

41st ANNUAL REPORT 2005-2006



INDIA TOURISM DEVELOPMENT CORPORATION LTD

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C O N T E N T S

Page No.(s)

| | |
|--|----------------|
| 1. Directors' Report | 01 - 36 |
| 2. Auditors' Report to the members of India Tourism Development Corporation Ltd | 37 - 47 |
| 3. Accounts for the year 2005-06 | 48 - 75 |
| 4. Cash Flow Statement | 76 |
| 5. Comments of the Comptroller & Auditor General of India | 77 - 78 |

INDIA TOURISM DEVELOPMENT CORPORATION LTD**Directors' Report**
2005-2006

Shareholders,

Your Directors have pleasure in presenting the 41st Annual Report together with the audited accounts of the Company for the year ended 31st March 2006.

Your Company has completed another successful year in 2005-06. The turnover for the year touched a new high of Rs. 373.63 crore up by 2.78% as compared to Rs. 363.49 crore in the previous year. The profit before tax at Rs. 51.57 crore registered an increase of 65.50% over the previous year. The profit after tax stood at Rs. 45.79 crore registering an increase of 59.15%.

Performance Highlights

The comparative position of the corporate profitability at a glance is tabulated below: -

| <u>Particulars</u> | <u>(Rupees in crore)</u> | |
|---|--------------------------|----------------|
| | <u>2005-06</u> | <u>2004-05</u> |
| Turnover | 373.63 | 363.49 |
| Operating Profit | 54.53 | 37.94 |
| Less: Interest | 0.08 | 2.49 |
| Less: Depreciation | 3.49 | 3.35 |
| Add/(Less): Prior period adjustments and extra-ordinary items | 0.61 | (-) 0.94 |
| Profit/ (Loss) before Tax | 51.57 | 31.16 |
| Add/(Less): Deferred Tax | (-) 6.04 | (-) 12.08 |
| Less: Provision for Income Tax | 12.60 | 2.45 |
| Less: Provision for wealth tax | - | - |
| Less: Provision for Fringe Benefit Tax | 0.32 | - |
| Add: Provision for Income Tax for earlier year written back | - | 0.06 |

| | | |
|------------------------------------|--------|--------|
| Add: Deferred Tax Asset Recognised | 13.18 | 12.08 |
| Profit/(loss) after Tax | 45.79 | 28.77 |
| Proposed Dividend | - | - |
| Equity Capital | 67.52 | 67.52 |
| Capital Employed | 158.71 | 132.37 |

Capital Structure

As on 31st March 2006, the paid up share Capital of the Company remained unchanged as in the last year i.e. Rs. 67.52 crores.

Dividend

Keeping in view the requirement of funds for the renovation/upgradation works to be undertaken, it has been decided not to recommend dividend for the year ended 31st March 2006.

Rating of ITDC vis-à-vis MOU targets

Performance of the Company for the year 2004-05 has been rated as 'Very Good' in terms of the MOU signed with the Government of India. The performance for 2005-06 on provisional basis has also been rated as 'Very Good'.

Management Discussion and Analysis

A report on the Management Discussion and Analysis is placed at **Annexure-I**.

Hotels Division

The year 2005-2006 has been a most successful year for the Ashok Group. The overall occupancy level increased from 58% to 60% during the year. The turnover increased to Rs. 150.48 crore in 2005-06 from Rs. 120.90 crore in 2004-05. The Ashok Hotel, New Delhi has performed exceptionally well during the year.

To enhance brand value as The Ashok, the hotel aggressively marketed into the newer segments to improve the market value. Similarly, Hotel Samrat and Hotel Janpath improved their room product to have image makeover. Hotel Samrat launched its new outlet of the city "The Chakras", an international multi-cuisine rest-bar. This Hotel also renovated its guestrooms and added amenities for the guests. Hotel Janpath too started with the process of product improvement and creation of certain superior rooms with additional amenities/facilities.

To retain its popularity and market share, certain food and beverage outlets in The Ashok viz Frontier, Soho-Ssteel, Orange Room Capital and Boyarin were relaunched after the makeover.

