

Board of Directors

Capt. C.P. Krishnan Nair
Mr. Vivek Nair
Mr. Dinesh Nair
Mr. R. Venkatachalam
Mr. Venu Krishnan
Mrs. Madhu Nair
Mr. Vijay Amritraj
Mr. P.C.D. Nambiar
Mrs. Anna Malhotra
Mr. Anil Harish
Dr. K.U. Mada
Mr. Sudhir Kumar
Mr. Luis Miranda (w.e.f. 10th March, 2005)

Auditors

Picardo & Co.
Chartered Accountants

Bankers

Housing Development Finance Corporation Limited
Infrastructure Development Finance Company Limited
Union Bank of India
Bank of India
State Bank of India
Bank of Baroda
Vijaya Bank
The Jammu & Kashmir Bank Limited
The United Western Bank Limited
Oriental Bank of Commerce

Solicitors

Kanga & Co.

Registered Office

The Leela Kempinski,
Sahar, Mumbai – 400 059

24th Annual General Meeting

Date : Wednesday, July 13, 2005
Time : 11.00 a.m.
Venue : St. Andrew's Auditorium, St. Andrew's College,
(Behind Holy Family Hospital),
St. Dominic Road, Bandra (West),
Mumbai - 400 050.

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of Hotel Leelaventure Limited will be held at St. Andrew's Auditorium, St. Andrew's College, (Behind Holy Family Hospital) St. Dominic Road, Bandra (West), Mumbai 400 050 on Wednesday, 13th July 2005 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, 2005 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To declare interim dividend on Non-Cumulative Redeemable Preference Shares.
3. To confirm the payment of interim dividends on Equity Shares as final dividend.
4. To appoint a Director in place of Mr. Vijay Amritraj who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. P.C.D. Nambiar who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mrs. Madhu Nair who retires by rotation and being eligible offers herself for re-appointment.
7. 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

8. 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 of the Companies Act, 1956 read with Schedule XIII thereto and of the Articles of Association of the Company and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the re-appointment of Mr. Venu Krishnan as an Executive Director of the Company, liable to retire by rotation, for a period of five years with effect from 29th January, 2005 without remuneration and with the powers and authority as set out in the draft Agreement submitted to this meeting and for identification initialled by the Vice Chairman & Managing Director of the Company, 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 Agreement in such manner as may be agreed to between the Board of Directors and Mr. Venu Krishnan.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, things and execute all such documents, instruments and writings as may be required, including the Agreement to be executed by and between the Company and Mr. Venu Krishnan and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid Resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment(s) thereto or modification(s) or re-enactment(s) thereof) and subject to the Memorandum and Articles of Association of the Company the guidelines/approvals if any of the Securities and Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI"), and/or Government of India (GOI), or such other concerned authorities and also subject to such other approvals or consents as may be necessary, and subject to such conditions and modifications if any imposed by such authorities or as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof formed or to be formed for exercising the powers conferred on the Board by this Resolution) or as may be prescribed or made in granting such consents and approvals and which may be agreed to by the Board, the consent of the members be and is hereby accorded to the Board to create, offer, issue and allot in one or more tranches and in one or more public offer and/or on a private placement basis in domestic and /or one or more international markets, such number of equity shares of a nominal value of Rs 10 each or equity shares underlying securities in the form of Global/American Depository Receipts, Foreign Currency Convertible Bonds, debentures convertible into equity shares, and/or securities linked to equity shares and/or securities with or without warrants or any other instrument convertible into equity shares or otherwise with or without premium (hereinafter collectively referred to as "Securities"), if so required through a prospectus and/or offer letter and/or offering circular for a total issue amount not exceeding USD 90 Million or its equivalent in any other foreign currency to persons, whether or not an existing shareholder of the Company, and on such terms and conditions as may be decided by the Board from time to time as it may deem appropriate in the interest of the Company.

RESOLVED FURTHER THAT such of the securities offered from time to time as are not subscribed may be disposed of by the Board in its absolute discretion in such manner as it may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary and / or desirable for such purpose including but not limited to the class of Investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, inclusive of green shoe option if any, issue price, face value, premium, creating mortgages /charges on all or any of the Company's assets present and future, such charge if agreed or given to rank pari-passu / second / subordinate to all mortgages/charges created/to be created by the Company for all existing and further borrowing and facilities whatsoever under Section 293(1)(a) of the Companies Act, 1956, in respect of the aforesaid securities and signing all applications, filings, deeds, documents and writings, entering into underwriting, marketing, depository, custodian arrangements and remunerating such and all other agencies by way of commission, brokerage, fees and settling any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilising of the issue proceeds of the securities for the Company's projects/other corporate needs as it may deem fit and also seeking the listing of such Securities in one or more Stock Exchanges in India and/or abroad as it may deem fit."

