

Contents

Highlights	3
Notice	4-7
Directors' Report	8-16
Management Discussion & Analysis	17-29
Corporate Governance	30-44
Community Initiatives	45-46
Break-up of Total Income	47
Auditors' Report	48-51
Balance Sheet	52
Profit and Loss Account	53
Cash Flow Statement	54
Schedules to Accounts	55-68
Notes to Balance Sheet and Profit and Loss Account	69-84
Balance Sheet Abstract and Company's General Profile	85
Statement pursuant to Section 212	86-87
Financial Statistics	89
Consolidated Financial Statements	90-112

**Annual General Meeting
at Birla Matushri Sabhagar
on Thursday, 11th August, 2005
at 3.45 p.m.**

Board of Directors

Ratan N. Tata	Chairman
R. K. Krishna Kumar	Vice Chairman
J. J. Bhabha	
N. A. Soonawala	
S. K. Kandhari	
K. B. Dadiseth	
Deepak Parekh	
Jagdish Capoor	
Tejendra Khanna	
Shapoor Mistry	
M. Valli Moosa (w.e.f. 24th January, 2005)	
Raymond N. Bickson	Managing Director
B. D. Nariman	Company Secretary

Management

Raymond N. Bickson	Managing Director
Anil P. Goel	Sr. Vice President – Finance
Ajoy K. Misra	Sr. Vice President – Sales & Marketing
Yogi Sriram	Sr. Vice President – Human Resources
Prakash Shukla	Sr. Vice President – Technology & CIO
Rajiv Gujral	Sr. Vice President – Mergers, Acquisitions & Development
Fatma Zakaria	Sr. Vice President – Taj Magazine
Franz Zeller	Chief Operating Officer – Luxury SBU
Jyoti Narang	Chief Operating Officer – Business SBU
Jamshed S. Daboo	Chief Operating Officer – Leisure SBU
B. D. Nariman	Sr. Vice President – Legal & Company Secretary

Committees of the Board

Audit Committee

S. K. Kandhari	Chairman
Deepak Parekh	
Jagdish Capoor	

Remuneration Committee

Jagdish Capoor	Chairman
Ratan N. Tata	
R. K. Krishna Kumar	
N. A. Soonawala	

Shareholders' / Investor Grievance Committee

N. A. Soonawala	Chairman
R. K. Krishna Kumar	
Raymond N. Bickson	

Registered Office

Mandlik House, Mandlik Road, Mumbai 400 001.
Tel: 2202 5515
Fax: 2202 7442

Share Department

Mandlik House, Mandlik Road, Mumbai 400 001.
Tel: 2202 6260
Fax: 2202 7442
Email: shares.dept@tajhotels.com

Solicitors

Mulla & Mulla & Craigie Blunt & Caroe
Udwadia and Udeshi

Auditors

S. B. Billimoria & Company
N. M. Rajji & Company

Bankers

The Hongkong and Shanghai Banking Corporation Ltd.
Standard Chartered Bank
Citibank N.A.

Website: www.tajhotels.com

Financial Highlights

	2004-2005	2003-2004
	Rupees	Rupees
	(In Crores)	(In Crores)
Gross revenue	873.24	699.16
Profit before tax	141.68	80.20
Profit after tax	105.86	60.65
Dividend	50.25	36.09
Retained earnings	105.33	68.52
Funds employed	2266.44	2373.28
Net Worth	1130.39	887.73
Borrowings	1008.33	1372.55
Debt : Equity ratio	0.89 : 1	1.55 : 1
Net Worth per Ordinary Share (In Rupees)	224.95	196.75
Earnings per Ordinary Share (Basic)		
Before Extraordinary items - (In Rupees)	20.06	8.59
After Extraordinary items - (In Rupees)	21.06	13.44
Earnings per Ordinary Share (Diluted)		
Before Extraordinary items - (In Rupees)	17.76	8.40
After Extraordinary items - (In Rupees)	18.63	13.06
Dividend per Ordinary Share - (In Rupees)	10	8
	(100%)	(80%)

Notice

NOTICE is hereby given that the HUNDRED AND FOURTH ANNUAL GENERAL MEETING of THE INDIAN HOTELS COMPANY LIMITED will be held at the Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, on Thursday, 11th August, 2005, at 3.45 p.m to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005, and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare a dividend on ordinary shares.
3. To appoint a Director in the place of Mr. N. A. Soonawala who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. Tejendra Khanna who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. Shapoor Mistry who retires by rotation and is eligible for re-appointment.
6. **Appointment of Mr. M. Valli Moosa as a Director of the Company**

To appoint a Director in the place of Mr. M. Valli Moosa who was appointed as an Additional Director of the Company by the Board of Directors with effect from 24th January, 2005, and who holds office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, (the Act) read with Article 132 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act, along with the prescribed deposit, from a Member of the Company signifying his intention to propose Mr. Moosa as a candidate, for the office of Director of the Company.

