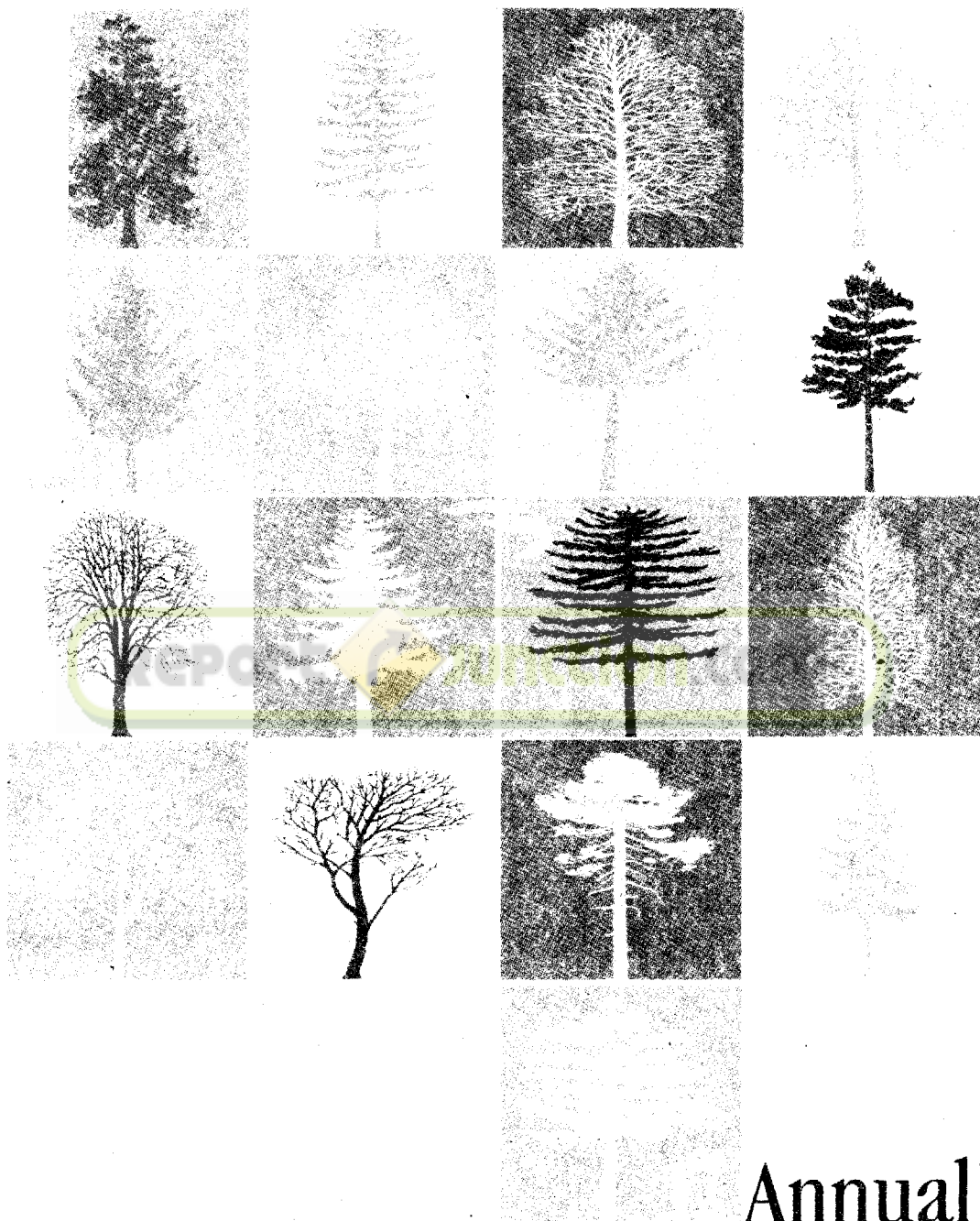


KAMAT HOTELS (INDIA) LIMITED

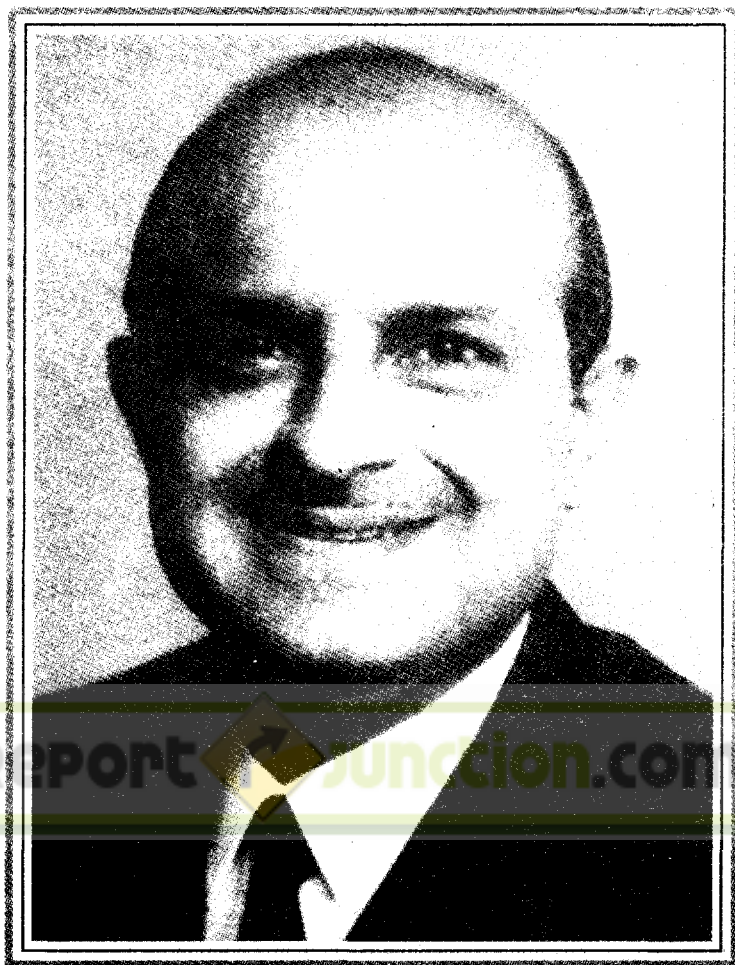


Annual Report

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"THE ORCHID" (MUMBAI)
THE MOST AWARDED ENVIRONMENTALLY SENSITIVE LUXURY HOTEL IN THE WORLD.



Shri Minoo D. Katpitia, Director (Small Shareholders Nominee)
(21-05-1926 to 03-08-2004)

"His memories and vision will always be cherished and inspire us for ever"

KAMAT HOTELS (INDIA) LIMITED

BOARD OF DIRECTORS

MR. VITHAL V. KAMAT - Chairman & Managing Director

MR. K. P. KANNAMPILLY

- Wholetime Technical Director

PADMASHREE THANGAM E. PHILIP - Director

MR. S.S. THAKUR - Director

MR. M.D. KATPITIA - Director

(Small Shareholders Nominee
deceased on 3rd August, 2004)

MR. RAMESH N. SHANBHAG - Whole Time Director

MR. VISHAL V. KAMAT - Director

(Appointed on 29th September, 2004)

AUDITORS

M/S. J. G. VERMA & CO.

Chartered Accountants

M/S. ANAY GOGTE & CO.

Chartered Accountants

COMPANY SECRETARY

MRS. V. K. KUMAR

BANKERS

CANARA BANK

ANDHRA BANK

GLOBAL TRUST BANK LIMITED

(Now merged with Oriental Bank of Commerce)

REGISTERED OFFICE

70-C, NEHRU ROAD,
NEAR SANTACRUZ AIRPORT,
VILE PARLE (EAST),
MUMBAI - 400 099.

TEL No. 26164015 FAX No. 26164201

REGISTRAR & SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.
C-13, PANNALAL SILK MILLS COMPOUND,
L.B.S. MARG, BHANDUP (W),
MUMBAI 400 078.

TEL. : 55555454 FAX : 25672693

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AMAT HOTELS (INDIA) LIMITED

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of Amat Hotels (India) Limited will be held at Shri Vile Parle Kelavani Mandal's Juhu Jagruti Hall, A. J. College Complex, Opp. Mithibai College, Bhaktivedanta Swami Marg, Juhu Development Scheme, Vile Parle (West), Mumbai 400 056 on Tuesday, the 28th September, 2004 3.30 p.m. to transact the following business:

ORDINARY BUSINESS:

To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2004 and Balance Sheet as at that date together with the Reports of the Board of Directors' and Auditors' thereon.

To declare dividend on Equity Shares.

To appoint a Director in place of Mr. K. P. Kannampilly, who retires by rotation and being eligible offers himself for reappointment.

To appoint a Director in place of Mr. S. S. Thakur, who retires by rotation and being eligible offers himself for reappointment.

