

35th ANNUAL REPORT 1999-2000



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INDIA TOURISM DEVELOPMENT CORPORATION LTD

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[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 Ltd.

Directors' Report 1999-2000

Dear Shareholders,

Your Directors have pleasure in presenting before you the Company's 35th Annual Report together with audited accounts for the financial year ended 31st March 2000.

Financial highlights

2 The financial results of your Company for the year under review are summarised below:

(Rs in crores)

Particulars	1999-2000	1998-99
Turnover	288.50	297.10
Operating Profit/(Loss)	(-) 17.05	18.48
Interest	-	0.01
Depreciation	6.98	6.45
Profit/(Loss) before Tax for the year	(-) 24.03	12.02
Provision for Income Tax	-	1.20
Provision for Wealth/Agricultural Tax	0.01	0.01
Profit/(Loss) after Tax	(-) 24.04	10.81
Proposed Dividend	-	2.36

Review of Performance

3 Tourism and Hospitality Industry has been passing through a difficult phase and as a result, the performance of all players including those in the private sector has been adversely affected. Global recession, political uncertainty before the General Elections, other international destinations becoming cheaper had its effect on reducing the size of the Tourism cake in India. Strangely though, competition continued to grow and expand, with each competitor vying to grab a larger slice of the shrinking cake. The Hotel chains which were new, those which continued to

refurbish and stay ahead of the competition coupled with innovative and aggressive marketing managed to hold on to their share while others lost out in business.

4 During the year under review, your company achieved a turnover Rs 288.50 crores (previous year Rs 297.10 crores). However, the overall operations resulted in a net loss of Rs 24.03 crores; this being the first time that ITDC posted losses ever since its inception. The uncertainty created by the "Disinvestment factor" both in the Market and within the company also had a negative effect on the performance of your Company. The wage bill of the non-executive employees is staggering if computed as a percentage of turnover. The Company's ongoing cost reduction, recovery of dues and efficiency improvement programmes have substantially helped in containing the situation, which is evident from the fact that the turnover in the first quarter of 2000-2001 has increased as compared to the same period last year.

Dividend

5 In view of the loss incurred by the Company, the Directors do not recommend any Dividend.

Disinvestment

6 The Disinvestment Commission had identified ITDC as a non-core business and recommended restructuring of its operations for the purpose of disinvestment. The restructuring proposed by the Commission provided that the hotels situated in prime locations like Delhi and Bangalore may be handed over to the established hotel chains through a competitive bidding process to run on long term structured contract on lease-cum-management basis. Other hotels to be demerged into separate corporate identities. Disinvestment of the new companies will be through the sale of 100% Government shareholdings in them. The recommendations of the Disinvestment Commission have been accepted by the Government. The Department of Disinvestment has appointed M/s Lazard Credit Capital Ltd (Lazard India Ltd) as the Advisor to assist the disinvestment process.

7 The disinvestment of ITDC's equity shareholding in its two subsidiary companies viz Utkal Ashok Hotel Corporation Ltd and Ranchi Ashok Bihar Hotel Corporation Ltd was also approved by the Government.

Network of Services

8 Formed in 1966, your company has played a strategic and catalytic role in the field of developing tourism infrastructure. Presently, your Company has a network of 26 Hotels including 2 Beach Resorts, 5 Restaurants (including 4 Airport Restaurants), 7 Joint Venture Hotels (including 1 hotel under construction), 11 Ashok Travel & Transport Units, 1 Ashok Tourist Service Station, 30 Duty Free Shops at six International Airports, one Down Town & Tax Free Shop and one Sound & Light Show across the Country. Your company also provides catering services at

Western Court, Hyderabad House, Vigyan Bhawan, Media Press Centre, Shastri Bhawan all located in Delhi, besides managing a Forest Lodge, a Restaurant and Sound & Light Show at Ahmedabad owned by the Ministry of Tourism.

Ashok Group of Hotels

9 As indicated earlier, the performance of Ashok Group of Hotels was adversely affected due to stagnated market conditions. As a result, the turnover of this Division declined from Rs.176.01 crores to Rs.165.99 crores in 1999-2000.

