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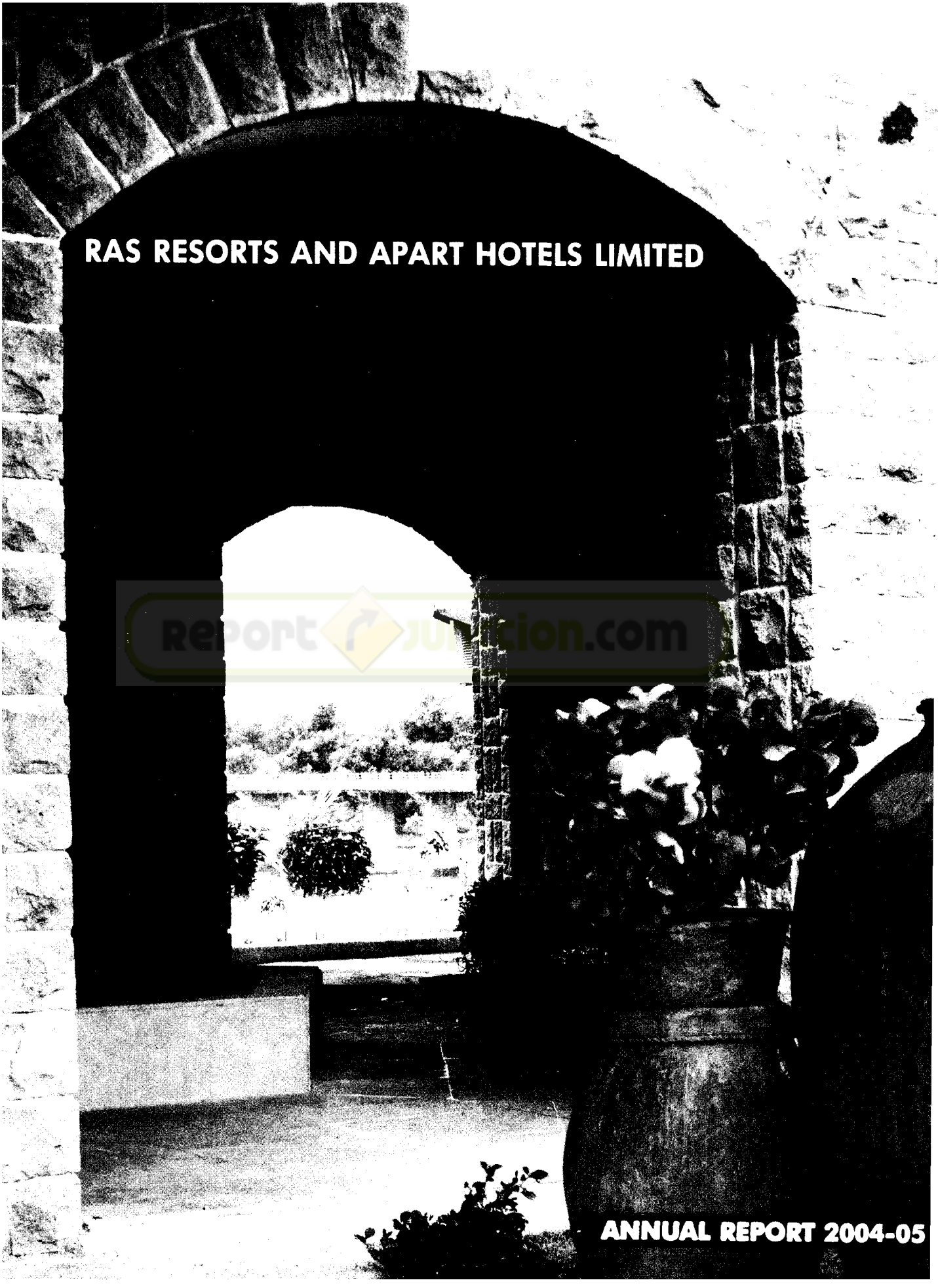