To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Vishal V. Kamat who was appointed as an additional Director in the meeting of the Board of Directors of the Company held on 29th September, 2003 and who holds office as such upto the 17th Annual General Meeting and in respect of whom notice under section 257 of the Companies Act 1956 has been received from a member proposing the candidature of Mr. Vishal V. Kamat for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 80.81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment(s) to or re-enactment thereof) and the enabling provisions in the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the securities are listed or to be listed and subject to all necessary approvals, consents, permissions and/or sanction of the Government of India, Reserve Bank of India, Securities and Exchange Board of India (SEBI), Depositories, Financial Institutions/Banks and all other appropriate and/or concerned Authorities, Institutions or Bodies, if any, and subject to any conditions and modifications as may be prescribed by them in granting any such approval, consent, permission or sanction agreed by the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute for the time being exercising the powers, conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the Company with power to delegate such authority to such person or persons as the Board may deem fit to issue/offer and allot from time to time in one or more tranches, by way of private placement and/or preferential allotment Cumulative Redeemable Non-convertible Preference Shares (CRNPS) of Rs. 10/- each at a coupon rate of 0.01% and premium on redemption such that the Annual Return on the CRNPS will not exceed 12.5% p.a. inclusive of the coupon rate and/or Non-Convertible Redeemable Debentures (NCRDS) Secured or Unsecured at a rate of interest not exceeding 12.5% p.a. upto aggregate value of Rs. 8,93,95,000/- to the promoters and/or Directors and/or key management persons on such terms and conditions including but not limited to terms relating to dividend and/or interest, period of redemption, premium on redemption or premature or early redemption at the option of the Company and/or such person(s) investor(s), terms of cumulation of Dividend and all such terms as are provided in the offerings of like nature as may be decided by the Board in its absolute discretion."

"RESOLVED FURTHER THAT "the Board" be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Directors including the allotment committee

formed in the Board Meeting dated 21st October, 2002 or any Director(s) or any other Officer or Officers of the Company to give effect to the aforesaid Resolutions."

"RESOLVED FURTHER THAT for the purposes of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the proceeds of the securities to the Company's project, retirement of debts, and/or other corporate needs as it may deem fit."

- 8) To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the Companies (Appointment of Small Shareholders' Director) Rules, 2001, provisions of section 252(1) and other applicable provisions, if any, of the Companies Act, 1956 or any amendments thereto, subject to other permissions and approvals as may be required and in accordance with the proposal received in writing from the small shareholders proposing the name of Mr. V. P. Khurana for the post of Small Shareholders Nominee Director on the Board of the Company, Mr. V. P. Khurana be and is hereby elected small shareholders nominee Director not liable to retire by rotation for a period of 3 years w.e.f. 28th September, 2004 subject to meeting the requirements of provisions of the Companies Act."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this resolution."

- 9) To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:

"RESOLVED THAT in supersession of the Special Resolution passed by the Company at its Annual General Meeting (AGM) held on 31st December, 1997 and pursuant to the provisions of Section 293 (1)(d) and other applicable provisions of the Companies Act, 1956 the Board of Directors of the Company be and is hereby authorised to borrow from time to time any sum or sums of moneys notwithstanding the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate, of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount of moneys borrowed by the Company shall not exceed the limit of Rs. 200 Crores (Rupees Two Hundred Crores) at any one time."

**By order of the Board of Directors
FOR KAMAT HOTELS (INDIA) LIMITED**

Registered Office:
70-C, Nehru Road,
Near Santacruz Airport,
Vile Parle (East), Mumbai 400 099.
Place : Mumbai.
Date : 24th July, 2004.

(Mrs. V. K. Kumar)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of Meeting is annexed hereto.
4. A Member or his Proxy is requested to bring the Annual Report alongwith them, as an extra copy will not be supplied at the Meeting as per usual practice.

