



Thirty-seventh Annual Report

2001-2002

Report  Junction.com



भारत पर्यटन विकास निगम लि
India Tourism Development Corporation Ltd

Contents

Directors' Report	3
Report on Corporate Governance	10
Auditors' Report to the Members of India Tourism Development Corporation Ltd.	17
Review by Comptroller and Auditor General of India	23
Accounts for the Year	28
Cash Flow Statement	56
Comments of the Comptroller and Auditor General of India	58
Ten-Year Financial Statistics	59

Board of Directors

Chairman & Managing Director

Shri Amitabh Kant

Directors

Shri V. Subramanian

Dr. A. G. Agarwal

Company Secretary

Shri C. Stephen

Registered Office

Scope Complex

Core 8, 6th Floor

7 Lodi Road

New Delhi 110003

Statutory Auditors

M/s R. K Khanna & Co.

Chartered Accountants

New Delhi

Branch Auditors

M/s R K Khanna & Co.

M/s A K Hajela & Co.

M/s Manian Suresh Sunder & Vittal

M/s Rajendra Ravi & Harish

M/s Pratibha Kailash & Co.

M/s D N Kubal & Co.

M/s B Sain & Co.

M/s M D Gujrati & Co.

M/s Chatterjee & Chatterjee

M/s O P Bagla & Co.

M/s A Bafna & Co.

M/s K M Mohandass & Co.

M/s Gupta Nayar & Co.

M/s S Prasad & Co.

M/s A Mitra & Associates

M/s Singh Ray Mishra & Co.

M/s Ashwani Khajuria & Co.

M/s L R Prakash & Co.

M/s S M Bangad & Co.

List of Bankers as on 31.3.2002

State Bank of India

State Bank of Patiala

United Bank of India

Central Bank India

Syndicate Bank

Punjab National Bank

Indian Bank

Corporation Bank

State Bank of Mysore

State Bank of Bikaner & Jaipur

Canara Bank

Bank of Baroda

State Bank of Hyderabad

State Bank of Travancore

Punjab & Sindh Bank

Andhra Bank

Bank of India

UTI Bank Ltd.

Indian Overseas Bank

Directors' Report

To

The Members,

Your Directors have pleasure in presenting the Thirty-seventh Annual Report of the Company together with audited accounts for the year ended 31st March, 2002.

Financial Performance

The financial results of the Company for the year under review are as under:-

(Rupees in crores)

Particulars	2001-2002	2000-2001*
Turnover	184.44	305.60
Operating Profit (Loss)	(-)32.34	(-)22.82
Interest	0.56	3.12
Depreciation	3.65	7.68
Profit/(Loss) before		
Tax for the year	(-)36.55	(-)33.62
Deferred Tax Liability	3.70	-
Provision for Income Tax	-	-
Provision for Wealth/		
Agricultural Tax	(-)0.01	(-)0.01
Profit/(Loss) after Tax	(-)32.86	(-)33.63
Proposed Dividend	-	-
Equity Capital	67.52	67.52
Capital Employed	89.58	161.58

*Previous year's figures are not comparable with current year's figures in view of disinvestment of 21 units.

Management Discussion and Analysis on Performance

Industry Structure and Development

The year 2001-2002 was not a very encouraging year for the Travel & Tourism Industry. The unfortunate events of September and December 2001, had an adverse impact and as a result, the

Industry witnessed a steep decline in inbound traffic. The general slow down in the economy during 2001-2002 has also thrown up additional challenges to the Industry. Your Company firmly believes that the impact of these events will persist only for a short period and that the long term prospects of business are attractive.

Ministry of Tourism has initiated a number of measures with the objective of positioning tourism as a major engine for growth and to harness the direct and multiplier efforts for employment generation in a sustainable manner. The Central & State Governments have also initiated measures to boost Industry by providing incentives in the form of enhanced budgetary provisions, tax reliefs, etc.

It is worth mentioning that the National Tourism Policy document brought out by the Ministry of Tourism & Culture, Government of India in 2002 seeks to enhance the employment potential within the tourism sector as well as to foster economic integration through developing linkages with the other sectors. The policy document takes into consideration seven key areas that will provide thrust to the tourism development. These are: Swagat (Welcome), Soochana (Information), Suvidha (Facilitation), Suraksha (Safety), Sahyog (Cooperation), Samarachana (Infrastructure Development), and Safai (Cleanliness).

