has not paid the third, fourth and fifth installments towards redemption of principal amount of ₹ 2,250 lakhs each on NCDs due since 30<sup>th</sup> September, 2016, 30<sup>th</sup> September, 2017 and 30<sup>th</sup> September, 2018 respectively. The Company has also been in default in payment of interest on the aforesaid NCDs and the interest is overdue since June 2017.

The total interest overdue as on 31<sup>st</sup> March, 2019 is ₹ 1,667.37 Lakhs.

The Company's operating cash flows are not sufficient to service its debts and the funds of the Company are escrowed with its lenders and the inflows and outflows are also monitored by the lenders. The Company can pay to LIC only on pro-rata basis. The Company has entered into a binding agreement to sell its business undertakings and pay its lenders out of the sale proceeds. Details of the binding agreement are explained in para 7(A) below. The Company is seeking the debenture holders' approval for a one time settlement of its debt.

The Trustee for the aforesaid Debentures is Axis Trustee Services Limited. The Details pursuant to Clause 53(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are given in the Report on Corporate Governance.

## 7. Significant Events during the year

### A. Sale of Business Undertakings to M/s. Brookfield

As the Members are aware, the Company has been evaluating various options for a viable restructuring, including sale/ monetization of non-core assets, sale of hotels, equity infusion and debt refinancing by investors in order to reduce debts.

In this regard, the Company has entered into a binding agreement with BSREP III India Ballet Pte. Ltd. ("Brookfield") for acquiring the Company's hotel undertakings in Delhi, Bengaluru, Chennai and Udaipur as well as the Company's business of hotel management operations, as well as to purchase the 100% shareholdings of Leela Palaces and Resorts Limited (LPRL), which owns property and holds licenses for the development of a hotel in Agra. It is a composite proposal for the acquisition of the aforementioned hotels and related assets, as well as the "The Leela" brand and other associated brands and intellectual property rights as mentioned herein. Brookfield, through the Purchaser Entities, will purchase and consummate all of what is mentioned herein simultaneously.

The proposed consideration of ₹ 395,000 lakhs to be received from the transaction would be used to repay the existing lenders of the Company by way of one time settlement, after which all borrowings from all banks and financial institutions would have been repaid. Subsequent to the above transaction, the Company will continue to have and operate the hotel in Mumbai, land in Hyderabad and the joint development project of residential apartments with Prestige Developers in Bengaluru.

The Audit Committee and the Board of Directors of the Company, in its meeting held on 18<sup>th</sup> March, 2019, have approved the transaction. The Members of the Company have approved the transaction through a postal ballot on 24<sup>th</sup> April, 2019.

However, the Company is awaiting clearance and approval from the lenders and regulatory authorities for concluding the transaction.

### B. Legal notices/applications against the Company

- (i) JM Financial Asset Reconstruction Company Limited (JMFCAR) has filed an application with National Company Law Tribunal (NCLT), Mumbai Bench against the Company, under Section 7 of the Insolvency and Bankruptcy Code, 2016. In view of the proposed transaction with Brookfield, the Company had sought time to enter into settlement. The matter is pending before NCLT for admission / filing of the settlement agreement.
- (ii) ITC Limited and its subsidiary, shareholders of the Company holding 8.72% of the equity share capital, have on 22<sup>nd</sup> April 2019 filed against the Company, a petition under Section 241 of the Companies Act, 2013 for oppression and mismanagement along with 2 applications for urgent hearing and for waiver of the requirement of minimum threshold of 10% shareholding in relation to the proposed transaction with BSREP III India Ballet Pte. Ltd. or its affiliates ("Brookfield"). The matter is pending before NCLT.
- (iii) Two minority shareholders i.e. ITC Limited and LIC have filed complaint with Securities Exchange Board of India (SEBI) against the aforesaid transaction with Brookfield, alleging violation of the provisions related to related party transactions and

oppression and mismanagement by the majority shareholders against minority shareholders. The Company is contesting their claim.