5. The Shareholders are requested to notify changes, if any, in their respective address to their depository participants and also to the Registrars and Transfer Agents of the Company, **M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078 Tel No. 55555454 and Fax No. 25672693.**
6. The Register of Members and Share Transfer Books of the Company will remain closed from 18th September, 2004 to 28th September, 2004 (both days inclusive).
7. The Dividend on Equity Shares, if any, declared as recommended by the Directors for the financial year ended 31st March, 2004 will be paid within the prescribed time limit:-
 - i) To those Members whose names appear on the Register of Members of the Company at the close of business on 28th September, 2004 or to their order.
 - ii) In respect of shares held in electronic form to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership" furnished by the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 28th September, 2004.
8. Members may please note that the Dividend Warrants are payable at par at the designated branches of the Banks printed overleaf of the Dividend Warrant for an initial period of 3 months only. Thereafter the Dividend Warrant on revalidation is payable only at limited centers/ branches. The members are therefore advised to encash Dividend Warrants within the initial validity period.
9. Members are requested to inform their bank account numbers and bank branch details to the Company to enable to include these details in the dividend warrants and thus minimise the malpractices of theft of dividend warrants. Such information should be given to the Company's Registered Office immediately.
10. Consequent upon introduction of Section 205C of the Companies Act, 1956, the dividend remaining unclaimed for 7 years shall be transferred to the Investor Education and Protection Fund. Members who have not encashed their dividend warrants so far for the financial year ended 30th June, 1997 or any subsequent financial year are requested to approach the Company or Registrar and Transfer Agents for revalidation of their dividend warrants urgently. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.**
The Dividend for the year 1995-1996 which remained unclaimed for 7 years from the date of declaration has been transferred to Investors Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.
11. **Appointment /Re-appointment of Directors**
Mr. K. P. Kannampilly and Mr. S. S. Thakur retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting. Further Mr. Vishal V. Kamat will be appointed as Director at the ensuing Annual General Meeting liable to retire by rotation. Mr. V. P. Khurana has been proposed as a small shareholders nominee Director by the small shareholders. Therefore, a resolution for his election is offered to the shareholders for being passed by postal ballot and the result of the postal ballot on the resolution will be declared in the Annual General Meeting to be held on 28th September, 2004. The details pertaining to these Directors required to be provided under Clause 49 of the Listing Agreement are furnished after Annexure to the notice.
12. Resolutions in item nos 7&8 are offered to the shareholders for being passed by postal Ballot for which postal Ballot forms are already despatched to the shareholders. The results of the postal Ballot will be declared in the Annual General Meeting to be held on 28th September, 2004. Mr. Ramesh M. Apte (Advocate and Solicitor) has been appointed as a scrutinizer for the purpose of conducting postal Ballot voting process of the Company.
13. In view of the various advantages offered by the depository system, members are requested to avail the facility of dematerialisation of the Company's shares.
14. The members are requested to handover the enclosed Attendance Slip duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Mr. Vishal V. Kamat who was appointed as an additional Director of the Company with effect from 29th September, 2003 pursuant to Section 260 of the Companies Act, 1956, holds office of Director upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Vishal V. Kamat as a Director alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956. None of the Directors except, Mr. Vishal V. Kamat and Mr. Vishal V. Kamat being relative are deemed to be interested in this Resolution.

ITEM NO. 7

Initially the promoters were issued Rs. 8,93,95,000/- worth of Fully Secured Non- Convertible Debentures (NCDs) in the Public Issue of 1994, which were redeemed on 12th December, 2001. Further, by virtue of the Resolution passed in the Annual General Meeting dated 29th September, 2002 the promoters were issued Unsecured Non-Convertible Redeemable Debentures (UNCRDs) of Rs. 8,93,95,000/- which are redeemable on 15th March, 2005.

On redemption of the said UNCRDs your Company proposes to re-issue/offer and allot Cumulative Redeemable Non-Convertible Preference Shares (CRNPS) of Rs. 10/- each at a coupon rate of 0.01% and premium on redemption such that the Annual Return on the CRNPS will not exceed 12.5% p.a. inclusive of the coupon rate and/or Non-Convertible Redeemable Debentures (NCRDs) Secured or Unsecured at a rate of interest not exceeding 12.5% p.a. upto aggregate value of Rs. 8,93,95,000/-.

The proposed issue is made to retain the share of contribution made by the promoters towards the issue of Secured Non-Convertible Debentures (NCDs) in the year 1994 which was fully redeemed on 12th December, 2001 and the Unsecured Non-Convertible Redeemable Debentures (UNCRDs) issued thereafter which would be redeemable on 15th March, 2005 this would improve the Company's debt/equity ratio and enable it to finance its projects, retire debts and/or meet other corporate needs, as may be deemed fit by the Board of Directors.

- The Board shall decide the number of Preference Shares and/or Debentures that may be allotted to the Promoters.
- The proposed allottees of Preference Shares and/or Debentures will fall in the category of Promoters and Directors.
- The allotment shall not at any time exceed such limits, if any, as specified under any law in force and approved by the Board of Directors of the Company.
- The securities to be offered above are not convertible and therefore will not be convertible into equity share at any point of time.
- There shall not be any consequential changes in:-
 - a) the management control in the Board of Directors of the Company
 - b) in voting rights, except to the extent of voting rights acquired by the allottees as per Section 87(2) of the Companies Act, 1956

All the Directors of the Company may be deemed to be concerned or interested in the said resolution to the extent they may be entitled to the securities that may be offered to them or otherwise applied for, allotted to them, if any.

The Directors recommend the Resolution for adoption.

