

HOTEL LEELAVENTURE LIMITED ANNUAL REPORT 1998-99

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BOARD OF DIRECTORS

Capt. C.P. Krishnan Nair

Mr. Vivek Nair

Mr. Dinesh Nair

Mr. M. Narasimham

Dr. Gunter Berendt

Mrs. Anna Malhotra

Ms. Thangam E. Philip

Mr. P. J. Fernandes

Mr. Vijay Amritraj

Mr. P. C. D. Nambiar

Air Vice Marshal H. M. Shahul

Mr. R. J. Treasurywala

Mr. T. Ramesh Babu

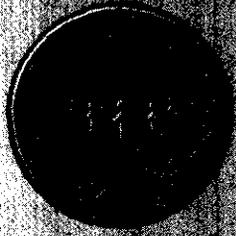
Mr. Anil Harish

Dr. (Mrs.) Lata Singh, IAS (Retd.)

Dr. K. U. Mada

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CHAIRMAN'S STATEMENT

Dear Shareholders & Friends,

It gives me great pleasure in welcoming you to the 18th Annual General Meeting of your Company.

Before I move on to business, let me pay homage to the heroes of the Indian Army who laid down their lives in defending our nation. It is also gratifying to see Indian diplomacy succeed in swinging world opinion in favour of India.

The fiscal year 1998-99, witnessed a high degree of political turmoil in the country. During the short rule of the Government, we witnessed several ups and downs. Beginning with the nuclear tests at Pokhran, the historic bus trip of the Prime Minister to Lahore, extending India's hand of friendship to our neighbour, presentation of two Union Budgets and the successful launch of the Agni missile, confirming India's quest for attaining self sufficiency in defence and technology. After the General Elections, we are confident of a stable and strong

Government giving our country the much needed financial stability and sustained growth. 1998-99 saw Indian industry battling hard to overcome world wide recession and its after effect on India. Though Industrial Growth planned for 1998-99 was 12%, India could register a growth of only 6%. Our economy would have been much worse but for the significant growth in agricultural production and the way the fiscal policies were managed.

Hospitality Industry

The aftermath of the nuclear tests in Rajasthan and the action in Kargil has resulted in an adverse impact on the Indian hospitality industry. In addition, economic sanctions as well as the overall economic slowdown has led to a drastic reduction in the number of business travellers coming to India as compared to the previous year. The Hotel Industry has gone through a serious crisis with plummeting occupancy and income levels.

Leela Group of Hotels

The Leela Group withstood the storm quite successfully. Our hotels at Mumbai and Goa continued to be market leaders in terms of operational performance. The Leela, Mumbai registered the highest revenue per available room (Rev PAR). In fact this Rev PAR is the highest among all hotels in Mumbai and New Delhi.

Our Goa Property

I must acknowledge that the re-launching of The Leela Palace, Goa was delayed due to unforeseen circumstances leading to the proposed foreign collaboration with Four Seasons not being concluded. The extensive refurbishment took several months and a heavy capital investment. In spite of the innumerable difficulties encountered in opening The Leela Palace, Goa in time, I am glad to inform you that the property has since been recognized as one of the finest Resorts in the world and is poised to earn considerable foreign exchange for the country. We are confident of near full occupancy levels during the season viz. October 1999 to March 2000.

Beginning September 1999, I am pleased to announce the commissioning of The Leela Sahyadri Ayurvedic and Rejuvenation Centre in Goa where foreign tourists can get the benefit of the unique and authentic Ayurveda treatment.

The Leela Mumbai was accorded the distinction of being a member of "The Leading Hotels of the World" in early 1999. Over the years your Company has demonstrated excellence and dependability in a consistent manner.

