

annual report

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SINCLAIRS HOTELS LIMITED





Welcome to a World of Luxury

The four Sinclairs hotels and a resort are as much a destination for luxury vacation, as for conferences, seminars and meetings. Located at Darjeeling, Siliguri, Port Blair, Ooty and Chalsa where nature remains unspoilt, each Sinclairs hotel is a welcome relief from life's rigours. For the wonders of nature and the pleasures of retreat, Sinclairs is the destination.



BOARD OF DIRECTORS

Dr Niren Suchanti, Chairman
S M Borar
Prabir Chakravarti
Sushil Kumar Mor
Navin Suchanti, CEO and Managing Director
Vikash Kuthari, Wholetime Director

COMPANY SECRETARY

T K Banerjee

CHIEF ACCOUNTANT

B L Soni

AUDITORS

Mookherjee, Biswas & Pathak
Chartered Accountants

REGISTERED OFFICE

56A, Mirza Ghalib Street
Kolkata 700 016

CORPORATE OFFICE

Pressman House,
10A Lee Road,
Kolkata 700 020
Phone : 22801317 - 20
Fax : (033) 22800813
Email : kolkata@sinclairshotels.com

HOTELS & RESORTS

Hotel Sinclairs, Siliguri
Hotel Sinclairs, Darjeeling
Hotel Sinclairs Bay View, Port Blair
Hotel Sinclairs, Ooty
Sinclairs Retreat Dooars, Chalsa

REGISTRAR & TRANSFER AGENT

Niche Technologies Pvt Ltd
D-511, Bagree Market
71, BRB Bose Road (Canning Street)
Kolkata 700 001
Phone : 2234 3576, 2235 7270/7271
Fax : 2215 6823
Email : nichetechpl@nichetechpl.com

WEBSITE

www.sinclairshotels.com

Notice is hereby given that the Thirty-fifth Annual General Meeting of the company will be held at Rotary Sadan, 94/2, Jawahar Lal Nehru Road, Kolkata 700 020 on Saturday, the 15th September, 2007 at 10.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2007 and the balance Sheet as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a director in place of Mr Prabir Chakravarti, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr S K Mor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the period commencing from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as special resolution.

Issue of Further Equity Shares

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and of the Articles of Association of the Company and subject also to the approval(s) of such authorities and bodies as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the company ('the Board' which expression shall be deemed to include any Committee which the Board may constitute to exercise its powers) to issue, offer for subscription and allot through prospectus or through private placement Equity shares of Rs.10 each for cash at such premium for such sum not exceeding Rs.200 crore and on such other terms and conditions as may be decided by the Board in accordance with SEBI (Disclosure & Investor Protection) Guidelines 2000, as amended ('the Guidelines') and the Relevant Date in terms of the Guidelines for the purpose of determining the price of the resultant Equity shares shall be the date referred to in Explanation(a) to clause 13.1.1.1 of the Guidelines to such institutions/banks/mutual funds/bodies corporate and/or such other investors whether they are holders of the Equity shares of the company or not and at such time or times, in such tranche or tranches as may be decided by the Board."

Further, "RESOLVED THAT for the purpose of giving effect to the aforesaid Resolution, the Board be and is hereby authorised to agree, make and accept all such conditions, modifications and alterations as may be stipulated by the relevant authorities and take such actions as may be necessary, desirable or expedient to effect such modifications and alterations and to resolve and settle all questions and difficulties that may arise in the proposed issue and allotment of Equity Shares and to do all acts, deeds, matters and things as it may at its discretion consider necessary or desirable."

Regd. Office:
56A Mirza Ghalib Street
Kolkata 700 016
Dated: 8th June, 2007

For and on behalf of the Board
T K Banerjee
Company Secretary

NOTES :

1. A member entitled to attend and vote may appoint a proxy to attend and on poll to vote in his stead. A proxy need not be a member of the company. Proxies to be effective, should be deposited at the registered office not later than 48 hours before the commencement of the meeting.

2. The Register of Members and the Share Transfer Register will remain closed from Monday the 10th September, 2007 to Saturday, the 15th September, 2007 (both days inclusive).
3. Members holding their shares in physical form are requested to convert their shares into dematerialised form. The ISIN No. of the company is INE985A01014.
4. Members are requested to inform of any change in their address immediately, mentioning their folio number.
5. Members desirous of obtaining any information/clarification(s) concerning the accounts and operations or intending to raise any query are requested to forward the same at least 10 days before the date of meeting at the registered office, so that the same may be attended to appropriately.
6. Brief resume of the directors to be re-appointed are disclosed in corporate governance report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5.