The forecasting study undertaken by the World Tourism and Travel Council (WTTTC) further indicates that between 2001 and 2011:-

- Global Gross Domestic Product will increase from 10.7 per cent to 11 per cent;
- Global employment contribution will increase from 207.1 million to 260.4 million jobs or 9 per cent of total global employment;
- Global value of tourism related exports will increase from US\$ 1,063.8 billion to US\$ 2,538.3 billion or 12.8 per cent of global export value; and
- Global Capital Investment in tourism will increase from US\$ 657.7 billion to US\$ 1,434 billion or 9.3 per cent of global investment.

Forecast data from the World Tourism Organization shows that the share of tourism volumes and related receipts, Gross Domestic Product, employment, and export earnings is expected to move away from the developed countries towards the less developed countries as a result of favourable economic, motivational, technological, and policy factors. Further,

WTTC has identified India as one of the foremost growth centres in the world in the coming decade.

Opportunities, Threats, Risks and Concerns

The strengths, weaknesses, opportunities and threats of your Company have undergone radical transformation under the impact of changes in business environment due to the disinvestment of hotel units. In the changed business scenario, your Company has geared itself up to fulfil its original mandate of tourism development in the country. The various activities of the Corporation have also been restructured with the aim to work as independent profit centres.

The Corporation is also diversifying into new/innovative tourism related business activities viz., Money Changer Services, Destination Representation Services, Meet & Greet Services, River Cruises, Tourist Train Packages, Consultancy Services, etc.

The strength of your Company lies in its skilled human capital which is adaptable to change. The Company hopes to capitalise on the tremendous opportunities available in the tourism sector.

Share Capital

There has been no restructuring of share capital of ITDC due to disinvestment of hotel units and as such the Company's paid up share capital as on 31st March, 2002 has remained at the previous level of Rs. 67.52 crores.

Disinvestment

So far, 18 ITDC Hotels and 3 Restaurants have been disinvested through the process of demerger under Section 391 of the Companies Act, 1956 by incorporating separate companies for each hotel property and sale of 100% Government shareholding in them. Hotel Ashok, Bangalore, including Airport Restaurant at Bangalore has been given on long-term lease-cum-management contract basis. The particulars of hotels disinvested are given below:-

S.No.	Name of the Hotel	Date of Handing over
1.	Hotel Ashok, Bangalore and Airport Restaurant (on lease up to 31.3.2032)	29.11.2001
2.	Hotel Hassan Ashok, Hassan	29.11.2001

3.	Hotel Bodhgaya Ashok, Bodhgaya	29.11.2001
4.	Hotel Madurai Ashok, Madurai	31.1.2002
5.	Temple Bay Ashok Beach Resort, Mamallapuram	1.2.2002
6.	Hotel Agra Ashok, Agra	7.2.2002
7.	Laxmi Vilas Palace Hotel, Udaipur	26.2.2002
8.	Qutab Hotel, New Delhi	20.3.2002
9.	Lodhi Hotel, New Delhi	22.3.2002
10.	Hotel Airport Ashok, Kolkata and Airport Restaurant & Flight Kitchen at Kolkata	8.7.2002
11.	Kovalam Ashok Beach Resort, Kovalam	11.7.2002
12.	Hotel Manali Ashok, Manali	15.7.2002
13.	Hotel Khajuraho Ashok, Khajuraho	7.8.2002
14.	Hotel Varanasi Ashok, Varanasi	7.8.2002
15.	Hotel Aurangabad Ashok and Airport Restaurant at Aurangabad	4.9.2002
16.	Hotel Ranjit, New Delhi	7.10.2002
17.	Hotel Indraprastha, New Delhi	8.10.2002
18.	Hotel Kanishka, New Delhi	8.10.2002

The incomplete hotel project at Chandigarh has also been disinvested and sold on 16.10.2002.

Corporate Governance

Your Company is committed to good Corporate Governance practices. The report on Corporate Governance as stipulated by clause 49 of the Listing Agreement together with Auditors' Certificate regarding the compliance of Code of Corporate Governance is annexed hereto and forms part of this Report.

