

INDIA TOURISM DEVELOPMENT CORPORATION LTD

44th Annual Report

Report  for the year ReportJunction.com

2008-09

INDIA TOURISM DEVELOPMENT CORPORATION LTD

<u>Contents</u>	<u>Page No(s)</u>
Notice	01
Directors' Report	02 - 47
Auditors' Report to the members of India tourism Development Corporation Ltd	48 - 66
Accounts for the year 2008-09	67 - 96
Cash Flow Statement	97
Attendance Slip	98
Proxy Form	99

INDIA TOURISM DEVELOPMENT CORPORATION LTD

Registered Office: SCOPE Complex, Core-8 (6th Floor)

Lodhi Road, New Delhi – 110 003

NOTICE

Notice is hereby given that 44th Annual General Meeting of India Tourism Development Corporation Ltd will be held on Thursday, the 31st December, 2009 at 1600 hours in Ashok Hotel, New Delhi 110021 to transact the following business:-

ORDINARY BUSINESS:

- (1) To receive, consider, and adopt the audited Balance Sheet as at 31st March 2009 and Profit and Loss Account for the year ended on that date together with the Report of the Auditors and the Directors' Report.
- (2) To declare dividend
- (3) To appoint a Director in place of Shri Zubin Karkaria, Director who retires by rotation under Article 61 of the Articles of Association of the Company and being eligible offers himself for re-appointment.
- (4) To appoint a Director in place of Shri Jose Dominic, Director who retires by rotation under Article 61 of the Articles of Association of the Company and being eligible offers himself for re-appointment.

By Order of the Board of Directors

Place: New Delhi

Dated: 08.12.2009

(V. K. JAIN)

COMPANY SECRETARY

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. The Members/Proxies should bring the Attendance Slip, duly filled in and signed, for attending the Meeting.
3. Pursuant to Section 154 of the Companies Act 1956, the Register of Members and Share Transfer Books of the Company will remain closed from the 30th day of December, 2009 to 31st day of December, 2009 (both days inclusive).

To

- (i) All Members of India Tourism Development Corporation Ltd.
- (ii) M/s Khanna & Annadhanam, Chartered Accountants, 3/7B, 2nd Floor, Asaf Ali Road, New Delhi – 110 002
- (iii) All Stock Exchanges

copy to: 1. The President of India through Shri B. B. Roy, Under Secretary (Ministry of Tourism)
2. All members of the ITDC Board.

INDIA TOURISM DEVELOPMENT CORPORATION LTD

Directors' Report 2008-09

Dear Shareholders,

Your Directors have pleasure in presenting the 44th Annual Report together with the audited accounts of the Corporation for the year ended 31st March 2009.

Your Corporation has registered a turnover of Rs.410.67 crore during the financial year 2008-09 as against Rs.470.27 crore in the previous financial year, registering a decline of 12.67%. The decline in turnover is mainly due to Global recession, 26/11 Mumbai attacks, closure of duty free shops etc. The profit (before tax) of your Corporation was down by 44.98% to Rs.38.19 crore during the financial year 2008-09 from Rs.69.41 crore in the previous financial year and the profit after tax was down by 42.42% to Rs.25.38 crore from Rs.44.08 crore in the previous financial year 2007-08. The decrease in profit is mainly due to reduced turnover and increase in wage cost as a result of implementation of 6th Pay Commission's recommendations in pay scales of CDA and recommendation of 2nd Pay Revision Committee constituted by Government for IDA pay pattern employees w.e.f. 1.1.2006 and 1.1.2007 respectively.