Issue of Further Equity Shares

Your Company is planning to expand its activities by refurbishing and renovation of its existing properties and setting up of new hotels and/or diversifying in related areas of hospitality and tourism industry.

Your company therefore, proposes to raise funds not exceeding a sum of Rs.200 crores by issue of Equity shares Rs.10 each for cash at such premium and on such other terms and conditions as may be decided by the Board in accordance with SEBI Guidelines to such institutions/banks/mutual funds/bodies corporate and/or such other investors whether they are holders of the Equity shares of the company or not and at such time or times, in such tranche or tranches as may be decided by the Board.

The proposed issue and allotment of Equity shares as aforesaid requires approval of the Members by way of a Special Resolution pursuant to the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the relevant provisions of the listing agreements executed by the Company with the stock exchanges.

The Special Resolution set forth in item no. 5 of the Notice was earlier passed at the Annual General Meeting held on 8th July, 2006 and since validity of the resolution has expired, the resolution needs to be considered again.

The Board recommends that the Resolution be passed in the interest of the Company. The Directors of the Company may be deemed to be concerned or interested in this Resolution to the extent of the new Equity shares that may be offered and allotted to one or more of them in their individual capacities or to any of the companies/institutions in which the Directors of the Company may also be directors/members/employees. Save as aforesaid, no Director is concerned or interested in the said Resolution.

Regd. Office:
56A Mirza Ghalib Street
Kolkata 700 016
Dated : 8th June, 2007

For and on behalf of the Board
T K Banerjee
Company Secretary

Annual Report 2006-07

To the members,

Your Directors have pleasure in presenting the Thirty-fifth Annual Report of the company together with the Audited Accounts for the year ended 31st March, 2007.

Financial Results

	(Rs. in lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Gross Income	1,196.91	1034.64
Profit before depreciation	536.72	468.93
Less : Depreciation	84.62	89.45
Profit before tax	452.10	379.48
Provision for taxation	117.75	92.30
Profit after tax	334.35	287.18
Profit Brought Forward	52.70	65.52
Profit available for appropriation	387.05	352.70
Transfer to General Reserve	300.00	300.00
Balance carried to Balance Sheet	87.05	52.70
	387.05	352.70

Operations and Performance

The operations of the company have seen excellent growth in the year under review. The gross income of the company increased to Rs.1196.91 lacs from Rs.1034.64 lacs last year registering a substantial growth. The bottomline is even better with net profits rising to Rs.334.35 lacs as compared to Rs.287.18 lacs last year.

The company is laying greater emphasis on marketing to further improve the occupancy levels in all the five properties.

The company's initiative to develop surplus land adjacent to the Siliguri hotel is progressing well. Plans for both residential and commercial development have been submitted to the relevant statutory authorities and considerable progress has been made. It is expected that the company will receive the final approval shortly.

Expansion and Refurbishing Programme

The company is exploring opportunities to expand its present chain of five properties. It is actively negotiating for land to build new resorts/hotels and pursuing acquisition opportunities.

The project for addition of 22 rooms in the Port Blair property is in progress and it is estimated to be completed by August, 2007 this year.

Future Prospects

The future of the hospitality industry is extremely bright. With a buoyant economy there is a tremendous growth in business travel. Also with disposable income becoming much higher, leisure travel is bound to grow at a fast pace. Your company is well positioned to take advantage of the present boom in the hotel industry.

With increased emphasis on modernisation of airports, more airline operators coming into fray, increasing fleet size etc, there will be a spurt of volumes in air traffic, and consequent increase in hotel business. Similarly with the improvement of road network, various tourist destinations will now be much more easily accessible.

All these factors indicate that the business of your company is poised to grow.

Dividend

In view of the growth plans of the company and the need to conserve resources, the board does not recommend any dividend.

Resource Mobilisation

The company will need funds for its expansion and refurbishing programme. The company proposes to raise upto Rs.200 crore by way of issue of fresh capital and availing loans from banks and financial institutions. Necessary resolution in terms of Section 81(1A) of the Companies Act, 1956 is being proposed in the forthcoming Annual General Meeting.

