

# HOTEL LEE LAVENTURE LIMITED ANNUAL REPORT

2017-18



**THE LEE LA**  
PALACES HOTELS RESORTS

*A view of the Mahatma Mandir Convention and Exhibition Centre, Gandhinagar, Gujarat*

The Leela's understanding of luxury stems not only from the timeless Indian delight of honouring guests, but also from its rich heritage which has inspired the creation of magnificent hotels with lavish interiors. The richness of the past blends effortlessly with modern technology to create award-winning hotels with a range of fine dining, banquet and recreational facilities. The brand currently is strategically represented in key business and leisure destinations in India with a plan to grow exponentially to other destinations.

The Leela Palaces, Hotels and Resorts is pleased to announce that it has won the competitive bid and management contract to operate India's largest Convention and Exhibition Centre – the 34-acre Mahatma Mandir. Also, the group will be launching Gujarat state capital's largest hotel, The Leela Gandhinagar, a 300-room hotel that is being built within the complex. It is located close to the seat of the Gujarat Government as well as being easily accessible from the airport and key business districts of Gandhinagar and Ahmedabad. The project combines grand space with global standards of service and caters to the growing demand for world-class avenues.



*The Leela Gandhinagar, Gujarat scheduled to open in 2019*

# MISSION STATEMENT

*To not just satisfy our guests, but delight them.*

*To show the warmth and grace unique to Indian hospitality.*

*To set a new global standard of service in which wishes are not simply granted, but anticipated.*

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## CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to present to you on behalf of the Board of Directors of Hotel Leelaventure Limited, the 37<sup>th</sup> Annual Report and Financial Statements for the year ended March 31, 2018.

### Overview

The Leela Palaces, Hotels and Resorts remain a key player in the luxury hotel business. I am delighted to inform you that for the third year consecutively, the group has been ranked among the 10 'World's Best Hotel Brands' by Travel + Leisure, USA, in their 2018 Readers' survey. In fact, it has secured the 7<sup>th</sup> spot in the ratings ahead of several well-known international brands. It is our aim to continue to be recognized as a leading luxury hotel group in India. Our philosophy is deeply rooted in the tradition and ethos of legendary warm Indian hospitality. Our service culture and our values both focus on delivering experiences that make guests feel like unique individuals. It is the seamless coordination; teamwork and dedication among us that will help us in maintaining our high standards. In a rapidly evolving environment around us we may face some significant challenges but I am confident that we will adapt and continue to deliver our

Brand promise of outstanding service. We have had an extraordinary background and an excellent legacy that will continue to position us as one of the world's leading hotel groups.

In line with our asset-light strategy, I am pleased to inform you that we have won the competitive bid to operate India's largest Convention and Exhibition Centre – the 34-acre Mahatma Mandir at Gandhinagar, Gujarat. Also, we will be launching Gujarat state capital's largest hotel, The Leela Gandhinagar, a 300-room hotel built 400 metres away from the Mahatma Mandir Convention Centre complex. Easily accessible from the airport and key business districts of Gandhinagar and Ahmedabad, the hotel overlooks the historic Dandi Kutir which symbolizes the values and beliefs of Gandhian principles. The addition of these projects to our MICE portfolio reinforces our plans to expand further into the International conferences and events space. These projects combine grand space with global standards of service and serve the growing demand for world-class venues. Our endeavour will be to help transform Gandhinagar into the convention capital of India. With this contract we have expanded our hotel portfolio to ten acclaimed properties across India. Upcoming projects include a resort in Jaipur, a palace hotel in Agra and business hotels in Bengaluru and Hyderabad which will open in 2019.

