

INDIAN RESORT HOTELS LIMITED
32nd ANNUAL REPORT 2003 - 2004



THIRTY-SECOND ANNUAL REPORT 2003-2004**INDIAN RESORT HOTELS LIMITED****Contents**

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Annual General Meeting
at Bombay House Auditorium,
Bombay House,
on 30th July, 2004
at 4.45 p.m.

INDIAN RESORT HOTELS LIMITED

DIRECTORS	R. K. KRISHNA KUMAR (<i>CHAIRMAN</i>) N. A. SOONAWALA RAYMOND N. BICKSON ZUBIN DUBASH M. M. MADHVANI R. V. PANDIT K. D. PARAKH I. M. KADRI ANANT NARAIN SINGH JAMSHED S. DABOO
COMPANY SECRETARY	BIPIN SINGH
COMMITTEES OF THE BOARD	
AUDIT COMMITTEE	R. V. PANDIT (<i>CHAIRMAN</i>) I. M. KADRI K. D. PARAKH ANANT NARAIN SINGH ZUBIN DUBASH
SHAREHOLDERS' / INVESTOR GRIEVANCE COMMITTEE	RAYMOND N. BICKSON (<i>CHAIRMAN</i>) K. D. PARAKH I. M. KADRI
AUDITORS	C. C. CHOKSHI & CO. RSM & CO. (CHARTERED ACCOUNTANTS)
BANKERS	CENTURION BANK LTD. STATE BANK OF INDIA BANK OF INDIA BANK OF BARODA
REGISTERED OFFICE	MANDLIK HOUSE MANDLIK ROAD MUMBAI - 400 001.
WEBSITE	www.tajhotels.com
SHARE TRANSFER AGENTS	M/S. TATA SHARE REGISTRY LIMITED ARMY AND NAVY BUILDING 148, MAHATMA GANDHI ROAD, FORT MUMBAI 400001

THIRTY SECOND ANNUAL GENERAL MEETING
ON 30TH JULY, 2004, AT 4.45 P.M.
AT THE BOMBAY HOUSE AUDITORIUM,
BOMBAY HOUSE, 24, HOMI MODY STREET, MUMBAI - 400 001.

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said Fund or the Company thereafter. It may be noted that unpaid dividend for the financial year ended March 31, 1997, is due to be transferred to the Investor Education and Protection Fund on October 26, 2004.

- g. Members holding shares in physical form are requested to kindly notify Tata Share Registry Limited, the Share Transfer Agents of the Company, of any change in their addresses so as to enable the Company to address future communications to their addresses. Members holding shares in electronic form may notify the change in address to their depository participant.
- h. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the meeting are annexed.
- i. 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.
- j. 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: May 18, 2004.

Place: Mumbai

Registered Office:

Mandlik House

Mandlik Road

Mumbai 400 001.

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EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act, 1956.

1. The following Explanatory Statement sets out all the material facts relating to the business under Item No. 7 of the accompanying Notice dated May 18, 2004.

Item No. 7

2. The Members of the Company at the Annual General Meeting of the Company held on September 26, 2000, had approved, pursuant to the provisions of Section 309 of the Companies Act, 1956, the payment of a commission to the Non-Whole-time Directors of the Company of an amount not exceeding 3% per annum of the net profits of the Company computed in accordance with the provisions of the said Act, for a period of five financial years of the Company commencing April 01, 2000. Accordingly, such commission is payable upto and including the financial year ended on March 31, 2005.
3. In view of the valuable services being rendered by the said Directors to the Company, it is proposed to continue to pay commission not exceeding 3% per annum of the net profits of the Company to the Non-Whole-time Directors of the Company for a further period of five years commencing April 01, 2005, subject to the approval of the Members of the Company in this regard. The amount will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.
4. All the Directors of the Company are deemed to be concerned or interested in the Resolution at Item No. 7 of the accompanying Notice to the extent of the amount that may be received by them as commission.
5. The Board recommends the Special Resolution for acceptance by the Members.

By Order of the Board of Directors

Bipin Singh
Company Secretary

Date: May 18, 2004.

Place: Mumbai

Registered Office:

Mandlik House
Mandlik Road
Mumbai 400 001.