The Ministry of Tourism, Government of India awarded The Leela, Mumbai, the prestigious National Tourism Award for being the best Five Star Deluxe Hotel in the Western region for the year 1997 - 1998. The award was presented by the Prime Minister Shri Atal Bihari Vajpayee on World Tourism Day, January 25, 1999. This is the fourth consecutive year The Leela is winning the award which clearly shows its excellence in the Hospitality Industry and its status of the highest foreign exchange earner. In addition, The Leela Mumbai was presented with Hotel & Food Service's "Luxury Business Hotel of the Year in India Foreign Business Traveller" in Mumbai in January this year for the second time. It is heartening to mention here that The Leela Palace, Goa was awarded the reputed Gallivanter's Guide Award of Excellence in 1998. The Gallivanter's Guide caters to the world's most discerning travellers in 34 countries with a subscriber base of over one million frequent travellers. Also, Conde Nast Traveler, which is the world's most prestigious travel magazine, put The Leela Palace, Goa on its Hot List of the best new hotels in the world.

Dear friends, awards did not end here. The United Nations bestowed the prestigious Global 500 Laureate Award on me at a glittering ceremony in Tokyo on World Environment Day, June 5, 1999. This award was presented by the Japanese Minister for Environment Mr. Kenji Manabe in the presence of His Majesty Emperor Akihito, the Prime



Capt. C.J. Kishore, Chairman

Minister of Japan Mr. Keizo Obuchi and a large number of distinguished luminaries.

While accepting this great honour on behalf of The Leela Group, I felt proud that such an honour has come to my country and particularly to the Hotel Industry. For us at The Leela, environmental protection and enrichment is a way of life.

Rare Distinction

An independent poll conducted by *Business World* in July '99, listed India's most respected companies. The Leela Group of Hotels was ranked No. 15. The parameters we excelled in the independent poll were **Customer orientation, Community and eco-friendliness and quality of product and service.** For Customer orientation, the Leela Group of Hotels has been adjudged the best in the country.

I would like to quote from an article "Room for Growth" that appeared in the *Investor's Analysis* of The Economic Times recently. "The Hotel Industry is perhaps one of the few cyclical sectors which has all the right ingredients for a turnaround but does not have the right fundamentals to show that turnaround. There are reasons for it. Typically, the hotel sector is the last one to come out of an economic showdown."

With the decision of the Central Government to confer upon hotels, travel agents, and tour operators, "Recognized Exporter" Status, the future of the Hospitality Industry and your Company in particular is undoubtedly quite bright.

It is pertinent to mention here that Leela Hotels Limited, a subsidiary of Hotel Leela Venture Limited, had paid about Rs.163 crores to Housing Urban Development Corporation (HUDCO) towards purchase of a hotel site in Delhi. We, subsequently, encountered a prolonged impasse with HUDCO who were unable to give the requisite permissions including the permission to create mortgage or charge in favour of Financial Institutions and Banks

who were to fund the project. The project, therefore, has become a non-starter. These obligations on the part of HUDCO were not discharged by them and hence fundamental breaches of the agreement to sublease was taken place. The matter is in arbitration now. HUDCO has refunded an amount of about Rs.67 crores being 50% of the premium amount paid to it. The Arbitral Award is expected by April 2000.

Future Outlook

We are standing on the threshold of the next millennium. As India gets integrated into the world economy, I can see a positive upswing in the fortunes of the companies in the Services Sector. I am confident that there will be increased demand for hotel rooms as foreign tourist arrivals to India will soon cross the projected 3 million mark. The Leela Group will be able to participate in the growing opportunities by its planned expansion growth.

The Leela Palace Bangalore

To participate in the growing opportunities, I am happy to inform you that our new property The Leela Palace, Bangalore will have a soft opening in February 2000.

Bangalore has emerged as a major high-tech city for software and electronics. In addition, there is going to be an all round rapid growth in industrial production including a large complex set up by the Japanese automobile giant, Toyota Corporation. With the ensuing upgradation of the airport and improvements in other infrastructural inputs like power, water etc, I expect excellent patronage for The Leela Palace, Bangalore which would be the closest hotel to the Singapore Information Technology Park at Whitefields and located midway between the airport and the midtown area.