10. To consider and if thought fit, to pass, with or without 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 and subject to necessary approvals required, if any, the following amendments be made in the Articles of Association of the Company :-

1. The following definitions be added at the end of Article 2 of the Articles of Association of the Company:

<i>HDFC</i>		Housing Development Finance Corporation Limited a company incorporated under the Act (which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns).
<i>LIF</i>		LIF means IL&FS PRIVATE EQUITY TRUST through its scheme THE LEVERAGE INDIA FUND , a trust registered under the provisions of the Indian Trust Act, 1882, which is a venture capital fund registered under the provisions of the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, whose Trustee is IL&FS Trust Company Limited ("ITCL"), acting through its Investment Manager, IL&FS Investment Managers Limited ("IIML"), a limited liability company incorporated in India and registered under the Act and representing THE LEVERAGE INDIA FUND (which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns).
<i>IEWT</i>		IEWT means IVC EMPLOYEES' WELFARE TRUST a trust under the provisions of the Indian Trust Act, 1882 (which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns).
<i>IEEF</i>		IEEF means IL&FS Infrastructure Equity Fund acting through its Trustee, IL&FS Trust Company Limited (ITCL) (which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns).

2. Existing Article No. 14(a) be amended as below :

<i>Prior consent of IDF, HDFC, LIF, IEWT and IIEF for issue of additional shares</i>	14(a)	The Company shall not issue, without the prior written approval of IDF, HDFC, LIF, IEWT and IIEF any additional share capital of the Company.
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3. Existing Article 14(d) be amended as under :

"Notwithstanding anything contained in sub clause (b) above but subject, however, sub-clause (a) and Section 81(3) of the Act".

4. Article 53(A) shall be amended as below

<i>Rights of IDF, HDFC, LIF, IEWT and IIEF and obligations of the Promoter</i>	53(A)	<p>(i) The Promoters agree and undertake to maintain its shareholding in the Company at least at 41% at all times that IDF holds 25,00,000 IDF Shares.</p> <p>(ii) The Promoters agree and undertake to maintain its shareholding in the Company at least at 41% at all times that HDFC holds at least 1% of the paid up capital of the Company.</p> <p>(iii) Tag along right</p> <p>(a) In the event that the Promoters wish to sell or transfer, directly or indirectly (including by way of transfer of Promoter No. 4), any Equity Shares that results in transfer of control/ change in management of the Company, then the Promoters shall require the prior written consent of IDF, HDFC, LIF, IEWT and IIEF and shall grant to IDF, HDFC, LIF, IEWT and IIEF a tag-along right as detailed in (b) to (f).</p> <p>(b) In the event that IDF, HDFC, LIF, IEWT and IIEF grants the Promoters permission to sell or transfer shares, then the Promoters (hereinafter, the "Selling Shareholder") shall first give a written notice (hereinafter referred to as the "Offer Notice") to IDF, HDFC, LIF, IEWT and IIEF. The Offer Notice shall state (i) the name of the Selling Shareholder, (ii) the number of Shares proposed to be transferred (hereinafter referred to as the "Sale Shares"), (iii) the proposed price, including the proposed amount and form of consideration (including consideration paid for non-compete, confidentiality, etc) and terms and conditions offered by such proposed transferee, (iv) the date of consummation of the proposed transfer, (v) a representation that the proposed transferee has been informed of the 'tag-along' rights provided for in these Articles and has agreed to purchase the IDF, HDFC, LIF, IEWT and IIEF Securities in accordance with the terms of this Article up to the extent of IDF, HDFC, LIF, IEWT and IIEF's entire shareholding in the Company. The total value of the consideration for the proposed transfer is referred to herein as the "Offer Price".</p> <p>(c) IDF, HDFC, LIF, IEWT and IIEF shall be entitled to respond to the Offer Notice by serving a written notice (the "Response Notice") on the Selling Shareholder prior to the expiry of 10 days from the date of receipt of the Offer Notice (the "Offer Period") requiring the Selling Shareholder to ensure that the proposed transferee of the Sale Shares also purchases the IDF, HDFC, LIF, IEWT and IIEF Securities as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice.</p> <p>(d) If the proposed transferee(s) is/are unwilling or unable to acquire all of the IDF, HDFC, LIF, IEWT and IIEF Securities mentioned in the Response Notice upon such terms, then the Selling Shareholder may elect either to cancel such proposed Transfer or with the prior written consent of IDF, HDFC, LIF, IEWT and IIEF allocate the maximum number of Shares which the proposed transferee(s) is/are willing to purchase among the Sale Shares and the IDF, HDFC, LIF, IEWT and IIEF Securities specified by IDF, HDFC, LIF, IEWT and IIEF in the Response Notice pro-rata in the ratio of the equity shareholding in the Company at such time of the Selling Shareholder and IDF, HDFC, LIF, IEWT and IIEF and to consummate such transfer on such terms.</p> <p>(e) It shall be the responsibility and liability of the Selling Shareholder to ensure that, along with the Sale Shares, the proposed transferee also acquires the IDF, HDFC, LIF, IEWT and IIEF Securities specified in each Response Notice for the same consideration and upon the same terms and conditions as applicable to the Sale Shares. Where IDF, HDFC, LIF, IEWT and IIEF has properly elected to exercise its tag-along right and the proposed transferee fails to purchase from IDF, HDFC, LIF, IEWT and IIEF the IDF, HDFC, LIF, IEWT and IIEF Securities which IDF, HDFC, LIF, IEWT and IIEF is entitled to sell under this tag along provision, the Selling Shareholder shall not make the proposed transfer, and if purported to be made, such transfer shall be null and void.</p> <p>(f) In the event that IDF, HDFC, LIF, IEWT and IIEF does not deliver a Response Notice to the Selling Shareholder prior to the expiry of the Offer Period, then, upon the expiry of the Offer Period, the Selling Shareholder shall be entitled to sell and transfer the Sale Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions and for the same consideration as is specified in the Offer Notice. If completion of the sale and transfer to the proposed transferee does not take place within the period of 30 days following the expiry of the Offer Period (which may be extended by a further period of [30] days in order to obtain all necessary Governmental Approvals), the Selling Shareholder's right to sell the Sale Shares to such third party shall lapse and the provisions of this Article shall once again apply to the Sale Shares.</p>
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5. Article 100(A) shall be amended as below:

