

34th ANNUAL REPORT 1998-99

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INDIA TOURISM DEVELOPMENT CORPORATION LIMITED

INDIA TOURISM DEVELOPMENT CORPORATION LIMITED

**Regd. Office: Scope Complex, Core 8, 6th Floor,
7, Lodi Road, New Delhi-110003**

NOTICE

Notice is hereby given that the 34th Annual General Meeting of the Shareholders of India Tourism Development Corporation Ltd. will be held on Thursday, the 30th September 1999 at 1600 hours in Ashok Hotel, New Delhi to transact the following business:-

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 1999 and Profit and Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri M.D.Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

4. To consider and if thought fit, to pass with or without modification(s), the following as an ordinary resolution :-

"RESOLVED THAT Shri Rajinder Kumar Aggarwal who was appointed with effect from 22.12.1998 as an Additional Director of the Company and who holds office upto the date of the forthcoming Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257(1) of the Companies Act, 1956 in writing from a Member proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company."

5. To consider and if thought fit, to pass with or without modification(s), the following as an ordinary resolution :-

"RESOLVED THAT Shri Jigmed Wangchuk Namgyal who was appointed with effect from 22.12.1998 as an Additional Director of the Company and who holds office upto the date of the forthcoming Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257(1) of the Companies Act, 1956 in writing from a Member proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company."

6. To consider and if thought fit, to pass with or without modification(s), the following as an ordinary resolution:-

"RESOLVED THAT Shri Krishan Kumar Sud who was appointed with effect from 11.06.1999 as an Additional Director of the Company and who holds office upto the date of the forthcoming Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257(1) of the Companies Act, 1956 in writing from a Member proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors



(C Stephen)
Company Secretary

Place: New Delhi

Dated: 2nd Sept 1999

Notes :

- 1 A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. Proxies, in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the Meeting. Proxy form is enclosed.
- 2 Explanatory statement pursuant to Section 173(2) of the Companies Act 1956, in respect of items of special Business is annexed.
- 3 Pursuant to Section 154 of the Companies Act 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 28th Day of September 1999 to Thursday, the 30th day of September 1999 (both days inclusive) for the purpose of taking on record eligible shareholders for payment of Dividend for the year ended 31st March, 1999 as may be approved by the Members at the ensuing Annual General Meeting of the Company.
- 4 The Transfer Deeds, complete in all respects may be lodged on or before 27th Day of September 1999.
- 5 The Members/Proxies should bring the Attendance Slip, duly filled in and signed, for attending the meeting.
- 6 The comments of the CAG under Section 619(4) are awaited and will be placed on the table.

To:

- (1) All Members of ITDC
- (2) M/s Chandiook & Guliani, Chartered Accountants, New Delhi.

Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956**Item No. 4 - Appointment of Shri. R.K. Aggarwal as Director of the Company**

Shri. Rajinder Kumar Aggarwal was appointed with effect from 22.12.98 as Additional Director by the Board of Directors under the provisions of the Article 61(c) of the Articles of Association of the Company in accordance with the intention of the Government of India to appoint him Director for a period of two years. Shri. Aggarwal being an Additional Director, holds office upto the date of the Annual General Meeting and is eligible for appointment as Director at the Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act 1956 from a Member proposing the name of Shri. R.K. Aggarwal as Director of the Company.

2. Shri Rajinder Kumar Aggarwal is deemed to be interested in the proposed resolution to the extent of his appointment as Director. No other Director is interested in the resolution. The Directors recommend adoption of the resolution.

Item No. 5 - Appointment of Shri. Jigmed Wangchuk Namgyal as Director of the Company

Shri. Jigmed Wangchuk Namgyal was appointed with effect from 22.12.98 as Additional Director by the Board of Directors under the provisions of the Article 61(c) of the Articles of Association of the Company in accordance with the intention of the Government of India to appoint him Director for a period of two years. Shri. Namgyal being an Additional Director, holds office upto the date of the Annual General Meeting and is eligible for appointment as Director at the Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act 1956 from a Member proposing the name of Shri. J.W. Namgyal as Director of the Company.

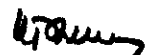
2. Shri Jigmed Wangchuk Namgyal is deemed to be interested in the proposed resolution to the extent of his appointment as Director. No other Director is interested in the resolution. The Directors recommend adoption of the resolution.

Item No. 6 - Appointment of Shri. Krishan Kumar Sud as Director of the Company

Shri. Krishan Kumar Sud was appointed with effect from 22.12.98 as Additional Director by the Board of Directors under the provisions of the Article 61(c) of the Articles of Association of the Company in accordance with the intention of the Government of India to appoint him Director for a period of two years. Shri. Sud being an Additional Director, holds office upto the date of the Annual General Meeting and is eligible for appointment as Director at the Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act 1956 from a Member proposing the name of Shri. K.K. Sud as Director of the Company.

2. Shri Krishan Kumar Sud is deemed to be interested in the proposed resolution to the extent of his appointment as Director. No other Director is interested in the resolution. The Directors recommend adoption of the resolution.