Dematerialisation of Shares

According to notification by the Securities & Exchange Board of India (SEBI), the shares of your company will now have to be compulsorily traded in demat form. The shareholders are, therefore, requested to dematerialise their holdings. The Security Code No. (ISIN) is INE 985A01014.

Particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The operations of your company do not require energy consumption of any significant level. The company also does not use any imported technology. Therefore, information regarding conservation of energy and technology absorption as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules 1988 is not annexed.



During the year, your company earned Rs.2,323/- in foreign exchange (previous year Rs.97,782/-). There was expenditure in foreign currency of Rs.11,442/- (previous year : Rs.13,212/-).

Particulars of Employees

There were no employees of the category mentioned in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1956 as amended.

Listing

The equity shares of the company are listed on The Calcutta Stock Exchange Association Ltd and Bombay Stock Exchange Ltd and the annual listing fees for The Calcutta Stock Exchange and Bombay Stock Exchange Ltd have been paid.

Directors

Mr Prabir Chakravarti and Mr Sushil Kumar Mor retire by rotation and being eligible offer themselves for reappointment.

Auditors

M/s Mookherjee, Biswas and Pathak, Chartered Accountants, Auditors of the company who retire at the ensuing Annual General Meeting, offer themselves for reappointment.

Corporate Governance

Your company has complied with the Corporate Governance code in terms of mandatory recommendations of the Securities and Exchange Board of India and in pursuance of Clause 49 of the Listing Agreement. A report on the Corporate Governance and the Auditors' Certificate thereon are annexed to this Report.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors subscribe to the Directors' Responsibility Statement and confirm as under :

- i) that in the 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period;
- iii) that the Directors have taken proper and sufficient care of maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

Acknowledgement

The Directors place on record their appreciation for the co-operation extended by the Government of West Bengal, Andaman & Nicobar Islands Administration, Government of Tamil Nadu and other authorities, and look forward to their continued support.

The Directors wish to thank all the shareholders and the employees for their support and co-operation.

Regd. Office:
56A Mirza Ghalib Street
Kolkata 700 016
Dated : 8th June, 2007

For and on behalf of the Board

Dr Niren Suchanti
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

We submit herewith the management discussion and analysis report on the business of the company.

Industry structure, development and future outlook

Future Prospects

In India, the tourism sector is the third largest area of service industry and employs the largest number of employees.

The Ministry of Tourism is expecting annual growth of 12% to 15% till 2010.

Domestic tourism is expected to grow at a faster rate and reach a figure of 750 million tourists per year by 2010. There is also a proposal with the Government of India to give infrastructural status to the hotel industry. All these factors will ensure that the tourism industry will be on a high growth mode over the next few years. Your company is well positioned to reap benefits from this growth.

The trend in the first quarter of the current year shows improved performance and the company expects to perform well in the current year.

Performance for the year ended 31st March, 2007

Financial review and analysis	(in lacs)
Total Income	Rs. 1196.91
Total Expenses	Rs. 744.81
Profit before Tax	Rs. 452.10

Opportunities & Threats

Opportunities

The hospitality industry will continue to prosper on account of the following positive trends :

- 12 to 15% annual growth expected in international tourists arrivals till 2010.
- Domestic tourists are expected to grow at a much faster rate and reach a level of 750 million tourists per year by 2010.
- The economic growth of the country is augmenting increase in business tourism in the country.
- The domestic MICE (meetings, incentives, conventions and exhibitions) market has seen a sharp growth in tune with the economic growth in the Indian corporate sector.
- The Tourism Ministry has planned a number of initiatives to catalyse growth of tourism in India. This includes speedier processing of visas, starting of special trains for tourists, introduction of visas on arrivals, etc.
- The Government of India has also stepped up infrastructure development initiatives like the golden quadrilateral, expressway linking non-metros, upgradation of metros and non-metro airports through public/private participation, etc.

Threats

Competition with international destinations, particularly South-East Asia where competitive airfare and hotel rates are being offered.

Risks and Concerns

Tourism industry can be severely affected on account of :

- a) Law and order situation in the country or the region.
- b) Political instability.
- c) Any natural disaster – spread of diseases like SARS, Bird flu etc.

Risk mitigation

The company's five properties are well spread and will therefore, have greater resilience in case of any regional disturbances or natural calamities.

Substantial investments are being made by the company to upgrade the facilities and the service standards and as a result it will be in a position to counter the risk from growing competition.