<i>Consent of IDF HDFC, LIF, IEWT and IIEF for certain matter</i>	100(A)	<p>Notwithstanding anything to the contrary in these Articles, the Company shall not take any action in respect of any of the matters specified below except with the affirmative vote, in writing, of IDF and prior written approval of HDFC, LIF, IEWT and IIEF as applicable:</p> <p>(i) Make any investments by way of deposits, loans or subscription to shares and debentures other than normal treasury investments made as per the investment policy approved by the Board of Directors;</p> <p>(ii) Issue any fresh equity (including preference shares, convertible debentures, warrants or any other quasi equity instrument);</p> <p>(iii) Borrow funds in any form or issue trade guarantees in excess of 10% of the sums mentioned in the Business Plan approved by the board;</p> <p>(iv) Incur normal/ routine capital expenditure in excess of 10% of the sums mentioned in the Business Plan approved by the board;</p> <p>(v) Incur capital expenditure to expand the existing properties / projects / hotels and / or set up new properties / projects / hotels and / or complete existing projects/hotels;</p> <p>(vi) Declare any dividends (including interim dividends) in excess of the lesser of either 10% of the paid up share capital of the company 15% of the PAT of the company;</p> <p>(vii) Allot any equity shares in lieu of any advances / repayments / redemptions or refund of share application money etc.;</p> <p>(viii) Create any subsidiary, joint venture or permit any capital restructuring;</p> <p>(ix) Merge, demerge or acquire with or into any corporation or enter into joint ventures;</p> <p>(x) Liquidate or dissolve;</p> <p>(xi) Repurchase any outstanding shares of the Company's capital stock;</p> <p>(xii) Amend its Memorandum and Articles of Association;</p> <p>(xiii) Enter into transactions with Affiliates ("Affiliates" defined as members, directors, officers, key management employees or any person controlling, controlled by, under common control with or otherwise affiliated with, or a member of a family of, any such person);</p> <p>(xiv) Change the Accounting Year;</p> <p>(xv) Sell all or substantial assets of the Company;</p> <p>(xvi) Change / Appoint a statutory auditor;</p> <p>(xvii) Any amendments/ alterations/ variations from the terms and conditions prevalent at close of FY 2004, or assignment/ termination, of the leases entered into between the Company and Leela Fashion and Promoter No. 4 for the lease of land at Mumbai, Bangalore and Goa;</p> <p>(xviii) Termination and/ or change of the expert/ consultant, including any change to the terms of appointment, appointed by the Company with prior written consent of IDF, HDFC, LIF, IEWT and IIEF;</p> <p>(xix) Transfer, assign or create any third party rights in the shareholding the Company in any of its present or future subsidiaries.</p>
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By order of the Board of Directors
For HOTEL LEELEVENTURE LIMITED

Kausik Nath
Company Secretary

Mumbai,
3rd June, 2005
Registered Office :
Hotel Leelaventure Limited.,
The Leela Kempinski, Sahar,
Mumbai - 400 059.

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 29th June, 2005 to 13th July, 2005 (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. 8 to 10 above and the relevant details in respect of item nos. 4, 5 & 6, pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, are annexed hereto.
5. During the current Financial Year viz. 2005-06, the Company will be required to transfer to the Investor Education and Protection Fund, the Unpaid/Unclaimed Dividend for the year ended 31st March, 1998. Those shareholders who have not encashed their warrants are requested to immediately return the outdated warrants to the Company or to write to the Company in the matter to enable the Company to issue Demand Draft in lieu thereof.
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. 8

At the Nineteenth Annual General Meeting of the Company held on 20th September, 2000, the members approved the appointment of Mr. Venu Krishnan as an Executive Director of the Company for a period of five years from 29th January, 2000 to 28th January, 2005.