- (iv) Airport Authority of India (AAI) has filed a petition with Hon'ble Mumbai City Civil Court seeking injunction, restraining the Company from alienating / creating any kind of third party right, restructuring the assets, till such time the vacant and peaceful possession of the leased land from AAI along with the FSI as well as their dues are fully paid. The matter is being heard by the Hon'ble Court and the order of the court is awaited.

## 8. Material Changes and Commitments affecting Financial Position of the Company

There are no other material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year i.e. 31<sup>st</sup> March, 2019 and the date of the Directors' report i.e. 27<sup>th</sup> May, 2019 except those stated in Para No. 7A and 7B above.

## 9. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future

No significant and material orders have been passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

However, attention of the Members is drawn to the legal proceedings pending against the Company as mentioned at Para No. 7B of this Board Report.

## 10. Directors and Key Managerial Personnel (KMP)

As on the date of this Report, the Company has Five (5) Directors consisting of Three (3) Independent Directors and Two (2) Whole-time Directors.

### a) Disqualification of Directors

In terms of the provisions of section 164(2)(b) of the Companies Act 2013, any person who is or has been a Director of a Company, which has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall not be eligible to be re-appointed as a Director of that company or appointed in other company for a period of 5 years from the date of default. Moreover, pursuant to section 167(1)(a) a director incurring the disqualification under section 164(2) has to vacate his office of director in all other companies, other than the company which is in default under that sub-section. As explained in para 6 above, the Company has defaulted in payment of installments towards redemption of principal amounts due on Secured Redeemable Non-Convertible Debentures and also defaulted in payment of interest on the aforesaid Debentures. Accordingly, the disqualification under the aforesaid provision got triggered on 30<sup>th</sup> September, 2017 and is still continuing.

Hence, all directors of the Company are disqualified under section 164(2)(b) of the Companies Act, 2013.

### b) Appointment/Resignation from the Board of Directors

As mentioned in the previous Annual Report, Mr. Shereveer S. Vakil, Independent Director, resigned from the Board with effect from 26<sup>th</sup> April, 2018 due to his other pre-occupation. Mr. Vijay Sharma and Ms. Saija Nair were appointed as Directors of your Company at the previous Annual General Meeting for a period of five years with effect from 9<sup>th</sup> May, 2018 and 30<sup>th</sup> May, 2018 respectively.

During the year under review, Mrs. Anna Malhotra, Independent Director, passed away on 17<sup>th</sup> September, 2018, at the age of 91 years, after a prolonged illness. She joined the Board of Directors of the Company on 14<sup>th</sup> June, 1993 and was Member of various Committees of the Board. The Board places on record a deep sense of appreciation for her efforts and contribution towards the Company.

Pursuant to Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is required to have an Independent Director of the Company on the Board of its unlisted material subsidiary company, i.e. Leela Palaces and Resorts Limited. Mrs. Anna Malhotra was the Independent Director on the board of the said material subsidiary of the Company with effect from 12<sup>th</sup> February, 2015. Upon her death, she ceased to be the Director on the board of the said material subsidiary Company w.e.f. 17<sup>th</sup> September, 2018. The Company is unable to appoint an Independent Director of the Company on the board of the said material subsidiary company since all the Independent Directors are disqualified under section 164(2)(b) of the Companies Act, 2013.

Pursuant to Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is required to have minimum of six Directors with effect from 1<sup>st</sup> April 2019. Due to the disqualification under section 164(2)(b) of the Companies Act, 2013 getting triggered and still continuing, the Company is unable to get an additional Independent Director on the Board of the Company.

**c) Directors retiring by rotation**

In accordance with the provisions of Section 152 of the Companies Act, 2013 read with Section 149 of the said Act, at least 2/3<sup>rd</sup> of the total number of Directors, excluding Independent Directors, shall be liable to retire by rotation and out of the Directors liable to retire by rotation, at least 1/3<sup>rd</sup> of the Directors shall retire by rotation at every Annual General Meeting. In terms of Regulation 17 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of the Company shall have an optimum combination of Executive and Non-Executive Directors with at least one woman Director and not less than 50% of the Board shall comprise of Non-Executive Directors (NED).