By Order of the Board of Directors



(C Stephen)

Company Secretary

Place: New Delhi

Dated: 2nd Sept 1999

INDIA TOURISM DEVELOPMENT CORPORATION LIMITED

<u>Contents</u>	<u>Page No</u>
Directors' Report	1 - 11
Auditors Report to the Members of ITDC Ltd	12 - 18
Accounts for the year 1998-99	19 - 50
Cash Flow Statement for the year 1998-99	51 - 52

[Review and Comments of the Comptroller & Auditor General of India under Section 619(4) are being awaited and will be placed on the table]

India Tourism Development Corporation Limited**Directors' Report for 1998-99**

Dear Shareholders,

On behalf of the Board of Directors, I have great pleasure in presenting to you, the thirty - fourth Annual Report of your Company and the Audited Accounts for the year ended 31st March, 1999 together with the report of the Statutory Auditors.

Tourism Scenario

The perceptible signs of slowdown in the Indian economy, which started in 1997-98 continued through 1998-99. This adversely affected the performance of several key sectors including the tourism and hospitality sector whose fortunes are typically linked with the general economy. A host of factors like drop in corporate and business traffic, global recession, currency devaluation in South East Asian countries making them more attractive destinations, shift of international conferences to other destinations and the fluid political climate have exerted significant pressure on the performance of tourism industry. Your Company's performance needs to be viewed against this backdrop.

Financial Performance

Due to continued economic downturn, the Company could achieve a turnover of Rs 297.10 crores only during 1998-99 (previous year Rs 313.20 crores). The profit before tax declined steeply to Rs 12.02 crores (previous year Rs 54.72 crores) which is after providing for depreciation of Rs 6.45 crores (previous year Rs 6.18 crores). The net profit after tax is Rs 10.81 crores only (previous year Rs 43.30 crores). The main reason for drop in profit is reduction in turnover, increase in the manpower cost (from Rs 89.68 crores to Rs 110.28 crores on account of revision in pay & other statutory benefits to the employees although the number of employees remained almost same) and increase in the cost of other inputs.

The Company has been pursuing major strategies to combat the situation which include aggressive marketing; increased decentralised discounting powers; special packages; reduction and control of costs; increased thrust on customer satisfaction, re-deployment of manpower etc.

Dividend

Keeping in view the availability of disposable profits, the Directors recommend for your approval a dividend of 3.5 per cent on the paid up equity Capital as on 31st March, 1999 amounting to Rs 2.36 crores.

Ashok Group of Hotels

The Ashok Group of Hotels has a network of 33 Hotels, (including 6 Joint Venture Hotels, 2 Beach Resorts, 2 Heritage Hotels & one managed property) and 5 Restaurants (including 4 Airport Restaurants). Besides two Hotels are presently under construction. It also provides catering services at Western Court, Hyderabad House, Vigyan Bhawan and National Media Centre at Shastri Bhawan in New Delhi besides managing a Restaurant at Kosi. Based on the infrastructure and the services provided, the Hotels have been classified into three different categories viz. 'Elite', 'Classic' and 'Comfort'.

The performance of Ashok Group of Hotels was adversely affected during 1998-99 due to general decline in tourist arrivals especially the business traffic in the country as well as economic recession leading to fall in occupancy level as also in average room tariffs. As a result, the turnover of Ashok Group of Hotels declined by 10.3% from Rs 196.57 crores in 1997-98 to Rs.176.01 crores in 1998-99.

During the year, Ashok Group of Hotels played host to many celebrities, dignitaries, important delegations and several National & International Conferences which included prestigious events like (i) International Radiology Conference; (ii) International Immunology Conference; (iii) International Congress on Sugar Technologists; (iv) International Conference on Global Environment Facility, etc.

Food festivals were organised by Ashok Group of Hotels all over the Country covering different Indian cuisine. The notable amongst them were Sham-e-Avadh organised by Hotel Ashok Bangalore, Dawat-e-Shab by Hotel Samrat, Punjabi Food Festival at Ashok Hotel and Rajasthani Food-cum-Cultural Festival at Hotel Kanishka. These food festivals received good response from the public at large.

With a view to promoting Ashok Group of Hotels and popularising Indian cuisine abroad, ITDC organised Indian food festivals in Brazil during the State visit of Hon'ble President of India. ITDC also deputed a team of Chefs/Cooks to prepare Indian cuisine

for the Indian Food Festival at Taiwan, Turkey, Nicosia and Frankfurt. All these festivals evoked good public response. To mark the closing ceremony of Golden Jubilee Celebrations of India's Independence, Ashok Group of Hotels organised a number of food festivals/cultural shows.

To coincide with the ter-centenary celebrations of Khalsa Panth, ITDC set up at Anandpur Sahib, luxury tented accommodation in 25 twin-bedded Swiss Cottages with attached bath. Besides these tented accommodation, ITDC also operated a 60-cover multi-cuisine Restaurant. ITDC was also entrusted with the catering arrangements during the visit of a host of VVIPs including the Hon'ble Vice President of India, Hon'ble Prime Minister of India, Union Cabinet Ministers and State Ministers, Awardees, NRIs, etc.