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EXECUTIVE GUEST ROOM

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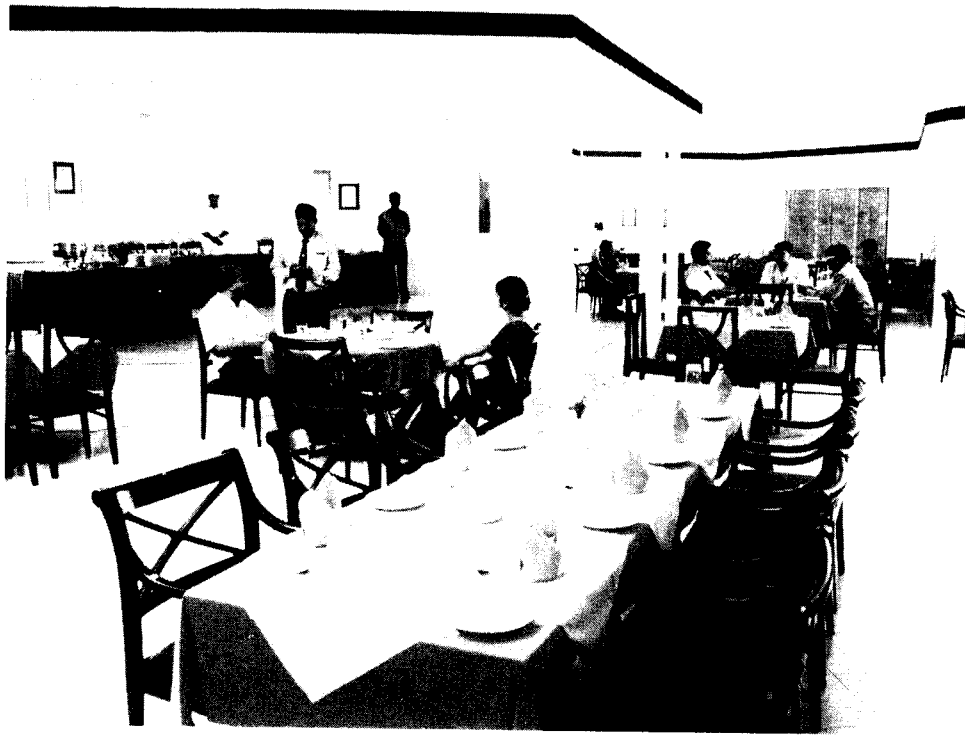

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RAS RESORTS AND APART HOTELS LIMITED

BOARD OF DIRECTORS

PRAVIN VEPARI *Chairman*

PADMASHRI KUM. THANGAM PHILIP

AMEET HARIANI

TEKCHAND SHEWAKRAMANI

NALINI SHEWAKRAMANI

GAUTAM SHEWAKRAMANI

VISHAMBER SHEWAKRAMANI *Managing Director*

AUDITORS

N.M. Raiji & Co.

LEGAL ADVISORS

Mahimtura & Co.

CORPORATE LAW ADVISOR

Bipin S. Acharya

BANKERS

Allahabad Bank

State Bank of India

Syndicate Bank

REGISTERED OFFICE

Rosewood Chambers, 99/C, Tulsiwadi, Tardeo,
Mumbai-400 034.

RESORT SITE

Survey No. 128, Hissa No. 1, Silvassa Naroli Road,
Silvassa-396 230, Union Territory of
Dadra & Nagar Haveli.

REGISTRAR & SHARE TRANSFER AGENT

Satellite Corporate Services Private Limited
A-60/1223, Azad Nagar II, Third Floor, Veera Desai Road,
Andheri (West), Mumbai - 400 053.

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not a sprint.

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NOTICE

Notice is hereby given that the Twentyfirst Annual General Meeting of the Members of the company will be held at Green Room, Bombay Cricket Association, Garware Club, Ground Floor, 'D' Road, Churchgate, Mumbai 400 020 on Thursday, 28th July, 2005 at 10.00 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Tekchand Shewakramani who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a Director in place of Padm. Kum. Thangam Philip who retires by rotation but being eligible offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 26th July, 2005 to Thursday, 28th July, 2005 (both days inclusive).
3. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed/ unpaid for a period of seven years from the date they became due for payment shall be credited to the Investors Education and Protection Fund set up by the Central Government.

