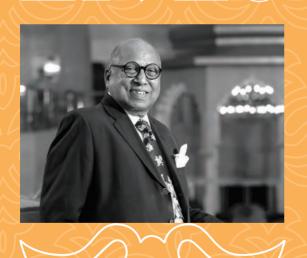


THE LIFEND STILL STILLS



He walked the earth for over 92 summers. He walked miles farther than most men do.

On paths few dare to take. He built empires along the way. Crafted castles of luxury. For those who sought rest and refuge from the ordinariness of life, and set out to visit the sublime. He walked with every guest. His presence shone in every act and gesture of graciousness. In the warm embrace of Indian hospitality that has come to be known by one name. The Leela.









A DREAMER. A KARMAYOGI.

A warrior. A freedom fighter. A gardener.
A textile tycoon. A spiritual follower.
An artist. A connoisseur. A hotelier. A king.
Many facets of Captain Nair bloomed during
his lifetime. Each role he performed
earnestly, fervently. Undeterred by adverse
circumstance or the absence of 'luck', a term
he deemed non-existent in his dictionary.

THE MAN WHO WAS A HOST TO EXALTED GUESTS FROM AROUND THE WORLD.

Captain Nair naturally sought the company of others who were as committed to excellence. They were to him a constant affirmation of his own dedication to the conquest of the human spirit. He knew deeply, that action was limited only by one's vision.

A SON OF THE SOIL. A FATHER OF FORESTS.

Spiritual in his every thought and deed,
Captain Nair was an avid believer in Indian
culture. The age old Hindu philosophy of Athithi
Devo Bhava, was, he averred, what made Indian
hospitality unique. Through his hotels in
different corners of this vast country, he paid
homage to the country's glorious past and its
rich natural reserves.



CHAIRMAN'S STATEMENT



Dear Shareholder,

As you may be aware, our Founder Chairman, Capt. C. P. Krishnan Nair passed away on 17th May this year at the age of 92. He has left a vacuum at The Leela which will be impossible to fill. He was an inspirational leader who continued to guide us even after retiring as Chairman. His vision, dedication, dynamism and guidance will be sadly missed by all of us who have worked with him. His endearing relationship with the shareholders would surely be missed.

The year gone by has been challenging in many ways ranging from political uncertainty in India to challenges in the improvement of both the Indian and Global economy. A surfeit of hotel rooms added over the years which coincided with the slowdown in the economy affected the demand for rooms, as a result of which there was no significant improvement either in occupancy or in average room rates. The segment most affected was the one relating to the business traveller both from India and abroad in our business hotels. However, our resort in Goa recorded all-time highs in revenues and profitability ratios.

The high level of quality of our properties and brand has helped us to maintain our competitive edge and sustainable earnings. We constantly strive to improve our brand image with personalised services extended by our associates and our knowledge on the evolving needs of our guests which help us to deliver unique guest experiences.

In June 2014, 14 out of our 18 lenders assigned their debts in favour of JM Financial Asset Reconstruction Company Private Limited (JMF-ARC). We are now in discussions with JMF-ARC for a revised restructuring package. Our plan is to divest a significant stake in some of our hotels and continue to operate these hotels under the Leela brand name, under a long term management contract.

Outlook

The Indian economy is expected to continue to see challenges in the immediate future. However, I remain confident in the long-term growth prospects of the Indian economy especially with the several initiatives demonstrated by the new Union Government. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth in the economy. Tourism is the highest employment generator at 53 million and a significant source of foreign exchange for the country at US\$ 20 billion. With the revival of business sentiment and the active support of the Government to boost Travel & Tourism, a significant increase is expected in the arrival of foreign tourists and also a greater number of Indians are expected to be travelling to domestic destinations than before. This will have a positive impact on the occupancies and rates and hence the business over the next few years.

In a major move, the Government has decided to include Hotels in the Infrastructure Funding List of the Reserve Bank of India, thus giving the much needed relief to most of the new hotels who have been under stress due to the mismatch of the tenure of the loans (restricted to 10 years only) and the cash flows generated by hotels which have become very capital intensive. With this, hotels with a capital expenditure of over INR 200 crores, (excluding the cost of land) would be eligible to borrow from banks for a tenure of upto 25 years (opposed to 10 years) as recently announced in the 5/25 scheme of the Reserve Bank of India. Also, the rate of interest charged for new projects by banks would be lower as they can now lend without the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) being maintained.

The following announcements by the Government in the Union Budget for 2014-15 would benefit the Tourism Sector:

1. Funds for the Buddhist circuit allocated by the Government in the Union Budget would help in providing world-class tourist amenities including all necessary infrastructure such as hotels, last mile connectivity, roads, facilitation centres, wayside amenities, etc. The Buddhist circuit envisaged is Bodhgaya, Varanasi, Nalanda and Sarnath.