The Division is diversifying into allied activities and is pursuing with Railway Authorities for providing catering services in important trains. We have already started providing catering services in the Executive Class in Shatabdi Express (en-route Bhopal).

The Company has started construction of a 130-Room 5-Star Deluxe Hotel at Chandigarh. Its efforts with various State Governments for setting up Hotels in collaboration with their State Tourism Corporations/Tourism Departments are continuing.

Marketing & Hotel Sales

As part of its overseas marketing strategies, ITDC participated in major travel marts and fairs such as WTM-London, EIBTM-Geneva, FITUR-Spain, ITB-Berlin and PATA-Singapore for promotion of Ashok Group of Hotels and to generate business. ITDC also participated in domestic travel fairs such as TAAI Annual Conference, SATTE and India Tourism Expo at Delhi. FAM tours for travel agents from various countries were organised to acquaint them with ITDC properties and tourism infrastructure facilities. A number of important national and international conferences were negotiated and organised.

The Ministry of Tourism has decided to celebrate the turn of the Millennium 1999-2000 as 'EXPLORE INDIA IN THE MILLENNIUM YEAR'. The Corporation has worked out a comprehensive plan of activities to celebrate this Event.

As a premier tourism organisation in India, ITDC is gearing itself to face the challenges of the next millennium. Apart from catering to the needs of the foreign tourists, domestic tourists especially the youth are being offered various packages to boost

tourism potential in a big way. The measures taken to augment business from domestic segment include matching room tariff with the entitlements of public sector executives, extension of LTC package for Govt. Employees and renewal of tie-up with Air-India and Indian Airlines. Sales Blitz were conducted in feeder markets. Special packages were devised and floated for corporate/leisure holiday segment.

ITDC activities have been put on the Internet and has widened the Internet reach by providing linkage facilities with other Tourism/Travel related Websites. ITDC has also appointed overseas Travel Agents/Tour Operators in various parts of the World as Consolidators with a view to augment room sales, to sell specific package tours and to undertake representations overseas.

As a marketing strategy, campaigns were launched in selected national and regional press for the Classic hotels, and or special events promotion. A campaign aiming at brand building for Elite hotels was also released in select upmarket periodicals highlighting unique features and services.

Duty Free Shops

ITDC operates 30 Duty Free Shops at International Airports in Delhi, Mumbai, Chennai, Calcutta, Thiruvananthapuram and Goa and one Down Town Duty Free Shop at Ashok Hotel, New Delhi.

The Duty Free Trade Division increased its turnover marginally from Rs 83.53 crores to Rs 84.04 crores during 1998-99 despite economic crises in the Asian Pacific Region where most duty free shops showed a downward trend. During the year, special discounts were offered and periodical sales promotions were carried out to attract visitors.

Duty Free Trade Division has signed an agreement with M/s GEBR Heinemann, Germany, one of the leading duty free operators in the world for consultancy and consolidation services. The tie up will help in upgrading the shops to the best in the world and increase the range of products.

The licence arrangement with the Airports Authority of India which expired in 1997, is being extended from time to time for short durations pending finalisation of long-term arrangement. Recently it has extended the arrangement by one year i.e. up to June 2000. The Division has recently won the contract for running Duty Free Shops at Customs Airports in Goa, Ahmedabad, Bangalore, Hyderabad, Calicut

and Varanasi against a global tender floated by Airports Authority of India.

The first Down Town Duty Free Shop in India which has recently been opened in the Ashok Hotel, New Delhi, is expected to boost the sale, both of upmarket Indian merchandise as well as foreign goods. This shop will specially cater to the tour groups and Indians travelling or living abroad. Sales to Diplomats and Hotels are also expected to increase with the opening of Down Town Duty Free Shop.

Regular training programmes have been conducted during the year by leading fragrance houses to upgrade the skills of counter staff. The Division also celebrated "India Tourism Week" with lucky draws and special discounts. It also participated in the India Expo Fair, for the first time at Pragati Maidan in January 1999.

The Division plans to add more Down Town Duty Free Shops in prime locations as well as to diversify into warehousing activities for imported goods. There are also plans to refurbish various shops.

Ashok Travels & Tours (ATT)

ATT has a network of 11 units spread across the country and a Tourist Service Station at New Delhi.

During the year it launched a number of special packages. ATT was also entrusted with the responsibility of marketing Buddha Parikrama Special Train covering the entire Buddhist circuits in UP and Bihar. It also launched "Explore India with ITDC" Package in association with the Indian Airlines. For the domestic tourists, "Enjoy India" Package was launched at affordable prices.

The Govt instructions regarding purchase of Air tickets directly by Govt./PSUs from Air India and severe restrictions on conducting LTC tours has affected the performance of the Division. In spite of this, the turnover of ATT Division has increased marginally from Rs. 23.09 crores to Rs.23.82 crores during 1998-99.

Production & Publicity

During 1998-99, the Production & Publicity Division produced high quality tourist literature for a number of State Agencies. It also produced a film on 'Hadoti' for Rajasthan Tourism. The Ministry of Tourism appointed P&P Division as the nodal agency for the Tourism Tableau for the Republic Day Parade. It organised the Tableau on the