   Members who have so far not claimed the dividend are requested to make claim with the Company as no claim shall lie against the fund or the Company in respect of individual amounts once credited to the said fund.

   The balances of the unclaimed / unpaid dividend amount for the F.Y. 1994-1995, 1995 – 1996 and 1996 – 1997 have already been transferred to the Investor Education and Protection Fund.
4. Members are requested to bring their copies of the Annual Report at the time of attending the Annual General Meeting.
5. Members are requested to notify immediately change in their Registered address, if any, or make correspondence to the Registered Office of the Company or to Satellite Corporate Services Private Limited, A-60/1223, Azad Nagar II, Third Floor, Veera Desai Road, Andheri (West), Mumbai- 400 053, Share Transfer Agents of the Company quoting their Folio No.

By order of the board,
Vishamber Shewakramani
Managing Director

Registered Office :
Rosewood Chambers,
99/ C, Tulsiwadi, Tardeo,
Mumbai 400 034.

Dated : June 20, 2005

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Twentyfirst Annual Report together with the Statement of Accounts for the year ended 31st March, 2005.

Operations

The Company has completed its sixteenth year of operations. Income from the year is Rs.204.75 lakhs as compared to Rs.254.62 lakhs in the previous year.

The working results of the Company show a net loss of Rs.69.92 lakhs after making provision for interest of Rs. 5.85 lakhs and depreciation of Rs.20.86 lakhs. This loss is mainly due to the flood that damaged the entire hotel and rendered the hotel unoperational for 2 months and only partially operational from the balance of the accounting year.

Prospects

The reinstatement is nearing completion and the hotel is poised to do well during the coming years. The Company plans to set up a hotel at Bangalore in the near future for which land has been identified close to the new International Airport at Devanhalli, Bangalore.

Accounts and Finance

The Company has filed a Special Leave Petition in the Supreme Court against the order of High Court in respect of Company's writ petition for 5% interest subsidy claim from concerned Authorities of Silvassa.

Conservation of Energy

During the year, the Company continues to make efforts to prevent wasteful electrical consumption. Solar Water Heating System has been extended and this has helped in saving of energy cost.

Technology Absorption

The Company does not need any technology for its existing business.

Foreign Exchange

The Company has earned Rs.3.22 lakhs. By way of foreign exchange and there is outgo of Rs.0.18 lakhs in foreign exchange.

Directors

Shri Tekchand Shewakramani and Padm. Kum. Thangam Philip, Directors of the Company will retire at the forthcoming Annual General Meeting and they are eligible for re-appointment.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in whom they hold directorship and membership / chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange are given in the section on Corporate Governance in the Annual Report.

Directors' Responsibility Statement

The Directors confirm:

(i) that in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the annual accounts on a going concern basis.

Particulars of Employees

The Company does not have any employees whose particulars are required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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Listing

The Equity Shares of the Company are listed on the Mumbai Stock Exchange.

The Company has paid the Annual Listing Fees to Mumbai Stock Exchange for the year 2005-2006.

Corporate Governance

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Reports on Management Discussion & Analysis and on Corporate Governance alongwith a certificate from the Auditors forms part of this report.

Auditors

M/s. N. M. Raiji & Co., Chartered Accountants, the Auditors of the Company would retire at the forthcoming Annual General Meeting and they are eligible for re-appointment.

You are requested to appoint the Auditors and to fix their remuneration.

Acknowledgement

Your Directors convey their gratitude to the State Bank of India, National Insurance Co. Ltd. and every official of the administration of Dadra and Nagar Haveli and Daman and Diu for their continued assistance and support. The Directors also wish to place on record their appreciation of the hard work put in by the staff,both at Silvassa and Mumbai. The Directors are also grateful to you, the Shareholders for the confidence you continue to repose in the Company.

For and on behalf of the Board

PRAVIN VEPARI
Chairman

Mumbai
June 20, 2005.