### Outlook

Tourism in India accounts for 7.5% of the GDP and is the 3<sup>rd</sup> largest foreign exchange earner for the country. With concerted efforts being made by the Ministry of Tourism to promote India's incredible beauty and heritage abroad, the outlook is encouraging. The number of tourists arriving in India went up by 15.67% and the



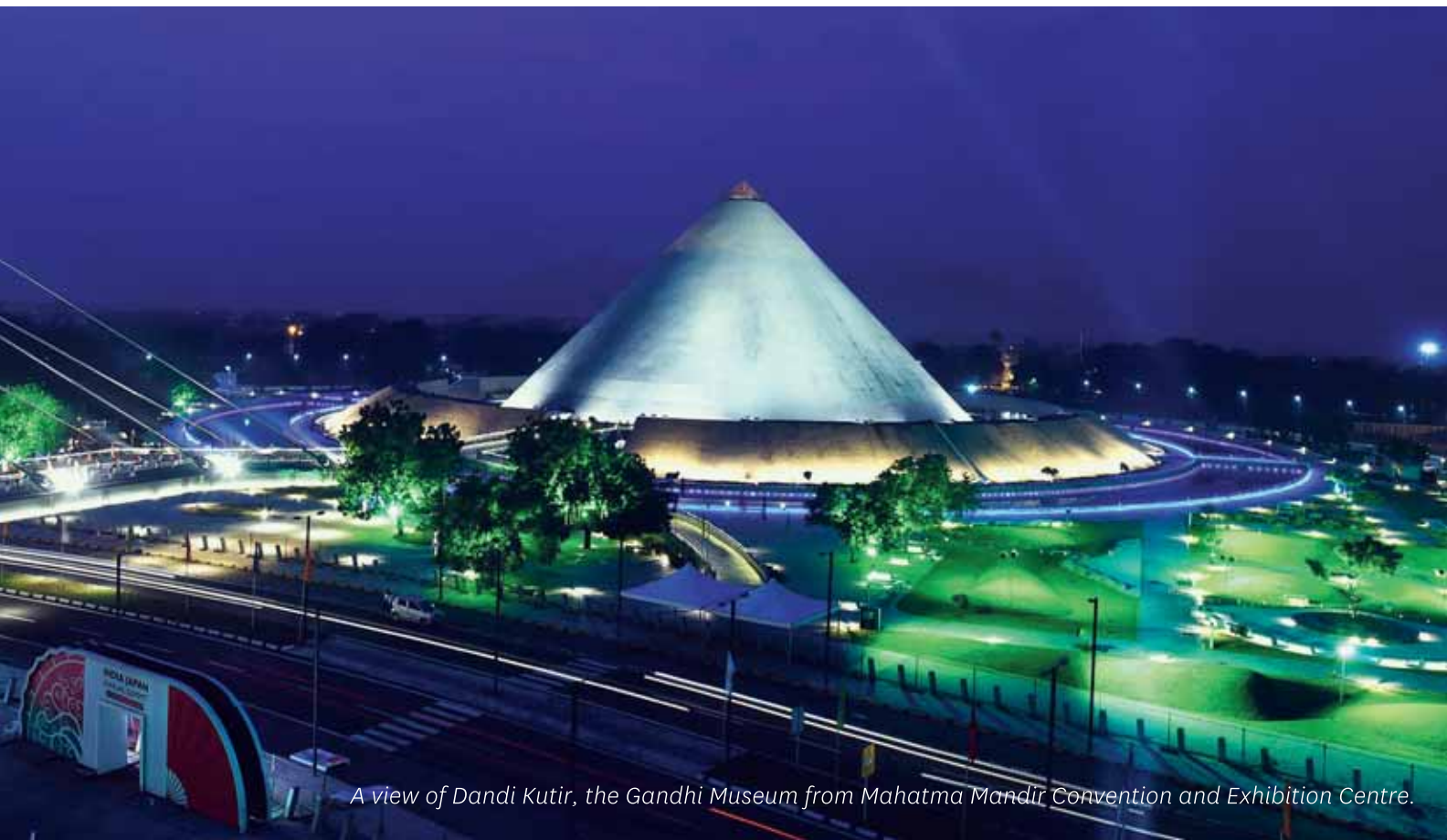
receipts for tourism increased by 20.8%. With the government planning to showcase the country as a spiritual and wellness destination, India is poised to emerge as an important destination in this space. Furthermore, the expansion of the E-visa scheme to more countries is also expected to increase the tourist flow. In addition, there is a steady growth and a higher movement in Meetings, Incentives, Conventions and Exhibitions (MICE) business. On the domestic front, a consistently growing middle class with an increasing disposable income and a fondness among millennial to travel frequently will also contribute to the overall growth of the industry.