7. **To appoint Auditors and fix their remuneration**

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. B. Billimoria & Company, Chartered Accountants and M/s. N. M. Raiji & Company, Chartered Accountants, be and are hereby re-appointed as Joint Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company to audit the Books of Account of the Company for the financial year 2005-06 on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the audit.”

NOTES :

1. The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6 & 7 is annexed hereto.
2. **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.**
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 7th July, 2005 to 22nd July 2005, both days inclusive.
4. The dividend on Ordinary Shares, as recommended by the Directors, if declared at the Annual General Meeting, will be paid on or after 12th August, 2005, to the Members whose names appear on the Company's Register of Members on 22nd July, 2005. As regards shares held in electronic form, the dividend will be payable to the 'beneficial owners' of the shares whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited as at the close of business hours on 6th July, 2005.

5. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
6. Dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund nor from the Company thereafter. It may be noted that unpaid dividend for the financial year ended 31st March, 1998, is due for transfer to the Investor Education and Protection Fund on 2nd December, 2005.
7. To avoid loss of dividend warrants in transit and undue delay in the receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by the Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in a physical form and who are desirous of availing of this facility are requested to contact the Company's Share Department at the Registered Office of the Company.
8. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the meeting are annexed.
9. Members are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses.
10. Members desiring any information as regards the Accounts are requested to write to the Company Secretary at an early date so as to enable the Management to reply at the Meeting.
11. Members are requested to kindly bring their copies of the Annual Report to the Meeting.

By Order of the Board of Directors

B.D. NARIMAN
Senior Vice President Legal & Company Secretary

Mumbai, Dated: 6th June, 2005

Registered Office :
Mandlik House,
Mandlik Road,
Mumbai 400 001.

Explanatory Statement

As required by Section 173 of the Companies Act, 1956 (the Act).

1. The following Explanatory Statement sets out the material facts relating to the business under Item Nos. 6 & 7 mentioned in the accompanying Notice dated 6th June, 2005.

Item No. 6

2. The Board of Directors of the Company has appointed Mr. M. Valli Moosa as a Director of the Company with effect from 24th January, 2005. Pursuant to the provisions of Section 260 of the Act, read with Article 132 of the Articles of Association of the Company, Mr. Moosa holds office as Additional Director of the Company up to the date of the forthcoming Annual General Meeting of the Company, but is eligible for appointment. The Company has received a Notice pursuant to Section 257 of the Act, along with the prescribed deposit, from a Member of the Company, signifying his intention to propose the candidature of Mr. Moosa, for the office of Director of the Company, at the forthcoming Annual General Meeting of the Company.
3. Mr. M. Valli Moosa has been a former Minister of Environmental Affairs and Tourism in the Government of South Africa and is currently the President of the World Conservation Union, in addition to being a Non – Executive Director on the Boards of prestigious companies such as South African Airways.
4. The Board considers it desirable that the Company should continue to avail of the services of Mr. Moosa and accordingly commends the Resolution at Item No. 6 of the accompanying Notice for acceptance by the Members.
5. Mr. Moosa may be deemed to be concerned and interested in Item No. 6 of the accompanying Notice since it relates to his appointment as a Director of the Company.

Item No. 7

6. Section 224A of the Act, provides that in the case of a public company, in which not less than 25% of the subscribed share capital of the company, is held, whether singly or in any combination by Financial Institutions, Nationalised Banks, Insurance Companies and other Bodies specified in that Section, the appointment of Auditors is to be made by way of a Special Resolution.
7. The shareholdings of the aforesaid Financial Institutions, Nationalised Banks, etc. as on the date of the accompanying Notice is close to 25% of the subscribed share capital of the Company and it may, by the date of the Annual General Meeting, exceed 25% of the subscribed share capital of the Company. Hence, the resolution for re-appointment of the Auditors M/s. S.B. Billimoria & Company and M/s N. M. Raiji & Company, is being proposed as a Special Resolution. As required under Section 224 of the Act, certificates have been received from the Auditors to the effect that their appointments if made, will be in accordance with the limits specified under Section 224(1B) of the Act.
8. The Members' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them. The Board commends the Resolution for acceptance by the Members.
9. None of the Directors of the Company is in any way, concerned or interested in the Resolution at Item No. 7 of the accompanying notice.