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Details of the Directors seeking appointment/ re-appointment 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. R. K. Krishna Kumar	Mr. K. D. Parakh	Mr. M. M. Madhvani
Date of Birth	July 18, 1938	June 02, 1917	March 15, 1930
Date of Appointment	November 20, 1997	October 09, 1980	January 28, 1974
Expertise in specific functional areas	Management	Civil Construction & Architecture	Business
Qualifications	M.A.	M.A., B.Sc.	Graduate
List of Companies in which outside Directorship held as on March 31, 2003	<ol style="list-style-type: none"> 1. Tata Sons Ltd. 2. The Indian Hotels Co. Ltd. 3. Tata Tea Ltd. 4. Tata Coffee Ltd. 5. Tata Industries Ltd. 6. Tata International Ltd. 7. Piem Hotels Ltd. 8. Taj GVK Hotels & Resorts Ltd. 9. Oriental Hotels Ltd. 10. Barista Coffee Co. Ltd. 11. Speech & Software Technologies (India) Pvt. Ltd. 12. Ewart Investments Ltd. 	<ol style="list-style-type: none"> 1. W. S. Industries (India) Ltd. 2. SICGIL India Ltd. 3. MRF Ltd. 4. Hydro S & S Industries Ltd. 5. Tarapore Constructions Pvt. Ltd. 6. Narbod Constructions Pvt. Ltd. 	<ol style="list-style-type: none"> 1. Mulco Electronics Ltd. 2. Gujarat Mulco Electronics Ltd. 3. Saurashtra Salt Works Pvt. Ltd. 4. Bharat Cement Works Pvt. Ltd. 5. Madhvani Investments Holding Pvt. Ltd.
Chairman / Member of the *Committees of other Companies on which he is a Director as on March 31, 2003	<ol style="list-style-type: none"> 1. The Indian Hotels Co. Ltd. <ol style="list-style-type: none"> a) Shareholders'/Investor Grievance Committee - Member 2. Tata Tea Ltd. <ol style="list-style-type: none"> a) Remuneration Committee- Member b) Audit Committee- Member 3. Tata Coffee Ltd. <ol style="list-style-type: none"> a) Remuneration Committee- Member b) Shareholders'/Investor Grievance Committee -Chairman 4. Oriental Hotels Ltd. <ol style="list-style-type: none"> a) Remuneration Committee- Member b) Audit Committee- Member c) Shareholders'/Investor Grievance Committee - Member 	<ol style="list-style-type: none"> 1. W. S. Industries (India) Ltd. <ol style="list-style-type: none"> a) Remuneration Committee - Member 2. SICGIL India Ltd. <ol style="list-style-type: none"> a) Remuneration Committee- Member 3. MRF Ltd. <ol style="list-style-type: none"> a) Remuneration Committee- Member b) Shareholders'/Investor Grievance Committee -Member 	N.A.

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

DIRECTORS' REPORT**TO THE MEMBERS,**

The Directors hereby present the Thirty Second Annual Report of the Company together with the Audited Statements of Account for the financial year ended March 31, 2004 and the Balance Sheet as at that date:

FINANCIAL RESULTS**Rupees**

Particulars	2003-2004	2002-2003
Total Income	26,98,89,097	19,86,40,178
Gross Profit	7,34,98,971	4,24,73,238
Less: Depreciation	1,92,89,836	1,87,83,281
Interest	23,40,302	33,40,090
Profit Before Exceptional Items and Tax	5,18,68,833	2,03,49,867
Less: Expenses on Share buyback	—	34,28,050
Profit Before Tax	5,18,68,833	1,69,21,817
Less : Provision For Tax :		
— Current	1,25,00,000	14,00,000
— Deferred	17,96,537	39,97,815
Profit After Tax	3,75,72,296	1,15,24,002
Less: Provision for Current Tax and adjustment for Deferred tax in respect of earlier years	91,79,838	19,35,323
Less: Transfer to Foreign Exchange Earnings Reserve.	20,50,000	—
Add: Balance brought forward from previous year.	1,25,96,835	1,52,12,840
Amount available for appropriations	3,89,39,293	2,48,01,519
The Directors have recommended a final dividend of 45% i.e. Rs. 4.50 /- per equity share of Rs. 10/- each. It may be noted that in respect of the previous year a dividend of 25% i.e. Rs. 2.50/- per equity share of Rs. 10/- each was declared and paid to the shareholders.	1,62,82,265	90,45,703
Tax on Dividend	20,86,165	11,58,981
Amount transferred to General Reserve	28,39,246	20,00,000
Balance carried to Balance Sheet	1,77,31,617	1,25,96,835

OPERATIONS

Financial Performance by the Fort Aguada Beach Resort (FABR) for the year ended March 31, 2004, saw a marked improvement over the previous year. The Company has achieved a significant growth during the year under review vis a vis competition and previous periods despite a significant increase in the supply of luxury rooms in Goa.