- 2. The Government has committed to implement GST at the earliest which would bring down the present heavy levies of multiple taxation.
- 3. 31 new tourism circuits in the country have been identified and funds for infrastructure improvement will be allocated.
- 4. The Government has also taken the initiative to issue mandatory e-visas to citizens of several countries from October 2014 which would ease the process to obtain visas for foreign tourists at 9 important international airports in the country.

The foreign tourist arrivals are projected by the Government of India and the Planning Commission to be doubled from 6.5 million to 13 million in the 12th Five Year Plan (2012-2017). The employment generated in the Tourism sector would then go up from 53 million at present to 87 million. However, for this to happen, accommodation infrastructure is to be created. The number of hotel guestrooms need to go up from the present 120,000 to 300,000 guestrooms; an increase of 180,000 guestrooms and the capital expenditure of about INR 200,000 crores would have to be incurred for these additional rooms to be constructed and make operational. This itself is a monumental task.

The prospects, therefore, for the Tourism Sector look promising and we are certain that it would be able to realize its true potential soon.

I would like to thank you, all our shareholders, for your trust and your wholehearted support.

Best Regards,

Vivek Nair

Chairman & Managing Director



Vivek Nair

BOARD OF DIRECTORS



Dinesh Nair



Venu Krishnan



Krishna Deshika



Madhu Nair



Anna Malhotra



Vijay Amritraj



Anil Harish



K. U. Mada



Indur Kripalani



Madhavan Nambiar



Anil Kumar Sharma



V. P. Shetty



Anil R. Bhatia



Vikram Singh Mehta





R.Venkatachalam

CORPORATE INFORMATION



Board of Directors

Mr. Vivek Nair Chairman & Managing Director Mr. Dinesh Nair Co-Chairman & Managing Director

Mr. Venu Krishnan Deputy Managing Director (Upto 31st July, 2014)

Director - Finance & CFO Mr. Krishna Deshika

Mrs. Madhu Nair Director Mrs. Anna Malhotra Director

Mr. M. Narasimham Director (Upto 13th February, 2014)

Dr. K. U. Mada Director Mr. Vijay Amritraj Director Mr. Anil Harish Director Mr. M. Madhavan Nambiar Director Mr. Indur Kirpalani Director

Mr. A. K. Dasgupta Director (Upto 20th September, 2013)

Mr. Anil Kumar Sharma Director - Nominee of Airports Authority of India

Director - Nominee of State Bank of India Mrs. Uttara Dasgupta

(Upto 11th August, 2014)

Mr. T. Ravindranath Director - Nominee of Syndicate Bank

(Upto 11th August, 2014)

Mr. V. P. Shetty Director - Nominee of JM Financial Asset

Reconstruction Company Private Limited

(w.e.f. 11th August, 2014)

Mr. Anil Bhatia Director - Nominee of JM Financial Asset

Reconstruction Company Private Limited

(w.e.f. 11th August, 2014)

Director (w.e.f. 11th August, 2014) Mr. Vikram Singh Mehta Mr. R. Venkatachalam Director (w.e.f. 11th August, 2014)

Company Secretary

Dinesh Kalani

Statutory Auditors

Picardo & Co.

Chartered Accountants

Solicitors & Advocates

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Registered & Corporate Office

The Leela, Mumbai Sahar, Mumbai - 400 059 Website: www. theleela.com

E-mail: investor.service@theleela.com

Corporate Identity Number: L55101MH1981PLC024097

Bankers

IDBI Bank Limited HDFC Bank Limited Oriental Bank of Commerce

Registrar & Share Transfer Agents

Sharepro Services (India) Private Limited 13 A/B Samhita Warehousing Complex 2nd Floor, Off Andheri Kurla Road, Sakinaka Telephone Exchange Lane Sakinaka, Andheri East, Mumbai - 400 072 Tel: + 91 22 6772 0300 / 6772 0400 Fax: + 91 22 2859 1568

E-mail: hotelleela@shareproservices.com Website: www.shareproservices.com

Investor relations centre of the Registrar & Share Transfer Agents

912, Raheja Centre Free Press Journal Road Nariman Point Mumbai - 400 021 Tel: + 91 22 6613 4700

Fax: + 91 22 2282 5484

33rd Annual General Meeting				
Venue	:	RangSharda Auditorium, K. C. Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050		
Date	:	Thursday, the 18th September, 2014		
Time	:	10.00 A.M.		