Network of Services

After disinvestment of hotel units, the present network of your Company consists of 8 Hotels, 2 Restaurants (including one Airport Restaurant), 7 Joint

Venture Hotels (including one hotel under construction), 10 Ashok Travel & Transport Units, one Ashok Tourist Service Station, 37 Duty Free Shops at International Airports, one Down Town & Tax Free Shop, one Duty Paid Shop and one Sound & Light Show. Your Company continues to provide catering services at Western Court, Hyderabad House, Vigyan Bhawan and Media Press Centre located in Shastri Bhawan, besides managing a Forest Lodge at Bharatpur, a Restaurant at Kosi and a Sound & Light Show at Ahmedabad on behalf of Department of Tourism.

Ashok Group of Hotels

The Ashok Group of Hotels now comprises of 8 owned Hotels viz. Ashok Hotel, Hotel Samrat and Hotel Janpath at New Delhi and Hotels at Mysore, Bhubaneswar, Patna, Jammu & Jaipur and 6 Joint Venture Hotels. As indicated earlier, hotels were the first victims of adverse tourism scenario. Further, media publicity on disinvestment also affected travellers' inflow into the hotels. All this resulted in decline in overall occupancy from 37% to 33% and decline in turnover from Rs. 89.38 crores during 2000-2001 (excluding disinvested units) to Rs 72.66 crores in 2001-2002.

Ashok Group of Hotels continued to play host to many prestigious national and international events conferences viz. Conference by National Human Rights Commission, World Congress of Electro Cardiography & Vascular Ultrasound, Asian Pacific Congress of Clinical Bio-Chemistry, 51st PATA Annual Conference 2002, etc.

With a view to popularising Indian cuisine, a number of food festivals covering different regional cuisine were also organised by the Ashok Group of Hotels. The notable amongst them were Dandia Utsav 2001 in Ashok Hotel, Teej Festival in Hotel Samrat, Pahari Food Festival and Onam Festival in Hotel Indraprastha and Chinese Food Festival in Hotel Kanishka, New Delhi. ITDC also participated in Indian Food Festival in Panama, El Salvador and Nicaragua organised by the Indian Embassy.

To promote Indian culture, the Open-air Theatre in Ashok Hotel, New Delhi was revived after two decades and cultural events like Music Concerts, Qawwalis, Classical Dances, Celebration of World Music Day, etc were organised from time to time.

Keeping in view the decision not to disinvest Ashok Hotel, New Delhi, its role has been redefined with sharp business focus. From renovation, refurbishment and relaunching of restaurants to setting up of Ayurvedic Therapy Centre, the Ashok is all set to benchmark the best quality in hospitality. Apart from the three existing ones, four to six new restaurants are in the pipeline.

Ashok International Trade Division

In the year that has gone by, there has been shift in the approach towards pricing policy of various commodities being sold through Duty Free Shops. Further, it has also been decided to procure merchandise from local supplier such as MMTC, from whom Silver items/Gold merchandise, etc are procured for sale at Duty Free Shops. The prices of major items like liquor, tobacco, etc has been rationalised. Further, an exclusive handicraft shop in the Duty Free Shop at Delhi has been opened in collaboration with Central Cottage Industries Corporation for sale of their products apart from opening an exclusive perfume/cosmetic boutique at Delhi's International Airport. Further, renovation of shops at Delhi and other International Airports has been taken up to bring them to international standards. The signages at all shops in Delhi are also being replaced by colourful transparencies carrying various images of ITDC branding.

To increase awareness amongst the travelling clientele, promotional events were organised in Delhi. For the first time, a shopping festival named "Teej Festival" was held for a month at the Duty Free Shops at Delhi. It has also been planned to organise annual festival on the lines being held at Dubai to check the decline in revenue.

Restructuring of the Duty Free Shops, including total computerizations of their supply chain management system has been initiated. The first ever Touch Screen Kiosk has also been launched at the IGI Airport, Delhi. It is proposed to introduce e-mart which will enable the shopper to buy a product through internet on arrival and departure.