I wish to convey thanks to our valued shareholders and seek their continued support

and trust in us. I also acknowledge the support of the Board, Management and Associates of The Leela for their commitment and commendable efforts and look forward to their continued whole hearted support.



**Vivek Nair**  
**Chairman and Managing Director**  
**Hotel Leelaventure Ltd**



*A view of Dandi Kutir, the Gandhi Museum from Mahatma Mandir Convention and Exhibition Centre.*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## CHIEF FINANCIAL OFFICER

Mr. Rajan Shah

## PRESIDENT

Mr. Rajiv Kaul

## COMPANY SECRETARY

Mr. Alen Ferns

## STATUTORY AUDITORS

N. S. Shetty & Co.

Chartered Accountants

## SOLICITORS & ADVOCATES

Cyril Amarchand Mangaldas

## Registered & Corporate Office

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

## Registrar & Transfer Agents

Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot No. 31-32,  
Gachibowli, Financial District,  
Nanakramguda,  
Hyderabad - 500 032  
Tel: + 91 40 6716 2222 | Fax: + 91 40 23420814  
Toll Free No. 1800-3454-001  
E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)

## Bankers / Financial Institutions

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

Corporate Identity Number (CIN): L55101MH1981PLCo24097

## 37<sup>th</sup> Annual General Meeting

Date		Monday, 20 <sup>th</sup> August, 2018
Time		11.00 A.M.
Venue		St. Andrews Auditorium, St. Dominic Road, Opposite Arya Vidya Mandir School, Behind Holy Family Hospital, Off Hill Road, Bandra (West), Mumbai - 400050

# DIRECTORS' REPORT

## Dear Members

Your Directors present the 37th Annual Report on the business and operations of your Company, together with the audited accounts for the year ended March 31, 2018.

### 1. Financial Performance

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

₹ lakhs

Particulars	Financial Year 2017-18	Financial Year 2016-17
Total Income	74,312.57	73,922.29
Profit before depreciation, finance costs, tax amortization and exceptional items	21,881.37	21,613.01
(Less): Depreciation	(12,542.43)	(14,114.89)
(Less): Finance costs	(8,366.89)	(9,044.19)
Profit before tax and exceptional item	972.05	(1,546.07)
Add/(Less): Exceptional items	(3,293.68)	-
Profit / (Loss) before tax	(2,321.63)	(1,546.07)
Less: Provision for tax	-	-
Profit / (loss) after tax	(2,321.63)	(1,546.07)
Other comprehensive income / (loss)	137.08	(172.95)
Total comprehensive income	(2,184.55)	(1,719.02)
Earnings per share – basic and diluted – ₹	(0.43)	(0.33)

### 2. Dividend

In view of losses, the Directors do not recommend any dividend for the financial year ended 31st March, 2018.

### 3. Share Capital

#### Change in Authorised Share capital

During the year, the Company, pursuant to the approval accorded by the members through a postal ballot held on 10th July, 2017, has increased its authorized share capital from ₹ 180,00,00,000 (Rupees one hundred eighty crores) consisting of 60,00,00,000 (Sixty Crores) equity shares of ₹2 (Rupees two) each and 60,00,000 (Sixty lakhs) Redeemable Preference Shares of ₹100 (Rupees one hundred) each to ₹ 260,00,00,000 (Rupees two hundred sixty crores) divided into 100,00,00,000 (One hundred crores) equity shares of face value of ₹ 2 (Rupees two) each and 60,00,000 (Sixty lakhs) Redeemable Preference Shares of ₹100 (Rupees one hundred) each.