By Order of the Board of Directors

B.D.NARIMAN
Senior Vice President Legal & Company Secretary

Mumbai, Dated: 6th June, 2005

Registered Office:

Mandlik House,
Mandlik Road,
Mumbai 400 001.

**Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)**

NAME OF DIRECTOR	Mr. N.A. Soonawala	Mr. Shapoor Mistry	Mr. Tejendra Khanna	Mr. M. Valli Moosa
Date of Birth	27.06.1935	06.09.1964	16.12.1938	09.02.1957
Date of Appointment	31.07.1980	17.04.2003	17.04.2003	24.01.2005
Expertise in specific functional areas	Finance	Management	Science & Administrative Service	Ecology & Economics
Qualifications	B.Com., A.C.A.	BA (England) - Business & Economics	M.Sc Physics, Patna University, India M.A (Public Administration), University of California, USA	B.Sc. (University of Durban – Westville)
List of Companies in which outside Directorships held as on 31.03.2005 (excluding private & foreign companies)	1. Tata Sons Ltd. 2. Tata Industries Ltd. 3. Tata Motors Ltd. 4. Tata Tea Ltd. 5. Tata Investment Corporation Ltd. 6. The Associated Cement Cos. Ltd. 7. Indian Resort Hotels Ltd. 8. Trent Ltd.	1. Shapoorji Pallonji & Co. Ltd. 2. Forbes Gokak Ltd. 3. Eureka Forbes Ltd. 4. Shapoorji Pallonji Infrastructure Capital Co. Ltd. 5. Shapoorji Pallonji Finance Ltd. 6. Cyrus Investments Ltd 7. United Motors (India) Ltd. 8. Shapoorji Pallonji Power Co. Ltd. 9. Afcons Infrastructure Ltd.	1. Ranbaxy Laboratories Ltd. 2. Nestle India Ltd. 3. Tata AIG General Insurance Co. Ltd.	N/A
Chairman / Member of the *Committees of other Companies on which he is a Director as on 31.03.2005	1. Tata Sons Ltd. – Remuneration Committee 2. Tata Sons Ltd. – Audit Committee 3. Tata Investment Corporation Ltd. – Remuneration Committee 4. Tata Investment Corporation Ltd. – Share Transfer & Investors' Grievance Committee 5. Tata Tea Ltd. – Remuneration Committee 6. Tata Motors Ltd. – Remuneration Committee 7. The Associated Cement Cos. Ltd. – Compensation Committee 8. Trent Ltd. – Remuneration Committee	1. United Motors (India) Ltd. - Share Transfer & Investors' Grievance Committee 2. Forbes Gokak Ltd. - Audit Committee 3. Forbes Gokak Ltd. - Remuneration Committee 4. Forbes Gokak Ltd. - Share Transfer & Investors' Grievance Committee	1. Ranbaxy Laboratories Ltd. - Audit Committee 2. Ranbaxy Laboratories Ltd. - Share Transfer Investors' Grievance Committee 3. Ranbaxy Laboratories Ltd. - Compensation Committee 4. Tata AIG General Insurance Co. Ltd. - Remuneration Committee 5. Tata AIG General Insurance Co. Ltd. - Audit Committee 6. Nestle India Ltd. - Audit Committee	N/A

* The Committees include the Audit Committee, the Remuneration / Compensation Committee and the Shareholder / Investors Grievance Committee.