PERFORMANCE HIGHLIGHTS

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

<u>Particulars</u>	<u>(Rupees in crore)</u>	
	<u>2008-09</u>	<u>2007-08</u>
Turnover	410.67	470.27
Operating Profit	42.95	77.45
Less: Interest	0.02	0.02
Less: Depreciation	4.28	4.54
Add/(Less): Prior period adjustments and extra-ordinary items	(-)0.46	(-)3.48
Profit/ (Loss) before Tax	38.19	69.41
Add/(Less): Deferred Tax	3.12	3.82
Less: Provision for Income Tax	16.00	28.50
Less: Provision for Fringe Benefit Tax	0.41	0.50
Add: Provision for Income Tax for earlier year written back	0.46	(-)0.15
Transfer from Currency Translation Reserve	0.02	-
Profit/(loss) after Tax	25.38	44.08
Proposed Dividend	8.58	13.50
Dividend Tax	1.44	2.30

Equity Capital	67.52	67.52
Capital Employed	291.73	285.41

CAPITAL STRUCTURE

As on 31st March 2009, the paid up share Capital of the Corporation remained unchanged as in the last year i.e. Rs.67.52 crore. The paid up capital has been increased to Rs.85.76 crore as a result of preferential allotment of 1,82,50,000 equity shares of Rs.10/- each at a premium of Rs.30/- per share to the President of India on 14th September, 2009 against equity contribution of Rs.73 crore received by the Corporation in December, 2007 for Renovation of Ashok Hotel, New Delhi.

DIVIDEND

Since the current year's net profit after tax is lower by more than 20% of the average net profits after tax of the two financial years immediately preceding, it shall not be required to ensure the minimum distribution of dividend which comes out to 13.3% as prescribed in Rule 3 of Companies (Transfer of Profit to Reserves) Rules, 1975. The Board of Directors are pleased to recommend dividend of 10% on the Paid-up equity capital for the year 2008-09. The total liability for Dividend (Rs.8.58 crore) and Dividend Tax (Rs.1.44 crore) will be Rs.10.02 crore.

RATING OF ITDC VIS-VIS MOU TARGETS

Performance of the Corporation for the year 2006-07 has been rated as 'Very Good' in terms of the MOU signed with the Government of India. The Self Performance Evaluation Report for 2007-08 on the basis of audited data has been sent to DPE and the rating is awaited.

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIVISION WISE PERFORMANCE

a) Hotels Division

The year gone by has been full of challenges for the hospitality industry. Falling occupancies levels and room rentals in the aftermath of the global recession and Mumbai terror attacks have weighed on the company's financial performance. However there are signs of improving prospects in the coming period.

The Hotels Division have three hotels in Delhi, five hotels in outside Delhi located at Mysore, Patna, Jammu, Bhubaneshwar and Jaipur. Two DOT properties are also managed by the Company. The occupancy of the Hotels was affected negatively in the last two quarter of the financial year especially through inbound travelers, which also becomes evident from the reduced forex earnings, even as the revenues showed marginal negative growth. To counter the recession and increased competition, competitive room pricing was worked out to market the hotels more aggressively.

The turnover of the Hotels Division during the financial year 2008-09 decreased by 5.15% to Rs.209.14 crore from Rs.220.49 crore in the previous financial year 2007-08. The decrease in

turnover is mainly due to 26/11 Mumbai attacks. The net profit of Hotels Division decreased to Rs.12.94 crore as against Rs.50.09 crore in the previous financial year 2007-08 mainly due to increased wage cost due to implementation of Wage Revision Recommendations and due to decrease in turnover.

b) Ashok Creative (AC Division)

Ashok Creative Division continued to play a key role in tourism promotion and developmental projects of the Ministry of Tourism. Ministry of Tourism is the biggest spender in terms of Media Campaigns – both International and Domestic. Ministry of Tourism is the Division's major client in terms of turnover and revenue. However on withdrawal of PPP, winning campaigns for ITDC has become more difficult.

