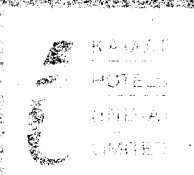
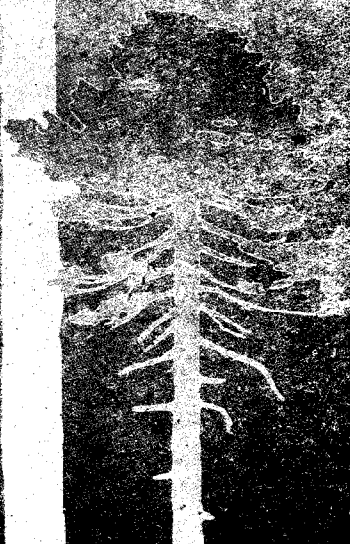


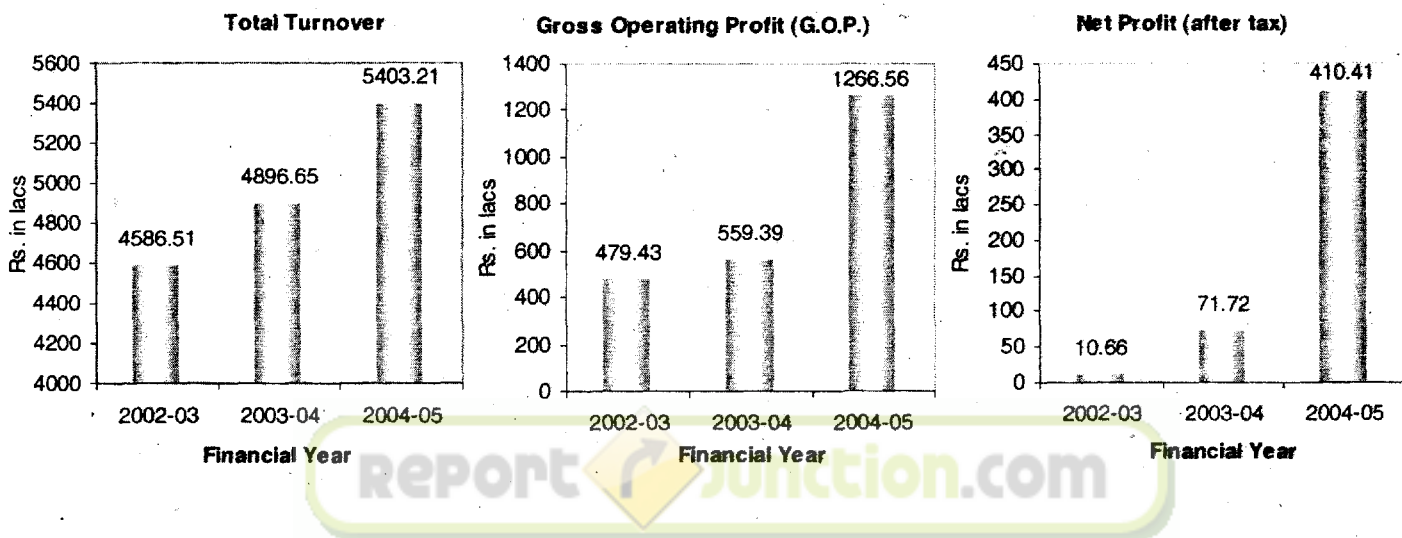
KAMAT HOTELS (INDIA) LIMITED

18th

ANNUAL REPORT

2004 - 2005





Pictures on the cover are just a few of the celebrity guests who have graced the Orchid with their presence

Annual Report 2004-2005



KAMAT HOTELS (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. Vithal V. Kamat

*Chairman & Managing Director (appointed as Executive
Chairman & Managing Director w.e.f. 1st April, 2005)*

Mr. K. P. Kannampilly

Wholetime Technical Director

Padmashree Thangam Elizabeth Philip

Director

Mr. S. S. Thakur

Director

Mr. Pravin N. Ghatalia

Director (Appointed on 23rd October, 2004)

Mr. Ved Prakash Khurana

Director (Small Shareholders' Nominee)

Mrs. Rajyalakshmi Rao

Director (Appointed on 22nd January, 2005)

Mr. Ramesh N. Shanbhag

Whole-Time Director

Mr. Vishal V. Kamat

Director (appointed as Executive Director w.e.f. 1st April, 2005)

Mr. Suhail Kannampilly

Director (Appointed on 22nd January, 2005)

AUDITORS

M/s. J. G. Verma & Co.

Chartered Accountants

M/s. Anay Gogte & Co.