ITEM NO. 8

Mr. M.D. Katpitia was elected as small shareholders nominee Director for a tenure of 3 years w.e.f. 29th September, 2001 to 28th September, 2004. Mr. M.D. Katpitia was elected both through postal ballot and in the Annual General Meeting held on 29th September, 2001 and his appointment was in pursuance of Sections 252 and 192A of the Companies Act, the Companies Appointment of Small Shareholders Nominee Director Rules 2001 and passing of resolution by Postal Ballot Rules 2001 issued by the Government. According to the appointment of small shareholders nominee Director rules 2001 the tenure of such a Director shall be for 3 years, and may be re-elected for another period of 3 years.

The Company has received a notice dated 21st July, 2004 from the shareholders along with the profile of Mr. M. D. Katpitia from over 100 small shareholders intending to propose the re-election of Mr. M.D. Katpitia for the post of Small Shareholders Nominee Director.

KAMAT HOTELS (INDIA) LIMITED

Unfortunately Mr. M. D.Katpitia expired on 3rd August, 2004. Due to the sad demise of Mr. M.D.Katpitia the shareholders nominated Mr. V.P.Khurana in place of Mr. M.D.Katpitia.

Accordingly, the Company has received a notice dated 16th August, 2004 alongwith the profile of Mr. V. P. Khurana from over 100 small shareholders intending to propose Mr. V. P. Khurana as a candidate for the post of Director on the Board of the Company. Mr. V. P. Khurana has also given his consent to act as small shareholders nominee Director. The Company has 8946 small shareholders and its paid up share capital is Rs 10,74,28,500/-.

Mr. V. P. Khurana aged 59 years, a Science Graduate from Agra University and a post graduate in philosophy from Delhi University, has 32 years of experience in the areas of Banking and Finance. Having started his career as a Probationary Officer with State Bank of Hyderabad in 1972, Mr. V.P. Khurana has held Senior positions with Indian as well as International Commercial Banks covering diverse range of Banking activities with a proven track record. He has also extensively travelled abroad.

Copies of the notice dated 16th August, 2004 received from the small shareholders, the profile of Mr. V. P. Khurana and his consent letter to act as a small shareholders nominee Director are open for inspection of members at the Registered Office of the Company on working days between 10.00 a.m. and 12.00 noon upto and including the date of the Annual General Meeting or any adjournment thereof.

Accordingly the Ordinary Resolution as set out under Item No 8 of the Notice is submitted for the approval of the Shareholders.

None of the Directors, expect Mr. V. P. Khurana, is interested or concerned in the above Resolution.

ITEM NO. 9

The members of the Company at the Annual General Meeting of the Company held on 31st December, 1997 had authorised the Board of Directors of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956 to borrow moneys in excess of the aggregate of its paid up capital and free reserves subject however to a maximum of Rs. 100 Crores (Rupees One Hundred Crores). Keeping in mind the expansion plans and projects of the Company, the said limit is considered by the Board to be inadequate. The Board accordingly recommends that the limit of borrowing should be increased to Rs. 200 Crores (Rupees Two Hundred Crores) notwithstanding that the borrowings will exceed the aggregate of paid up capital and free reserves of the Company that is to say, reserves not set apart for any specific purpose, upto the aggregate limit of Rs. 200 Crores (Rupees Two Hundred Crores) at any one time.

None of the Directors is concerned or interested in the Resolution.

By order of the Board of Directors
FOR KAMAT HOTELS (INDIA) LIMITED

Place: Mumbai
Date: 24th July, 2004

(Mrs. V. K. Kumar)
Company Secretary

As required under Clause 49 of the Listing Agreement, given below are the details of the Directors proposed for appointment/re-appointment.

1. Name :Mr. K. P. Kannampilly

Mr. K. P. Kannampilly is a Post Graduate in Hotel Management & Catering Technology and a Fellow of the Hotel Catering International Management Association of London, with 24 years experience in the Hotel & Catering Industry. He has expert technical knowledge in Hospitality Industry and is well versed with Restaurant, Marketing, Sales, Accommodation, Hotel Accounting and Financial Management. He is a promoter of Concept Consultants and in the past, he has been involved with the Taj Group, Fariyas, Leela, Rahejas, etc.

Directorship held in other Companies :

1. Concept Hospitality Ltd.
2. Himco Financial Management Pvt. Ltd.
3. The Himco (India) Ltd.

4. Godavari Shilpkala Ltd.

2. Name : Mr. S. S. Thakur

Mr. S. S. Thakur has held important positions in his long professional career in the field of banking and foreign exchange. He was the Controller of Foreign Exchange, Reserve Bank of India, Senior Adviser of United Nations Development Programme (UNDP) and Chairman of HDFC Bank. After serving the Reserve Bank of India in different capacities, Mr. Thakur joined the U. N. International Civil Service as Senior Adviser, UNDP and worked in Zambia as Adviser to the Governor, Bank of Zambia for 6 years (1988-1993). He was thereafter appointed as the Chairman of HDFC Bank and worked in that capacity for 7 years (1994-2000).