The Leela Palace Udaipur

Our new Resort, The Leela Palace, Udaipur as well as the expansion at The Leela, Mumbai will be completed by

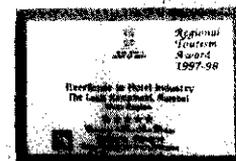
end of the year 2000. We have to make these investments to expand our presence in several locations which are patronised by foreign tourists and which will considerably strengthen our chain. It is necessary to maintain our position of market leader in all the locations we build our Hotels and this is done by providing excellent services to both international corporate travellers as well as tourists.

I must tell you that due to the rapid expansion phase, the next 2 or 3 years would be an enduring time for your Company due to the heavy capital outlay required for these investments and the consequent interest and depreciation to be provided. It is important to mention that besides participating in the attractive growth opportunities, your company's hotels would lead to large direct and indirect employment besides earning substantial foreign exchange from international travellers. I consider these investments as an excellent contribution to the development of the tourism infrastructure in the country.

I am confident that within the next 2 or 3 years from now when the operations of the new hotels are stabilized, your company's financial results will meet the expectations of all shareholders. In spite of innumerable opportunities, the group invested in properties at strategic locations with assured returns. Our good track record will prove it beyond doubts. By the end of 2000, the Leela Group will have an additional 473 rooms.

Dear Shareholders and friends, I would like to assure you of long term sustainability of turnover and profits of your Company. I look forward to your continued support and understanding during the intervening period.

Further, I thank the financial institutions and banks who have supported us in all our ventures. Finally, I thank all the employees of the company for their continued dedication.



MANAGEMENT

Mr. Vivek Nair	Vice-Chairman & Managing Director
Mr. Dinesh Nair	Joint Managing Director
Mr. Rudolf Greiner	Executive Vice-President
Mr. R.P. Shroff	Vice-President (Finance & Secretarial)
Mr. Jacques H. Favre	General Manager (Operations) The Leela, Mumbai
Mr. Reto Torriani	General Manager (Operations) The Leela Palace, Goa
Mr. Moses M. Samuel	General Manager (Personnel & Admn.)
Mr. Deepak Lalvani	General Manager (Sales & Marketing)
Mr. M.L. Rathi	General Manager (Commercial)
Mr. A. Jithendran	General Manager (Finance)
Mr. R. Soni	General Manager - Corporate Affairs
Brig. N.K. Bajaj	General Manager (Bangalore Project)
Mr. Xerxes Mistry	General Manager (Projects) - Mumbai
Mr. L. Jhala	General Manager - Corporate Affairs
Mr. S. Damodaran	Project Manager (Bangalore Project)
Mr. S.A. Kembhavi	Assistant Company Secretary
Auditors	Picardo & Co. Chartered Accountants
Bankers	State Bank of India State Bank of Travancore Bank of Baroda Global Trust Bank Limited
Solicitors	Kanga & Co.
Legal Advisor	Mr. Francis Matthew
Registered Office	The Leela, Sahar, Mumbai - 400 059

18th Annual General Meeting

Date Thursday, September 30, 1999

Time 11.00a.m.

Venue Shree Bhaidas Maganlal Sabhagnha,
U-1, Juhu-Vile-Parle Development Scheme,
Vile-Parle (W), Mumbai 400 056

Hotel Leelaventure Limited

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Hotel Leelaventure Limited will be held at 11.00 a.m. on Thursday, 30th September, 1999 at Shree Bhaidas Maganlal Sabhagriha, U-1, Juhu Vile-Parle Development Scheme, Vile Parle (W), Mumbai - 400 056 to transact the following business :-

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To confirm the payment of interim dividend on cumulative redeemable preference shares as final dividend.
3. To declare dividend on equity shares.
4. To appoint a director in place of Mr. M. Narasimham who retires by rotation and who being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. P.J. Fernandes who retires by rotation and who being eligible, offers himself for re-appointment.
6. To appoint a director in place of Air Vice Marshal H.M. Shahul who retires by rotation and who being eligible, offers himself for re-appointment.
7. To appoint a director in place of Capt. C.P. Krishnan Nair who retires by rotation and who being eligible, offers himself for re-appointment.
8. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