Mr. Venu Krishnan has been associated with the Group since its inception. He has vast experience in project implementation, commercial and administrative matters. The Company could set up the prestigious hotels at Goa and Bangalore and the Galleria at Mumbai and Bangalore under his able guidance and supervision. Considering the valuable contribution made by him to the Company and his expertise in the hotel industry, the Board had approved his re-appointment as an Executive Director at its meeting held on 25th January, 2005 for a period of five years from 29th January, 2005 to 28th January, 2010 without remuneration and upon such terms and conditions subject to the approval of the Shareholders / Central Government or other authorities as may be required.

The draft agreement between the Company and Mr. Venu Krishnan contains the following main terms and conditions :-

1. Nature of Duties : Mr. Venu Krishnan as Executive Director shall act under the overall supervision and direction of the Board of Directors.
2. Period of Agreement : 29th January, 2005 to 28th January, 2010.
3. Remuneration : NIL.
4. The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may in its discretion deem fit.
5. The Agreement may be terminated by either party giving 90 days notice in writing in that behalf to the other party.
6. The draft Agreement between the Company and Mr. Venu Krishnan, is available for inspection by the Member of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.
7. This may be treated as an abstract of the draft Agreement between the Company and Mr. Venu Krishnan's appointment pursuant to Section 302 of the Companies Act, 1956. Mr. Venu Krishnan is interested in the Resolution. None of the other Directors of the Company, is in anyway, concerned or interested in the said Resolution.

ITEM NO. 9

The Company has expansion plans to increase its room capacity at The Leela Palace Kempinski, Bangalore, to complete the hotel at Udaipur and also set up new hotels at Chennai, Hyderabad, Kerala and other places.

In terms of the provision of Section 81(1A) of the Companies Act, 1956 and the listing agreement entered with the Stock Exchanges, in the case of any proposal to increase the subscribed capital of the company by a further issue and allotment of shares, the shares should be first offered to the existing shareholders in the manner laid down in the said section unless the shareholders decide otherwise in a general meeting.

The consent of the members is therefore being sought for authorizing the Board to raise additional capital so as to augment the resources for financing the expansion plans, the ongoing capital expenditures, reduction of debts and for other business needs by way of issue of, Foreign Currency Convertible Bonds, American/Global Depository Receipts, shares as well other securities in domestic or international markets and in one or more public offer and/or on private placement basis.

Your directors recommend the resolution for approval of the members.

None of the Directors of the Company are in any way concerned or interested in the above resolution.

ITEM NO. 10

Housing Development Finance Corporation Ltd. (HDFC), IL &FS Trust Company Limited A/c IL & FS Private Equity Trust - The Leverage India Fund (LIF), the Trustees of IVC Employees' Welfare Trust (IEWT) and IL&FS Trust Company Limited A/c IL&FS Infrastructure Equity Fund (IIEF) had invested in the equity share capital of the Company through a preferential offer as per the approval of the members on 26th February, 2005. In terms of the Agreements entered into by the Company with HDFC, LIF, IEWT and IIEF, the Company had agreed to amend the Articles of Association. As such, the amendments made in Item no 10 of the Resolution are proposed for approval of the members.

Your directors recommend the resolution for approval of the members.

A copy of the Memorandum & Articles of Association of the Company with the proposed amendments is open for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m and 1.00 p.m on all working days of the Company excluding holidays.

Except Mr. Luis Miranda (Nominee of IDF), none of the other directors are in any way concerned or interested in the above resolution.