During the year, Duty Free Shops have been opened at the space allotted by Airports Authority of India (AAI) at the Arrival and Departure halls of four Customs Airports namely Bangalore, Hyderabad, Ahmedabad and Calicut.



The Division achieved a turnover of Rs 71.84 crores in 2001-2002 as against Rs. 85.79 crores in the previous year.

Ashok Travels & Tours

Ashok Travels & Tours (ATT) has expanded its operations by opening new units at Hyderabad, Bhubaneswar, Guwahati, Ranchi and is planning to open new offices at Kochi, Goa, Bhopal, Lucknow, Dehradun and Andamans to cater to the needs of the tourists by providing travel related services.

ATT continued to offer comprehensive packages covering Domestic and International Ticketing, Tour Packages, Hotel Bookings, Conference & Event Management Services and tailor-made itineraries to suit all budget needs. The Division handled, on turnkey basis, travel and accommodation arrangements for a group of Sri Lankan delegation of NIEPA, 56th Indian Dental Conference at Bhubaneswar, All India Panchayati Raj Sammelan at New Delhi, Award Ceremony of the Sangeet Natak Akademi at Guwahati, etc. ATT also handled the Sindhu Darshan Festival held in Leh. The Division has commenced full-fledged Foreign Exchange Money Changer (FFMC) operations in Delhi, Chennai & Kolkata, and is in the process of opening FFMC at Mumbai, Bangalore and Hyderabad.

With a view to minimising the wage cost, Voluntary Retirement Scheme was introduced at the end of the previous year. In all, 98 employees (11 executives and 87 non-executives) opted for Voluntary Retirement and were relieved accordingly.

The turnover of this Division decreased slightly from Rs. 32.95 crores during 2000-01 to Rs. 31.42 crores during 2001-02.

Ashok Creatives Division

The Ashok Creatives Division (formerly Corporate Communications Division) has diversified its activities to produce souvenirs, packaging material and to take on tourism development projects for the Ministry of Tourism. This includes setting up of the Tea House at the Red Fort, Delhi as a Restaurant-cum-Souvenir Shop-cum-Activity Centre. A tableau titled 'Eco-tourism' was also mounted on behalf of the Ministry of Tourism for the 52nd Republic Day Parade which was very well received. In order to explore further business avenues, MoU's have been entered into with various State Governments.

The Division got the assignment to mount SEL Show at Jyotisar in Kurukshetra which was completed in a record time of six months. It has also bagged contract for first Coffee Table Book for Bureau of Police Research & Development and printing of their in-house journal. Other projects in the pipeline include mounting of SEL Shows at Kumbhalgarh Fort (Rajasthan), Chittaurgarh (Rajasthan), Somnath Temple (Gujarat) and Udaigiri Caves (Orissa).

During the year 2001-2002, the turnover of this Division decreased from Rs. 2.13 crores to Rs. 1.33 crores.

Ashok Reservation & Marketing Services Division

With a view to ensuring direct interaction with Foreign Tour Operators to promote various services, ITDC participated in WTM at London. Within the country also, ITDC took initiative to make some inroads in the competitively fluid market by making its presence felt in the Annual TAAI Convention at Mumbai, Annual IATO Convention at Jodhpur, SATTE 2002, New Delhi, etc.

This Division was successful in bagging important assignment to act as Event Managers for the COP-8 Conference held at New Delhi in October 2002.

In order to give fillip to the domestic tourists, various packages were continued to be offered, including Ashok Family Package, Senior Citizen Package, Student Package, the Distinctly Abled Package apart from offering special packages during off-season. To penetrate the market as deep and as far as can, technology is also being utilised to boost the tourism experience in India. A counter has been opened at the IRCA Building (Main Reservation Centre of Northern Railway at New Delhi) allowing people to book accommodation and surface transport while making rail reservation.

A website of Ashok Hotel has been launched having the address www.ashokdelhi.com.