Chartered Accountants

COMPANY SECRETARY

Mr. R. V. Joshi

BANKERS

Canara Bank

Andhra Bank

Oriental Bank of Commerce

UTI Bank Limited

REGISTERED OFFICE

70-C, Nehru Road,
Near Santacruz Airport,
Vile Parle (E),
Mumbai - 400 099
Tel No. 26164000
Fax No. 26164201

REGISTRARS AND SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai - 400 078
Tel No. 55555454
Fax No. 55555353

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Kamat Hotels (India) Limited will be held at "Vishal Hall", Vishal Shopping Centre, Hotel Highway Inn, Andheri Kurla Road, Andheri (East), Mumbai - 400 069 on Saturday the 24th September, 2005 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2005 and Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
- 2) To ratify the Interim Dividend of 10% paid by the Company and treat the same as final dividend.
- 3) To appoint a Director in place of Padmashree Thangam E. Philip, who retires by rotation and being eligible offers herself for reappointment.
- 4) To appoint a Director in place of Mr. Ramesh N. Shanbhag, who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Pravin N. Ghatalia who was appointed as an additional Director in the meeting of the Board of Directors of the Company held on 23rd October, 2004 and who holds office as such upto the 18th 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. Pravin N. Ghatalia for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mrs. Rajyalakshmi Rao who was appointed as an additional Director in the meeting of the Board of Directors of the Company held on 22nd January, 2005 and who holds office as such upto the 18th 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 Mrs. Rajyalakshmi Rao for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mr. Suhail Kannampilly who was appointed as an additional Director in the meeting of the Board of Directors of the Company held on 22nd January, 2005 and who holds office as such upto the 18th 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. Suhail Kannampilly for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

- 9) 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 provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) Mr. Ramesh N. Shanbhag be and is hereby re-appointed as Wholtime Director of the Company for a period of 3 years from 1st October, 2005 on the terms of appointment including remuneration and perquisites as set out in the annexed explanatory statement in respect of Item No. 9 with authority to the Board of Directors to alter and vary the said terms of appointment including remuneration and perquisites in such manner as may be agreed to between the Board of

Directors and Mr Ramesh N. Shanbhag, within the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this Resolution."

Registered Office:

70-C, Nehru Road,
Near Santacruz Airport,
Vile Parle (East),
Mumbai 400 099.

Place : Mumbai.

Date: 4th June, 2005

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

(R. V. Joshi)
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 as annexure I hereto.
 4. A Member or his Proxy is requested to bring with him the Annual Report as extra copy of the same will not be supplied at the Meeting as per usual practice.
 5. The Shareholders are requested to notify changes, if any, in their 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. 55555353.
 6. The Register of Members and Share Transfer Books of the Company will remain closed from 13th September, 2005 to 24th September, 2005 (both days inclusive).
 7. 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 year ended 31st December, 1998 or any subsequent financial year are requested to approach the Company or Registrars and Transfer Agents for revalidation of their dividend warrants urgently. It may also be noted that once the unclaimed dividend for the year ended 31st December, 1998 is transferred to the Central Government by 17th September, 2006, as above, no claim shall lie in respect thereof.
- The Dividend for the year 1996-1997 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 on 4th March, 2005
8. Appointment /Re-appointment of Directors
Padmashree Thangam E. Philip and Mr. Ramesh N. Shanbhag retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting. Further, Mr. Pravin N. Ghatalia, Mrs. Rajyalakshmi Rao and Mr. Suhail Kannampilly are proposed to be appointed as Directors liable to retire by rotation at the ensuing Annual General Meeting. The details pertaining to these Directors as required to be provided under Clause 49 of the Listing Agreement are furnished in Annexure II to the Notice.
 9. 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
 10. 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.

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ANNEXURE I TO THE NOTICE

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

ITEM NO. 6

Mr. Pravin N. Ghatalia was appointed as an additional Director of the Company by the Board of Directors on 23rd October, 2004 pursuant to Section 260 of the Companies Act, 1956 and 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. Pravin N. Ghatalia as a Director alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors, except Mr. Pravin N. Ghatalia, is interested in this Resolution.

ITEM NO. 7

Mrs. Rajyalakshmi Rao was appointed as an additional Director of the Company by the Board of Directors on 22nd January, 2005 pursuant to Section 260 of the Companies Act, 1956 and 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 Mrs. Rajyalakshmi Rao as a Director alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors, except Mrs. Rajyalakshmi Rao, is interested in this Resolution.

ITEM NO. 8

Mr. Suhail Kannampilly was appointed as an additional Director of the Company by the Board of Directors on 22nd January, 2005 pursuant to Section 260 of the Companies Act, 1956 and 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. Suhail Kannampilly as a Director alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956.

Except Mr. Suhail Kannampilly and Mr K. P. Kannampilly being relative of Mr. Suhail Kannampilly, no other Director is interested in this Resolution.

ITEM NO. 9

The Board of Directors in its meeting held on 4th June, 2005 approved the reappointment of Mr Ramesh N. Shanbhag as Wholetime Director and decided to pay him remuneration as recommended by the Remuneration Committee, pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act and its amendments, subject to the approval of members in general meeting. The material terms of his reappointment are as follows:

- As the Wholetime Director Mr. Ramesh N. Shanbhag shall, subject to the supervision and control of the Board of Directors and/or Chairman and Managing Director of the Company, manage the business and affairs of the Company.
- **Tenure :** 1st October, 2005 to 30th September, 2008
- The remuneration payable to Mr. Ramesh N. Shanbhag will be determined by the Board of Directors from time to time on the recommendation of the Remuneration Committee within the maximum limit set forth under item 5 below:

Remuneration:

(payable in first year)

1. Basic salary Rs. 40,000/- per month.
2. City Compensatory Allowance Rs. 12,000/- per month.
3. Other monthly allowances:

	Rupees
- House Keeping	14,000/-
- News papers and periodicals	4,000/-
- Entertainment allowance	3,000/-
Total	21,000/-

4. Medical expenses upto Rs. 50,000/ per annum will be reimbursed.

In addition, Mediciam Coverage for self and family as per the rules of the Company will be available to Mr. Ramesh N. Shanbhag.