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

“RESOLVED THAT the authorised share capital of the Company be and it is hereby re-classified from 7,50,00,000 (Seven Crores Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten) each and 90,00,000 (Ninety Lakhs) redeemable preference shares of Rs.100/- (Rupees One Hundred) each To 10,00,00,000 (Ten Crores) equity shares of Rs.10/- (Rupees Ten) each and 65,00,000 (Sixty Five Lakhs) redeemable preference shares of Rs.100/- (Rupees One Hundred) each.

IT IS FURTHER RESOLVED THAT existing Clause V of the Memorandum of Association of the Company relating to share capital be and it is hereby substituted by the following Clause :-

“V. The Authorised Share Capital of the Company is Rs.165,00,00,000 (Rupees One Hundred Sixty Five Crores) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- (Rupees Ten) each and 65,00,000 (Sixty Five Lakhs) Redeemable Preference Shares of Rs.100/- (Rupees One Hundred) each with the rights, privileges and conditions attached thereto as provided by the regulations of the Company for the time being in force and with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided for the regulations of the Company.”

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

“RESOLVED THAT pursuant to Sections 258 and 259 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, and subject to the approval of the Central Government, the number of Directors on the Board of the Company for the time being in office be increased from fifteen to eighteen.”

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

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, the Articles of Association of the Company be and are hereby amended in the manner following:-

- (1) Existing Article 3, of the Articles of Association of the Company relating to authorised capital be and it is hereby deleted.
- (2) Existing Article 117 of the Articles of Association of the Company be and it is hereby substituted with the following:-

117 The number of Directors (excluding Debenture and Alternate Directors) shall not be less than three nor more than eighteen.”

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

“RESOLVED THAT :

Subject to the guidelines issued by the Securities and Exchange Board of India (SEBI) and subject to such changes as may be suggested by SEBI and accepted by the Company and subject also to other consents, permissions and sanctions as may be necessary from the Reserve Bank of India, Financial Institutions/Banks and subject to such conditions, if any, as may be laid down by SEBI or any other authority(ies), consent and approval of the Company be and it is hereby accorded under section 81 and 81 (1 A) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, to the board of directors (hereinafter referred to as **“the Board”** which term shall be deemed to include any committee of the board or a director for the time being, exercising the powers conferred on the board) of the Company to issue, offer and allot 2,45,47,359 fresh equity shares (hereinafter referred to as the **“New Equity Shares”**) of the face value of Rs.10/- each for cash at a premium of Rs.15/- each to the existing shareholders and 49,09,471 fresh equity shares (hereinafter also referred to as **“New Equity Shares”**) of the face value of Rs.10/- each for cash at a premium of Rs.15/- to the existing warrant holders on the terms and conditions mentioned herein below or in any other manner or on such other terms and conditions as the Board might deem fit, and such issue and allotment to be made at such time or times, in such tranche(s) at such price(s), as the Board or committee, thereof may deem appropriate including such premium or at discount to ruling market price(s), in such manner as the Board or committee thereof may, in its discretion think fit, in consultation with the Lead Manager(s), Underwriter(s), and/or other(s), and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board or the committee thereof at the time of issue or allotment:

- i) Upto 2,45,47,359 New Equity Shares be offered on “Rights” basis to the holders of the existing Equity Shares whose names appear on the Register of Members of the Company on such date as the Board may decide (hereinafter referred to as the **“Record Date”**) in the proportion of 3 New Equity Shares for every 4 Equity Shares held; fractions being ignored.