Mr. Thakur is currently associated with an ambitious project as an Adviser to set up an International Financial Services Centre (IFSC) in India. Mr. Thakur is also on the Board of Directors of several companies.

Directorships held in other Companies.

1. Lafarge India Pvt Ltd
2. Shrenuj & Co Ltd
3. DSP Merrill Lynch Trustee Co. (Pvt.) Ltd.
4. Quantum Information Services Ltd.
5. Central Depository Services (India) Ltd. (Chairman Non-Executive)
6. Om Kotak Mahindra Life Insurance Company Ltd.
7. Reliance Capital Ltd.
8. IBS Forex Private Ltd. (Chairman Non-Executive)
9. KEC International Ltd.
10. HDFC Securities Ltd.

3. Name : Mr. V. P. Khurana

Mr. V. P. Khurana aged 59 years, a Science Graduate from Agra University and a post graduate in philosophy from Delhi University, has 32 years of experience in the areas of Banking and Finance. Having started his career as a Probationary Officer with State Bank of Hyderabad in 1972, Mr. V.P. Khurana has held Senior positions with Indian as well as International Commercial Banks covering diverse range of Banking activities with a proven track record. He has also extensively travelled abroad.

Directorships held in other Companies : NIL

4. Name: Mr. Vishal V. Kamat

Mr. Vishal V. Kamat aged 23 years is a science graduate (BSc) specialised in Hotel Management from the Institute of Hotel Management, Catering Technology and Applied Nutrition (IHMCATAN), Mumbai. He has extensive experience in Hotel Industry and has been associated with the Company at the grass root level. He is also a Director in other Companies of the Kamat Group.

Directorships held in other Companies.

1. Supplyco Foods (India) Ltd.
2. Vishal Amusements Ltd.
3. Karaoke Amusements Pvt. Ltd.
4. Kamats Club Pvt. Ltd.
5. Kamfotel Resorts Pvt. Ltd.
6. Kamats Eateries Pvt. Ltd.
7. Kamats Restaurants Pvt. Ltd.
8. Kamat Holding Pvt. Ltd.
9. Kamats Super Snacks Pvt. Ltd.
10. The Himco (India) Ltd.
11. Venketesh Hotels Pvt. Ltd.
12. Kamat Holiday Resorts Pvt. Ltd.
13. Bombay Amusement Park Pvt. Ltd.
14. Himco Financial Management Pvt. Ltd.
15. Kamats Amusements Pvt. Ltd.
16. Kamburger Foods Pvt. Ltd.
17. Kamats Development Pvt. Ltd.
18. Indira Investments Pvt. Ltd.

17TH ANNUAL REPORT 2003-2004

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting their Seventeenth Annual Report and Accounts of the Company for the year ended 31st March, 2004.

YEAR IN RETROSPECT:

The year under review was a very fruitful year for the Indian hotel industry and witnessed an impressive increase in the foreign tourists arrival which reversed the declining trend of the past two years i.e. 2001-2002 and 2002-2003. Consequently, leading hotels reported a marked increase in the Average Room Rate (ARR) & occupancy levels depending on their location and status.

Hotel "The Orchid" the flagship of your Company has also fared well in terms of higher income and profitability. The improved performance was complimented by various cost cutting measures coupled with major reduction in borrowing costs on restructuring of debt during the year. The average occupancy level during the year was also higher at 82.2% as compared to 78.6% in the previous year.

FINANCIAL RESULTS:

The figures for the financial year under review are summarised below.

Particulars	(Rs. in Lakhs.)	
	Year ended March 31, 2004	Year ended March 31, 2003
Total Income	4896.66	4586.51
Profit Before Interest, Depreciation & Taxation	1945.44	1913.60
Less: Interest	1386.05	1434.17
Less: Depreciation	437.43	427.53
Profit Before Tax	121.96	51.90
Less : Provision for taxation (Current Tax)	9.40	4.10
Less: Provision for taxation (Deferred Tax)	40.84	37.14
Profit after tax before adjustments	71.72	10.66
Add/(Less): Prior periods' adjustments	(2.01)	(3.57)
Profit After adjustments	69.71	7.09
Add: Balance Brought Forward	1.36	4.86
Add: Proposed Dividend of previous year and tax thereon reversed (recommended by the Board but not declared in AGM)	60.59	-
Add: Transfer from General Reserve	-	50.00
Distributable Profits	131.66	61.95
Appropriations:		
i) Proposed Dividend on Equity Shares	64.46	53.71
ii) Tax on proposed dividend on (i) above	8.26	6.88
iii) Balance carried over to Balance Sheet	58.94	1.36

DIVIDEND :

Your Directors are pleased to recommend dividend @ 6% (Re 0.60 per share) for the year ended 31st March, 2004 (Previous year Nil Dividend, though recommended by the Directors but not declared in the Annual General Meeting). The dividend tax will be paid by the Company will be exempt in the hands of the shareholders.