#### Change in paid up Share Capital pursuant to allotment of equity shares to JM Financial Asset Reconstruction Company Limited

During the year, the Company, pursuant to the approval accorded by the members at the Annual General Meeting held on 18th September, 2017, has allotted 16,39,43,459 (Sixteen crore thirty nine lakhs forty three thousand four hundred fifty nine) fully paid up equity shares of face value of ₹ 2 (Rupees two) each, at a price of ₹ 16.78 (Rupees sixteen and seventy eight paise) per equity share including premium of ₹ 14.78 (Rupees fourteen and seventy eight Paise) per equity share aggregating to ₹ 275.09 Crores (Rupees two hundred seventy five crores and nine lakhs) to JM Financial Asset

Reconstruction Company Limited towards conversion of debts. Accordingly, the issued and paid up share capital of the Company stands increased from ₹ 93,32,16,614 (Rupees ninety three crores thirty two lakhs sixteen thousand six hundred and fourteen) divided into 46,66,08,307 (forty six crores sixty six lakhs eight thousand three hundred and seven) Equity Shares of face value of ₹ 2 (Rupees two) each to ₹ 126,11,03,532 (Rupees one hundred twenty six crores eleven lakhs three thousand five hundred and thirty two) divided into 63,05,51,766 (sixty three crores five lakhs fifty one thousand seven hundred sixty six) Equity Shares of face value of ₹ 2 (Rupees two) each.

### 4. Indian Accounting Standards (Ind AS)

Pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) on 16th February, 2015, your Company is required to prepare the financial statements under Indian Accounting Standards (Ind AS) with effect from 1st April 2017, as prescribed under Section 133 of the Companies Act 2013 read with Rule 7 of Companies (Accounts) Rules, 2014. Accordingly, the Company has adopted Indian Accounting Standards ("Ind AS") with effect from 1st April, 2017 with a transition date of 1st April, 2016 and the financial statements for the year ended 31st March, 2017 have been restated to conform to Ind AS.

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

Your Company has one wholly owned Subsidiary (WOS), viz. Leela Palaces and Resorts Limited. The net loss for the FY 2017-18 was ₹ 0.03 lakhs, compared to profit of ₹ 0.30 lakhs in FY 2016-17. During the year under review, your Company has not incorporated or acquired any company.

The WOS neither carried out any operations during the year nor has there been any material change in the nature of its business. The WOS is being proposed to be transferred by way of transfer of shares, for which the approval of the Company's shareholders has already been obtained.

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

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

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

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

### 6. Secured Non-Convertible Debentures

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

principal amounting to ₹ 2,250 lakhs. The Company has not paid the third and fourth installments towards redemption of principal amount of ₹ 2,250 lakhs each on NCDs due since 30th September, 2016 and 30th September, 2017 respectively. The Company has also been in default in payment of interest on the aforesaid NCDs and the interest is overdue since March 2017. The total interest overdue as on 31st March, 2018 is ₹ 1,015.43 Lakhs.

The Company's operating cash flows are not sufficient to service its term loans and NCDs and the funds of the Company are escrowed with its lenders and the inflows and outflows are also monitored by the lenders. The Company can pay to LIC only on pro-rata basis. The Company is pursuing with LIC for Debt restructuring.

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

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

As on the date of this Report, the Company has Six (6) Directors consisting of Four (4) Independent Directors and Two (2) Whole-time Directors.

### a) Disqualification of Directors

In terms of the provisions of section 164(2)(b) of the Companies Act 2013, any person who is or has been a Director of a Company, which has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall not be eligible to be re-appointed as a Director of that company or appointed in other company for a period of 5 years from the date of default. As explained in para 6 above, the Company has defaulted in payment of installments towards redemption of principal amounts due on Secured Redeemable Non-Convertible Debentures and also defaulted in payment of interest on the aforesaid Debentures. Accordingly, the disqualification under the aforesaid provision got triggered on 30th September, 2017 and is still continuing. Mr. Vivek Nair, Chairman & Managing Director, Mr. Dinesh Nair, Co-Chairman & Managing Director and Mrs. Anna Malhotra, Independent Director, are disqualified under section 164(2)(b) of the Companies Act 2013.