The Ashok group of hotels continued to play host to several prestigious international and national level conventions/events during the year. These included Semester at Seas Movement, Parma Awardees, IIT Alumni Dinner, UNICEF Conference, PEDICPON 2006, Notional Policy Conference, Defence Expo, International Watch and Clock Conference, Fertilizer Association of India Conference, Department of Science and Technology Conference on Fly Ash, IPMA World Congress on Water Resources, International Conference on Women and Health, etc. The Ashok group also hosted the delegations from Denmark, Sudan, Malaysia, Italy, Hungary, Jordan, America, Cambodia, china, Sri Lanka, Pakistan, Russia, Indonesia, Serbia, UK etc. It also contributed in popularizing the Indian cuisine by participating in the food festivals abroad.

Ashok International Trade Division

The four major suppliers, namely, UDV/Diageo, Seagram, BAT and PMI had either stopped **or** were about to stop the supplies pending resolutions of long outstanding issues on price revision, demand for changing the business transaction currency and other critical issues. These suppliers together constituted about 60% of the sale of the Division. All the issues were successfully negotiated and resolved and continuity of supplies was restored.

The Division persuaded and obtained aggressive promotions from the suppliers. UDV and Seagram offered promotions on "Buy 2, get 1 free basis" for the first time on their high selling liquor brands JW Black Label and Chivas Regal respectively. UDV also ran promotions for the first time on their premium brands like JW Blue Label, Gold Label, Green Label etc.

For the first time, the AITD faced real competition from the private sector. Flemingo started operating their shops in Delhi from May 2005. Despite stiff competition, penetrating pricing and cannibalisation of sales by the private operator, the Division by making concerted efforts, offering aggressive promotion, identifying goods not sold by the competitor maintained the sales of Delhi shops very close to the level of sales of the last year.

AIT Division made a profit of Rs. 15.75 crore during the year 2005-06 as against Rs.13.13 crore in previous year.

The Division is passing through one of the most critical phases in its existence. The market share is steadily shrinking. The duty free operations at Delhi Airport had to be closed down in early January 2007. However, the licensing period for operation of shops at Mumbai is extended by the airport operator for a short period upto 31st May 2007. In order to bring on board the international experience and expertise in duty free business, a joint venture company is being set up in collaboration with M/s Aldeasa of Spain, the fifth largest duty free operator in the world. The proposed Joint Venture Company has participated for the first time in a global tender for concession rights for duty free business at Mumbai International Airport and has succeeded in securing the concession rights for three years w.e.f. June 2007. Besides, the Division is exploring new avenues of sale through newer channels like duty free sale through seaport, land border and in-flight sale. It is also exploring the possibility of sales through down-town shops. Your Company is optimistic that duty free sales in the coming years are set to grow, despite the present set back of loosing concession rights at Delhi Airport to a private duty free operator, after global tendering.

ARMS Division**5**

The Ashok Reservation and Marketing Service Division (ARMS) has established itself as a successful Event Management Division of the Company. During the year under review, this Division handled 50 conferences of varying sizes including prestigious international events like WTTTC Global Summit, CDM Workshop, International Conference on Plasticulture, PPDIF Conference etc. The Division also participated in international travel marts like ITB Berlin and EIBTM.

The exhibition stalls for NHAH and Department of Posts, designed and fabricated by the Division won prizes in their categories. The Division has plans to concentrate on Exhibitions in a major way.

Various incentive packages were floated to get incremental business in lean period like Family Fun Package, Senior Citizens Package and Student Package.

Ashok Travels & Tours Division

During this year, ATT bagged several important business contracts like NTPC Farakka, National Handicrafts Expo at Kolkata, Siliguri, etc. The Bangalore unit organized ISSW25 Conference, Aeroshow Bangalore, CAMHADD UNESCAP-Ministerial Level Conference and Intelmedindia Conference for 1300 people.

It opened an office in Cochin to promote Kerala in domestic and international markets; it hosted International Education Meet on behalf of Government of Kerala at Cochin.

Holiday packages launched during the year included Holiday packages for Darjeeling, Gangtok, Dooars-on-Wheels, etc. It also launched Kerala Holiday package, which includes popular destinations like Munnar, Thekkady, Kumarakom, Alleppy etc. These packages have already become popular.

ATT Chennai provided ground support for the CORCON 2005 and International Conference on Trauma, Anesthesia and Critical Care Society. It has also launched its first daily Volvo Tour between Chennai and Tirupati .

ATT has increased its turnover in 2005-06 to Rs. 53.23 crore against previous year's turnover of Rs. 45.58 crore.

ATT strengthened its core business activity and added new services like Overseas Medical Insurance, VISA assistance and Exhibitions. It handled 10 exhibitions across the country.

