



INDIAN RESORT HOTELS LIMITED

DIRECTORS As on 5th June, 2002

R. K. KRISHNA KUMAR (*CHAIRMAN*)
N. A. SOONAWALA
Z. DUBASH
M. M. MADHVANI
R. V. PANDIT
K. D. PARAKH
I. M. KADRI
J. DABOO

COMPANY SECRETARY

BIPIN SINGH

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

R.V. PANDIT (*CHAIRMAN*)
I. M. KADRI
Z. DUBASH
K. D. PARAKH

SHAREHOLDERS'/INVESTOR GRIEVANCE COMMITTEE

R. K. KRISHNA KUMAR (*CHAIRMAN*)
K. D. PARAKH

AUDITORS

C. C. CHOKSHI & CO.
RSM & CO.

BANKERS

STATE BANK OF INDIA
BANK OF BARODA
BANK OF INDIA
CENTURION BANK LTD.

REGISTERED OFFICE

MANDLIK HOUSE
MANDLIK ROAD
MUMBAI - 400 001.

WEBSITE

www.tajhotels.com

SHARE DEPARTMENT

MANDLIK HOUSE
MANDLIK ROAD
MUMBAI - 400 001.

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THIRTIETH ANNUAL GENERAL MEETING
ON THURSDAY, 5TH SEPTEMBER, 2002, AT 4.30 P.M.
AT THE BOMBAY HOUSE AUDITORIUM,
BOMBAY HOUSE, 24, HOMI MODY STREET, MUMBAI - 400 001.

INDIAN RESORT HOTELS LIMITED**NOTICE**

Notice is hereby given that the **THIRTIETH ANNUAL GENERAL MEETING** of **INDIAN RESORT HOTELS LIMITED** will be held at the Bombay House Auditorium, Bombay House, 24 Homi Mody Street, Mumbai 400 001, on **THURSDAY**, the **5TH** day of **SEPTEMBER, 2002**, at **4.30 P.M.**, to transact the following business :-

ORDINARY BUSINESS:

- 1) To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended March 31, 2002, and the Balance Sheet as at that date.
- 2) To declare a dividend on equity shares.
- 3) To appoint a Director in place of Mr. N. A. Soonawala who retires by rotation and is eligible for re-appointment.
- 4) To appoint a Director in place of Mr. K. D. Parakh who retires by rotation and is eligible for re-appointment.
- 5) To appoint a Director in place of Mr. R. V. Pandit who retires by rotation and is eligible for re-appointment.
- 6) To appoint Auditors and fix their remuneration.

NOTES :

- a. **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 WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
- b. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 30th August, 2002, to Thursday, 5th September, 2002, both days inclusive.
- c. Members/Proxies should bring the attendance slip sent herewith, duly filled in, for attending the meeting.
- d. 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 or the Company thereafter.
- e. Members are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communications to their addresses.
- f. The particulars of Directors retiring by rotation and / or eligible for reappointment, pursuant to the provisions of Clause 49 of the Listing Agreement are given.

THIRTIETH ANNUAL REPORT 2001-2002

- g. 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.
- h. Members are requested to kindly bring their copies of the Annual Report to the Meeting.

By Order of the Board of Directors

Bipin Singh
Company Secretary

Date : 5th June, 2002.

Registered Office:

Mandlik House
Mandlik Road
Mumbai 400 001.