The Company's total income for the year was Rs. 2,699 lacs as against Rs. 1,986 lacs for the previous year.

Operating costs increased in line with the increased levels of activity at the Company's hotel in Goa. Operating cost was Rs. 1,964 lacs for the year as against Rs. 1,562 lacs for the previous year.

The yield on surplus funds deployed was lower on account of lower interest rates that prevailed during the year. Non-operating income for the year was Rs. 112 lacs as against Rs. 115 lacs for the previous year.

Profit before exceptional items and tax for the year was Rs. 519 lacs against Rs. 203 lacs for the previous year. Profits before tax for the year amounted to Rs. 519 lacs as against Rs. 169 lacs for the previous year.

After adjusting for tax - current, deferred and provisions for earlier years, the Profit after tax was Rs. 284 lacs for the year as against Rs. 96 lacs for the previous year.

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Taking into account the profits for the year and prospects for the future, your Directors have recommended a Final Dividend of 45% or Rs. 4.50/-per equity share of Rs. 10/- each.

FINANCE

The outstanding amount of fixed deposits placed with the Company amounted to Rs. 199 lacs (previous year Rs. 262 lacs) including Rs. 5.88 lacs (previous year Rs. 6.55 lacs), which remained unclaimed by depositors as on March 31, 2004.

DIRECTORS

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. K. Krishna Kumar, Mr. K. D. Parakh and Mr. M. M. Madhvani, retire by rotation and are eligible for re-appointment.

AUDITORS

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

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 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.

The activities of the Company are not covered under the list of specified industries in the Schedule to the Rules as stated above.

The information relating to foreign exchange earnings and outgo is furnished at point nos. 12 & 13 in the Notes on Accounts on page 39.

OTHER INFORMATION

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

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.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have 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 at the end of the financial year and of the profit of the Company for that period;
3. they have taken proper and sufficient care, to the best of their knowledge and ability, 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;
4. they have prepared the annual accounts on a "going concern basis."

ACKNOWLEDGEMENTS

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

The Directors also desire to place on record their appreciation for the assistance and cooperation received by the Company from the Bankers & Business Associates of the Company.

On behalf of the Board of Directors

R. K. Krishna Kumar
Chairman

Date: May 18, 2004.
Place: Mumbai.

MANAGEMENT DISCUSSION AND ANALYSIS**1 OVERVIEW**

- 1.1 The past few years had been the most turbulent for the Indian Hospitality Industry. Leisure travel to India in general and Goa in particular had been adversely impacted by the world events beginning with the terrorist attacks on the World Trade Centre on September 11, 2001 and the resultant outbreak of hostilities in Afghanistan. The violent communal turmoil in Gujarat and the standoff in the Indo-Pak relations did not make matters better with the immediate issuance of travel advisories by Western Nations, markets that the Indian hospitality industry has been predominantly dependent on. World and regional events continued to plague the tourism and hospitality industry, with business sentiment being impacted by the outbreak of war in Iraq and the SARS virus in China and the Far East. However, the financial year will be long remembered as the year of resurgence of the Indian Hospitality Industry and Goa seems to have effectively rebounded during the financial year. Financial performance for the year ended March 31, 2004, was significantly better than the previous year.

2 INDUSTRY STRUCTURE AND DEVELOPMENTS

- 2.1 Recognized as the cradle of an ancient civilization, India has the potential to offer the world a vista of cultural attractions. Despite being endowed in vast measure with the natural beauty of the mountains, hills, beaches, coasts, valleys and backwaters, as a leisure tourist destination, it is still less attractive compared with much smaller destinations in the Far East. Possibly, a singular exception within India is Goa.
- 2.2 Inadequate infrastructure and capacity constraints are major bottlenecks to unleashing this latent and explosive growth potential Indian tourism has to offer the world. In recent years, the dominant domestic hotel chains have been expanding their operations in India. In addition, niche local players and major international brands have established hotels of good quality in the recent past. The last five years has seen the entry of brands such as the Hyatt, Marriott, Radisson, Le Meridien and others in the metro cities and leisure destinations in India. The increase in high quality room inventory in India will partly remove capacity bottleneck in the future and will have a favourable impact on the quality and standards of service. This cannot but be a welcome development for the industry in India.
- 2.3 Goa too has seen a major increase in quality room capacity with the opening of the The Hyatt Goa and the Radisson in the current financial year.
- 2.4 Amongst the most well known tourist destinations in India is Goa. Your Company has been the pioneer in placing Goa on the world tourist map of leisure tourism with the establishment of a deluxe resort, the Fort Aguada Beach Resort, three decades ago. FABR has enormous goodwill and is an integral part of the most dominant domestic hospitality major - Taj Group. This will ensure that it holds its position in the face of intense and increasing competition.