During the financial year 2008-09, the Division showed a turnover of Rs.53.06 crore against Rs.87.20 crore in previous year 2007-08 with a loss of Rs.0.92 crore against net profit of Rs.1.24 crore in the previous financial year 2007-08. The loss was due to primarily the fact that Ashok Creative is not INS accredited and neither does the Division has the expertise of bulk media buying from International and Domestic markets. Therefore, whenever the Division participates in any open bids for media buying activity it requires the expertise of empanelled advertising agencies. Since during the year under review the partnership with an empanelled advertising agencies did not materialize, the Division was entirely dependent on creative assignments, a few advertising campaigns and print production jobs of clients. However, the technical capability and expertise of the Division cannot be undermined as creativity and creative aspects continue to be the Division's forte.

c) Ashok International Trade (AIT Division)

The Ashok International Trade Division (AITD) continued its efforts to sustain its operations despite many odds thrown up by the vastly transformed business environment and greatly reduced scale of its operations.

The Duty free shops at Goa and recently opened in August 2009 at Coimbatore offer world class duty free shopping facilities to international travelers earning crucial foreign exchange for the country and showcasing Indian products to the world.

The turnover of AIT Division has decreased to Rs.5.56 crore during the financial year 2008-09 from Rs.31.33 crore in the previous year 2007-08 mainly due to closure of commercial activities of duty free shops at Custom domestic/international airports at Bangalore during May 2008. During the year AIT division has incurred Net Loss of Rs.1.88 crore as compared to net loss of Rs.10.53 crore in the previous financial year.

d) Ashok Travels & Tours (ATT Division)

Ashok Travels & Tours, an in-house IATA approved Travel Agency of the India Tourism Development Corporation Limited provides all travel related services primarily for the Government Sector as well as general public. Services include Airline Ticketing/Hotel Booking/Tour Packages/Car & Coach Rentals.

ATT Division during the financial year 2008-09 registered most impressive growth. The turnover of the Division increased to Rs.67.80 crore from Rs.49.77 crore in the previous financial year 2007-08 and has registered a increase of 36.22%. However the Division

suffered a net loss of Rs.1.68 crore as against Rs.0.39 crore in the previous financial year mainly due to higher wage cost due to wage revision impact.

On the whole it would be a period of growth and consolidations for ATT. The Division is now poised for a major growth initiative keeping in view of the opportunities created by forthcoming Common Wealth Games 2010.

e) Ashok Reservation and Marketing Services (ARMS Division)

The erstwhile Marketing & Hotel Sales Division which later become ARMS Division had three main functions – Handling of events and conferences; promotion and marketing of ITDC Hotels and reservation of ITDC Hotels by Centralized Reservation Service. Later, the area of marketing of ITDC Hotels and Centralized Reservation Service has been constituted as Corporate Marketing Division and the area of handling the events and conferences as Events Division.

The Ashok Reservation & Marketing Service (ARMS) handles the Centralized Reservation Service and the Marketing of ITDC Hotels. The Event Division manages events, conferences and exhibitions both within the country and abroad and has established itself as a leader in the field of Event Management.

During the financial year 2008-09, the turnover of the ARMS (Events Division) decreased to Rs.11.88 crore as against Rs.19.33 crore in the previous financial year 2007-08. The net profit of the Division also decreased to Rs.0.91 crore as against Rs.2.59 crore in the previous financial year mainly due to reduced turnover and higher wage cost due to wage revision impact.

f) Ashok Consultancy & Engineering Division

The Ashok Consultancy & Engineering Division has been very actively working for the following activities :

- i) Renovation and upgradation of ITDC Hotels.
- ii) Implementation of Tourism infrastructure projects.
- iii) Rendering consultancy services to Ministry of Tourism, Govt. of India and State Govt. Organizations.

During the financial year 2008-09, the turnover of the Division was Rs.17.31 crore as against Rs.23.44 in the previous financial year 2007-08. The Division suffered a net loss of Rs.3.94 crore during the current financial year 2008-09 as against net loss of Rs.0.09 crore in the previous financial year 2007-08.