5. The total remuneration by way of salary and allowances for the first year commencing from 1st October, 2005 will be Rs.73,000/- per month and may subsequently be increased by the Board upto Rs. 1,50,000/- p.m. or such higher monetary limit as may be prescribed pursuant to provisions of the Companies Act.
6. The following perquisites shall not be included in the computation of ceiling on "remuneration".
 - i) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - ii) Gratuity payable as per the rules of the Company, so as not to exceed half month's salary for each completed year of service.
 - iii) Encashment of leave: As per the Company's Rules, at the end of the tenure.
7. Other perquisites:
 - a) Reimbursement of electricity charges.
 - b) Telephone at residence will be provided but all personal calls to be borne by Mr. Ramesh N. Shanbhag, Wholetime Director.
 - c) Club fee: Mr. Ramesh N. Shanbhag is entitled for annual subscription fee of one club.
 - d) Leave travel allowance: As per the provisions of Income Tax Act, 1961.
 - e) Mr. Ramesh N. Shanbhag will be entitled to all other staff benefits/ various staff welfare schemes as per the rules of the Company prevailing from time to time.
- Mr. Ramesh N. Shanbhag will not be paid any fee for attending the meetings of the Board or any committee thereof.
- Mr. Ramesh N. Shanbhag will be liable to retire by rotation.
- The appointment may be terminated at any time by either party giving to the other party three months notice of such termination and neither party will have any claim against the other for damages or compensation by reason of such termination. In any event, the appointee will not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956.
- Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of salary, allowances and perquisites not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956, and as may be decided by the Board of Directors of the Company.

INFORMATION ABOUT THE APPOINTEE

Background, recognition or awards, job profile and suitability:

Mr. Ramesh N. Shanbhag is a graduate of commerce and has been associated with the group for the past 30 years. He has wide experience in the hotel industry. He is also Director in some other Companies, as detailed in annexure to the notice.

Comparative remuneration profile with respect to the industry, size of the Company and profile/ position of Mr. Ramesh N. Shanbhag:

The salary structure of the managerial personnel has undergone a major change in the industry in the recent past. Keeping in view the type of the industry, the size of the Company and the responsibilities and capabilities of Mr. Ramesh N. Shanbhag, the proposed remuneration is competitive with the remuneration paid by other companies for similar positions.

Pecuniary relationship with the company, or relationship with the managerial personnel:

Mr. Ramesh N. Shanbhag is a Wholetime Director of the Company. He has no relationship with any managerial personnel.

GENERAL INFORMATION

Nature of the Industry:

- The hotel industry in India in general is seasonal in nature. Financial results are impacted by performance in peak seasons.
- A company in the hotel industry operates in a highly competitive environment thus affecting its performance.
- The economic conditions in India and abroad also affect the prospects of the hotel industry.
- The hotel industry is capital intensive and there exists a high composition of fixed cost in the operative cost structure.



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The hotel industry is highly sensitive to government policies, political and economic conditions both in India as well as abroad.

Commercial Operations:

The Company is operating a five star hotel in Mumbai, Maharashtra

Foreign Exchange Earnings:

During the year ended 31st March, 2005, the Company earned foreign exchange equivalent to Rs. 22.36 crores

Foreign Investments and Collaborations:

The Company has not made any investments abroad. There is no foreign collaboration.

Financial performance:

Rs. In lakhs

Particulars	Year ended 31st March, 2005 (audited)	Year ended March 31, 2004 (audited)
Total Income	5,403.21	4,896.66
Profit Before Interest, Depreciation & Taxation	2,231.62	1,945.44
Less: Interest	965.06	1,386.05
Less: Depreciation	444.81	437.43
Profit Before Tax	821.75	121.96
Less: Provision for taxation (current tax)	71.20	9.40
Less: Provision for taxation (Deferred Tax)	340.07	40.84
Less: Provision for wealth tax	00.07	-
Profit after tax before adjustments	410.41	71.72
Add/(Less): Prior periods' adjustments	(3.50)	(2.01)
Profit After adjustments	406.91	69.71

Other Information:

Performance of the Company

During the financial year 2004-05, the Company's performance improved significantly as compared to 2003-04. The net profit for the year ended on 31st March, 2005 amounted to Rs. 406.91 lakhs as compared to Rs. 69.71 lakhs in the previous financial year. The improved operating results have been recorded due to higher revenues and lower financial costs on account of successful restructuring of the debts of the Company. The strategy of the Company to swap its costlier debts with cheaper and structured borrowings has also led to higher profit.

