

## Contents

Highlights	3
Notice	4-9
Directors' Report	10-18
Management Discussion & Analysis	19-34
Corporate Governance	35-51
Community Initiatives	52-53
Break-up of Total Income	54
Auditors' Report	55-59
Balance Sheet	60
Profit and Loss Account	61
Cash Flow Statement	62
Schedules to Accounts	63-76
Notes to Balance Sheet and Profit and Loss Account	77-92
Balance Sheet Abstract and Company's General Profile	93
Statement pursuant to Section 212	94-95
Summary of Financial Information of Subsidiary Companies	96
Financial Statistics	97
Consolidated Financial Statements	98-126

**Annual General Meeting  
at Birla Matushri Sabhagar  
on Friday, 4<sup>th</sup> August, 2006  
at 3.30 p.m.**

## Board of Directors

Ratan N. Tata Chairman  
R. K. Krishna Kumar Vice Chairman  
J. J. Bhabha  
N. A. Soonawala  
S. K. Kandhari  
K. B. Dadiseth  
Deepak Parekh  
Jagdish Capoor  
Tejendra Khanna  
Shapoor Mistry  
Raymond N. Bickson Managing Director

Dev Bajpai Company Secretary

### Committees of the Board

#### Audit Committee

S. K. Kandhari Chairman  
Deepak Parekh  
Jagdish Capoor

#### Remuneration Committee

Jagdish Capoor Chairman  
R. N. Tata  
R. K. Krishna Kumar  
N. A. Soonawala

#### Shareholders' / Investor Grievance Committee

N. A. Soonawala Chairman  
R. K. Krishna Kumar  
Raymond N. Bickson

#### Registered Office

Mandlik House, Mandlik Road, Mumbai 400 001.  
Tel: 6639 5515  
Fax: 2202 7442

#### Share Department

Mandlik House, Mandlik Road, Mumbai 400 001.  
Tel: 2202 6260  
Fax: 2202 7442  
Email: [shares.dept@tajhotels.com](mailto:shares.dept@tajhotels.com)

#### Solicitors

Mulla & Mulla & Craigie Blunt & Caroe  
Udwadia and Udeshi

#### Auditors

S. B. Billimoria & Company  
N. M. Raiji & Company

#### Bankers

The Hongkong and Shanghai Banking Corporation Ltd.  
Standard Chartered Grindlays Bank  
Citibank n.a.

Website: [www.tajhotels.com](http://www.tajhotels.com)

## Management

Raymond N. Bickson Managing Director  
Anil P. Goel Sr. Vice President - Finance  
Ajoy K. Misra Sr. Vice President - Sales & Marketing  
Yogi Sriram Sr. Vice President - Human Resources  
Prakash Shukla Sr. Vice President - Technology & CIO  
Rajiv Gujral Chief Operating Officer & Sr. Vice President -  
Mergers, Acquisitions & Development  
Franz Zeller Sr. Vice President & Chief Operating Officer  
Luxury SBU - International  
Abhijit Mukerji Chief Operating Officer - Luxury SBU - India  
Jyoti Narang Chief Operating Officer - Leisure SBU  
Jamshed S. Daboo Chief Operating Officer - Business SBU  
Dev Bajpai Vice President (Legal) & Company Secretary

## Financial Highlights

	<b>2005-2006</b>	2004-2005
	<b>Rupees</b>	Rupees
	<b>(In Crores)</b>	(In Crores)
Gross Revenue	<b>1127.57</b>	873.24
Profit Before Tax	<b>272.00</b>	141.68
Profit After Tax	<b>183.78</b>	105.86
Dividend	<b>77.95</b>	50.25
Retained Earnings	<b>160.80</b>	105.33
Funds Employed	<b>2374.01</b>	2266.44
Net Worth	<b>1715.09</b>	1130.39
Borrowings	<b>544.34</b>	1008.33
Debt : Equity Ratio	<b>0.32 : 1</b>	0.89 : 1
Net Worth per Ordinary Share	<b>293.63</b>	224.95
Earnings per Ordinary Share (Basic)		
Before Extraordinary Item - (In Rupees)	<b>31.47</b>	20.06
After Extraordinary Item - (In Rupees)	<b>31.47</b>	21.06
Earnings per Ordinary Share (Diluted)		
Before Extraordinary Item - (In Rupees)	<b>31.35</b>	17.76
After Extraordinary Item - (In Rupees)	<b>31.35</b>	18.63
Dividend per Ordinary Share - (In Rupees)	<b>13</b>	10
	<b>(130%)</b>	(100%)

## Notice

NOTICE is hereby given that the HUNDRED AND FIFTH ANNUAL GENERAL MEETING of THE INDIAN HOTELS COMPANY LIMITED will be held at the Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, on Friday, August 4, 2006, at 3.30 p.m to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2006, and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare a dividend on Ordinary Shares.
3. To appoint a Director in the place of Mr. R. N. Tata who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. K. B. Dadiseth who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. Deepak Parekh who retires by rotation and is eligible for re-appointment.

### SPECIAL BUSINESS:

#### 6. To appoint Auditors and fix their remuneration

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

**“RESOLVED THAT** pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. B. Billimoria & Company, Chartered Accountants and M/s. N. M. Raiji & Company, Chartered Accountants, be and are hereby re-appointed as Joint Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company to audit the Books of Account of the Company for the financial year 2006-07 on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the audit.”