Mr. Vivek Nair, Chairman & Managing Director and Mr. Dinesh Nair, Co-Chairman & Managing Director, Executive Directors of the Company, are not liable to retire by rotation in terms of their appointment. The Board of the Company does not have any Non-Independent, Non-Executive Director, who can be subjected to retire by rotation.

In view of the above, there are no Directors who are liable to retire by rotation at the ensuing Annual General Meeting.

**d) Declaration by Independent Director**

The Company has received necessary declaration from each of the Independent Directors, under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015. In the opinion of the Board, the Independent Directors, fulfill the conditions of independence specified in Section 149(6) of the Act and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015. There has been no change in the circumstances affecting their status as independent directors of the

Company. The Independent Directors have also confirmed that they have complied with the Company's Code of Business Conduct & Ethics.

**e) Woman Director**

In terms of the provisions of Section 149 of the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has complied with the requirement of having at least one Independent Woman Director on the Board of the Company. Ms. Saija Nair, Independent Director is the Women Director of the Company.

**f) Whole-time Directors**

Mr. Vivek Nair, Chairman & Managing Director and Mr. Dinesh Nair, Co-Chairman & Managing Director are the Whole-time Directors of the Company.

**g) Key Management Personnel (KMP)**

Mr. Vivek Nair, Chairman & Managing Director, Mr. Rajan Shah, Chief Financial Officer and Mr. Alen Ferns, Company Secretary are the Key Managerial Personnel of the Company in accordance with the provisions of Section 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules-2014.

The Board has also appointed Mr. Rajiv Kaul, President, as the Key Managerial Personnel of the Company.

**11. Number of Meetings of the Board**

Regular meetings of the Board are held to discuss and decide on various business policies, strategies and other businesses. The schedule of the Board / Committee meetings to be held in the forthcoming financial year are circulated to the Directors in advance to enable them to plan their time schedule for effective participation in the meetings.

The Board of Directors met nine times during the year viz. on 9<sup>th</sup> May, 2018, 30<sup>th</sup> May, 2018, 11<sup>th</sup> June, 2018, 3<sup>rd</sup> July, 2018, 13<sup>th</sup> August, 2018, 12<sup>th</sup> November, 2018, 3<sup>rd</sup> January, 2019, 12<sup>th</sup> February, 2019 and 18<sup>th</sup> March, 2019. The intervening gap between two Meetings was within the period prescribed under the Companies Act, 2013 and Regulations 17 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015. Detailed information on the meetings of the Board is included in the Report on Corporate Governance, which forms part of this Annual Report.

**12. Audit Committee**

The Audit Committee met nine times during the year under review. The Audit Committee is constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As on the date of this Report, the Committee comprises of 4 Directors, i.e. three Independent Directors and the Chairman & Managing Director as a member.

The details with respect to the composition, roles, terms of reference, etc. of the Audit Committee are given in detail in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

There are no recommendations of the Audit Committee which have not been accepted by the Board.

**13. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee met five times during the year under review.

As on the date of this Report, the Committee comprises of 4 Directors, i.e. three Independent Directors and the Chairman & Managing Director as a member.

The details with respect to the composition, roles, terms of reference, etc. of the Nomination and Remuneration Committee are given in detail in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

#### 14. Nomination and Remuneration Policy

The Company has formulated and adopted the Nomination and Remuneration Policy in accordance with the provisions of Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations.

The said Policy of the Company, provides that the Nomination and Remuneration Committee shall formulate the criteria for appointment of Executive Directors, Non-Executive Directors, Independent Directors, Key Managerial Personnel and persons in the Senior Management of the Company, including criteria for determining qualifications, remuneration, positive attributes, independence of a Director and other matters as provided under sub-section (3) of Section 178 of the Companies Act, 2013 and the Listing Regulations.

The salient features of the Policy are set out in the Corporate Governance Report which forms part of this Annual Report. The Policy is also available on the website of the Company web-link: <https://www.theleela.com/the-leela/about-the-leela/investor-relations>.

#### 15. Performance Evaluation of the Board

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 & 25 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance and of the Independent Directors individually as well as the Committees of the Board. The performance evaluation of all the Directors was also carried out by the Nomination and Remuneration Committee. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors.