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

During the year, many of the Directors resigned to avoid disqualifications under Section 164(2)(b), as explained in para 6 and 7(a) above. The Company has been finding it difficult to get new Independent Directors, as the default and disqualification continues.

Airports Authority of India withdrew the nomination of Ms. K. Hemalatha, as its Nominee on the Board with effect from April 1, 2017. Mr. V. P. Shetty and Mr. Anil R. Bhatia, Nominees of JM Financial Asset Reconstruction Company Limited, resigned from the Board with effect from 18th September, 2017. Mr. Navnit Kulwantsigh Batheja, Independent Director, resigned from the Board with effect from 18th September, 2017. Mr. Ashok G. Rajani, Independent Director, resigned from the Board with effect from 19th September, 2017. Mr. Vijay Amritraj, Independent Director, resigned from the Board with effect from 29th September, 2017.

Mr. Vinay H. Kapadia was appointed as an Additional Director of the Company in the category of Independent Director by the Board of Directors with effect from 7th October, 2017. The Members, by way of

postal ballot on 25th January, 2018 have approved the appointment of Mr. Vinay Kapadia as an Independent Director for a period of five years upto 6th October, 2022.

Mr. Shereveer S. Vakil was appointed as an Additional Director of the Company in the category of Independent Director by the Board of Directors with effect from 14th February, 2018. However, he resigned from the Board with effect from 26th April, 2018.

Mr. Vijay Sharma was appointed as an Additional Director of the Company in the category of Independent Director by the Board of Directors with effect from 9th May, 2018 and holds office until the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 160 of the Companies Act, 2013 from a shareholder of the Company, signifying his intention to propose the name of Mr. Vijay Sharma, for appointment as a Director of your Company. The proposal regarding the appointment of Mr. Vijay Sharma for a period of five years upto 8th May, 2023 is placed for your approval.

Ms. Saija Nair was appointed as an Additional Director of the Company in the category of Independent Director by the Board of Directors with effect from 30th May, 2018 and holds office until the date of the ensuing Annual General Meeting. Your Company has received a notice under Section 160 of the Companies Act, 2013 from a shareholder of the Company, signifying his intention to propose the name of Ms. Saija Nair, for appointment as a Director of your Company. The proposal regarding the appointment of Ms. Saija Nair for a period of five years upto 29th May, 2023 is placed for your approval.

Two Independent Directors resigned from the Board in January 2017 and three Independent Directors resigned from the Board in September 2017, to avoid disqualification under Section 164(2)(b) of the Companies Act, 2013 and the replacement by appointment of new Independent Directors took considerable time. The default to LIC and disqualification continues and the Company has been finding it difficult to get new Independent Directors. Even though the replacement could not be done before the date of the immediate next Board Meeting or 3 months from the date of such vacancies, whichever is later, as provided in Regulation 25 (6) of SEBI (LODR), the Company has been able to fill up the vacancies, with some delay. This also resulted in lack of availability of sufficient number of Independent Directors to broad base the Committees of the Board.

The Board places on record its appreciation for the valuable services rendered by Ms. K. Hemalatha, Mr. V. P. Shetty, Mr. Anil R. Bhatia, Mr. Navnit Kulwantsigh Batheja, Mr. Ashok G. Rajani, Mr. Vijay Amritraj and Mr. Shereveer S. Vakil during their respective tenure as Directors of the Company.

### c) Directors retiring by rotation

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

Mr. Vivek Nair, Chairman & Managing Director and Mr. Dinesh Nair, Co-Chairman & Managing Director, Executive Directors of the Company, are not liable to retire by rotation in terms of their appointment. The Board



of the Company does not have any Non-Independent, Non-Executive Director, who can be subjected to retire by rotation.