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INDIAN RESORT HOTELS LIMITED**Details of the Directors seeking reappointment at the forthcoming Annual General Meeting of the Company**
(Pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of the Director	Mr. N. A. Soonawala	Mr. K. D. Parakh	Mr. R. V. Pandit
Date of Birth	27th June, 1935	2nd June, 1917	11th November, 1932
Date of Appointment	2nd April, 1973	9th October, 1980	1st January, 1974
Expertise in specific functional areas	Finance	Civil Construction & Architecture	Management in Media
Qualifications	B.Com, A.C.A	M.A., B.Sc.	Privately Educated
List of Companies in which outside Directorship held as on 31st March, 2002	<ol style="list-style-type: none"> 1. Tata Sons Limited 2. Tata Industries Limited 3. Tata Engineering & Locomotive Company Limited 4. Tata Tea Limited 5. Tata Investment Corporation Limited 6. The Associated Cement Cos. Limited 7. The Indian Hotels Company Limited 8. Trent Limited 9. Tata Chemicals Limited 10. Piem Hotels Limited 11. Tata Finance Limited 	<ol style="list-style-type: none"> 1. W.S. Industries (India) Limited 2. SICGIL India Limited 3. Hydro S&S Industries Limited 4. MRF Limited 5. Tarapore Constructions Pvt. Limited 6. Narbod Constructions Pvt. Limited 	<ol style="list-style-type: none"> 1. Pan Music & Magazines Limited 2. IPF Online Limited
Chairman / Member of the *Committees of other Companies on which he is a Director as on 31st March, 2002	<ol style="list-style-type: none"> 1. The Indian Hotels Company Limited - <ol style="list-style-type: none"> a. Remuneration Committee b. Shareholders / Investor's Grievance Committee 2. Tata Investment Corporation Limited - <ol style="list-style-type: none"> a. Remuneration Committee b. Share Transfer & Investors' Grievance Committee 3. Tata Sons Limited - Remuneration Committee 4. Tata Tea Limited - Remuneration Committee 5. Trent Limited - Remuneration Committee 6. Tata Engineering & Locomotive Co. Limited - Remuneration Committee 7. The Associated Cement Companies Limited - Compensation Committee 	<ol style="list-style-type: none"> 1. MRF Limited - <ol style="list-style-type: none"> a. Remuneration Committee b. Share Transfer & Investors' Grievance Committee 2. W.S. Industries (India) Limited - Remuneration Committee 	

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

DIRECTORS' REPORT**TO THE MEMBERS,**

The Directors hereby present the Thirtieth Annual Report of the Company together with the Audited Statements of Account for the financial year ended 31st March, 2002.

2. FINANCIAL RESULTS

	2001-2002 Rupees	2000-2001 Rupees
Total Income	15,38,30,053	20,83,53,668
Gross Profit for the year	2,34,76,616	5,12,29,456
Less : Depreciation	1,58,81,600	1,56,17,083
Interest	37,23,244	1,11,42,606
Deferred Revenue Expenditure	—	13,67,620
Profit Before Tax	38,71,772	2,31,02,147
Less : Provision For Taxes :		
- Current	—	15,50,000
- Deferred	6,47,714	—
Profit After Taxes	32,24,058	2,15,52,147
Add : Excess Provision for Income Tax in respect of earlier years (Net)	—	3,91,205
Less : Leave Encashment relating to earlier years	23,17,000	—
Add : Balance brought forward from previous year	1,98,33,204	2,17,24,672
Amount available for appropriations	2,07,40,262	4,36,68,024
The Directors have recommended a final dividend of 15% i.e. Rs. 1.50 per equity share. It may be noted that in respect of the previous year a dividend of 30% i.e. Rs. 3.00 per equity share was declared and paid to the shareholders.		
Tax on Dividend	54,27,421	1,25,54,283
Amount transferred to General Reserve	1,00,000	12,80,537
Balance carried to Balance Sheet	1,52,12,841	1,00,00,000
		1,98,33,204

OPERATIONS

- The tourism industry in which your Company operates was severely impacted by the terrorist attacks in the USA and the resultant outbreak of hostilities in Afghanistan. The fall out on leisure travel was almost instantaneous with major cancellations of bookings from the foreign FIT, Groups and Charter Segments. Further, the market in which the Company's hotel, the Fort Aguada Beach Resort (FABR), operates is extremely seasonal with operating performance being particularly sensitive to stability in the peak season of October to March.
- Your Company's hotel was also partially closed for major renovations during the year under review.
- On account of the aforesaid, the Company's total income for the year was lower at Rs.1,538 lacs as against Rs.2,083 lacs in the previous year.
- As a consequence of the repayment of the external commercial borrowings at the end of the previous financial year and the amounts incurred in the first phase of renovation of FABR, the non-operating income for the year under review was lower at Rs 148 lacs as against Rs.248 lacs for the previous year.
- The ongoing cost reduction and cost control efforts augmented the Voluntary Retirement Scheme (VRS) introduced in the previous year and enabled the containment of operating costs at Rs.1,304 lacs, as against Rs.1,571 lacs for the previous financial year.