- ii) Upto 49,09,471 New Equity Shares be offered to the existing warrant holders whose names appear on the Register of warrant holders of the Company on such date as the Board may decide (hereinafter referred to as the "Record Date") in the proportion of 3 New Equity Shares for every 4 warrants held; fractions being ignored.
- iii) In the event of the New Equity Shares not being fully subscribed, the Board shall be entitled to dispose off the unsubscribed portion in such manner as it thinks fit in the best interest of the Company.
- iv) The New Equity Shares shall be allotted subject to the Articles of Association of the Company and shall rank pari passu with the existing Equity Shares of the Company in all respects, save and except that the New Equity Shares shall be entitled to the dividend that may be declared after the date of allotment prorata on the amount paid up and proportionate for the period commencing from the date of allotment till the end of the next financial year of the Company.
- v) Members/Warrant holders of the Company to whom the New Equity Shares shall be offered shall have a right to renounce the offer in whole or in part in favour of any person(s) subject to the right of the Board without assigning any reason to refuse renunciation in respect of a person not being a Member of the Company.
- vi) Such of the Members/Warrant holders who do not renounce their "Rights" either in whole or in part and who apply for all the New Equity Shares offered to them in terms of the Letter of Offer will have an option to apply for additional New Equity Shares and the allotment of such additional shares shall be made at the discretion of the Board on an equitable basis as far

as possible with reference to the Equity Shares held by the Applicant on the Record Date and in consultation with the Stock Exchange, Mumbai.

- vii) The offer of shares as aforesaid shall be made by a Notice specifying the number of New Equity Shares offered and limiting the time not being less than thirty days from the date of offer within which time the offer if not accepted, will be deemed to have been declined with liberty to the Board in their full discretion from time to time to extend the time for acceptance generally or in respect of any particular holder or holders.
- viii) The issue and allotment of the said New Equity Shares in favour of the Non-Resident Shareholders of the Company shall be subject to the approval of the Reserve Bank of India under the provisions of the Foreign Exchange (Regulation) Act, 1973.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as they may in their sole discretion consider necessary, desirable, expedient, usual or proper for the purpose of giving effect to this Resolution."

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

Mumbai,
Date : 31st July, 1999

S.A. Kembhavi
Assistant Company Secretary

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

NOTES FOR MEMBERS' ATTENTION:

1. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item nos. 9 to 12 is annexed hereto.
2. The Register of Members and the Share Transfer Books in respect of Equity Shares of the Company will remain closed from Thursday, 9th September, 1999 to Friday, 24th September, 1999 (both days inclusive).
3. 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.
4. 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.
5. The dividend on the equity shares as recommended by the Board of Directors for the year ended 31st March, 1999 when sanctioned at the Annual General Meeting of the Company will be payable within forty two days from the date of declaration of the dividend by the members to those shareholders whose names will appear on the Company's Register of Members on 24th September, 1999.
6. Members are requested to provide their bank account numbers and bank branch details to the Company in order to enable it to include these details in the dividend warrants and thus minimise the malpractices of theft of dividend warrants. The

said information should be submitted to the Company's Registered Office on or before 24th September, 1999.

7. The shareholders residing in Mumbai, may avail of the Electronic Clearing Services (ECS) System for the receipt of dividends, as introduced by the Reserve Bank of India. Those shareholders desirous of opting for this service are requested to inform the share department at the Registered Office of the Company on or before 24th September, 1999.
8. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has transferred the unclaimed dividends for the financial year ended 31st March, 1995 and previous years declared by the Company to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed or collected their dividend for the aforesaid financial years may claim their dividend from the Registrar of Companies, Mumbai, Maharashtra.

As per the new amendment to the provisions of Section 205 (A) of the Companies Act, 1956, the unclaimed dividend has to be transferred to the General Revenue Account of the Central Government after 7 years, if dividend remains unpaid or unclaimed for a period of 7 years from the date of transfer of such amounts to the unpaid dividend account under Section 205A of the act.

Members who have not encashed their dividend warrants for the financial years from 31st March, 1996 are requested to approach the Company for obtaining Duplicate Dividend Warrants.

Hotel Leelaventure Limited

9. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with the relevant share certificates to the Company.
10. Members are requested to notify change in address/status, if any, immediately to the Company.
11. Members who would like to ask any questions on the Accounts are requested to send their questions to the Registered Office of the Company at least 10 days before the Annual General Meeting in order to enable the Company to answer the questions satisfactorily.
12. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
13. The members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.