10 The Ashok Group of Hotels played host to many prestigious National and International Conferences. Ashok Hotel, New Delhi also provided catering arrangements for the Banquet Lunch hosted by the Hon'ble Prime Minister of India in honour of the visiting President of the United States of America.

11 With a view to popularising Indian Cuisine, a number of food festivals covering different Indian Cuisine were organised all over the country. The notable amongst them were Sham-e-Awadh Food Festival in Ashok Hotel, New Delhi, Teej Festival – Rajasthani Food-cum-Cultural Festival in Hotel Samrat, North-Eastern Food-cum-Cultural Festival in Hotel Kanishka, Bengali Food Festival in Qutab Hotel, Pakhtoon Food Festival in Hotel Jaipur Ashok, Rajasthan Food Festival in Hotel Madurai Ashok, Kabab-e-Jannat at Hotel Ashok, Bangalore etc.

12 To fulfil its commitment to social welfare, a special offer to Indian disabled citizens has been introduced in Ashok Group of Hotels. Under this scheme 50% discount on single room tariff for double room without any extra charge for accompanying person/attendant and 30% discount on food on a-la-carte are being offered.

13 The ITDC unit at Bhubaneswar carried out relief work in villages affected by Super Cyclone in Orissa by providing cooked Food Packets.

Marketing & Hotel Sales

14 Various packages were continued to be offered so as to tap domestic leisure market having vast tourist potential. These packages included Family Holiday Package, Senior Citizen Package, Students Packages etc.

15 As part of its overseas marketing effort, ITDC participated in World Travel Mart held in London and International Tourism Asia' 99 held in Hongkong. For the promotion of the Ashok Group, ITDC also participated in travel fairs held within the country namely the Annual TAAI in Bangalore, IATO Convention at Jaipur, SATTE in Agra, TTF held in Mumbai and Delhi, and India's Tourism Expo held in Pragati Maidan, New Delhi. A number of important National and International Conferences were successfully negotiated and organised.

16 The Ashok Hotel, New Delhi has been put on various GDS (Global Distribution Systems) which include Galileo Saber etc. giving access to over 475 hundred thousand agents world-wide. To aggressively market ITDC properties in the region, five domestic consolidators were appointed at Ahmedabad, Mumbai, Goa, Hyderabad and Jalandhar.

Duty Free Trade

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

18 During the year 1999-2000, Duty Free Division won, through a global tender, the concessions to run Duty Free Shops at arrival and departure lounges at the customs airports in Hyderabad, Ahmedabad, Bangalore, Varanasi, Calicut and Goa for a period of five years. These shops are likely to be made operational before the end of the year 2000.

19 The Duty Free Trade Division also won global tenders for additional space at the International airports in Delhi, Calcutta, Chennai, Mumbai and Thiruvananthapuram for running additional Duty Free Shops. The space is still to be handed over by the AAI.

20 The Duty Free Trade Division has also exercised its option to open Down Town Retail Shops for the sale of International merchandise. After the opening up of the Indian economy and more and more items being made available under Open General Licence(OGI), these retail stores called "International Selections" will increase the turnover of the Division manifold. The first of these Retail Stores is expected to be opened in Ashok Hotel, New Delhi in the current year (2000-2001).

21 The Division expects a major increase in its turnover provided it is able to retain the existing duty free shops at the airports for which the extended lease expires in December' 2000. The AAI has already issued a global tender for this space.

22 The major new activities of the Division include an expansion of the assortment of Indian merchandise at the departure lounges of international airports. Special items designed only for Duty Free India have been introduced and the range has been widened to include up-market Pearl Jewellery, Attar, the world famous Pashmina shawls, Silver gift items, music cassettes etc.

23 Special promotions as well as festival sales were organised. An International Golf Tournament was organised in Delhi with the collaboration of M/s Gebr. Heinemann. This gave a much needed exposure to the Duty Free Shops and created an awareness among the travelling public.

24 The turnover of this Division declined marginally to Rs 83.22 crores in 1999-2000 as compared to Rs 84.04 crores in the previous year. This was mainly due to static in-bound foreign business travellers and relaxation in customs rules resulting in introduction of foreign products in Indian market.