OPERATIONS:

Your Company achieved a total turnover of Rs. 4896.66 lakhs during the year ended 31st March, 2004 as against Rs. 4586.51 lakhs in the previous year registering an increase of 6.76% over last year.

1) "THE ORCHID" HOTEL AT MUMBAI:

As stated in the Directors' Report for the last year "The Orchid", Asia's First Certified Ecofriendly Five Star Hotel continues to maintain the

track record of winning awards. The Directors are proud to inform that the following prestigious awards have been won by "The Orchid" during the period under review :

- Best Eco-friendly hotel from Lions Club-2003.
- Galileo India India's leading Global Distribution Services Company for the airline and travel industries, along with Express Travel & Tourism from the Business Publications Division of the Indian Express Group, announced the 'Galileo Express Travel & Tourism Awards' to honour organisational and individual excellence among travel industry professionals. This is the first national award announced by the Express Travel & Tourism. "The Orchid" has won the award under the **"Most Innovative Marketing Campaign."** The award was presented on 16th December, 2003 at ITC Maurya Sheraton, New Delhi.
- **State Energy Conservation Award, 2003** awarded by Maharashtra Energy Developmental Agency (MEDA) on 17th January, 2003 at Pune to The Orchid. This award has been instituted for the **first time by MEDA** in order to encourage energy conservation.
- **"Best Traffic Island"** maintenance award for the year 2003 given by **The National Society of the Friends of Tree** to "The Orchid". The award was presented on 8th February 2004 for maintaining the traffic island, Ambedkar Garden, at Madam Cama Road.
- **The garden at the junction of Nehru Road** at Vile Parle maintained by "The Orchid" was awarded the **third prize** in the **"Best Garden maintained by commercial establishments"** measuring **less than 2000 sq. meters category** by the National Society of the Friends of Tree for the year 2003.
- Orchid's **vermiculture Project** was awarded the **first prize by The Municipal Corporation of Greater Mumbai and Tree Authority** in their 9th Annual Awards ceremony for the year 2003-04.
- **The Traffic Island** at Madam Cama road maintained by "The Orchid" was awarded the **second prize by The Municipal Corporation of Greater Mumbai and Tree Authority** in their 9th Annual Awards ceremony for the year 2003-04.
- **The Sion Garden** at Rani Laxmibai Chowk maintained by "The Orchid" was judged as the **third prize winner by The Municipal Corporation of Greater Mumbai and Tree Authority** in their 9th Annual Awards ceremony for the year 2003-04.
- **The garden** at the junction of Nehru Road at Vile Parle East won the **first prize** awarded by **The Municipal Corporation of Greater Mumbai and Tree Authority** in their 9th Annual Awards ceremony for the year 2003-04.
- **Bombay Chamber of Commerce and Industry**, Civic Award, 2003 for beautification of Mumbai was presented on 28th May, 2004.

"THE ORCHID" Hotel is Asia's first hotel to be certified as Environmentally Friendly. This is because of the investment made in new green technology, which reduces pollution and the environmentally friendly projects taken by "The Orchid" for assisting in achieving sustainable development, The Government of India Ministry of Environment and Forest has sanctioned the "Host Country Approval" for "Energy Efficiency Initiatives " taken by "The Orchid" in May 2004.

It would be advisable for the Government of India to encourage such ventures and provide grants, interest subsidy, etc. so that more hotels follow the path set by "THE ORCHID."

To add to the image of your Company the Directors are exploring the possibility to manage same other hotel properties with eco friendly concept and use the brand name "The Orchid" for such hotels.

KAMAT HOTELS (INDIA) LIMITED**2) OTHER OPERATIONS :**

As stated in the last Annual Report, the Company has entered into a management contract for 35 years for management of 32 rooms of Hotel Siddharth at Nashik. The performance of Hotel Siddharth was fairly good during the period under review. The operations of the other divisions of the Company and of the Lotus Suites, which is being managed by the Company barring catering divisions, were also satisfactory during the year 2003-2004. The catering unit at Fantasy Land which formed an insignificant part of the Company's operations has been discontinued in the current year as the same was uneconomical.