Expected increase in productivity and profits

The prospects for the financial year 2005-2006 as a whole seem to be encouraging and the Company is hopeful of achieving better performance with substantial increase in the gross revenue.

The above terms and conditions may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Directors recommend the passing of this resolution

None of the Directors, except Mr. Ramesh N. Shanbhag, is interested in this resolution.

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

Place: Mumbai
Date: 4th June, 2005

(R. V. Joshi)
Company Secretary

ANNEXURE II TO THE NOTICE

As required under Clause 49 of the Listing Agreement given below are the details of the Directors proposed to be appointed /re-appointed.

1. Name : Padmashree Thangam E. Philip

Padmashree Thangam E. Philip is a Fellow Member of Hotel Catering & Institutional Management Association, U.K. and also of Cookery & Food Association, U.K. She is a Member of Royal Society of Health, U.K. Ms. Philip has many publications to her credit and she is the first lady to start Hotel Management School in India. She is a recipient of the 'Firestone Award' from

the Indian Association of Occupational Health, and was awarded 'PADMA SHREE' by the Government of India. She was also conferred the Knighthood of the Order of 'CORDON BLEU DU SAINT ESPRIT'. At present, she is Principal Emeritus - Institute of Hotel Management, Catering technology & applied Nutrition and is a member of the Board of Governors, Indian Institute of Tourism & Travel Management.

Directorships held in other Companies	1. Ras Resort Hotels Ltd. 2. Escapade Hotels Ltd. 3. Rugby Hotels Ltd. 4. The Himco (India) Limited
Committee Membership	Kamat Hotels (India) Limited - Audit Committee Remuneration Committee Shareholders Grievance Committee The Himco(I) Ltd. - Audit Committee

2. Name : Mr. Ramesh N. Shanbhag

Mr. Ramesh N. Shanbhag is a graduate of Commerce and has wide experience in the Hotel Industry. He is Director in Kamat group of Companies and has been associated with this group for the past nearly 30 years.

Directorships held in other companies	1. The Himco (India) Limited 2. Concept Hospitality Ltd 3. Supplyco Foods (India) Ltd. 4. Vishal Amusements Ltd.
Committee Membership	Kamat Hotels (India) Limited - Shareholders' Grievance Committee

3. Name : Mr. Pravin N. Ghatalla

Mr. Pravin N. Ghatalla is a Chartered Accountant by profession and was a Senior Partner of Price Waterhouse. He has been a member of the Accounting Standards Committee of Securities and Exchange Board of India (SEBI), member of Management Committee of the Indian Merchants Chamber (IMC), and member of the Advisory Boards of various academic institutions.

Directorships held in other Companies	1. Star Paper Mills Limited 2. Fosco India Limited 3. Gulf Oil Corporation Ltd. 4. NRC Limited 5. Schenectady Herdillia Limited 6. Ennore Foundries Limited
---------------------------------------	--

Committee Memberships:
Kamat Hotels (India) Ltd.
Fosco India Limited

- Audit Committee - Chairman
- Audit Committee
- Remuneration Committee
- Shareholders & Investor's Grievances Committee
- Audit Committee
- Remuneration Committee
- Audit Committee
- Audit Committee
- Audit Committee

Gulf Oil Corporation Ltd.

NRC Limited

Schenectady Herdillia Limited

Ennore Foundries Limited

4. Name : Mrs. Rajyalakshmi Rao

Mrs. Rajyalakshmi Rao is B.Com., M.B.A. (Marketing) and M. S. (Advertising) from University of Illinois- Urbana Champaign (U. S. A.). She is a member of National Commission for Consumer Grievances Redressal, India and is a contributory to the cause of consumers at various places. She has also been a member of various academic organisations.

Directorships held in other Companies.	1. Amma Lines Ltd. 2. Rewas Ports Ltd 3. Rewas Port Development Co. Ltd
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5. Name: Mr. Suhail Kannampilly

Mr. Suhail Kannampilly is having Diploma in Hotel Management and Catering Technology from Institute of Hotel Management, Mumbai. He has the requisite experience in the Hotel Industry.

Directorships held in other Companies : NIL

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DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Eighteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2005.

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. Consequently, leading hotels reported a marked increase in the Average Room Rate (ARR) and occupancy levels depending on their location and status.

Hotel "The Orchid", the flagship of your Company has fared very 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 account of restructuring of debt during the year. The average occupancy level during the year was also higher at 83.80% as compared to 82.2% in the previous year. The performance of Hotel Siddharth at Nashik and Louts Suites being managed by the Company has also been satisfactory. The total turnover achieved in the year 2004-05 amounted to Rs. 5403.21 lakhs as against Rs. 4896.66 lakhs in the previous year registering an increase of 10.34% over the last year.