Ashok Consultancy & Engineering Services Division

To strengthen the consultancy activities, a new Division called Ashok Consultancy & Engineering Services (ACES) has been set up with a view to providing consultancy services in tourism and



engineering related fields. With rich and versatile experience acquired over the years in tourism-related activities, ACES offers a complete range of consultancy services from concept to commissioning which broadly covers preparation of techno-economic feasibility report, tourism master plans, engineering technical services, management consultancy & advisory services, consultancy for adventure tourism, training consultancy, etc. ACES Division has been awarded the works by the Ministry of Tourism & Culture for (a) construction of headquarters building of National Council for Hotel Management & Catering Technology at NOIDA at an estimated cost of Rs. 5.00 crores; (b) construction of National Museum Institute at NOIDA; (c) development works at Vivekanand Rock Memorial at Kanyakumari; and (d) upgradation of existing facilities in Red Fort and Salimgarh Fort in Delhi at an estimated cost of Rs. 1.50 crores.

A separate cell for handling State Projects has also been set up.

Government of Jharkhand has awarded the work of developing various locations into tourist destinations at a cost of Rs. 10.45 crores. Further, ITDC has also been awarded the works for development of Parasnath-Madhuban, Dimma & Urvan in Jharkhand for Rs. 7.43 crores for which detailed project reports are under preparation. Archaeological Survey of India has also awarded the works for development of monuments in the close vicinity of Nizammudin and Lalkot and Quilla Rai Pithora, Mehrauli, Delhi for an amount of Rs. 5.22 crores.

This Division has so far undertaken assignments on (i) tourism consultancy for the States of Uttaranchal and Jharkhand, including jobs relating to preparation of master plans in tourism and engineering related areas; (ii) preparation of tourism master plans for Chandigarh and Haryana; and (iii) preparation of inception report in respect of master plan for Patal Bhubaneswar; and (iv) preparation of feasibility reports for Bhair Bhand (Munger) and Balmikinagar in Bihar.

Business Development Division

Keeping in view the emerging business scenario, a new Division "Business Development Division" was set up to diversify into new business areas that are commercially viable and in line with the objectives of the Corporation as well as rendering customized and effective consultancy and implementation solutions to

the tourism industry. The initiative has been encouraging as the Corporation has been successful in signing MoUs with the following States/State Tourism Corporations:-

1. Rajasthan Tourism Development Corporation for taking initiatives in the field of promotion and development of tourism in the State.
2. Tamil Nadu Tourism Development Corporation for developing tourism infrastructure and providing/promoting travel related services in the State.
3. State Government of Jharkhand for promotion of tourism in the State.
4. Uttar Pradesh State Tourism Development Corporation for promotion of tourism in the State.
5. Kerala Tourism Development Corporation to join hands for taking initiatives to promote tourism infrastructure and travel related services in the State.

Plan Schemes

The emphasis of the Annual Plan for the year 2001-2002 continued to be on renovation/upgradation of the existing properties and setting up new Duty Free Shops at Customs Domestic Airports - Ahmedabad, Hyderabad, Varanasi, Goa, Bangalore and Calicut. As against the revised plan outlay of Rs. 2.00 crores, the plan expenditure was Rs. 1.47 crores.

The Annual Capital Plan for the year 2002-2003 has been formulated envisaging an outlay of Rs. 4.50 crores. In view of the changing Government policy about the role of ITDC, its depleting financial resources, etc., the objectives have been redefined in the Annual Plan.

The joint venture hotel project at Anandpur Sahib has been held up due to paucity of funds whereas the incomplete Hotel Project at Chandigarh has since been divested through sale.

Subsidiary Companies

The subsidiaries of your Company are: (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; and (vii) Punjab Ashok Hotel Company Ltd. The Department

of Company Affairs has granted exemption under Section 212 (8) of the Companies Act, 1956 from annexing the annual accounts of the Subsidiary Companies. The audited accounts of these Companies will be circulated to the shareholders of ITDC as soon as these become available.

In pursuance of the Government decision, the Joint Venture Hotels being run by these Subsidiary Companies, are to be disinvested in consultation with the concerned State Governments.

Ashok Human Resource Development Division

The Human Resource Development Division has now been renamed as Ashok Human Resource Development Division. During the year, a number of training programmes were conducted for the employees. Further, 19 programmes were conducted for outside agencies covering 416 participants.

It has been decided to set up world class training institute in partnership with Indian/foreign body for conducting Post Graduate Diplomas in Hotel/Tourism Management. The Institute is expected to be functional in the next financial year.