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

Mumbai,
Date : 31st July, 1999

S.A. Kembhavi
Assistant Company Secretary

Registered Office
Hotel Leelaventure Limited
The Leela,
Sahar, Mumbai - 400 059.

EXPLANATORY STATEMENT

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

ITEM NO. 9

The present authorised share capital of the Company is Rs.165 Crores divided into 7,50,00,000 equity shares of Rs.10/- each and 90,00,000 redeemable preference shares of Rs.100/- each. It is proposed to re-classify the authorised share capital by creation of 2,50,00,000 equity shares of Rs.10/- each and reduction of 25,00,000 redeemable preference shares of Rs.100/- each, since the Company feels the need to issue more equity shares than preference shares. Consequently, Clause V in the Memorandum of Association of the Company needs to be changed in order to reflect such reclassification.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection at the Registered office of the Company between 11.00 a.m. & 1.00 p.m. on any working day of the Company.

The Board recommends the resolution for the approval of the members.

None of the Directors is in anyway concerned or interested in the resolution.

ITEM NO. 10

Article No.117 of the Articles of Association of the Company prescribes the number of Directors to be not less than three and not more than fifteen. In view of the increase in the activities of the Company and consequent increase in the responsibilities of the Directors, it is proposed to increase the number of Directors on the Board of the Company as prescribed from fifteen to eighteen subject to the approval of the Shareholders and the Central Government.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection at the Registered office of the Company between 11.00 a.m. & 1.00 p.m. on any working day of the Company.

The Board recommends the resolution for the approval of the members.

ITEM NO. 11

With regard to point (1) in resolution No.11 set out in the notice, since the clause on authorised capital is already set out in the Memorandum of Association of the Company, and in view of the fact that it is not mandatory as per the Companies Act, 1956 to mention the authorised capital in the Articles of Association of the Company, it is proposed to delete this Article from the Articles of Association of the Company.

With regard to point (2) in resolution No.11 set out in the notice, since members approval is sought to increase the number of directors of the Company, it is necessary to amend Article 117 of the Articles of Association of the Company to reflect such increase.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection at the Registered office of the Company between 11.00 a.m. & 1.00 p.m. on any working day of the Company.

The Board recommends the resolution for the approval of the members.

None of the directors is in any way concerned or interested in the resolution.

ITEM NO. 12

To meet the Capital Expenditure for Bangalore, Mumbai, Goa and other projects as also for the purpose of normal capital expenditure and operational expenses and to use the funds for the purpose of redemption of cumulative redeemable preference shares and such other purposes as may be decided from time to time, it is proposed to issue 3 New Equity Shares for every 4 Equity Shares on Rights basis to the existing Shareholders of the Company and to the warrant holders of the Company. The New Equity Shares of Rs.10/- each will be issued at a premium of Rs.15/- each.

The proposed Resolution delegates the Authority and the powers in all aspects to finalise and effect the issue to the Board as it may in its absolute discretion deem fit.

The Directors recommend this Special Resolution for your approval.

None of the Directors is in any way concerned or interested in the said Resolution except to the extent of the shares / warrants held by them.

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

Mumbai,
Date : 31st July, 1999

S.A. Kembhavi
Assistant Company Secretary

Registered Office
Hotel Leelaventure Limited
The Leela,
Sahar,
Mumbai - 400 059.



DIRECTORS' REPORT

To the Shareholders,

- Your Directors have pleasure in presenting the Eighteenth Annual Report and audited statement of accounts for the year ended 31st March, 1999 together with the report of the Auditors' thereon.