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ANNEXURE TO THE DIRECTORS' REPORT
MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS OVERVIEW

1.1 The Hotel industry has gone through good recovery period over the financial year 2004-2005. The boom economy has impacted the tourist & business arrivals in Silvassa. This has helped the performance of the Hotel industry in Silvassa area. Hotels continue to focus on reducing costs to improve profitability. This has been through a combination of focusing on efficiency and improving productivity to reduce costs. While some cost control initiatives have a near-term focus to maintain profitability, your Company has also during this period to put in place a lean and efficient organization that will leverage the anticipated return to normal trading condition and heighten performance in the medium.

1.2 In spite of favorable business scenario, the Company could not retain its market leadership at Silvassa due to the flood on August 2, 2004 that destroyed the hotel building and rendered the hotel only partially useable besides increased competition from newer hotels in the area. Your Company is undergoing reinstatement of the flood loss through the help of the National Insurance Co. Ltd.

1.3 With the major economies across the world expected to grow, the improvement in corporate and tourist inflows into the country are expected to improve performance of the domestic hotel industry. With the Indian economy expected to grow at 6-7% in FY 06, will improve demand and thus positively impact performance of the domestic hotel industry.

2. NATURE OF INDUSTRY

2.1 The hotel industry has always in a challenging stage year to year. Every event affects the business.

2.1.1. The key characteristics of the hotel industry are :

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The industry is primarily capital intensive coupled with depreciation costs on the buildings, furniture, fixtures and equipment and other assets. While your Company has an "Asset light" strategy, there are key strategic assets that need to be locked in through investment. During periods of growth the depreciation and interest costs rise rapidly as capacity additions take place. The relevant parameter for evaluation of management performance in the growth mode is thus EBITDA (Earnings Before Interest Tax Depreciation and Amortization), rather than Profit After Tax (PAT), since the depreciation and interest costs are expensed relatively quickly (over a 8-10 year frame) against an asset that has a life of 80 to 100 years.

2.1.2 The hotel industry is also cyclical due to the nature of capacity additions being lumpy while the demand growth is smooth. However, the exact position of the industry on the business cycle varies from city to city, depending on the forces of demand and supply in that city. Silvassa has added 4 more Hotels in the last 4 years.

2.1.3 Seasonality Trend : The Indian hotel industry reflects a clear seasonality trend. For example in India, the tourism and hospitality industry shows signs of an up trend in the months of November to February due to higher tourist flows. The months of June to September on the other hand are months of low occupancies and revenue, with fewer business or leisure visitors.

2.1.4 Strong dependence on the services economy – The hotel industry tourist segment is highly dependent on services economy in terms of performance. Thus in the years of the services economy boom, the hotels business has grown well and has been relatively unaffected by the under performance of the manufacturing sectors of the economy. India has a long-term competitive advantage in the services sector which contributed close to 48% of India's GDP in 2003-2004. This contribution is expected to have been around 60% of the total GDP growth in the last year and is expected to increase further, this is expected to benefit the hotel industry in the coming years.

2.1.5 Brand Impact : The hotel industry is characterized by strong brand focus resulting in choices being made by the customer based on factors beyond Price – especially in the high-end segment where the brand is a hallmark of product and service quality. Your Company and its "Complete Vacation & Conference Centre" have strong brand recognition and customer loyalty.

2.1.6. Instant perishability of the product : The industry belongs to the service sector and thus the product (service) is instantly consumed and cannot be replenished. Thus, one needs to maximize utilization of available capacity and reduce marginal costs over marginal revenues.

2.1.7. The major cost drivers in the industry are:

- Food and beverage costs
- Employee costs
- Power and fuel expenses
- Administrative and other overhead costs
- Advertising and publicity expenses

3. BUSINESS PERFORMANCE

The Operating Income covering Rooms and Food and Beverages decreased by 25% over the previous year resulting in a loss of Rs.69.92 lakhs after making the provision of tax.