Ashok Travels & Tours

25 During the year, Ashok Travels & Tours Division in collaboration with Ministry of Tourism and Air India launched Special NRI Packages and Special Youth Packages which included rebated air fare on Air India flights as well as discounted hotels tariff to various destinations in India. Further, special LTC packages for the employees of Government and Public Sector Undertakings were also offered. Seasonal package tours, especially for domestic tourists, were launched during summer and winter season. Besides, ATT also handled a number of conferences on turnkey basis.

26 The turnover of this Division increased from Rs. 23.82 crores during 1998-99 to Rs. 28.88 crores during 1999-2000.

Corporate Communication

27 During the year, Corporate Communication Division produced quality tourist literature for the Ministry of Tourism, State Govt of Himachal Pradesh, Chief Election Commissioner's Office etc. Apart from this, a campaign entitled 'Explore India' for the Ministry of Tourism was undertaken. The entire Photo Library of the Ministry of Tourism had been put on CD ROM. A Photo Exhibition entitled 'India's Millennium Heritage' was mounted for the Ministry of Tourism at "Expo 2000". This Exhibition together with ITDC's Pavillion at the Exhibition won the Award. The sound and light show at Chandragiri Fort in Andhra Pradesh was completed.

28 Tableau for the 50th Republic Day Parade for the Ministry of Tourism entitled 'The Millennium Monastery - Lamayuru' was produced. For the first time, ITDC has its own Tableau entitled 'Tourism Generates Employment' in the 50th Republic Day Parade. Both were well appreciated by the viewers.

29 During the year 1999-2000, the turnover of this Division increased to Rs 1.82 crores from Rs. 70 lakhs in 1998-99.

Vigilance

30. In line with the endeavour of the Govt. of India to curb corruption in public life and create a transparent and corruption free environment, the Vigilance Division of your company made all possible efforts for achieving this goal. During the year under review, this Division functioned as an effective tool of positive management, paying special emphasis on various aspects of Vigilance functioning viz. Preventive, Detective & Punitive. During the year a total of 216 cases were registered. During

the same period 11 cases were recommended for major penalty action and 5 for minor penalty action. Presently, 5 cases are pending with the CBI against delinquent employees. Sanction was also accorded for prosecution in 3 CBI cases.

Plan Schemes

31 The emphasis of the Annual Plan continued to be on renovation/upgradation of existing properties. As against total plan outlay of Rs 35.00 crores, plan expenditure was Rs 17.51 crores of which Rs 12.50 crores pertained to renovation schemes.

32 Keeping in view the present tourism scenario, Government policies and future prospects, the Annual Capital Plan 2000-2001 has been formulated envisaging an outlay of Rs 60.00 crores. While the major emphasis continued to be on renovation/upgradation of the existing hotels, it is proposed to pursue on-going schemes and construct/open new Duty Free Shops at Custom Domestic Airports at Ahmedabad, Hyderabad, Varanasi, Goa, Bangalare and Calicut.

Subsidiary Companies

33 The Annual Accounts for 1999-2000 in respect of the seven subsidiary Companies viz. (i) Ranchi Ashok Bihar Hotel Corporation Ltd; (ii) Utkal Ashok Hotel Corporation Ltd; (iii) Donyi Polo Ashok Hotel Corporation Ltd; (iv) Assam Ashok Hotel Corporation Ltd; (v) MP Ashok Hotel Corporation Ltd; (vi) Pondicherry Ashok Hotel Corporation Ltd. (vii) Punjab Ashok Hotel Company Ltd are under finalisation/audit. As the audited accounts of these Companies are not available for being annexed with the Accounts of ITDC, the Department of Company Affairs has been requested to grant exemption under section 212(i) of the Companies Act, 1956. The approval is being awaited.

Human Resource Management

34 Pursuing its commitment towards HRD, your Company continued to utilize its human resource towards attainment of organizational goals. Keeping this in mind, 438 training programmes were conducted during the year covering 6204 employees. Besides, 51 employees were nominated for professional courses conducted by reputed organisations in the country. Further, 32 programmes were conducted for outside agencies covering 599 participants. As part of the ongoing training activities, 60 management trainees and 200 apprentices are undergoing training.