2. Financial Results	(Rupees in Crores)	
	Year ended 31.03.1999	Year ended 31.03.1998
Revenue	130.69	117.33
Profit before Interest, Depreciation & Taxes	60.29	59.13
Interest	30.99	4.12
Profit before Depreciation & Taxes	29.30	55.01
Depreciation	12.89	6.48
Loss on assets sold/discarded	—	0.61
Miscellaneous expenditure written off	1.27	0.22
Provision for taxation	1.65	5.10
Net profit	13.49	42.59
Prior Period Adjustment	(1.79)	(2.40)
Profit brought forward	4.02	1.33
Transfer from Foreign Exchange Earnings Reserve	19.50	24.00
Transfer from Investment Allowance (utilised) Reserve	1.25	—
Transfer from Debenture Redemption Reserve - I	4.50	—
Transfer to Capital Redemption Reserve	—	6.00
Transfer to Debenture Redemption Reserve - II	4.68	3.50
Transfer to Debenture Redemption Reserve - III	13.00	13.00
Transfer to Debenture Redemption Reserve -IV	3.00	—
Transfer to Foreign Exchange Earnings Reserve	3.00	16.00
Transfer to General Reserve	0.80	5.00
Dividends		
Cumulative Redeemable Preference Shares	4.80	4.91
Equity Shares (Proposed)	3.27	11.45
Tax on Preference Dividend	0.48	0.49
Tax on Equity Dividend	0.33	1.15
Net Profit carried forward	7.61	4.02

3. Issue and Redemption of Cumulative Redeemable Preference Shares

During the year under review, the Company issued and redeemed Cumulative Redeemable Preference Shares aggregating Rs.25.25 Crores and Rs.14.00 Crores respectively.

4. Issue of Secured Redeemable Non-Convertible Debentures by Private Placement

During 1998-99, the Company has issued the following Secured Redeemable Non-Convertible Debentures :-

Housing Development Finance Corporation Limited - Rs.25.00 Crores, Kotak Mahindra Finance Limited - Rs.16.50 Crores and Unit Trust of India - Rs.25.00 Crores.

5. Dividend on Cumulative Redeemable Preference Shares

Interim Dividend of Rs.4.80 Crores was paid on 12.50% Cumulative Redeemable Preference Shares and it is now proposed to confirm the same as Final Dividend.

6. Dividend on Equity Shares

Your Directors have pleasure in recommending for your consideration payment of Dividend on equity shares at 10% for the year ended 31st March, 1999.

7. Operations

The total revenue of The Leela, Mumbai for the year ended 31st March, 1999 was Rs. 119.76 Crores as compared to Rs. 115.61 Crores for the year ended 31st March, 1998 showing an increase of Rs. 4.15 Crores (3.59%). The occupancy and ARR for The Leela, Mumbai for the year ended 31st March, 1999 was 72.26% and Rs. 7637 respectively as compared to 72.35% and Rs. 7669/- respectively for the year ended 31st March, 1998.

The Leela Palace, Goa has started its operation in September, 1998. The hotel has been upgraded to a World Class Beach Resort and has been acclaimed as one of the finest Resorts in the world. The revenue for the period upto 31st March, 1999 was Rs.10.93 Crores. The Occupancy was 41% at an Average Room Rate (ARR) of Rs. 6270.

The Foreign Exchange earnings during the year amounted to Rs. 100.45 Crores.

Hotel Leelaventure Limited

8. Projects under Implementation

The construction work of The Leela Palace, Bangalore has progressed satisfactorily. It is expected that the hotel will be operational by December, 1999. All the contracts for engineering services and other equipments have been awarded and are being implemented as per the schedule. The construction work of The Leela Palace, Mumbai is under progress and is expected to be completed by December, 2000.

9. Franchise Agreements

The Leela Palace, Goa as well as The Leela Kempinski, Mumbai have been selected as the members of The Leading Hotels of the World. The Company has also entered into a Sales and Marketing Agreement with the Kempinski Group for The Leela Palace, Goa.

10. Award

Government of India's prestigious National Tourism Award for the best Five Star Deluxe Hotel in the Western Region for the year 1997-98 was given to The Leela, Mumbai. The Award was presented by the Hon. Prime Minister of India, Mr. Atal Behari Vajpayee to Mr. Vivek Nair, Vice-Chairman and Managing Director on 25th January, 1999 in New Delhi. The Hotel has received this prestigious award for four years in a row.