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

**d) Declaration by Independent Director**

The Company has received necessary declaration from each of the Independent Directors, under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

**e) Woman Director**

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

**f) Whole-time Directors**

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

**g) Changes in KMP**

The Company has appointed Mr. Rajiv Kaul, President of the Company, as a Key Managerial Personnel with effect from 9th February, 2018.

Mr. Anandghan Bohra, Company Secretary, resigned from the services of the Company with effect from 12th March, 2018 and Mr. Alen Ferns has been appointed as the Company Secretary of the Company with effect from 13th March, 2018.

Mr. Krishna Deshika resigned as the Chief Financial Officer of the Company with effect from 9th May, 2018 and Mr. Rajan Shah, who was working as Vice President-Finance was elevated and appointed as the Chief Financial Officer of the Company with effect from 10th May, 2018.

**8. Number of Meetings of the Board**

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

The Board of Directors met 7 times during the year viz. on 25th May, 2017, 10th August, 2017, 8th September, 2017, 18th September, 2017, 7th December, 2017, 9th February, 2018 and 27th March, 2018. The intervening gap between two Meetings was within the period prescribed under the Companies Act, 2013 and Regulations 17 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015. Detailed information on the meetings of the Board is included in the Report on Corporate Governance, which forms part of this Annual Report.

**9. Audit Committee**

The Audit Committee met four times during the year under review. The details with respect to the composition, powers, roles, terms of reference, etc. of the Audit Committee are given in detail in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

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

**10. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee met four times during the year under review. As on the date of this Report, the Committee comprises of 5 Directors, i.e. four Independent Directors (NED) and the Chairman & Managing Director as a member.

As per provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (LODR), the Nomination and Remuneration Committee should consist of 3 or more Non-Executive Directors out of which not less than one-half shall be Independent Directors. However, the Chairman of the Company can be a member, even if he is an Executive Director.

The Nomination and Remuneration Committee consisted of 2 Independent Directors and the Company's Chairman as a member for the period October 2017 to April 2018. However, the Board at its meeting held on 9th May, 2018 has re-constituted the said Committee with 3 Independent Directors and the Company's Chairman as the member.

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

**11. Nomination and Remuneration Policy**

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

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

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

**12. Performance Evaluation of the Board**

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

**13. Stakeholders' Relationship Committee**

The Stakeholders' Relationship Committee met two times during the year under review. The details with respect to the composition, powers, roles, terms of reference, etc. of the Committee are given in detail in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

#### 14. Other Committees of the Board

The Company has the following Non-mandatory Committees:

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

#### 15. Directors' Responsibility Statement

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

- (a) in the preparation of the annual accounts for the financial year ending 31st March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

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

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

#### 17. Corporate Governance

A separate section on Corporate Governance standards followed by your Company, as stipulated under Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is enclosed as an Annexure to this report. The report on Corporate Governance also contains certain disclosures as required under the Companies Act, 2013.

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

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

The Company has implemented a Whistle Blower Policy pursuant to which whistle blowers can raise concerns relating to Reportable Matters (as defined in the policy) such as fraud, bribery, corruption, illegality, health and safety, environmental issues and wastage/ misappropriation of Company's funds/assets, etc. Further, the mechanism adopted by the Company encourages the whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimization of the whistle blower who avails such mechanism. The vigil mechanism also provides direct access to the Members of the Audit Committee, including the Chairman of the Audit

Committee. The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time.

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

#### 19. Risk Management

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

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

Your Company undertakes various transactions with Related Parties in the ordinary course of business. All Related Party Transactions entered into during the year were in the ordinary course of business and on arm's length basis. No material Related Party transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements, were entered into during the financial year 2017-18 by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) (h) of the Companies Act, 2013 in Form AOC 2, is not applicable.

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

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

Your Directors draw attention of the members to Note No. 36.7 to the standalone financial statements, which give the related party disclosures.

#### 21. Internal Financial Control Systems and their adequacy

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

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

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

#### 22. Fixed Deposits

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