FINANCIAL RESULTS:

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

Particulars	(Rs. in Lakhs.)	
	Year ended March 31, 2005	Year ended March 31, 2004
Total Income	5,403.21	4,896.66
Profit Before Interest, Depreciation & Taxation	2,231.62	1,945.44
Less: Interest	965.06	1,386.05
Less: Depreciation	444.81	437.43
Profit Before Tax	821.75	121.96
Less: Provision for taxation (current tax)	71.20	9.40
Less: Provision for taxation (Deferred Tax)	340.07	40.84
Less: Provision for wealth tax	00.07	-
Profit after tax before adjustments	410.41	71.72
Add/(Less): Prior periods' adjustments	(3.50)	(2.01)
Profit After adjustments	406.91	69.71
Add: Balance Brought Forward	58.94	1.36
Add: Proposed Dividend of previous year and tax thereon reversed (recommended by the Board but not declared in AGM)	-	60.59
Distributable Profits	465.85	131.66
Appropriations:		
i) Proposed Dividend on Equity Shares	-	64.46
ii) Interim Dividend on Equity Shares	107.43	-
iii) Tax on proposed dividend on (i) above	-	8.26
iv) Tax on Interim dividend	14.04	-
v) Balance carried over to Balance Sheet	344.38	58.94

DIVIDEND :

The Board of Directors had declared interim dividend of 10% on 19th March, 2005 and the same is to be treated as Final Dividend for 2004-2005. The dividend warrants in respect of the interim dividend were despatched on 4th April, 2005.

AWARDS

"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 added to the kitty of awards during the period under review.

- Mr. Vithal V. Kamat, Executive Chairman & Managing Director was honoured with the "Editor's Choice" Award for 2004 by Galileo Express Travel & Tourism on 23rd November, 2004.

- Mr. Vithal V. Kamat was also honoured with the "Suryadatta National Award" 05 on 7th February, 2005 for excellence in the field of Corporate Social Responsibility, in recognition of 'Outstanding Contribution in Spreading Environmental Awareness & Implementation of the same in Hospitality Segment'.

- SATTE 2005 Industry award for "Creating Brands - Eco Hotels" was presented to The Orchid hotel for creating concepts into brands.

- The prestigious "Teri Corporate Social Responsibility Award 2003-2004" instituted by The Energy & Resources Institute, New Delhi was presented by Mr. Kamal Nath, the Hon. Union Minister of Commerce and Industry in recognition of Corporate Leadership for good Corporate Governance and sustainable initiatives amongst corporates with turnover below 100 Crores.

Since its inception "The Orchid" has bagged 12 international and 28 national awards. Most of these awards have been won mainly because of the environment awareness created by our flagship Hotel "The Orchid"

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

AMALGAMATION OF THE HIMCO (INDIA) LTD WITH KAMAT HOTELS (INDIA) LTD

The Board considered the proposal of amalgamation of The Himco (India) Ltd with your company and approved it in principle subject to approval of members and sanction of the Hon'ble High Court. Upon amalgamation the hotel room capacity of the amalgamated company, i.e. Kamat Hotels (India) Ltd would be increased by around 180 more rooms and the company would be benefitted significantly from economics of scale, synergies, consolidation of management, reduction in costs, etc.

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:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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, 2005;
- 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;
- 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:

- 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.
- Technology Absorption: The activities of Company at present do not involve technology absorption and research and development.
- Foreign exchange earnings and outgo:

Earnings	Rs. 2,235.57 lakhs
Utilisation (including capital goods)	Rs. 81.88 lakhs



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DIRECTORS :

Padmashree Thangam E. Philip and Mr. Ramesh N. Shanbhag retire by rotation and being eligible, offer themselves for reappointment. Your Directors recommend their appointment.

Mr. Pravin N. Ghatalia, was appointed as Additional Director on 23rd October, 2004 and Mrs. Rajyalakshmi Rao and Mr. Suhail Kannampilly were appointed as Additional Directors on 22nd January, 2005. All of them hold office upto the forthcoming Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. Pravin N. Ghatalia, Mrs. Rajyalakshmi Rao and Mr. Suhail Kannampilly for the office of Directors, alongwith the requisite deposit under the provisions of Section 257 of the Companies Act, 1956. The Board recommends their appointment as Directors retiring by rotation.

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 in para 12 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 DELHI STOCK EXCHANGE ASSOCIATION LIMITED

The Delhi Stock Exchange Association Limited (DSE) has delisted the securities of your Company from Delhi Stock Exchange Association Limited

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, company's bankers, Municipal authorities, Government of Maharashtra, Central Government, suppliers, clients and staff and look forward to their continued support.