During the year, the Division achieved a turnover of Rs. 22.11 lakhs from its consultancy projects as against Rs. 21.20 lakhs in the previous year.

Human Resource Management Division

With the disinvestment of 18 hotel properties and three Airport Restaurants, your Company has a complement of 3,556 employees as on 1.11.2002. Of these, 974 employees belong to Scheduled Castes, 76 employees belong to Scheduled Tribes and 106 employees to Other Backward Classes (OBCs). Your Company has 416 women employees constituting 11.69% of the total work force of the Corporation as on 1.11.2002. Of these, 60 are at executive level and 356 are at non-executive level.

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

Particulars of Employees

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.

Implementation of Official Language Policy

During the year, your Company continued its efforts for promotion of use of Hindi in official work. Hindi Competitions, Workshops, Quiz Programmes were organised during the Hindi month celebrations. Further, cash incentives were also given for doing prescribed quantum of work in Hindi and for successfully completing the Hindi training programmes of the Governments of India. The Company continued bilingual publication of its house journal 'Biradri' and newsletter 'The Ashok News'.

Conservation of Energy & Technology Absorption

During the year, your Company continued to maintain its thrust on energy conservation. This has resulted in saving consumption of LPG, LDO & HSD. 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.

Foreign Exchange Earnings & Outgo

The Direct Foreign Exchange earnings during 2001-2002 were Rs. 79.00 crores as against Rs. 105.87 crores in the previous year. The outgo of foreign exchange during the year was Rs.28.05 crores as against Rs. 39.04 crores in 2000-2001.

During the year, eight officials were sent on foreign tours at a cost of Rs.7.57 lakhs in connection with promoting the Company's business.

Board of Directors

During the year, 10 Board Meetings were held to transact the business of the Company. After the last Annual General Meeting, the following changes occurred in the Board of Directors:-

Shri Amitabh Kant, Joint Secretary in the Ministry of Tourism has assumed the additional charge of the post of C&MD with effect from 5th December, 2002 vice Shri Ashwani Lohani. Shri J.P.S. Chawla, who was appointed as part-time Government Director w.e.f. 13.8.2001, ceased to be a Director w.e.f. 5.11.2001. Dr. A.G. Agarwal was appointed as Director (Finance) and he assumed charge of the post on 25th October, 2001.

The Board wishes to place on record its appreciation for the valuable contribution made by

Shri Ashwani Lohani as C&MD and by Shri J.P.S. Chawla as Director of the Company.

Pursuant to Section 256 of the Companies Act, 1956, Dr. A. G. Agarwal, Director, retires by rotation at the AGM and being eligible offers himself for re-appointment.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect of Directors' Responsibility Statement, it is hereby confirmed:-

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

Auditors and Auditors' Report

The Comptroller and Auditor General of India have re-appointed M/s. R.K. Khanna & Co., Chartered Accountants as Statutory Auditors of the Company as also various Branch Auditors for the year 2001-2002 under Section 619(2) of the Companies Act, 1956.

The report of the Statutory Auditors to the shareholders is *annexed*. With regard to comments contained in para (1) of the Report regarding observations of some Branch Auditors on non-maintenance of proper records of Fixed Assets, valuation of Inventories at cost, etc. the concerned branches are being advised to take necessary

corrective steps. As regards other observations of the Statutory Auditors, suitable explanation has been made in the notes to the accounts, including disclosure on accounting practices followed by the Corporation.

Internal Control System

The Company continues to update and strengthen systems on an on-going basis. Regular audit by Internal Audit teams is conducted to ensure effective functioning of internal controls relating to different operational areas. The findings are reported to the top Management on periodic basis. In addition to statutory audit, the records and systems are also subject to audit by the CAG.

Acknowledgement

Your Directors express their deep appreciation for the sincere and devoted service rendered by the employees at all levels. Your Directors also wish to acknowledge the continued support and guidance received from the various Departments of the Governments of India, more particularly from the Ministry of Tourism & Culture.

For and on behalf of the
Board of Directors

(Amitabh Kant)
Chairman & Managing Director

Place : New Delhi
Date : 21st July, 2003