INDIAN RESORT HOTELS LIMITED

8. The profit after tax and adjustments for the year declined to Rs.9 lacs, from Rs.219 lacs in the previous financial year.

RENOVATIONS

9. As indicated in the Directors' Report for the previous financial year the Company had embarked on a programme of renovation of FABR. The first phase of the renovation programme of FABR comprising the lobby, 32 guest rooms, two restaurants and eight cottages was completed during the year under review at a cost of Rs. 935 lacs. The renovated facilities have become operational with effect from December, 2001 and have been received well in the market.
10. Your Company will undertake phase II of the renovation programme comprising 32 guest rooms in the current financial year. Your Directors are confident that the completion of renovation will significantly enhance the ability of FABR to retain its position in the increasingly competitive environment in Goa.

DIVIDEND

11. The performance of your Company during the financial year under review should be considered as reflective of the unprecedented events of the year under review, which severely impacted the travel and tourism industries. Considering the future growth projections, your Directors have recommended a Final Dividend of 15%, or Rs.1.50 per equity share of Rs.10/- each.

FINANCE

12. The outstanding amount of fixed deposits placed with the Company amounted to Rs.306 lacs (previous year Rs.411 lacs) including Rs.2.65 lacs (previous year Rs.8.08 lacs), which remained unclaimed by depositors as on 31st March, 2002.
13. The Directors wish to place on record their appreciation for the cooperation received by the Company from the Financial Institutions and the Company's Bankers.

DIVESTMENT

14. At the previous Annual General Meeting of the Company, the shareholders had approved the sale of the Air Catering Unit at Goa to Taj SATS Air Catering Limited, a joint venture entered into between The Indian Hotels Company Limited (IHCL) and Singapore Airport Terminal Services.
15. Your Directors desire to inform you that the aforesaid sale was affected in the year under review at a consideration of Rs. 962 lacs.

BUY-BACK OF EQUITY SHARES

16. At the Board Meeting held on 28th January, 2002, your Directors had decided to buy-back 5,66,480 equity shares of the Company at Rs.70/- per equity share by way of a tender offer from the members of the Company subject to the provisions of the Companies Act, 1956 and the applicable provisions of SEBI (Buy-back of Securities) Regulations, 1998.
17. Your Directors wish to inform you that the Buy-back Offer opened on 26th March, 2002 and closed on 14th May, 2002. The total number of Equity Shares bought back were 5,66,480 which amounted to 13.52% of the paid-up Equity Share Capital of the Company.
18. Consequent to the aforesaid Buy-back the paid up Equity Share Capital of the Company would stand reduced to Rs.362.30 lacs.

DIRECTORS

19. In accordance with the provisions of the Companies Act, and the Articles of Association of the Company, three of your Directors viz. Mr. N. A. Soonawala, Mr. K. D. Parakh and Mr. R. V. Pandit retire by rotation and are eligible for re-appointment.

AUDITORS

20. At the Annual General Meeting the members will be requested to appoint the Auditors for the current year and authorise the Board to determine their remuneration.

ENERGY CONSERVATION, TECHNOLOGY TRANSFER AND FOREIGN EXCHANGE EARNINGS AND OUTGO

21. In terms of the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, your Directors wish to inform you that

THIRTIETH ANNUAL REPORT 2001-2002

electricity, diesel, petrol and cooking gas are purchased at the prevailing market rates from the Government Agencies at Goa. Generation of electricity is resorted to supplement the power supply from Electricity Boards/ Agencies.