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

Kausik Nath
Company Secretary

Mumbai,
3rd June, 2005

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

**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. Vijay Amritraj	Mr. P. C. D. Nambiar	Mrs. Madhu Nair	Mr. Venu Krishnan
Date of Birth	14.12.1953	14.12.1922	01.11.1961	18.07.1954
Date of Appointment	03.08.1983	26.09.1986	28.09.2001	29.01.2000
Expertise in specific functional areas	Mr. Vijay Amritraj had been India's Captain of the Davis Cup Team and a renowned international tennis star and now a television entrepreneur. He was also appointed as an ambassador of Peace by U.N. Secretary General, KOFI ANNAN.	Ex-Chairman of State Bank of India and its 7 Associate Banks for over 5 years and 6 months. Vast experience and knowledge of National & International banking and finance, counting a service of about 39 years in the Imperial Bank of India/State Bank of India.	18 years experience in the field of Interior Design and Project Co-ordination.	31 years experience in Management, Project implementation, Marketing, Exports, Materials, Administration and Hotel management.
Qualifications	B.Com - University of Madras, D.Lit (Hons)	M.A. (Hons), C.A.I.I.B.	B.A. (Hons.) Sociology	B.Com
Directorships held in other Companies	Director of the following Companies 1) First Serve Entertainment 2) Lam Sports Group 3) Deccan Aviation Ltd.	Chairman of the following company : Western India Plywoods Ltd. Director of the following Companies :- 1) Beardsell Ltd. 2) Carrier Aircon Ltd. 3) Pierce Leslie India Ltd. 4) Reliance Chemotex Industries Ltd.	Director of the following Companies:- 1) Leela Scottish Lace Pvt. Ltd. 2) PSPL Polymers Pvt. Ltd.	Director of the following Companies:- 1) Leela Scottish Lace Pvt. Ltd. 2) LVK Investments Pvt. Ltd. 3) Beacon Fabrics Pvt. Ltd. 4) Armcess Engineers Pvt. Ltd. 5) Zantho Pharmaceuticals (P) Ltd. 6) Season Apparels Pvt. Ltd. 7) Wondercraft Apparels Pvt. Ltd. 8) Tropicare Textiles Pvt. Ltd. 9) Design Creations (Mumbai) Pvt. Ltd. 10) Standard Precious Alloy Industries Pvt. Ltd. 11) Chemtec Water Conditioners Pvt. Ltd. 12) Leela Lace International Limited 13) Kinfra International Apparel Parks Ltd. 14) Leela Industries Ltd. (New York) 15) Leela Lace Ltd. (Hong Kong) Ltd.
Committee positions held in other Companies	Nil	1) Carrier Aircon Ltd. (Chairman - Audit Committee) 2) The Western India, Plywoods Ltd. (Chairman - Audit Committee) 3) Beardsell Ltd. (Member - Audit Committee) 4) Reliance Chemtec Industries Ltd. (Member - Audit Committee)	Nil	Nil

DIRECTORS' REPORT

To the Members,

1. Your Directors have pleasure in presenting the Twenty Fourth Annual Report and audited statement of accounts for the year ended 31st March, 2005 together with the Auditors' Report thereon.

2. **Financial Results**

	(Rupees in crores)	
	Year ended 31.03.2005	Year ended 31.03.2004
Revenue	271.34	207.63
Add/(Less) : Prior period adjustments	1.28	0.27
Total Revenue	272.62	207.90
Profit before interest, depreciation and taxes	131.19	88.12
Less : Interest	51.53	53.22
Profit before depreciation and taxes	79.66	34.90
Less : Depreciation (net)	29.83	27.17
Less : Profit/Loss on assets sold	0.67	(0.02)
Less : Miscellaneous expenditure written off	—	0.26
Add/(Less) : Provision for taxation and Deferred Tax Credit-(net)	(4.46)	0.42
Net Profit	46.04	7.87
Add : Profit brought forward	93.04	26.36
Transfer from Debenture Redemption Reserve	4.00	58.81
Profit available for appropriation	143.08	93.04
Dividend (including tax)	9.46	—
Net Profit carried forward	133.62	93.04

3. **Issue of Shares and Bonds**

During the year, the Company had issued 1,04,75,000 Equity Shares of Rs.10/- each at a premium of Rs.141 per share on a preferential basis. The Company had also issued 1000 Foreign Currency Convertible Bonds of USD 10000 each aggregating to USD 10 million. These bonds were converted into 28,68,490 equity shares, of Rs.10/- each, allotted at a premium of Rs.142.50 per share, upon exercise of option for such conversion by the bondholders.

4. **Redemption of Preference Shares**

During the year, the Company redeemed Non-Cumulative Redeemable Preference Shares aggregating Rs.3.25 crores. The Coupon rate for dividend was negotiated and brought down to 5% per annum in tune with the cost of borrowings for the Company.

5. **Dividend**

Non-Cumulative Redeemable Preference Shares.

The Company declared Dividend @ 5% aggregating Rs.4.38 crores (including tax) for the year on the Non-Cumulative Redeemable Preference Shares.

6. **Dividend on Equity Shares**

The Company paid two Interim Dividends on Equity Shares aggregating Rs.5.08 crores (including tax) and the Board recommends that the Interim Dividends paid be treated as Final Dividend payment for the year.

7. **Operations**

The total revenue of the Company for the year ended 31st March, 2005 was Rs.272.62 crores (previous year Rs.207.90 crores), with contribution from The Leela Palace Kempinski, Bangalore at Rs.139 crores (previous year Rs.96.90 crores), The Leela Goa at Rs.40 crores (previous year Rs.29.15 crores), The Leela Kempinski Mumbai at Rs.69 crores (previous year Rs.62.09 crores), The Galleria at Rs.10.64 crores (previous year Rs.9.44 crores) while Interest and Other Income amounted to Rs.13.97 crores (previous year Rs.10.05 crores).