Internal control system and adequacy

The internal control system is reviewed from time to time by the management to assess the efficiency of the system and changes and modifications are made as and when necessary.

Financial performance with respect to operational performance

The company has streamlined its operations during the year which is reflected in better financial performance. In the current year, the company has taken up a complete overhaul of its computerized systems and processes. The standard software with advanced hardware is being installed in all the five units of the company. This will ensure substantial improvement in the operating and reporting systems.

Human resources

The human resources of the company are well trained and equipped to handle the day-to-day operations of the company. The employees work together as a team to achieve both company and personal goals.

Cautionary statement

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions, law and order issues, changes in the Government regulations, tax laws, other statutes and other incidental factors.

CORPORATE GOVERNANCE

Compliance Report for the year 2006-2007

1. A brief statement on Company's philosophy on code of governance :

The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as :

- Fair and transparent business practices.
- Effective management control by Board.
- Adequate representation of promoter, executive and independent directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of laws.
- Transparent and timely disclosure of financial and management information.

2. Board of Directors and Board procedure :

- i. The Board comprise of four non-executive and two executive directors. Out of four non-executive directors, three are independent.

- ii. During 2006-2007, the Board of Directors met four times viz. on 8th June, 2006, 28th July, 2006, 26th October, 2006 and 20th January, 2007. The time gap between two meetings was less than four months.
- iii. The information as required under annexure IA to clause 49 is made available to the Board in every meeting.
- iv. None of the directors on the Board is a member of more than 10 Committees or chairman of more than 5 Committees across all the companies in which he is a director. The necessary disclosures regarding Committee positions have been made by the directors.
- v. The details of attendance of each of the directors at the Board (BM), Audit Committee (ACM), Remuneration Committee (RCM), Investors Grievance Committee (IGCM) meetings and last AGM held during the financial year 2006-2007 and details of number of outside directorships and committee positions held by each of the director, are given in Table 1 below :

Table 1

Sl. No.	Name of Director	Attendance at Board, Committee Meetings & AGM					Outside Directorships and Committee position			
		No. of BMs	No. of ACMs	No. of RCMs	No. of IGCMs	AGM	Outside Directorships		Committee position*	
							Member	Chairman	Member	Chairman
1.	Dr Niren Suchanti	2	Nil	Nil	Nil	Yes	8	1	Nil	Nil
2.	Mr S M Borar	4	4	1	Nil	No	Nil	Nil	Nil	Nil
3.	Mr Prabir Chakravarti	4	Nil	1	2	Yes	12	Nil	4	Nil
4.	Mr Sushil Kumar Mor	4	4	1	2	Yes	Nil	Nil	Nil	Nil
5.	Mr Navin Suchanti	4	4	Nil	2	Yes	10	Nil	2	Nil
6.	Mr Vikash Kuthari	2	Nil	Nil	Nil	No	Nil	Nil	Nil	Nil

* Chairmanship/membership held on Audit Committee and Investor Grievance Committee in public companies.

The independent directors Mr Prabir Chakravarti and Mr S K Mor retire by rotation at the thirtyfifth annual general meeting of the company and being eligible, offer themselves for reappointment.

Brief resume of the directors being re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships, memberships of the committees of the Board and shareholding are furnished hereunder :

Mr Prabir Chakravarti (63) is an independent director of the Company since 29th June, 1998, BA (Hons.), LLB, MA (Eco) and MBA. He has over 35 years experience in Finance Management, Administration and Law. He is an expert in Labour Laws and Human Resources Development and has represented India in the International Labour Organization. He has also been

on the regional board of the Employees Provident Organisation. Mr Chakravarti is currently on the Board of various other companies viz. Baghmari Tea Company Ltd, Bhoruka Aluminium Ltd (also member of its Audit Committee and Chairman of its Managerial Remuneration Committee), Nicco Financial Services Ltd, Reliance Jute Mills (International) Ltd, Vidula Consultancy Services Ltd, BNK Capital Markets Ltd (also member of Audit Committee), Nicco Corporation Ltd (also member of Corporate Governance & Remuneration Committee), Jayshree Chemicals Ltd (also member of its Audit Committee and Remuneration Committee), SPS Steels Rolling Mills Ltd, BESCO Ltd, Bally Investment Trust Private Ltd and BNK e-Solutions Pvt Ltd. Mr Chakravarti is not holding any shares in the company.