#### 16. Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee met two times during the year under review. As on the date of this Report, the Committee comprises of 4 Directors, i.e. three Independent Directors and the Chairman & Managing Director as a member.

The details with respect to the composition, roles, terms of reference, etc. of the Committee are given in detail in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

#### 17. Other Committees of the Board

The Company has the following Non-mandatory Committees:

- (i) Finance Committee.
- (ii) Assets Sale and Financial Restructuring Committee.

#### 18. Directors' Responsibility Statement

Pursuant to the requirement under Section 134 of the Companies Act, 2013, the Directors, based on the information and representations received from the operating management, hereby state and confirm that:

- (a) in the preparation of the annual accounts for the financial year ending 31<sup>st</sup> March, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they 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 at the end of the financial year and of the profit or loss of the Company for that period;

- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

#### 19. Management's Discussion and Analysis

A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management's Discussion and Analysis, which forms part of this Report.

#### 20. Corporate Governance

A separate section on Corporate Governance standards followed by your Company, as stipulated under Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is enclosed as an Annexure to this report.

A Certificate from Mr. Prashant S. Mehta, Practicing Company Secretary, regarding compliance with the conditions of Corporate Governance, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed to the Report on Corporate Governance.

#### 21. Whistle Blower Policy/ Vigil Mechanism

The Company has implemented a Whistle Blower Policy in terms of Section 177(9) & (10) of the Companies, 2013 and the Listing Regulation, pursuant to which whistle blowers can raise concerns relating to Reportable Matters (as defined in the policy) such as fraud, bribery, corruption, illegality, health and safety, environmental issues and wastage/ misappropriation of Company's funds/assets, violation of the Company's code of conduct, etc. Further, the mechanism adopted by the Company encourages the whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of the whistle blower who avails such mechanism. The vigil mechanism also provides direct access to the Members of the Audit Committee, including the Chairman of the Audit Committee. The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time.

None of the whistle blowers have been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the website of the Company <https://www.theleela.com/the-leela/about-the-leela/investorrelations>.

#### 22. Risk Management

The Board has approved a Risk Management Policy, wherein all material risks faced by the Company are identified and assessed. This framework seeks to create transparency, minimize adverse impact on business objective and enhance your Company's competitive advantage. For each of the risks identified in the policy, corresponding controls are assessed and policies and procedure are put in place for monitoring, mitigating and reporting risk on a periodic basis.

#### 23. Contracts or Arrangements with Related Parties

Your Company undertakes various transactions with Related Parties in the ordinary course of business. All Related Party Transactions entered into during the year were in the ordinary course of business and on arm's length basis. No material Related Party transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited



financial statements, were entered into during the financial year 2018-19 by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) (h) of the Companies Act, 2013 in Form AOC 2, is not applicable.

There were no materially significant related party transactions with the promoters, Directors and Key Managerial Personnel, which may have a potential conflict with the interest of the Company at large.

The Policy on materiality of Related Party transactions and also in dealing with such transactions as approved by the Board is available on the website of the Company at [www.theleela.com/investorrelations](http://www.theleela.com/investorrelations). The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and the Related Parties.

At the last Annual General Meeting held on 20<sup>th</sup> August, 2018, the Company had passed an ordinary resolution to sell/transfer 34,102 sq mts of land under Joint Development (JD) with M/s. Sky Realty Projects Private Limited owned by the Company in Yerwada, Pune to Leela Lace Holdings Pvt. Ltd, a related party. The proposal could not be concluded as M/s. Sky Realty Projects Private Limited, JD partner, did not provide their NOC for the sale of the said land. Subsequently the said land was sold to M/s. Sky Realty Projects Private Limited, JD partner, an unrelated party, as approved by the Board at its meeting held on 3<sup>rd</sup> January, 2019.

Your Directors draw attention of the members to Note No. 34.10 to the standalone financial statements, which give the related party disclosures.

#### **24. Internal Financial Control Systems and their adequacy**

Your Company has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. The Company has laid down standards, processes and structures which enable implementation of internal financial control across the organization and ensure that the same are adequate and operating effectively.