The overall performance of the Company showed considerable improvement as compared to the previous year with revenues growing by 31%.

The buoyancy witnessed in the Hotel and Tourism Industry from the beginning of the second half of the financial year 2003-04 continued unabated through 2004-05. The Industry showed a significant growth in revenue due to upswing in both domestic as well international tourist arrivals by over 35%, and recorded a remarkable growth in all segments with high average room rates and occupancy levels.

The Leela Kempinski, Mumbai performed better when compared to the last year due to the swell in in-bound traffic and general revival of the economy and steady evolution of North-Mumbai as a business district over the past few years. The growth in revenue was achieved despite the fact the number of rooms available for operation was fewer due to refurbishment, at 333 per day as against 413 in the past. Phase I of the refurbishment programme, that included three restaurants, bar, 130 rooms and other public areas, was completed and the new rooms were well received. Phase II of refurbishment involves 168 rooms, the Business and Conference centre and the Italian restaurant. The Company now expects this unit to revive and re-emerge leader in the five star deluxe segment.

The Leela Goa performed better than the last year due to increase in both ARR and occupancy. The additional 15 Club Suites, equipped with exclusive Club Lounge facilities proved to be an instant hit with the tourists. This hotel remained the market leader although many multinational hotels have recently started operations in Goa.

The Leela Palace Kempinski, Bangalore has carved a niche of its own in the business segment and enjoys the highest RevPar in the country. This unit has been ranked by CRISIL as the best performing hotel in the country.

8. Amalgamation

Vision Hotels & Resorts Limited, an erstwhile wholly owned subsidiary of the Company, was merged with the Company, following the approval of the Scheme of Amalgamation by the High Court of Judicature at Bombay vide its order dated 15th April, 2005. The appointed date of the merger is 1st April, 2004. The undertaking of Vision Hotels & Resorts Limited stands transferred to and is vested in Hotel Leelaventure Limited with effect from the appointed date and accordingly all its assets and liabilities are reflected in the Company's accounts as on 31st March, 2005. Pursuant to the merger, all the shares of Vision Hotels & Resorts Limited held by the Company stand cancelled.

9. Dues from HUDCO

The Division Bench of the Delhi High Court has by its Order dated 9th November, 2004 confirmed the Order of the Single Judge upholding the Arbitral Award in toto in favour of the Company. HUDCO has filed a Special Leave Petition which is pending before the Supreme Court. Hence, the observation by the auditors in their report.

10. (i) Projects under implementation

- (a) The Leela Business Park, a joint venture project with Rockfort Developers (a combine of HDFC and Rahejas) is almost completed and the same is expected to be fully completed before the end of July, 2005.
- (b) The preparatory work for the construction of additional wing at The Leela Palace Bangalore is in progress and the project is expected to be completed and commissioned during first quarter of the financial year 2006-07.
- (c) The civil work for The Leela Palace Udaipur is expected to be completed during the year 2005-06 and thereafter the balance work of interiors and services, etc. would be taken up during next year.

(ii) Projects in view

- (a) **Chennai** : The Company has acquired land at Chennai for the construction of a Five Star Deluxe Luxury Hotel (about 280 rooms in phase I) and IT Park and the project work will be commence after receipt of the necessary approvals. This hotel is expected to be ready for operation in the year 2008-09.
- (b) **Hyderabad** : The Company has identified suitable land for setting up a Five Star Deluxe Luxury Hotel. The land identified has an FSI to set up a 300 room hotel. The process of acquisition of the land so identified is under process. This hotel is expected to be ready for operation by end 2007-08.
- (c) **Kovalam (Kerala)** : The Company has proposed to acquire an existing and operating Resort Hotel located in the pristine and scenic Kovalam beach. This hotel, located partly on the peak of a cliff and partly on the beach is very unique and offers an exciting experience for the discerning high-end international tourists coming to India for long holidays.

11. Subsidiary Amin Group Hotel Limited (AGHL)

The land held by this subsidiary is also part of the area under development as 'The Leela Business Park'. The project is nearing completion.

12. Awards

All our three hotels were recognized to be among the best hotels in the world and were rewarded with 5 star Diamond Awards by the American Academy of Hospitality Services. Your Chairman was also awarded the Life-time Achievement Award by the Academy for his immense contribution to the growth of the Industry in India and world wide. Your Chairman has also been awarded the Pata Award of Merit by the Pacific Asia Travel Association. The Company also received Bombay Chamber Civic Award 2004-05 for environment excellence.

13. Management Discussion and Analysis

As required by Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Report is appended.

14. Corporate Governance

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended together with Auditors' Certificate on Corporate Governance.

15. Directorate

The Board of Directors in their meeting held on 25th January, 2005 has re-appointed Mr. Venu Krishnan as an Executive Director of the Company for a period of five years effective from 29th January, 2005. The approval of the Members of the Company is sought for his re-appointment as an executive director liable to retire by rotation, at the ensuing Annual General Meeting.