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DIRECTORS' REPORT

Dear Members,

Your Directors hereby present the 33rd Annual Report of the Company, along with Audited Accounts for the financial year ended 31st March, 2014.

1. Financial Results

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

₹ Lakhs

	Financial Year	Financial Year
	2013-14	2012-13
Revenue from operations and other income	76,817.62	65,140.65
Operating and other Expenses	57,323.95	53,790.07
Earnings before interest, Depreciation, Taxes and Amortisation (EBIDTA)	19,493.67	12,264.68
Interest	50,163.00	40,534.25
Depreciation	18,065.31	13,867.33
Profit/(Loss) before tax	(48,734.64)	(42,136.90)
Provision for taxes / deferred tax	(4,587.45)	1,208.91
Profit/(Loss) after tax for the year	(44,147,19)	(43,345.81)
Balance brought forward	(10,694.46)	32,651.35
Amount available for appropriation	(54,841.65)	(10,694.46)
Appropriations	-	-
Balance carried to Balance Sheet	(54,841.65)	(10,694.46)
EPS - basic and diluted (in ₹)	(10.15)	(10.82)

2. Dividend and Transfer of amounts to Investor Education and Protection Fund

In view of losses, the directors do not recommend any dividend for the financial year ended 31st March, 2014.

During the year under review, the Company has credited ₹ 7.02 lakhs, lying in the unpaid / unclaimed dividend accounts for the financial year 2005-06, to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on the website of the Ministry of Corporate Affairs.

3. Corporate Debt Restructuring

The Company had restructured its debts under the Corporate Debt Restructuring (CDR) mechanism. The status of implementation is explained in the relevant section in the Management's Discussion and Analysis Report.

4. Credit Rating

The last Credit Rating issued to the Company by CARE Limited was on 25th April, 2012. However, the credit rating is under suspension at present, as the Company is under Corporate Debt Restructuring.

5. Changes in Paid up Capital

In terms of the approval accorded by the shareholders of the Company at the last Annual General Meeting held on 20th September, 2013, the Company has allotted 329,61,460 fully paid up equity shares of $\stackrel{?}{\underset{?}{$\sim}}$ 2 each, at a price of $\stackrel{?}{\underset{?}{$\sim}}$ 19.72 per equity share (including premium of $\stackrel{?}{\underset{?}{$\sim}}$ 17.72 per equity share) aggregating to $\stackrel{?}{\underset{?}{$\sim}}$ 65 crores to a promoter group company during the year under review.

With the aforesaid allotment, the paid up share capital of the Company stands increased from $\mathbf{\xi}$ 83,73,02,264 divided into 41,86,51,132 equity shares of the face value of $\mathbf{\xi}$ 2 each to $\mathbf{\xi}$ 90,32,25,184 divided into 45,16,12,592 equity shares of the face value $\mathbf{\xi}$ 2 each.

6. Expansion / up-gradation Plans

Your Company owns and operates six hotels in Mumbai, Goa, Bangalore, Udaipur, New Delhi and Chennai, besides operating two hotels in Gurgaon and Kovalam under Management Contract. The total room inventory stands at 2.213 guest rooms including those under Management.

7. Monetisation of non-core Assets

The status of sale / monetization of non-core assets is as follows:

The joint development project on 4.21 acres of land in Pune for construction of high end residential flats has received the requisite approvals and the work has commenced.

The joint development project on 2 acres of land next to The Leela Palace, Bangalore for developing high-end residences is in the process of getting the requisite approvals.

The Company has entered into an agreement for sale of Chennai I. T. Park. The sale is expected to be completed during the current financial year.

The Company has entered into an MOU to sell its land in Hyderabad and the deal is expected to be concluded by December 2014.

8. Management's Discussion and Analysis (MDA)

As required by Clause 49 of the Listing Agreements with the Stock Exchanges, Management's Discussion and Analysis Report for the year under review is appended herewith and forms part of this report.

9. Report on Corporate Governance

As required by Clause 49 of the Listing Agreements, a separate section containing the Report on Corporate Governance together with the Certificate on compliance with the conditions of Corporate Governance, issued by a Practising Company Secretary, is appended hereto and forms part of this Annual Report.

As part of good Corporate Governance practice, the Company has voluntarily obtained Secretarial Audit Report from a Practising Company Secretary with regard to compliance of rules and regulations under the applicable provisions of the Companies Act and the Listing Agreements entered into with the Stock Exchanges. A copy of the said report is appended to this report.

10. Changes in Directorate

Mr. M. Narasimham, Director, resigned from the Board with effect from 13th February, 2014 due to health reasons. The Board places on record its deep sense of appreciation for the valuable contributions during his long tenure with the Company.