FINANCE AND ACCOUNTS:

Your Directors are pleased to inform you that high cost loans of SICOM and IDBI aggregating to Rs.4983 lacs have been replaced by low cost borrowing partly in foreign exchange and partly in rupee term loan from banks during the year. The management also arranged reduction in interest rate from 14% to 10.75% in respect of the borrowing from Andhra Bank. Thereby the Company successfully achieved a reduction in overall interest rate from 13.55% to 9.62% which will significantly add to its bottom line. Full impacts of this reduction will be achieved in the current year. The Company will continue its efforts for further reduction in the overall cost of its borrowings in keeping with the rates prevailing in the market.

FIXED DEPOSITS:

The Company has neither invited nor accepted any fixed deposits during the year under review.

PARTICULARS OF EMPLOYEES:

There were no employees who were in receipt of remuneration of Rs.24,00,000/- per annum or more or Rs.2,00,000/- per month or more if employed during a part of the year.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. That the selected accounting policies were applied consistently and the Directors 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 and of the Profit of the Company for the financial year ended 31st March, 2004 ;
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies (Amendment) Act, 2000 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
4. The annual accounts have been prepared on a going concern basis.

ADDITIONAL INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988:

- a. Conservation of Energy: The Company continued the energy conservation efforts during the year. The Company has closely monitored power consumption and running hours on day to day basis thus resulting in optimum utilisation of energy. The hotel is fitted with energy saving devices to conserve energy in the long run.
- b. Technology Absorption : The activities of Company at present do not involve technology absorption and research and development.
- c. Foreign exchange earnings and outgo :

Earnings : Rs. 1932.30 lakhs

Utilisation (including capital goods) : Rs. 59.05 lakhs

DIRECTORS :

Mr. Krishna V. Kamat resigned as Director of the Company on 29th September, 2003 due to his other preoccupations. The Board places on record its appreciation of the valuable services rendered by Mr. Krishna V. Kamat during his tenure as Member of the Board.

IDBI has withdrawn its nominee Dr P. K. Basu from the Board of Directors of your Company with effect from 17th May, 2004. The Board places on record its appreciation for the valuable services rendered by Dr P. K. Basu during his tenure as Member of the Board.

Mr. K. P. Kannampilly and Mr. S. S. Thakur retire by rotation and being eligible, offer themselves for reappointment. Your Directors recommend their appointment.

Mr. Vishal V. Kamat was appointed as Additional Director on 29th September, 2003 and he holds office upto the forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Vishal V. Kamat for the office of Director, alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956. The Board recommends his appointment as a Director retiring by rotation.

Mr. M.D.Katpitia - Director (small shareholders nominee) expired on 3rd August, 2004. His sudden demise is deeply mourned by the Board of Directors and employees of the Kamat Hotels (India) Limited, and the Kamat Group. The Board places on record its sincere appreciation for the valuable services rendered by him to the Company as Director. The name of Mr. V. P. Khurana has been proposed as a small shareholders nominee Director by the small shareholders in place of Mr. M.D.Katpitia. Accordingly, the resolution for his election is offered to the shareholders for passing by postal ballot the result of which will be declared in the Annual General Meeting to be held on 28th September, 2004.

CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussions and Analysis Report together with a certificate from the Company's Auditors confirming compliance is set out in the annexure forming part of this report.

AUDITORS :

M/s. J. G. Verma & Co. and M/s. Anay Gogte & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Observations made by the Auditors in their report at Para 6 and Para (ix) of the annexure in conjunction with notes on accounts are self explanatory and therefore, do not call for any further comments.

VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM CERTAIN STOCK EXCHANGES:

The Company has been successful in delisting its shares from the Bangalore, Ahmedabad and Pune Stock Exchanges w.e.f. 25th November, 2003, 18th March, 2004 and 10th May, 2004 respectively. The Company has made an application for delisting its equity shares from Delhi & Madras Stock Exchanges in accordance with the Resolution passed in the Annual General Meeting dated 29th September, 2003 and the response for these exchanges is awaited.

EMPLOYEES RELATIONS:

The relations of the management with staff and workers remained cordial during the year.

ACKNOWLEDGEMENTS:

The Directors place on record their appreciation for the sincere and whole hearted co-operation extended by all concerned, particularly Securities & Exchange Board of India, Stock Exchanges, Department of Tourism, Canara Bank, Andhra Bank, Global Trust Bank Limited (now merged with Oriental Bank of Commerce), IDBI, SICOM, Municipal Authorities, Government of Maharashtra, Central Government, clients and staff and look forward to their continued support.

The Directors also thank the Shareholders for their continuing support and confidence in the Company and its management.

ON BEHALF OF THE BOARD OF DIRECTORS

V. V. Kamat
Chairman & Managing Director

Place : Mumbai

Date : 24th July, 2004