India Development Fund has nominated Mr. Luis Miranda, President and CEO of IDFC Asset Management Company Limited, as a director on the Board of your Company, effective 10th March, 2005.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, three Directors of your Company, namely, Mr. Vijay Amritraj, Mr. P.C.D. Nambiar and Mrs. Madhu Nair, retire by rotation and are eligible for re-appointment. All of them have offered themselves for re-appointment.

Industrial Development Bank of India has withdrawn the nomination of Mr. M.L. Majumdar from the Board of your Company consequent to foreclosure of all loans availed. The Board wishes to place on record the high appreciation of the significant and valuable services rendered by various nominees of IDBI over the past years.

16. Auditors

M/s. Picardo & Co., Chartered Accountants, Statutory Auditors, retire as auditors of the Company and being eligible offer themselves for re-appointment.

17. Particulars of Employees

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2005 is given in the Annexure to the report.

18. Delisting of Equity Shares from some Stock Exchanges.

Pursuant to the approval of the shareholders at the Twenty Second Annual General Meeting held on 25th September, 2003 the Equity Shares of your Company were delisted from the Stock Exchanges at Delhi and Mangalore.

The Company's shares continue to remain listed on The National Stock Exchange of India Limited and the regional Stock Exchange viz. The Stock Exchange, Mumbai.

19. Directors' Responsibility Statement :

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that :

- i) In the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departure;
- ii) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit of the Company for the year ended 31st March, 2005;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors had prepared the annual accounts on a going concern basis.

20. Additional information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 :

(a) Conservation of Energy :

Energy conservation efforts in the Company are being pursued on a continuous basis. Close monitoring of power consumption is maintained to minimise wastage and facilitate optimum utilisation of energy. Regular maintenance and repairs of all the equipment and machinery are carried out to ensure optimum efficiency. The Company has embarked upon major refurbishment of the plant room capabilities so as to conserve and save energy.

The Company has installed a comprehensive building management system including for water treatment, water for air-conditioning, energy-saving lights and lamps in the public areas and in the guest rooms and has also installed energy-saving water pumps with variable frequency drive to reduce power consumption at all its hotels. The Company also uses recycled waste water for landscaping for conserving the precious natural resource. The Company which has already earned the recognition of the United Nations Environment Programme (UNEP) for its contribution to environmental protection, continued its tradition of maintaining the landscape on vast stretches of land at the Sahar International Airport and the Santacruz Domestic Airport.

(b) Technology Absorption :-

The Company being in the hospitality industry, its activities do not involve any technology absorption or expenditure on research and development.

(c) Foreign Exchange Earnings and Outgo :-

During the year, your Company's Foreign Exchange earnings were Rs.179.72 crores whereas the outgo was only Rs.18.38 crores. The Company is thus a huge net contributor of foreign exchange.

21. Acknowledgements

Your Directors wish to place on record their appreciation for the co-operation the Company has received from the Government of India, especially the Ministry of Tourism, the Airports Authority of India, Financial Institutions, Banks, State Governments of Maharashtra, Goa, Karnataka, Rajasthan and Delhi and The Kempinski Group of Hotels and GHM (Mauritius) Ltd.

The Board of Directors also express their sincere thanks to the shareholders for the support and the confidence reposed by them in the Company.

Your Directors wish to place on record their sense of appreciation of the good work of executives and staff at all levels in the Company.

For and on behalf of the Board of Directors
HOTEL LEELEVENTURE LIMITED

C.P. Krishnan Nair
Chairman

Mumbai
Date : 3rd June, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

The Indian Hospitality Industry is now well set to scale new heights and the resurgence witnessed by the Tourism Industry in the second half of the year 2003-04 continued unabated through the year 2004-05 as well. Foreign tourist arrivals improved by 24% to reach 3.36 million during 2004 and Foreign Exchange earnings by the industry grew by 33% to cross Rs.21,828 crores during 2004. At many forums across the globe, India being one of the fastest growing economies of the world, remained the current flavour and the Indian Hotel Market has therefore been generating serious interest from international operators, hotel developers as well as investors.

INDUSTRY STRUCTURE AND OUTLOOK

With Foreign Tourists & Domestic Tourists set to grow at above 35% and 40% respectively, the hotel industry is in for very good times.

Atleast 80,000 hotel rooms are required to be added in the next 3-4 years to cater to the 5 million tourists expected by then which involves an investment of over Rs.30,000 crores.

According to the Ministry of Tourism, every new investment of Rs.10 lakhs in the hospitality industry generates employment for 89 persons compared to 44 persons in agriculture and 12.5 persons in the manufacturing sector and hence the proposed investment in the hospitality industry will boost employment.

The upgradation of Airports all over the country, the move towards their privatization, the Open Sky policy which has seen several new International Airlines linking up with India, the emergence of several low-cost domestic airlines, the opening up of international destinations to domestic airlines, all augurs well for the hospitality industry.