Despite all the odds like shortage of manpower, time bound Projects in hand, delay in releasing of funds from various clients and non-allotment of land by various State Government, the Division is doing extremely well. During the up-coming year the division has been turnaround and is handling a turnover of Rs.150 crore including the most prestigious project of renovation of Ashok Hotel.

g) Ashok Institute of Hospitality & Tourism Management (AIH&TM Division)

The Ashok Institute of Hospitality & Tourism Management, an ISO 9001:2000 certified Institute run by ITDC in New Delhi has been undertaking Education & Training related

activities during the year 2008-09 as a Strategic Business Unit of ITDC. The Division has been conducting 4 years 'Bachelors in International Hospitality Business Management' Course affiliated to the Kurukshetra University, Kurukshetra (Haryana) since 2004 and from the current academic year, AIH & TM has started the 3 years 'BBA' in International Hospitality affiliated to the IP University, Delhi.

During the year 2008-09, the unit achieved the turnover of Rs.5.42 crore as against Rs.5.09 crore in the previous financial year 2007-08. The net profit increased marginally to Rs.1.54 crore as against Rs.1.46 crore in the previous financial year 2007-08.

PLAN SCHEMES

The Revised Budget Estimate towards plan expenditure for 2008-09 was Rs.45.56 crore which included Rs.38.56 crore for renovation/improvement in existing hotels and remaining fund for other activities of the Corporation. The plan expenditure during 2008-09 was Rs.8.93 crore.

The plan outlay for the year 2009-10 is Rs.165.55 crore which includes Rs.158.49 crore for renovation of various hotels including major renovation of Ashok Hotel at an estimated cost of Rs.116.28 crore. For the renovation of Ashok Hotel, the Ministry of Tourism has provided budgetary support of Rs.73 crore in the form of equity. The balance plan outlay of Rs.7.06 crore is for other activities of the Corporation.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

During the year 2008-09, the Corporation continued its efforts to give impetus to the use of Hindi in official work. To motivate employees for making increasing use of Hindi in their official work, cash incentives were granted to them on doing prescribed quantum of work in Hindi. As part of Hindi Training Programme, employees were nominated for Hindi Typing/Stenography classes being conducted under the Hindi Teaching Scheme of the Government of India. Hindi Workshops were also organized to impart them training on noting-drafting and other works in Hindi. Various Hindi Competitions were also organized during Hindi Month celebrations for creating an environment conducive for promotion of Hindi.

PARTICULARS OF EMPLOYEES

None of the employees of the Corporation is drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Your Corporation is committed to energy conservation at every stage of its operation. In order to conserve energy, various measures were taken which included preventive maintenance schedule for plant & machinery, use of lower energy consuming devices, improvement in power factor and economizing the use of gas & fuel. Hotels have significantly saved on the energy consumption by switching over to energy efficient lighting and locking system. Water harvesting has also been taken as a high concern area. Further, general awareness was created amongst the staff and engineers to conserve energy in every operation they undertook. All these measures contributed in effecting economy and saving of resources.

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

FOREIGN EXCHANGE EARNINGS & OUTGO

The Direct Foreign Exchange Earnings during the year 2008-09 were Rs.20.10 crore as against Rs.57.23 crore in the previous year 2007-08. The outgo of foreign exchange during the year was Rs.4.41 crore as against Rs. 33.98 crore in 2007-08.

During the year, 25 officials were sent on foreign tours at the cost of Rs.13.83 lakh approximately in connection with promotion of the Company's business.

SUBSIDIARY COMPANIES

The Annual Accounts for the year 2008-09 in respect of the six out of seven subsidiary companies viz. (i) Donyi Polo Ashok Hotel Corporation Ltd (ii) Utkal Ashok Hotel Corporation Ltd, (iii) Punjab Ashok Hotel Company Ltd.(iv) Assam Ashok Hotel Corporation Ltd (v) Pondicherry Ashok Hotel Corporation Ltd (vi) Ranchi Ashok Hotel Corporation Limited has been finalized and audited. The Annual Accounts of MP Ashok Hotel Corporation Limited is under finalization and audit. The Ministry of Corporate Affairs have granted exemption under Section 212(8) of the Companies Act, 1956 from annexing the annual accounts of the subsidiary companies. The audited accounts of the subsidiary companies for the year 2008-09 will be circulated as soon as these are available after adoption in their AGM. A statement pursuant to the exemption u/s 212(8) of the Companies Act, 1956 giving required details together with the reasons for non-finalization/adoption of Annual Accounts is annexed as Annexure 'A'.