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

ON BEHALF OF THE BOARD OF DIRECTORS

V. V. Kamat

Executive Chairman & Managing Director

Place : Mumbai

Date : 4th June, 2005

ANNEXURE TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENT

- The year 2004-05 was a year of recovery. Though Tsunami tragedy dampened to certain extent international travel, the year still ended with an increase in international travel worldwide. The growth in the year was led by the Middle East followed by Eastern Europe and South Asia. North East Asia (especially China), which has been the engine of growth for international travel for the last many years, showed an increase over the previous year.
- According to World Travel & Tourism Council (WTTC) global tourism is projected to grow at 5.8% in 2005 and at 4.5% (on an average) over the next 10 years (2005-14). India and China are projected to be amongst the fastest growing destinations, as per the WTTC forecasts.
- The accelerated growth in Asia is driven by a combination of factors, which include rapid growth in GDP, leading to an increase in business travel, improved tourism infrastructure, increase in disposable income, demographic factors and active promotion of business and leisure tourism by the governments of the respective countries. The Indian economy has been one of the fastest growing economies with a growth of around 7% to 8%. The rapid growth in the economy has resulted in India becoming an important destination for business travellers.
- With Asia as a destination gaining critical mass, there will be increased demand for differentiated products. The demand for luxury hotels is projected to increase with a larger number of discerning customers travelling to Asian destinations like Phuket, Bali, Maldives and Mauritius. Kerala and Goa have also emerged as prominent leisure destinations. The increased economic relevance of the region has resulted in the region becoming a major destination for business travellers. With increased prosperity and improved tourism infrastructure, the region has also seen a large growth in intra regional travel. China has been an important source market in the region, with outbound tourism increasing at a compounded annual growth rate of 16% during 1993-2002.

Indian Tourism Industry

South Asia was amongst the best performing regions in the world in 2005. Though affected by Tsunami tragedy, international travel to India increased significantly. The increase in international arrivals was driven by increased international business and leisure travel. Domestic travel has also been growing rapidly at over 15% p.a. in the last 2 years. The increase in international and domestic business travel was driven by the buoyant economy, particularly in the services sector and improved geo-political scenario. Domestic leisure tourism is growing rapidly driven by lower

airfares, higher disposable income, rising consumerism and package tours funded by easy loans. In the past one year, India has emerged as one of the major destinations for leisure tourism. India has been rated among the Top Five travel destinations by Lonely Planet and amongst the Top Ten destinations by Conde Nast Traveller. The Government of India's 'Incredible India' campaign in the international markets also helped in promoting India as a leisure destination.

Considering the above, the management is confident of better future for the Company

FINANCIAL PERFORMANCE

- The Company performed well during the year under review. The cost saving and debt restructuring measures initiated by the management added to the profitability of the Company.
- Cost reduction and control will remain a priority for the ensuing year also. The Company will strive to eliminate waste in raw materials and will continue to pay attention to energy conservation, manpower rationalization and control of other fixed costs.
- The total income for the financial year ended 31st March, 2005 increased by Rs. 506.55 lacs from Rs. 4,896.66 lacs in the previous year to Rs. 5,403.21 lacs. Profit after tax and adjustments increased from Rs. 69.71 lacs in the previous year to Rs. 406.91 lacs.

SEGMENT-WISE PERFORMANCE

- As per the guiding principles given in the Accounting Standard 17, the Company's primary business consists of hotel related activities, comprising inter alia revenue from rooms, sale of food and beverages, revenue from provision of other hospitality services including swimming pool, health club, etc. which mainly have identical risks and returns. Besides earnings from the core business, the Company also earns some revenue from its catering and educational division as detailed in the Profit and Loss Account.

2. OUTLOOK

- The Travel and Tourism industry is expected to witness approximate 10% annual growth in tourism demand, 8% growth in tourism related GDP, 11% annual growth in overseas visitors, 7.5% increase per annum in capital investment in tourism and 5.5% annual growth in government expenditure on tourism.
- With the economy on an upswing, hotel and travel tourism segments are doing well and India is now being looked at as a market with tremendous growth potential.

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- With the continuing economic reforms, growing economy and major restructuring of the Company's existing debts, the future outlook of the Company looks promising.

3. RISKS, CONCERNS, OPPORTUNITIES AND THREATS

RISKS AND CONCERNS

- Airports at major metros and smaller tourist hotspots do not have adequate infrastructure to cater to high traffic volumes
- There is lack of adequate, good quality highways and other means of transport
- Taxation increases the cost of package tours offered by tour operators thereby making the tours unattractive and expensive, which in turn affects the business of the Company.
- The delay in implementing the "open sky" policy of the government dampens the growth of tourism.
- Major negative events (such as tourist attacks, diseases and communal disturbances) can spoil the fortunes of this sector at least for that year.
- Growing competitive environment and seasonality of the hotel industry could also affect the performance and financial results of the company.

FINANCE RELATED RISKS

- The Hotel Industry is capital intensive and there exists a high composition of fixed costs in the operating cost structure. Therefore, improving operating leverage is the main challenge today. Also costs are required to be incurred on renovation/ refurbishment at frequent intervals.

RISKS RELATED TO GOVERNMENT POLICIES.

- The Government policies influence the economy which in turn influence inflow of business travellers to a larger extent. This in turn has a bearing on the revenue of the Company.
- The taxation policies of the Government for the hotel industry directly impact elasticity of demand. Competition coupled with taxation policies and inflation impacts the pricing capacity of hotels thereby affecting their operating costs and revenues.

SECURITY RISKS/CALAMITIES

- Prime concern of the tourist or the business traveller is safety and security. Incidents such as the cross border conflicts and hostilities like the Gulf, or US/ Iraq war and disturbances in the host country could directly affect tourist inflow.