The Government has made various announcements to support the growth of the hospitality and tourism industry viz., setting up of the Consortium for Infrastructure Funds with a corpus of Rs.40,000 crores, setting up of an International Airport at Jaipur (Rajasthan), the abolition of 15% Inland Air Travel Tax, reduction of Excise Duty from 16% to 8% on Aviation Turbine Fuel and extension of Service Tax concession to Tour Operators.

The proposal to introduce VAT is indeed welcome as Sales Tax on Food & Beverage which is over 20% in many States would stand reduced to around 12.50% under the VAT regime and would result in reduction in prices.

The Finance Bill also increased the Plan Outlay for Ministry of Tourism from Rs.325 crores in 2003-04 to Rs.500 crores for 2004-05 and further to Rs.786 crores for the year 2005-06 which will enable the Ministry to provide higher outlays for infrastructural development and promotional activities.

The Government's announcement to set up Convention Centres of international standards in the four cities of Delhi, Mumbai, Jaipur and Goa, to be partially funded by the Government, will give a boost to the hoteliering industry in these cities.

Bangalore continued to be the market leader in terms of occupancy and ARR (Average Room Rate) and is considered the best hotel market in Asia at present and one of the best in the world. Average occupancy has shot up from 57% in 1999-2000 to 80% in 2004-05, the highest in the country.

Goa has already matured as an international tourist destination with major hotel chains having presence viz., Hyatt, JW Marriott etc. The State has benefited from keen efforts by the DoT and the State Government to promote Goa as a destination. Goa is now the permanent venue for the International Film Festival. The growth of the Charter Sector will continue to result in positive development for Goa.

Mumbai, the financial capital of India, continued to experience a large surge in demand which was reflected in relatively higher ARR, especially in north Mumbai. The ongoing improvements to infrastructure in terms of wider roads, flyovers and Highway development and renovation of the Mumbai Airport will add to demand since not much of hotel construction is to be seen.

Across the world, with the internet becoming a household feature, booking of hotel rooms through branded hotel websites is on the rise. Voice calls to reservation centres have declined and Global Distribution Systems remain the most popular electronic form of hotel room booking making up almost 40% of all hotel reservations.

As per the recent study conducted by NCAER, there are 10 million households in India with an average income of over Rs.46,000 per month and 2 million households with income of over Rs.1,15,000 per month, for whom eating out is emerging as a trend. Hotels have therefore started giving more emphasis on enhancing F&B Income and a huge boom in domestic tourism is expected.

RISKS AND CONCERNS

While the hospitality industry has now re-emerged from the cascading effects of 9/11, SARS and the aftermath of Kargil, Afghanistan and Iraq, security is a major concern.

The industry needs to take a proactive approach in addressing issues concerning geopolitical relations, governmental travel restrictions and currency exchange rates and their potential impact.

The hospitality industry has to do a better job in managing technology and address the challenges posed by new and changing technology, especially with regard to upgradation of aging and inadequate infrastructure.

In recent years "non-controllable" costs viz.: insurance, utilities etc have seen an upsurge. It is therefore all the more important to keep "controllable" costs viz.: payroll, staffing, brand requirements, under check.

The high incidence of Luxury Tax and the lack of a uniform approach amongst States has to be looked at in an integrated manner.

Though hotels have been granted infrastructure status and included for concession u/s 10(23G) of the Income Tax Act, it is necessary to treat hotels at par with other infrastructure sectors and be included for concessions u/s 80 IA of the Income Tax Act which is imperative to give a fillip to both the Indian Hotel Industry as well as for FDI which is permitted upto 100%.

While Expenditure Tax was abolished in the year 2003, Service Tax has been introduced to cover various services rendered by the hotel industry such that over the years Service Tax has virtually replaced Expenditure Tax. It is therefore necessary to grant exemption or allow full set-off for the Service Tax paid and collected to avoid an adverse impact. The Fringe Benefit Tax, introduced in the recent Finance Budget, on various expenses incurred by the Company is also a dampener that would increase the cost of operation.

INTERNAL CONTROL SYSTEMS

Your Company is committed to maintain high standards of internal control and procedures. To meet with the demands of good corporate governance and for adopting globally accepted accounting practices, your Company has put in place systems and procedures vetted by Price Waterhouse. Your Company is therefore slowly moving towards adopting international best practices in many fields of its operations including Environment, Accounting, Corporate Governance etc.

HUMAN RESOURCES

The Company assigns a great deal of importance to this most precious resource. It has a full-fledged Human Resource Department that seeks to attract and recruit the best possible talent and groom it to fulfill its vision for the future. The Directors wish to acknowledge the contribution of all the employees in raising the performance of the Company.

CAUTIONARY STATEMENT

Statements made in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, predictions and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results might differ materially from those either expressed or implied.