3 FUTURE OUTLOOK

- 3.1 The recent peace overtures between India and Pakistan augurs extremely well for all economic activity, especially tourism.
- 3.2 The Indian economy is slated to grow at 5-6% during the current financial year. The revival of industrial growth and agricultural activity aided by the generous monsoons and the economic resurgence of Corporate India is likely to favourably impact business and associated leisure travel in the immediate short term.
- 3.3 Continuing liberalisation and privatisation policies of the Government of India and the increasing integration of Indian business with the global economy will positively impact the prospects of the Industry in India and the Company in the long term.
- 3.4 State Government policies during the lean season including the lowering of tax rates can be termed as industry friendly and cannot but impact your Company favourably.
- 3.5 The Taj Group of Hotels has adopted the Tata Business Excellence Model as the framework to guide it in its pursuit of business / service excellence and to achieve world-class quality. This will enable your Company to retain its competitive edge in the increasingly competitive environment in Goa.
- 3.6 In the midst of uncertainty on the business front, your Company embarked on a bold and comprehensive program of renovation of its Hotel, the FABR two years ago. The renovated Hotel has been well received in the market place and has significantly enhanced the ability of your Company to retain its competitive edge in its competitive environment.

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- 3.7 A positive development amidst the turmoil experienced in the recent years has been the uncovering by your Company and the Taj Group of the domestic Indian markets. Increase in the inflow of tourists from the traditional and new foreign markets has been a positive development as well. These markets will continue to be assiduously cultivated by your Company.

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. Foreign tourist arrivals to India peak during the winter months October to March. Annual results are critically dependent on performance in the peak season.
- 4.1.2 The environment in which your Company operates is characterized by intense and increasing competition. Typically in the industry, supply increases happen in short spurts while demand increases always lag behind. Despite the fact that Goa witnessed a robust increase in demand at the quality end of the market, the demand – supply gap is likely to be accentuated in the current lean season in view of the increase in room supply in the city.
- 4.1.3 The hotel industry and particularly leisure travel is intricately linked to the economic well being of not only the country in which it operates in but also the countries that constitute major feed markets.

4.2 Financial Risk

- 4.2.1 The hotel industry is capital intensive and the gestation period is fairly long. This applies not only to new hotel projects but also to major renovation expenditure incurred on existing hotels.
- 4.2.2 In the operating cost structure of hotels, there exists a high composition of fixed costs. Improving operating leverage is a key challenge for the industry and for your company.

4.3 Government and Political Risks

- 4.3.1 The levels of taxation prevalent in the hotel industry in India directly impacts 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 increase in operating costs and inflation.
- 4.3.2 The Hotel industry is directly linked to the economy of a country. Government policies influencing the economy in turn influence the inflow of business travellers and tourists to a smaller extent. 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 traveller. As the events of the past few years would testify, tourism becomes the first casualty to any adverse development that threatens safety or security. The outbreak of epidemics such as SARS in China and the far eastern region resulted in a plummeting of hotel occupancy in the said region during the period.

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 are being adhered to.
- 5.2 The Company believes that internal controls are an essential ingredient towards the achievement of higher levels of corporate governance. Continuous process improvement was facilitated during the year 2003 – 04 through a well-defined Internal Audit process. The thrust of the reviews was to identify control weaknesses and areas of improvement, inadequate compliance with defined processes, non-compliance with applicable statutes, areas of non-compliance with the Tata Code of Conduct and recommending corrective steps.
- 5.3 Internal Audit also reviews the existence of robust Internal Controls in the system for Safeguarding of Assets, Revenue Protection, Cost Containment and Statutory Compliance. M/s SNB Associates, a firm of Chartered Accountants carried out the periodic internal audits for the financial year 2003-04.