OPPORTUNITIES

- Management's constant and conscious efforts in investing in green technology, reduction in pollution, saving in usage of energy and other natural resources by operating environmentally sensitive hotels and properties, result in conservation of natural resources and there is lot of scope in this field.
- Mumbai has an immense potential for hosting international events to boost tourism and the hotel industry. In fact international events like the marathon, VIM formula one powerboat championships and grand prix have already been held in Mumbai. Success of such events will bring more business for local hoteliers.
- Union Government's "Incredible India" Campaign has been an incredible hit overseas. The Government's change in its attitude away from viewing

travel and tourism as elitist activities with high level of taxes has been an important driver of economic growth and employment. The Brand India campaign launched by the states too has resulted in developments like Goa promoting itself as a business and tourist destination and Chhattisgarh aiming to become an Eco-tourist delight, Karnataka and Maharashtra targeting upper middle class tourists for their luxury trains and Andhra Pradesh using IT to market its destination.

India is endowed immensely with its diverse natural and cultural resources, spiritual heritage, popular cuisine, fashion movies and music, which can be tapped through tourism for the benefit of the country.

4. INTERNAL CONTROL SYSTEMS

- The Company abides by the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance. An Audit Committee has been set up to review the unaudited and audited financial statements of the Company as well as the observations of its Statutory Auditors before they are submitted to the Board of Directors, and also to ensure compliance of internal control systems.
- The Company has adequate and systematic process of internal audit to ensure that its policies & procedures (written or implied) are being adhered to. In addition, internal controls are exercised for safeguarding of the assets, protecting revenues, reducing costs and ensuring statutory compliance. The Audit Committee monitors the above activities.

5. HUMAN RESOURCE / INDUSTRIAL RELATIONS

- The Company has 543 employees. Great emphasis is placed on induction, training and development of employees at all levels so that proper communication, coordination and team work is brought about amongst the employees for the achievement of the corporate objectives. The Company makes necessary efforts for recruiting and retaining the best talent.

Various training and other programmes are being envisaged by the company for the welfare of the employees as well as for increasing their efficiency with ultimate aim of achieving higher quality performance. Such programmes help employees to contribute towards cost saving, better productivity, efficiency and best customer service. The employees with innovative cost saving suggestions are encouraged and rewarded suitably by the company from time to time.

Management has not entered into any material, financial or commercial transactions with the Company (like dealing in the Company's shares, commercial dealings etc) that may have personal interest or may have potential conflict with the interest of the Company at large

6. CAUTIONARY STATEMENT

- Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, predictions and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. As "forward looking statements" are based on certain assumptions and expectations of future events over which the Company exercises no control, the Company cannot guarantee their accuracy nor can it warrant that the Company will realize the same. Actual results could differ materially from those expressed or implied. Significant factors that could make a difference to the Company's operations include domestic and international economic and political conditions affecting demand, supply and price conditions in the hospitality industry, changes in the Government regulations, tax regimes, statutes and other incidental factors.

ANNEXURE TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY :

The Company strongly believes in adopting and adhering to good corporate governance practices. It upholds the values of transparency, professionalism and accountability and endeavors to maintain these values on ongoing basis.

MANAGEMENT DISCUSSION AND ANALYSIS:

The management discussion and analysis report forms part of the Directors' Report.

BOARD COMPOSITION

The Company meets the requirement of corporate governance relating to composition of the Board of Directors as more than half of the Board members are non-executive Directors. The details are as follows:-

Category	Name of the Director
Executive Directors	• Mr. Vithal V. Kamat, Chairman and Managing Director- Promoter # • Mr. Vishal V. Kamat, Director- Promoter \$
Executive Wholetime Directors	• Mr. K.P. Kannampilly, Wholetime Technical Director • Mr. Ramesh N. Shanbhag, Wholetime Director
Independent Non-Executive Directors	• Padmashree Thangam E. Philip, Director • Mr. S. S. Thakur, Director • Mr. Pravin N. Ghatalia, Director ^
Nominee Director (Non-Executive)	• Mrs. Rajyalakshmi Rao, Director ^ • Mr. Ved Prakash Khurana, Director (Small Shareholders Nominee) @
Non Executive Director	• Mr. Suhail Kannampilly, Director <<

Notes:

- @ Mr. Ved Prakash Khurana was appointed as Director (Small Shareholders' Nominee) at the 17th Annual General Meeting held on 28th September, 2004.
- # Mr. Vithal V. Kamat has been appointed as Executive Chairman & Managing Director of the Company w.e.f. 1st April, 2005 at its Extra Ordinary General Meeting held 19th March, 2005.
- \$ Mr. Vishal V. Kamat has been appointed as Executive Director of the Company w.e.f. 1st April, 2005 at its Extra Ordinary General Meeting held on 19th March, 2005.
- * Mr. Pravin N. Ghatalia was appointed as Additional Director of the Company on 23rd October, 2004
- ^ Mrs. Rajyalakshmi Rao was appointed as Additional Director of the Company on 22nd January, 2005
- << Mr. Suhail Kannampilly was appointed as Additional Director of the Company on 22nd January, 2005.