22. The activities of the Company are not covered under the list of specified industries in the Schedule to the Rules as stated above.
23. The information relating to foreign exchange earnings and outgo is furnished in the Notes on Accounts on page 34.

OTHER INFORMATION

24. The Company does not have any employee drawing salary in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE

25. The Company adopts the guidelines on good Corporate Governance as a matter of corporate policy. The compulsory applicability of the recommendations of the Securities and Exchange Board of India on code of Corporate Governance for your Company has become effective with effect from 1st April, 2002. Your Board has initiated the necessary actions in this regard.
26. In terms of the provisions of Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, the report on Management Discussion and Analysis, Corporate Governance, as well as the Auditors Certificate regarding compliance of conditions of Corporate Governance form part of the Annual Report of the Company.

ACKNOWLEDGEMENTS

27. The Board desires to place on record its appreciation for the services rendered by the employees of the Company during the year under review.

On behalf of the Board of Directors

R. K. Krishna Kumar
Chairman

Place : Mumbai.

Date : 5th June, 2002.

ANNEXURE TO THE DIRECTORS' REPORT**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operating Management, hereby confirms that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
2. It has in the selection of the accounting policies, consulted the Statutory Auditors and has applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and of the profit of the Company for that period.
3. It has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records.
4. It has prepared the annual accounts on a going concern basis.

On behalf of the Board of Directors

R. K. Krishna Kumar
Chairman

Place : Mumbai.

Date : 5th June, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

1 OVERVIEW

- 1.1 Tourism is the world's largest industry in revenue terms and is one of the largest employment generators and foreign exchange earners for the country. India as a tourist destination is mainly fancied in the Winter Season and foreign tourist arrivals are predominant in the period October – March, perhaps owing to the cooler climates in the Northern Tourist Circuit.
- 1.2 Financial Performance for the year ended 31st March, 2002, was adversely impacted by the terrorist attacks on the World Trade Center in the United States of America and the resultant outbreak of hostilities in Afghanistan. The fall out on leisure travel was almost instantaneous with major cancellations of bookings in the foreign FIT, Groups and Charter Segments. Happening as it did, on the eve of the peak season for tourism in India, the performance of the industry as a whole was severely impacted. Your Company was no exception.

2 INDUSTRY STRUCTURE AND DEVELOPMENTS

- 2.1 India as a leisure tourist destination is less attractive compared to established destinations such as Indonesia, Singapore, Malaysia, Thailand, Maldives and Mauritius. Inadequate infrastructure, airline connectivity and capacity constraints are a major hindrance to the explosive growth potential that India as a cultural destination offers the world. Consistent Government policies on tourism and progressive reduction of the tax incidence in the total cost to the traveller will assist in the process of unearthing this latent potential. The latest Central Government budget has however taken a step in the right direction.
- 2.2 Being the pioneer in Goa and having significantly contributed to the placement of Goa on the world map of leisure tourism, your Company's hotel - The Fort Aguada Beach Resort, has enormous goodwill, which together with the service philosophy of the Taj will ensure that it holds its position in the face of intense and increasing competition.

3 FUTURE OUTLOOK

- 3.1 The cessation of hostilities in Afghanistan was expected to mark the gradual revival of the industry. The turmoil and the continued festering of violence in Gujarat and the current standoff in the Indo-Pak relations do not augur well for the Indian tourism industry. An early resolution of these problems would undoubtedly improve the immediate outlook for your Company.
- 3.2 In the long term, the continuing liberalisation and privatisation policies of the Government and the increasing integration of Indian business with the global economy cannot but favourably impact your Company.
- 3.3 The adoption by the Taj Group of the Tata Business Excellence Model as the framework to guide it in its pursuit of business / service excellence and achieving world-class quality will enable your Company to retain its competitive edge.
- 3.4 Your Company had embarked on a programme of renovation of its Hotel, The Fort Aguada Beach Resort (FABR). During the financial year ended 31st March, 2002, the Hotel was partially closed to facilitate the renovation of its rooms and food and beverage outlets. The renovated facilities were made available since December 2001 and have been well received in the market place. The completion of the renovation program during the current financial year will significantly enhance the ability of your Company to retain its position in the increasingly competitive environment in Goa.