Ashok Consultancy & Engineering Services

Basic tourism infrastructure is slowly emerging as a priority for the Central and State Governments. The Ministry of Tourism has launched a number of schemes for the infrastructure development. The Ashok Consultancy & Engineering Services Division has been assigned an important role in providing consultancy and engineering services in tourism infrastructure development projects.

For qualitative improvement in its performance, the Division is reorganising the resources and inducting new talent to fill the gap created by superannuations/resignation of engineers, creating work zones depending upon concentration of project activities, review of rules and regulations, procedures, delegation of powers and making consultancy as core strength of the Division.

Ashok Creatives Division

Ashok Creatives as a specialized communication agency, has been providing promotional and advertising services to its various clients. It also handles the sound and light shows; advertising campaigns and undertakes designing, print and production jobs.

The major activities and achievements of the Division during the year include: (i) Permanent Exhibition on 'March of Civilization at world heritage site at the Taj Mahal, Agra; (ii) designing of brochure for promotion of J&K Tourism; (iii) production of Election Manual and Guide Books for Election Commission of India; (iv) domestic advertising campaigns; and (v) Production of Sound & Light Shows at Haridwar,

Chandigarh, Madurai and Udaigiri Caves. The Shows will be completed in the next financial year.

The Division continues to produce tourism promotional print and electronic material for the Ministry of Tourism, State Governments, other government departments and PSUs, etc. During the year, the Ashok Creatives also reproduced thematic interactive CDs on different subjects for the Ministry of Tourism. Collaterals for Assam Tourism and Bihar Tourism are underway.

The turnover of the Division has decreased from Rs. 18.24 crore to Rs. 4.35 crore during 2005-06 since no advertising campaigns were awarded to ITDC by the Ministry of Tourism. Although assignments on new Sound & Light Shows and print jobs were procured, the decrease in the turnover could not be made up.

Ashok Institute of Hospitality and Tourism Management (AIH&TM)

AIH&TM is maintaining its leadership in training and hospitality related services by renewing ISO 9000-2000 in designing and imparting training for Hospitality, Travel & Tourism Industry. It has emerged as an independent strategic business unit and is a major education provider in the area of tourism and hospitality.

The Institute in collaboration with the Kurukshetra University, Haryana has been conducting a 4-year Bachelor's Degree Course in International Hospitality Business Management since 2004. It conducts 18 craft/certificate courses in the field of culinary skills. In addition, the AIH&TM is also conducting "Air Hostess Travel and Hospitality Management Career Training" for 100 students sponsored by the Department of Social Welfare, Karnataka Government in Bangalore since 15.2.2006.

During the year 2005-2006, 45 training programmes have been conducted for outside agencies, covering 2014 employees. In addition, 2 employees were nominated for professional courses in India conducted by reputed organisations.

Plan Schemes

The Annual Capital Plan for the year 2005-06 envisaged an outlay of Rs. 4.50 crore. The emphasis in the plan was on renovation/improvement of essential nature but with limited internal resources, in the existing hotels and duty free shops, strengthening of transport fleet, procurement of computer hardware and software. The plan expenditure was only Rs. 1.73 crore.

Initially, the Annual Capital Plan for 2006-07 was formulated envisaging an outlay of Rs. 94.50 crore, out of which an amount of Rs. 4.50 crore was to be generated from internal resources and Rs. 90.00 crore were to be taken as loan from financial institutions. However, the major renovation works were deferred for 2007-08. Revised Plan Outlay for Rs. 16.36 crore entirely from internal resources was approved which included Rs. 13.82 crore for improvement of essential nature in hotels and balance for other activities.

Implementation of official language policy

During 2005-2006, concerted efforts were made to give fillip to the use of Hindi in official work in line with the official language policy. To motivate employees, cash incentives were awarded for doing prescribed quantum of work in Hindi. Under the on-going in-service training programme, employees were nominated for trainings in Hindi typing/stenography and workshops were organised for imparting training in noting-drafting in Hindi. Hindi competitions were also organised during the Hindi month celebrations for giving impetus to the use of official language in day-to-day work.

Human Resource Management and Industrial Relations

The total number of employees in the Company as on 31.3.2006 stood at 2854. Out of this, 828 employees belonged to Scheduled Castes, 61 Scheduled Tribes and 100 to Other Backward Castes. There are 350 women employees constituting 12.3% of the total work force of the Company. Of these, 49 are at the executive level and 301 at the non-executive level.