Directors' Report

TO THE MEMBERS

The Directors have pleasure in presenting the 104th Annual Report of the Company together with its Audited Profit and Loss Account for the year ended March 31, 2005 and the Balance Sheet as on that date:

FINANCIAL RESULTS

	2004-05 Rupees (In Crores)	2003-04 Rupees (In Crores)
Total Income	873.24	699.16
Profit before Depreciation, Interest, Tax & Extraordinary Items	207.30	133.23
Less: Depreciation	56.77	48.58
Less: Interest (Net)	31.84	30.40
Profit before extraordinary items & tax	118.69	54.25
Add : Profit on sale of business and property	6.38	27.54
Add : Profit on sale of investments	16.61	-
Less : Exceptional Items	-	5.07
Add : Interest on income-tax refund of earlier years	-	3.48
Profit before tax	141.68	80.20
Less: Provision for tax	35.82	19.55
Profit after tax	105.86	60.65
Add: Balance brought forward from the previous year	44.34	32.97
Profit before Appropriations	150.20	93.62

APPROPRIATIONS

(i) Foreign Exchange Earnings Reserve	-	2.50
(ii) General Reserve	11.00	6.07
(iii) Dividend: A dividend of 100% i.e. Rs 10/- per Ordinary Share on 50,254,802 Ordinary Shares was recommended by the Board of Directors. (In respect of the previous year, a dividend of 80% i.e. Rs.8/- per Ordinary Equity Share was declared and paid to the shareholders)	50.25	36.09
Tax on Dividend	7.05	4.62
(iv) Balance carried to Balance Sheet	81.90	44.34
	150.20	93.62

INCOME

The total income for the year ended March 31, 2005 at Rs. 873.24 crores was higher than that of the previous year by 25%. The income from hotel operations increased by 27% from Rs. 668.32 crores to Rs. 847.63 crores. Room Income was higher than the previous year by 34%. The Average Room Rate (ARR) increased by 24% over the previous year, contributing 75% of the total increase in room income, with the balance increase attributable to higher occupancies.

Food & Beverage (F&B) income was 19% higher than the previous year. Out of the aggregate increase in F&B income, Rs. 6.70 crores was on account of new outlets at The Taj Mahal Palace and Tower, Mumbai and Taj West End, Bangalore. Banquets income grew by 15% over the previous year.

INTEREST AND DEPRECIATION

Interest cost was marginally higher by Rs. 1.44 crores compared to the previous year. The gross interest cost for the year ended March 31, 2005 stood at Rs. 52.15 crores, which is the same level as the previous year. The cost of borrowing reduced from 6.9% in 2003-04 to 3.6 % in 2004-05 on account of the impact of low cost FCCB borrowing.

Depreciation for the year was higher due to incremental depreciation on new additions to fixed assets, mainly Taj Wellington Mews, which started operations during the year.

PROFITS

Profit before extraordinary/exceptional items and tax at Rs. 118.69 crores was significantly higher than the previous year by 119%. Profit before tax at Rs. 141.68 crores and profit after tax at Rs. 105.86 crores were also significantly higher by 77 % and 74%, respectively.

DIVIDEND

Your Directors are pleased to recommend a dividend of 100% or Rs. 10/- per Ordinary Share in respect of the year ended March 31, 2005. Dividend at the same rate is also recommended to be paid on those Ordinary Shares that may be allotted by the Company on conversion of FCCB's issued by the Company prior to July 7, 2005 (as per the prevailing rules), being the commencement date of the closure of the Company's Register of Members and Share Transfer Books.

FCCB ISSUE

In the previous year, your Company had successfully raised US\$ 150 million through an issue of Foreign Currency Convertible Bonds (FCCB). The offering enabled your Company to raise funds abroad on attractive terms and was priced at the top end of the conversion premium range with a yield to maturity of 3.15% per annum. The conversion price was fixed at Rs.501.53, a 19% premium to the closing price on the day of the issue. The Company has received conversion requests for a total of US\$ 56.91 million to date. Post these conversions, the FCCB liability has reduced to US\$ 93.09 million and share capital of the Company has increased from Rs. 45.12 crores to Rs. 50.25 crores.

BORROWINGS

The total borrowings stood at Rs. 1008.33 crores as at March 31, 2005 as against Rs. 1372.55 crores as on March 31, 2004. The total reduction of debt during the year amounted to Rs. 364.22 crores. While repayment of debt amounted to Rs. 114.59 crores, a reduction of Rs. 249.63 crores was on account of conversion of the FCCB liability into equity.

The long-term borrowings stood at Rs. 965.58 crores as on March 31, 2005 compared to Rs. 1207.53 crores as on March 31, 2004. The short-term borrowings stood at Rs. 42.75 crores as on March 31, 2005 as compared to Rs. 165.02 crores as on March 31, 2004.