4 RISKS AND CONCERNS

4.1 *Nature of Industry*

- 4.1.1 The hotel industry in India in general and in Goa in particular is seasonal in nature. Annual results are critically impacted by performance in the peak season, as the results of the financial year 2001-02 would indicate.
- 4.1.2 The environment in which your Company operates is characterized by increasing and intense competition. There has been a rapid increase in supply and a less than proportionate increase in demand.

- 4.1.3 The hotel industry and particularly leisure travel is intricately linked to the economic well being of the country in which it operates and the countries that constitute major feeder markets.

4.2 Financial Risk

The hotel industry is capital intensive and the gestation period is fairly long. This applies to new hotel projects and major renovation expenditure incurred on existing hotels. In addition, there exists a high composition of fixed costs in the operating cost structure. Improving operating leverage is a key challenge.

4.3 Government and Political Risks

- 4.3.1 The high levels of taxation prevalent in the hotel industry in India directly impact elasticity of demand. This is increasingly more so when countries vie with each other for attracting the leisure traveller. High levels of taxation impact the ability of hotels to increase prices to counter increases in operating costs and inflation.

- 4.3.2 The hotel industry is directly linked to the economy of a country, as the Government policies influencing the economy in turn influence the inflow of business travellers, to a large extent, and tourists to a smaller extent, and these consequently influence the revenues of the Company. Other policies, which influence promotion of Indian Tourism and creation of infrastructure, also have a substantial impact on the inflow of tourists into India.

4.4 Natural Calamity / Security Risk

- 4.4.1 Safety and security remain a prime concern for the international traveler. Incidents such as the cross border conflicts and hostilities, the Gujarat turmoil impact the image of the country and directly affect tourist inflow.

5 INTERNAL CONTROL SYSTEMS

- 5.1 The Company has a systematic process of Internal Audit, which provides assurance to the Management that all Company policies & procedures (written or implied) are being adhered to and the systems are designed to throw up all exceptions. In addition, Internal Audit reviews the existence of robust Internal Controls in the system for Safeguarding of Assets, Revenue Protection, Cost Containment and Statutory Compliance.

- 5.2 M/s N.M. Rajji & Co., Chartered Accountants, a firm of repute carried out the periodic internal audits for the financial year 2001-02. Being part of the Taj Group, this process is carried out under the direction and supervision of the Internal Audit Department of the Taj Group. The audit methodology, generic scope, frequency, protocols, reporting formats etc. are laid down in the 'Taj Group Internal Audit Manual'.

- 5.3 A Chief of Internal Audit heads the Internal Audit Department for the Taj Group. A Committee for Audit Review and Execution (CARE) comprising of senior level management of the Taj Group has been set up to ensure audit execution, review and compliance.

- 5.4 The Company has adopted the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance. Accordingly, an Audit Committee has been set up to review the observations of the Statutory Auditors of the Company, the unaudited and the audited financial statements before they are submitted to the Board of Directors and also to ensure compliance of internal control systems.

6 FINANCIAL PERFORMANCE

- 6.1 As a direct consequence of the events of September, the total income for the financial year ended 31st March, 2002, reduced by Rs.545 lacs from Rs.2,083 lacs in the previous year to Rs.1,538 lacs. Profit after tax and adjustments reduced from Rs.219 lacs in the previous year to Rs.9 lacs.

- 6.2 Stringent cost control and cost reduction measures augmented the Voluntary Retirement Scheme launched by the Company in the previous year and enabled the containment of operating costs at Rs.1,304 lacs when compared with Rs.1,571 lacs for the previous year.

- 6.3 In view of the prevailing uncertainty, cost reduction and control will remain key objectives for the ensuing year. The thrust areas would be the elimination of waste in raw materials, energy conservation, manpower rationalization and containment of other fixed costs.