Mr. Indur Kirpalani, who retires by rotation, has conveyed that he is not seeking re-appointment at the ensuing Annual General Meeting. The Board has decided not to fill the vacancy. The Board places on record their appreciation of the valuable contributions made by him.

In terms of Section 149 of the Companies Act, 2013, it is proposed to appoint Mrs. Anna Malhotra, Dr. K. U. Mada, Mr. Vijay Amritraj, Mr. Anil Harish and Mr. M. Madhavan Nambiar as Independent Directors for a term of five consecutive years, upto 31st March, 2019. Details of the proposal for their appointment are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 33rd Annual General Meeting.

Mrs. Madhu Nair, Non-Executive Director, retires by rotation at the forthcoming Annual General Meeting and has offered herself for re-appointment.

The Board recommends the above appointments / re-appointments.



11. Auditors and Auditors' Report

M/s. Picardo & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness to accept office, if re-appointed. The Company has received a certificate from the Statutory Auditors to the effect that their re-appointment, if made, would be within the limits prescribed and that they are not disqualified for re-appointment. Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, it is proposed to re-appoint M/s. Picardo & Co. as the Statutory Auditors of the Company from the conclusion of the forthcoming Annual General Meeting till the conclusion of the next Annual General Meeting of the Company.

Without qualifying their report, the Auditors have observed in their report that (a) the impairment loss, if any, on sale of assets to be disposed of for deleveraging the Balance Sheet cannot be ascertained in the absence of binding offers and (b) impairment loss relating to a project in Mumbai held up for a substantial period amounting to ₹ 13,805 lakhs, has not been recognised.

Management's Response on their observations is as follows:

The Management is confident of successfully implementing the asset disposal plans and meeting its liabilities. Regarding the impairment loss, if any, on sale of assets, the Management is confident that while there could be loss on sale of some assets, there would be profit on sale of other assets and hence no impairment is expected on the sale as a whole. Regarding the property in Mumbai, the Management is confident of an amicable settlement and implementation of the Project.

The notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

12. Particulars of Employees

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Rules thereunder, form part of this Report.

However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to the members of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining such particulars may write to the Company Secretary of the Company.

13. Subsidiary Companies and Consolidated Financial Statements

The Company has two non-operative subsidiary companies, Leela Realty Limited and Leela Palaces and Resorts Limited.

The Company has not attached the Balance Sheet, Profit and Loss Account and other documents of the above subsidiary companies 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 and its subsidiaries for inspection by any member of the Company. As required under the aforesaid circular, a summarized statement of financial position of the subsidiaries has been appended to this Annual Report. The audited financial statements and related information of subsidiaries are also available on our website, www.theleela.com.

The Audited Consolidated Financial Statements, prepared in accordance with the Accounting Standard 21 and Clause 32 of the Listing Agreement, form part of this Annual Report.

14. Fixed Deposits

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

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors, based on the information and representations received from the operating management, hereby confirm that:

- in the preparation of the Annual Accounts for the year ended March 31, 2014, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the loss of the Company for the year ended on that date;
- 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
- the Directors had prepared the Annual Accounts of the Company on a 'going concern basis'.

Energy Conservation, Technology Absorption and Foreign Exchange **Earnings and Outgo**

The particulars as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are as follows:

Conservation of Energy and Water:

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 and high efficiency HVAC systems used / retrofitted extensively in all hotels, has reduced electrical consumption.
- Computerized Power Monitoring is implemented in all properties on gradual basis to monitor and control power consumption.
- Main chiller plants and steam boilers have been tuned for best efficiency to conserve energy.
- Building management system installation and electricity distribution systems equipped with power factor correction panel monitors that controls energy wastage of equipment.
- 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 at four hotels.
- The Company has installed 23 windmills with a capacity to generate 13.5 MW power, a renewable energy source in the State of Maharashtra (4.5MW), Karnataka (5 MW) and Tamil Nadu (4 MW). Windmills continue to produce renewable energy for use in own hotels.

(b) Technology Absorption:

In the opinion of the Board, the required particulars pertaining to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable, as hotel is 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 during the year stood at ₹ 27,525.59 lakhs (previous year ₹ 29,370.54 lakhs) and foreign exchange outgo during the year stood at ₹ 3,962.63 lakhs (previous year ₹ 5,216.88 lakhs).

17. Acknowledgements

The Board wishes to place on record its appreciation for the assistance and support received from all the lenders, Government and 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 they have reposed in the Company and the management.

Your directors attribute immense importance to the contribution of the family of staff 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 of competitive industry as one of the finest Hotel Groups in India.

For and on behalf of the Board of Directors

Vivek Nair Chairman & Managing Director

Mumbai, 27th May, 2014