Financial Controls are operative for all the business activities of the Company and no material weakness in the design or operation of any control was observed. During the year the internal financial controls as laid down are adequate and were operating effectively.

The Company has appointed M/s. Baker Tilly DHC Private Limited, Chartered Accountants, as Internal Auditors who review the internal control systems of the Company and report thereon. The report of the Internal Auditors is reviewed by the Audit Committee.

#### **25. Extract of Annual Return**

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014 the extract of the Annual Return as at 31<sup>st</sup> March, 2019 is annexed as Annexure "II" to this Report and is also available on the website of the Company at [www.theleela.com/investorrelations](http://www.theleela.com/investorrelations).

#### **26. Loans, Guarantees or Investments**

The Company has not granted any loan or given guarantee or made any investments during the year under review.

#### **27. Corporate Social Responsibility (CSR)**

In terms of Section 135 of Companies Act, 2013, certain companies have to carry out CSR activities as prescribed. Since the Company does not fall within the criteria of turnover and/or profit, due to continuous losses in the preceding financial years the Company is not required to form a CSR Committee nor required to contribute to the CSR activities as mandated under the provisions of section 135 of the Companies Act, 2013.

However, the Company continues to undertake CSR activities for the benefit of the local communities nearby its hotel properties, the details of which are disclosed separately in this Annual Report.

#### **28. Disclosure under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Your Company has zero tolerance towards any action on the part of any employee which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every woman employee in the Company. The Company's policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. All employees (permanent, contractual, temporary, trainees) are covered under this policy. During the year no complaints pertaining to sexual harassment were received.

#### **29. Auditors**

##### **(a) Statutory Auditors and Auditors' Report**

Pursuant to the provisions of section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members, at the 36<sup>th</sup> Annual General Meeting of the Company held on 18<sup>th</sup> September, 2017, had appointed M/s. N. S. Shetty & Co., Chartered Accountants, as the Company's Statutory Auditors for a period of five years, from the conclusion of the 36<sup>th</sup> Annual General Meeting till the conclusion of the 41<sup>st</sup> Annual General Meeting of the Company.

As required under Section 139 of the Companies Act, 2013, the Company has obtained a written consent from the Auditors to their continued appointment and also a certificate from them to the effect that their existing appointment is in accordance with the conditions prescribed under the Companies Act, 2013 and the rules made thereunder. The Statutory Auditors were present at the last Annual General Meeting.

During the period under review, even though there are no audit qualifications or adverse remarks, there are audit observations on the financial statements. The explanation for the same has been provided in Note No. 34.1, 34.2 and 34.3 of the standalone Financial Statements. The said notes are self-explanatory and do not call for any further comments.

##### **(b) Secretarial Auditors and Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Prashant S. Mehta, Practicing Company Secretary, as its Secretarial Auditor to conduct the secretarial audit of the Company for the FY 2018-19. The report of Secretarial Auditor for the FY 2018-19 is annexed to this report as Annexure - III.

The Secretarial Auditor has made certain observations in his report. Paras 6, 10(a), 10(b) and 10(c) of the Board report gives details of disqualification of Directors, non-appointment of an additional Independent Director and non-availability of a director retiring by rotation. The Secretarial Auditors' observations read in the context of Paras 6, 10(a), 10(b) and 10(c) of the Board Report explain the status and the same may also be treated as the response to the Secretarial Audit observations.

##### **(c) Reporting of Frauds by Auditors**

During the year under review, no frauds have been reported by the Auditors under Section 143(12) of the Companies Act, 2013 requiring disclosure in the Board Report.

### 30. Employee Remuneration

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this report as Annexure-IV.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is open for inspection at the Registered Office of the Company during working hours. In terms of Section 136 of the Act, the Reports and Accounts are being sent to the Members and others entitled thereto, excluding the aforesaid particulars of employees. A copy of this statement may be obtained by the Members by writing to the Company Secretary.