CAPITAL EXPENDITURE

Additions to capacity included 'Taj Wellington Mews Luxury Residences' located in Mumbai with 80 serviced apartments which were commissioned in the last week of September, 2004. Other additions included launch of new restaurants, renovations and refurbishments to several properties.

BUSINESS OVERVIEW

Global tourism trends have been extremely positive following the recovery in the fourth quarter of 2003-04. Driven by resurgent global economies, improvements in socio-political relations and investor confidence, international tourist movements were at an all-time high of 760 million. Over the last year, growth in international travel has been concentrated towards the Asia Pacific region, particularly in the Northeast Asian and Southeast Asian countries, driven by the increased availability of less expensive destinations in these areas and the strengthening of the Euro. Notwithstanding the tsunami disaster, international travel continues to be buoyant in the unaffected destinations and portends a high growth potential.

After exceptional growth in 2003-04, the Indian economy has consolidated its position as a major growth economy, second only to China. The formation of a progressive government and continuation of reform initiatives, continued emphasis on infrastructure investments, opening up of the aviation sector to foreign investment and the introduction of low cost airlines, have given a major fillip to the Indian travel and tourism business. Whilst international arrivals into India have increased by 23% to 3.5 million, domestic travel has also grown at an equivalent pace to business and leisure destinations. Increasing travel has been backed by increase in spends as well, which has been favourable for the development of tourism and allied businesses. Cities such as Mumbai, Bangalore and the Delhi National Capital Region (NCR) have spearheaded the growth of tourist traffic. Average Room Rates (ARR) in these cities have peaked to all-time highs with high occupancies.

The business outlook for the year ahead is expected to be positive, as is evident from preliminary operations in the first quarter of 2005-06. In the recent past, several international hotel chains and domestic business houses have announced their plans to enter various segments of the Indian market with luxury, leisure and other mid-segment products. In spite of the entry of such chains, which will partially fill the demand-supply gap in hotel rooms, the management expects a considerable excess of demand over supply and significant scope for further domestic expansion.

THE TAJ WAY

Your Company, along with its subsidiaries and associates operating under the Taj brand, is in a unique position to leverage its competitive advantage in the buoyant global and domestic environment. Several initiatives have been taken by your Company in this regard. A brief summary is given below with details in the section - Management Discussion and Analysis.

Product Upgrades

Renovation of rooms and suites at the Taj Mahal Palace & Tower, Mumbai, Taj West End, Bangalore, Taj Lake Palace, Udaipur, Taj Holiday Village, Goa, Jai Mahal Palace, Jaipur and Usha Kiran Palace, Gwalior, was completed during the year. The renovated properties have been well received by the market and several properties have won international acclaim and have been featured in various publications by the international media. Several F & B service outlets have been refurbished and re-launched with new concepts and cuisines including Wasabi, a Japanese restaurant, Vista, a coffee shop at Mumbai, Hip Asia, a Pan Asian restaurant and Distil, a bar at Chennai. Your Company continues to focus on renovations and refurbishments of key properties in the ensuing year.

New Products and Services

In keeping with its position as market leaders in India, your Company launched two innovative products. In June, 2004, the first hotel under the 'Smart Basics' concept, indiOne™, was launched at Bangalore through its wholly owned subsidiary, Roots Corporation Limited. This product caters to the economy and mid-market segment.

In September 2004, your Company commenced operations of a fully-serviced 80-apartment 'Luxury Residences' property, Taj Wellington Mews, located in the heart of the city of Mumbai. Both these products have evoked a great deal of interest from customers and the trade alike.

In continuation with its strategy of introducing new products, your Company has also launched its exclusively developed 'Jiva Spa' which is based on traditional Indian ayurvedic and yogic systems, set in internationally contemporary ambience. These Spas are currently operational in five hotels and further rollouts are in progress.

During the year, your Company extended its operations through management contracts of hotels in Mauritius and Seychelles in the Indian Ocean rim and in Jodhpur and Kovalam, being key leisure destinations.

Growth and International Expansion

In order to consolidate and strengthen its position in the Indian and overseas market, your Company seeks to grow through increasing its presence in the Luxury segment and in the high end Leisure segment. Further, your Company also plans to add rooms to existing hotels with unused capacity in cities where it anticipates high demand in the coming years. Whilst the roll out