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4. RISK FACTORS

4.1 Risks related to presence in India

4.1.1. Political and economic environment risks: With the political and economic environment staying fluid in India, the hospitality industry in particular faces a continuing challenge. However, with the services sector increasing its contribution share of the Indian GDP, over the medium terms the fortunes of our industry are expected to improve further. With Indian joining the global mainstream of business and attracting more foreign investments and its presently low levels of domestic tourist traffic, the future has good potential for the hotel industry.

- Socio-Political risks : The Hotels industry faces risk from the volatile socio – political environment in the country.

4.2 Industry/sector specific risks

4.2.1 Infrastructure related risks :

Presence of good infrastructure in terms of airports / roads is critical to attract customers. With the Government of India planning to privatize the airport, to increase efficiency to international standards and the commissioning of the Golden Quadrilateral Highway, business activity is expected to improve, and the hotel industry will benefit from these improvements in infrastructure.

4.2.2 Government concessions/restrictions to the hospitality industry :

The Budget 2005-2006 will have an overall positive implication for the Hotel industry.

Tourism as a major economic activity has been identified as such by the Government of India. The importance of this sector is expected to grow in the coming years.

4.3 Risks associated with the Company

4.3.1 Risk of wage inflation : The hotel industry needs quality employees and with demand for the same improving across the industry, the Company feels that wage inflation is a critical factor in determining costs for the Company. Thus, your Company will continue to focus on improving manpower efficiencies and creating a lean organization, while maximizing effectiveness in terms of customer service and satisfaction, as an area of great importance for the management of your Company.

4.3.2 Client Concentration : Your Company provides its services to 7 broad market segments, namely – Corporate / Business, Leisure, Longstayers, Groups, Conferences, Events and Packages. The Company does not face any significant risk since there is no excessive concentration of business with any single client.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

5.1 The systematic evaluation and improvement of internal control and internal Audit continued during the year 2004-2005. In addition, asset audits were commissioned and completed. The coverage has been comprehensive and exhaustive with a great degree of involvement of the Unit personnel and satisfactory compliance with previous year's agreed audit recommendations.

6. LIMITATIONS OF FINANCIAL STATEMENTS

6.1 Contingent Liabilities

6.1.1 The accounting standard definition of a contingent liability is as follows :

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- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- a present obligation that arises from past events but is not recognized because it is not probable that a transfer of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

6.1.2 A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. Potential loss refers to contingent liabilities in which there is substantial and material risk of loss to the organization.

6.1.3 Your Company's Contingent Liabilities pertain primarily taxation matters.

7. FUTURE OUTLOOK

7.1 International

7.1.1 Most economies of the world are emerging from the brief recession and are showing signs of growth. The world's largest economy, the United States has shown a rise in consumer spending and corporate confidence levels over the last month. This boost in confidence and growth is expected to help the other economies in Europe and Asia.

7.1.2 Increase in technological spending across the world is expected to improve the prospects for the services industry and further improve infrastructure facilities across the world to promote business deals and improve standard of living for the people.

7.2 Future outlook for Indian

7.2.1 India has emerged as a strong performer in the world scenario in the last financial year. With the Budget for 2005-2006 purposing second generation of reforms, the process of liberalization is expected to gain further momentum in the coming years.

7.2.2 The Indian economy has been performing consistently and has shown a lot of stability over the last year. With inflation at an all time low, the disposable income for the consumers is on the rise. Further, with low interest rates in the market, the consumer is expected to spend than save in current year. This is an important stimulus expected to benefit further revival of economy. The economy is expected to bounce back to the growth levels of Internet boom times in current financial year.

7.2.3 Development in the telecommunications sector & road infrastructure is expected to improve conditions in the country and thus emerge as a growth-driving factor for the economy on the whole.

7.3 Future outlook for the Industry

7.3.1 In the future, the demand for the rooms and F&B is expected to grow because of the following factors :

- Improvements in the infrastructure sector viz. roads
- Low inflation leading to a higher Disposable income
- High GDP growth
- Investment Reforms will further boost up long-term capital inflow into the sector
- Focus on tourism industry in the budget for the current financial year

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