Listing on Stock Exchanges

35 Presently, your Company shares are listed on Delhi and Bombay Stock Exchanges. The annual listing fees for the year 2000-2001 have been paid to the aforesaid Exchanges.

Awards

- Hotel Bodhgaya Ashok bagged the National Tourism Award for the year 1998-99 for maximum foreign exchange earnings and maximum numbers of foreign tourists stayed in the Hotel.
- Hotel Hassan Ashok was awarded the first prize by the District Horticulture Office for the best maintenance of Public gardens. The Hotel was presented with a Memento and Certificate.
- Hotel Varanasi Ashok won First Prize in seven categories, second prize in eight categories and third prize in six categories in Flower Show organised by Ministry of Railways.
- ITDC Stall at the 17th Travel & Tourism Fair 2000 won the 'Best Stall Award'.

Conservation of Energy & Technology Absorption

36 During the year, your company continued to maintain its thrust on energy conservation and the efforts resulted in saving 172480 ltrs. of HSD, 544563 units of electricity, 20999 Kgs. of LPG and 111475 ltrs. of water. This was achieved by creating general awareness amongst the staff and without investing in any additional gadgets or equipment.

37 Since your Company's operations do not involve technology absorption, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 regarding technology absorption, are not applicable.

Implementation of Official Language Policy

38 During 1999-2000, concerted efforts were made to promote the use of Hindi in various activities of the Corporation. With continued focus on training and motivation, Hindi workshops and competitions were organised and employees were nominated for training in Hindi typing/stenography. Cash incentives were also given to employees for doing prescribed quantum of work in Hindi. Ashok Hotel, New Delhi and Hotel Airport Ashok, Calcutta were adjudged winners of ITDC Rajbhasha Shield for doing maximum work in Hindi amongst units situated in Hindi speaking areas and non-Hindi speaking areas respectively. The Company also continued bilingual publication of its House journal 'Biradari' and newsletter 'The Ashok News'.

Manpower

39 As at the end of March 2000, your Company had a complement of 7860 employees (Previous year 7890 employees). Of these, 2136 employees belong to

Scheduled Castes. 180 employees belong to Scheduled Tribes and 441 employees to Other Backward Classes (OBCs). 51 employees were recruited during the year of whom 04 belong to Scheduled Castes, 03 to Scheduled Tribes and 11 to OBCs. In addition, 192 employees were promoted, of whom 42 employees belongs to Scheduled Castes, 04 to Scheduled Tribes and 04 to OBCs.

40 Your Company had 768 women employees constituting 9.8% of the total work force of the Corporation as on 31.3.2000. Of these, 103 are at executive level and 665 are at non-executive level. Out of 18 women employees recruited during the year, 7 are at executive level and 11 at non-executive level.

41 ITDC and its employees contributed a sum of Rs 41.88 lakhs to the PM's National Relief Fund for the relief work after the super cyclone in Orissa and National Defence Fund for Kargil which included a sum of Rs. 14.90 Lakhs by ITDC..

42 A Memorandum of Settlement has been signed with the representatives of Trade Unions for revision of wages for non-executive employees of the Corporation under IDA Pattern. The settlement would be valid for a period of 10 years with effect from 1 Jan 1997.

43 The overall industrial relations situation in ITDC continued to be cordial and good. There was no loss of mandays during the year.

Particulars of Employees

44 There was no employee who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

Presidential Directive

45 During the year under review, Presidential Directive was received on revision of scales of pay w.e.f. 1.1.1997 in respect of Board level and below Board level executives on IDA Pattern. These Directives have since been implemented.

Foreign Exchange Earnings & Outgo

46 The Direct Foreign Exchange earnings during 1999-2000 were Rs. 107.77 crores as against Rs. 107.36 crores in the previous year. The outgo of foreign exchange during the year was Rs.37.85 crores as against Rs. 33.21 crores in 1998-99.

47 During the year, 11 officials were sent on foreign tours at a cost of Rs 13.18 lakhs in connection with promotion of Company's business.