BOARD MEETINGS

During the year under review six Board meetings were held on 29th April, 2004, 24th July, 2004, 28th September, 2004, 23rd October, 2004, 22nd January, 2005 and 19th March, 2005. Details of the attendance of Directors at the Board Meetings & Annual General Meeting and their directorships in other public companies are as follows:

Sl. No	Name of the Director	Category	No of Board Meetings Attended in the year under review (out of 6)	Attendance at the last AGM held on 28th September, 2004 Yes/no	No. of outside Directorships #	No. of outside Committee Memberships
1	Mr. Vithal V. Kamat	Chairman & Managing Director (promoter)	6	Yes	4	-
2	Mr. K.P. Kannampilly	Wholetime Technical Director	6	Yes	3	-
3	Padmashree Thangam E. Philip	Independent Non Executive Director	5	Yes	4	1
4	Mr. Ramesh N. Shanbhag	Whole-Time Director	6	Yes	4	-
5	Mr. Minoo D. Katpilita (upto 3rd August, 2004)	Director (Small Shareholders Nominee)	2	-	-	-
6	Dr. P. K. Basu (upto 17th May, 2004)	Director (Nominee of IDBI)	1	-	-	-
7	Mr. S. S. Thakur	Independent Non-Executive Director	6	Yes	7	8
8	Mr. Vishal V. Kamat	Director (promoter)	6	Yes	3	1
9	Mr. Ved Prakash Khurana (since 28th September, 2004)	Director (Small Shareholders' Nominee)	3	Yes	-	-
10	Mr. Pravin N. Ghatalia (since 23rd October, 2004)	Independent Non-Executive Director	3	N.A.	6	9

11	Mrs. Rajyalakshmi Rao (since 22nd January, 2005)	Independent Non-Executive Director	2	N.A.	3	-
12	Mr. Suhail Kannampilly (since 22nd January, 2005)	Non-Executive Director	2	N.A.	-	-

Excluding Private Limited Companies, Non Profit Companies, unlimited Companies and Companies where the Director is an alternate Director (Section 278) of the Companies Act, 1956.

None of the Directors on the Board is member of more than ten committees and none of them acts as chairman of more than five committees.

All the necessary information was placed before the Board as required by Clause 49 of the Listing Agreement with the Stock Exchanges.

BOARD PROCEDURE :

In its meetings the Board focuses mainly on policy and business strategy and deals issues concerning important issues relating to business development, internal controls, regulatory compliance and such other matters which need to be considered by the Board for ensuring good corporate governance and enhancing the Company's network and value to the shareholders. The Board also reviews the performance of all the divisions of the Company.

COMMITTEES OF THE BOARD

The Board has formed the following committees in conformity with the applicable statutory requirements and the Listing Agreements entered between the Company and Stock Exchanges.

AUDIT COMMITTEE

The terms of reference of the Audit Committee are in conformity with clause 49 of the Listing Agreement which the company has entered into with the Stock Exchanges. Accordingly, the Audit Committee, inter-alia, oversees the Company's financial reporting process, ensures correct and adequate disclosure of financial information and reviews financial statements, adequacy of internal control systems and compliance of generally accepted accounting principles. The Committee also recommends the appointment of Statutory Auditors and fixation of their audit fee.

During the year under review four meetings of Audit Committee were held on 29th April, 2004, 24th July, 2004, 23rd October, 2004 & 22nd January, 2005 which were well attended as under :

Sr. No.	Name of the Member	Category	Meetings attended
1	Mr. S. S. Thakur	Member- Chairman upto 22nd January, 2005	4
2	Padmashree Thangam E. Philip	Member	3
3	Mr. Minoo D. Katpilita	Member (Small Shareholders Nominee)(upto 3rd August, 2004)	2
4	Dr. P. K. Basu	Member (Nominee of IDBI) (upto 17th May, 2004)	1
5	Mr. Ved Prakash Khurana	Member (Small Shareholders' Nominee) (Since 22nd January, 2005)	1
6	Mr. Pravin N. Ghatalia	Member- Chairman w.e.f. 22nd January, 2005	1

All the members of the Audit Committee are Non-Executive and Independent Directors.

The Company Secretary Mr. R. V. Joshi is currently the Secretary of the committee.

REMUNERATION COMMITTEE:

Details of the composition of the Committee and attendance of the Members in its meetings are as follows:

Sr. No.	Name of the Member	Category	Meetings attended (No. of Meetings held 2)
1	Padmashree Thangam E. Philip	Member	2
2	Mr. Minoo D. Katpilita	Member (Small Shareholders Nominee) (upto 3rd August, 2004) @	N.A.
3	Mr. S. S. Thakur	Chairman	2
4	Mr. Vishal V. Kamat	Member (upto 23rd October, 2004) #	2
5	Mr. Ved Prakash Khurana	Member (Small Shareholders' Nominee) (since 23rd October, 2004)	N.A.
6	Mr. Pravin N. Ghatalia	Member (since 23rd October, 2004) \$	N.A.