### 31. Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo and Other Disclosures

The disclosures to be made under sub-section (3) (m) of Section 134 of the Companies Act 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014 by your Company are furnished below:

#### (a) Conservation of Energy

Energy Conservation, sustainability and efforts to make the properties more "Green" have been the main drive throughout the year. Major efforts/steps taken towards this are:

- Energy-efficient lighting like LED and energy efficient electrical equipments are installed extensively in all hotels.
- High efficiency HVAC systems used / retrofitted extensively in all hotels has reduced electrical consumption.
- Computerized Power Monitoring is implemented to monitor and control power consumption. UTC carrier / Wipro energy conservation program is been implemented in The Leela Palace Bangalore
- Main chiller plants and steam boilers have been tuned for best efficiency, to conserve energy.
- Hotels are equipped with solar geysers for generating hot water and the rooms are equipped with energy-saving devices during non-occupancy.
- STP treated water and Rain Water Harvesting has been implemented.
- The company has 23 windmills with a capacity of 13.5MW power, in the State of Maharashtra (4.5MW), Karnataka (5MW) and Tamil Nadu (4MW). Windmills continue to produce renewable energy for use in own hotels.
- The Leela Palace Delhi has installed the solar power generators on roof top.
- Boilers are being operated through Bio diesel which is produced through used kitchen oil.
- The Leela Palace Chennai and Leela Palace Delhi are LEED platinum rated buildings awarded by IGBC.
- Power is purchased at subsidized rate through open access, in two hotels.
- Heat pump has been installed in The Leela palace Chennai.
- Energy audit was conducted in The Leela Bangalore and The Leela Delhi and in progress for other hotels as well.

#### (b) Technology Absorption

In the opinion of the Board, the required particulars pertaining to technology absorption under Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014,

are not applicable, as hotel is a service industry and the Company does not have any significant manufacturing operations.

#### (c) Foreign Exchange Earnings and Outgo

The foreign exchange earnings of the Company (including that of discontinued operations) during the year stood at ₹ 31,652.54 lakhs (previous year ₹ 28,590.96 lakhs) and foreign exchange outgo (including that of discontinued operations) during the year stood at ₹ 3,642.44 lakhs (previous year ₹ 4,509.58 lakhs).

### 32. Transfer of unclaimed dividend and Equity Shares to IEPF

Pursuant to applicable provisions of the Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all unpaid or unclaimed dividends are required to be transferred by the Company to the Investors Education & Protection Fund (IEPF) established by the Central Government, after completion of 7 (seven) years. Further, according to the aforesaid Rules, shares in respect of which dividend has not been paid or claimed by the shareholders for 7 (seven) consecutive years or more shall also be transferred to the demat account created by the IEPF Authority.

As per the above provisions, all unclaimed dividend up to the financial year ended 31<sup>st</sup> March, 2011 has been transferred by the Company to the said Fund. The Company does not have any unclaimed dividend, which needs to be transferred to the said Fund. The Company has also transferred the shares in respect of which dividend remained unclaimed for seven consecutive years or more upto the financial year ended 31<sup>st</sup> March, 2011 to the IEPF Demat Account. Since there is no unclaimed dividend lying with the Company, there would be no further transfer of shares to the IEPF Authority.

The shares transferred to the IEPF Authority can be claimed by the concerned members from the IEPF Authority after complying with the procedure prescribed under the IEPF Rules.

### 33. Other Disclosures / Reporting

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions pertaining to these items during the year under review:

- (a) Details relating to deposits covered under Chapter V of the Act.
- (b) Issue of equity shares with differential rights as to dividend, voting or otherwise.
- (c) Issue of shares (including sweat equity shares) to employees of the Company under any scheme.
- (d) Receipt of remuneration or commission from any of the subsidiaries by the Executive Directors of the Company.

### 34. Acknowledgements

The Board wishes to place on record its appreciation for the assistance and support received from the lenders, government, regulatory authorities, customers, business associates and vendors.

Your Directors take this opportunity to express their sincere thanks to all the shareholders and stakeholders for the faith and confidence reposed in the Company and the management.

Your Directors attach immense importance to the contribution of the employees and sincerely thank "The Leela" team for sharing the Company's vision and philosophy and for the dedication and commitment in ensuring that the Company remains in the forefront as one of the finest hotel groups in India.

For and on behalf of the Board of Directors

Vivek Nair  
Chairman & Managing Director

Mumbai, May 27, 2019