11. Subsidiaries**Leela Hotels Limited (LHL)**

Leela Hotels Limited (LHL) was allotted the site for Five Star Deluxe Hotel by Housing & Urban Development Corporation Limited (HUDCO) at HUDCO Place, Andrews Ganj, New Delhi vide letter dated 31st March, 1997. LHL has invoked the arbitration clause in the Agreement to Sub-Lease between LHL and HUDCO vide its letter dated 31st March, 1999 as HUDCO has failed to discharge its obligations under the Agreement to Sub-Lease. HUDCO has appointed Hon. Mr. R.S. Pathak, former Chief Justice of India, as the Sole Arbitrator in the matter. LHL has returned the possession of the land to HUDCO and HUDCO in turn has returned a sum of Rs. 67.53 Crores to LHL. The Arbitrator will decide upon the payment of the balance amount alongwith interest and damages payable to LHL. The balance amount will be paid to LHL by HUDCO as per the Arbitration award.

Vision Hotels & Resorts Limited (VHRL)

This Company is implementing a hotel project at Udaipur. The project consists of 91 rooms. The project has been progressing satisfactorily and the hotel is expected to be commissioned by December, 2000.

Amin Group Hotel Limited (AGHL)

The land owned by the Company is in the process of being amalgamated into adjoining plot of land owned by the holding company.

As required under Section 212 of the Companies Act, 1956, the Director's Report with Audited Statement of Accounts of the Subsidiaries are appended to this Report.

12. Directorate

In accordance with the Companies Act, 1956, and the Company's Articles of Association, four of your Directors, namely, Mr. M. Narasimham, Mr. P.J. Fernandes, Air Vice Marshal H.M. Shahul and Capt. C.P. Krishnan Nair retire by rotation and being eligible offer themselves for re-appointment.

The Government of India has given its approval to the re-appointment and terms of remuneration of Mr. Dinesh Nair as Joint Managing Director for a period of five years with effect from 1st May, 1999. The Shareholders had re-appointed him as the Joint Managing Director at the 17th Annual General Meeting.

The Airports Authority of India has withdrawn the nomination of Mr. P.S. Nair with effect from 21st September, 1998 and has nominated Mr. R.J. Treasurywala in his place as their Nominee on the Board of the Company. In the Board Meeting held on 23rd September, 1998, he was appointed in the Casual Vacancy of Mr. P.S. Nair on the Board of the Company. Mr. R.J. Treasurywala has wide experience in the field of Civil Aviation and Tourism.

Industrial Development Bank of India (IDBI) has withdrawn the nomination of Dr. K.U. Mada with effect from 10th June, 1999 and has nominated Dr. (Mrs.) Lata Singh, IAS (Retd.) in his place as their Nominee on the Board of the Company with effect from 11th June, 1999.

The Board desires to place on record its appreciation of the valuable services rendered by Mr. P.S. Nair and Dr. K.U. Mada during their tenure as Directors of the Company.

Dr. K.U. Mada was appointed as an Alternate Director to Dr. Gunter Berendt on the Board of the Company with effect from 29th July, 1999.

13. Auditors

M/s Picardo & Co., Chartered Accountants, who have been the Statutory Auditors of the Company, would hold office until the ensuing Annual General Meeting and it is proposed to re-appoint them till the conclusion of the next Annual General Meeting. M/s Picardo & Co. have pursuant to Section 224 of the Companies Act, 1956, furnished a certificate regarding their eligibility for re-appointment.

14. Fixed Deposits

There were no unpaid / unclaimed fixed deposits as on 31st March, 1999. The Company did not accept any fixed deposits during the year.

15. Rights Issue

The Company has announced Rights Issue to the existing Equity Shareholders and to the Warrantholders in the ratio of 3 new Equity Shares for every 4 shares held. The Rights Issue is likely to open for subscription in the second week of December, 1999.