BOARD OF DIRECTORS

During the year, six Board meetings were held to transact the business of the Company.

During the year under review Shri Rajiv Makin was appointed as Director (C&M) pursuant to Article 61 of the Articles of Association of the Company. He assumed the charge on 17th October 2008. Shri Sanjay Kothari has been appointed as C&MD, ITDC vice Shri Parvez Dewan. He assumed the charge on 1st of December, 2009.

Pursuant to Article 61 of the Articles of Association of the Company, S/Shri Zubin Karkaria and Jose Dominic Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. In compliance with clause 49(G)(i) of the Listing Agreement, their brief resume, nature of expertise in specific functional areas are as under:-

Shri Zubin Karkaria

Shri Zubin Karkaria has been the Director of ITDC since 19th July, 2007. Shri Zubin Karkaria is the CEO & Managing Director of 'India & South Asia Kuoni Travels Group.' Shri Zubin Karkaria is also the Director of several Group Companies of 'India & South Asia Kuoni Travels Group.'

Shri Jose Dominic

Shri Jose Dominic has been the Director of ITDC since 17th April, 2007. Shri Jose Dominic is, since 1980, the Managing Director and CEO of CGH Earth (formerly Casino Group of Hotels), a hotel group who have been pioneers in tourism development in Kerala.

Shri Jose Dominic has served on several National and State advisory panels on tourism of the Government and Industry bodies. Some of these include, National Tourism Advisory Council of the Government of India and the Government of Kerala, Tourism Think Tank of Government of India, Member – Expert Panel on Tourism of ASSOCHAM (Associated Chambers of Commerce and Industry of India, and CII (Confederation of Indian Industry) etc. He has been invited to speak at major conferences and seminars on Tourism including Conference on Tourism Taxation organized by World Tourism Organization, Colloquium of Conservation and Heritage Tourism organized by the British Council, presented papers on Sustainable Tourism at the Annual Convention of the Indian Association of Tour Operators.

He has served as Hon. Secretary of the Federation of Hotel and Restaurant Associations of India and Founder President of Kerala Travel Mart, which has now acquired the reputation as the most significant travel-marketing event in India. He has been closely associated with the conservation movement and serves as the Co-convenor of INTACH (Indian National Trust for Art and Cultural Heritage). He is past President of TiE - Kerala Chapter (The Indus Entrepreneurs) and KTM (Kerala Travel Mart Society) and also was the President of the Cochin Chamber of Commerce. He is a member of the National Tourism Advisory Committee.

He is a Chartered Accountant by qualification and prior to joining Casino Group of Hotels (now CGH Earth) worked with the countries leading firm of Chartered Accountants Messrs. A.F. Ferguson & Co. He is a graduate of Commerce from Loyola College, Chennai and he received his early education in Lawrence School, Lovedale.

Names of the Companies in which he is a Director and/or member of the Board Committees are given hereunder in the table :

List of Public Companies in which he is a Director	Coastal Resorts India Limited	Managing Director
Number of 'Board Committees' of such Public Limited Companies in which he is a Member / Chairman	None	
List of Private Companies in which he is a Director	Hotel & Allied Trades Private Ltd. Escapade Resorts Private Limited Anjaly Holidays And Resorts Private Limited Anjaly Hotels Private Limited Natural Harvest Private Limited Cochin Waste 2 Energy Private Limited Cochin Chamber of Commerce and Industry SIHRA	Managing Director Director Director Director Exec Com. Mem. Director Exec Com. Mem. Exec. Com. Mem.