#### 7. Voluntary delisting of the Company's Ordinary Shares from certain Stock Exchanges

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

**“RESOLVED THAT** subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or enactment thereof for the time being in force and as may be enacted hereinafter] the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to the Board to delist the Company's Ordinary Shares from all or any of the following Stock Exchanges viz.: The Delhi Stock Exchange Association Limited, Bangalore Stock Exchange Limited and Madras Stock Exchange Limited,

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with the legal and / or procedural formalities, including authorising any Committee of Directors or any of the Directors / Officers / Executives of the Company to do all such acts, deeds, matters and things as may be necessary to give effect to the above.”

**NOTES :**

1. The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6 & 7 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, July 18, 2006, to Friday, August 4, 2006, both days inclusive.
4. The Dividend on Ordinary Shares, as recommended by the Directors, if declared at the Annual General Meeting, will be paid on or after August 5, 2006, to the Members whose names appear on the Company's Register of Members on August 4, 2006. As regards shares held in electronic form, the dividend will be payable to the 'beneficial owners' of the shares whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited as at the close of business hours on July 17, 2006.
5. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
6. Dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund nor from the Company thereafter. It may be noted that unpaid dividend for the financial year ended March 31, 1999, is due for transfer to the Investor Education and Protection Fund on November 6, 2006.
7. To avoid loss of dividend warrants in transit and undue delay in the receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by the Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in a physical form and who are desirous of availing of this facility are requested to contact the Company's Share Department at the Registered Office of the Company.
8. Members are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses.
9. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the meeting are annexed.
10. Members desiring any information as regards the Accounts are requested to write to the Company Secretary at an early date so as to enable the Management to reply at the Meeting.
11. Members are requested to kindly bring their copies of the Annual Report to the Meeting.

**By Order of the Board of Directors**

**Dev Bajpai**  
**Vice President (Legal) & Company Secretary**

Mumbai, Dated: June 8, 2006

**Registered Office :**  
Mandlik House,  
Mandlik Road,  
Mumbai 400 001.

## **Explanatory Statement**

### **As required by Section 173 of the Companies Act, 1956 (the Act)**

1. The following Explanatory Statement sets out the material facts relating to the business under Item Nos. 6 & 7 mentioned in the accompanying Notice dated June 8, 2006.

#### **Item No. 6**

2. Section 224A of the Act, provides that in the case of a public company, in which not less than 25% of the subscribed share capital of the Company, is held, whether singly or in any combination by Financial Institutions, Nationalised Banks, Insurance Companies and other Bodies specified in that Section, the appointment of Auditors is to be made by way of a Special Resolution.
3. The shareholdings of the aforesaid Financial Institutions, Nationalised Banks, etc. as on the date of the accompanying Notice is close to 25% of the subscribed share capital of the Company and it may, by the date of the Annual General Meeting, exceed 25% of the subscribed share capital of the Company. Hence, the resolution for re-appointment of the Auditors M/s. S.B. Billimoria & Company and M/s N. M. Raiji & Company, is being proposed as a Special Resolution. As required under Section 224 of the Act, certificates have been received from the Auditors to the effect that their appointments if made, will be in accordance with the limits specified under Section 224(1B) of the Act.
4. The Members' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them. The Board commends the Resolution for acceptance by the Members.
5. None of the Directors of the Company is in any way, concerned or interested in the Resolution at Item No. 6 of the accompanying notice.

#### **Item No. 7**

6. The Company's securities are currently listed on the following Stock Exchanges in India viz. Bombay Stock Exchange Limited (BSE), the National Stock Exchange of India Limited (NSE), The Delhi Stock Exchange Association Limited (DSE), Bangalore Stock Exchange Limited (BLSE) and Madras Stock Exchange Limited (MSE).
7. With the wide and extensive networking centres of the BSE and the NSE, the investors have access to online dealings in the Company's securities across the country. Moreover, the Company's Ordinary Shares are one of the scrips which the Securities and Exchange Board of India has specified for settlement only in demat format.
8. The trading volumes of the Company's Ordinary Shares on the DSE, BLSE and MSE have been dwindling over the past few years and there have been no trades done for the past two years. Neither the Company nor its shareholders derive any value from continued listing on these Stock Exchanges and it would merely add to the administrative costs of listing and compliances. The listing fees paid to the said Stock Exchanges cannot now be justified as they no longer offer commensurate benefits to the Company / its investors and the continued listing on the said Stock Exchanges is not considered necessary. The Board of Directors at its meeting held on June 8, 2006, has therefore decided to apply for the voluntary delisting of the Company's Ordinary Shares from the said Stock Exchanges. The proposed voluntary delisting would further contribute to the cost reduction initiative taken by the Company across various functional areas.

9. The proposed voluntary delisting of the Ordinary Shares from the said Stock Exchanges will not adversely affect any investors, including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary delisting of the Company's Ordinary Shares from the said Stock Exchanges as set out in the resolution at Item No. 7. In terms of the said guidelines, as the Company's Ordinary Shares shall continue to remain listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, no Exit Option is required to be offered to the Members.
10. The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by the Members.
11. None of the Directors of the Company is concerned or interested in the Resolution at Item No. 7.

**By Order of the Board of Directors**

**Dev Bajpai**  
**Vice President (Legal) & Company Secretary**

Mumbai, Dated: June 8, 2006

**Registered Office :**

Mandlik House,  
Mandlik Road,  
Mumbai 400 001.

# The Indian Hotels Company Limited

## Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

NAME OF DIRECTOR	Mr. R.N. Tata	Mr. K. B. Dadiseth	Mr. Deepak Parekh
Date of Birth	28.12.37	20.12.45	18.10.45
Date of Appointment	09.01.84	09.04.00	09.04.00
Expertise in specific functional areas	Eminent industrialist with wide business experience across a variety of industries	Finance & Management	Banking & Finance
Qualifications	B.Sc. Architecture with Structural Engineering from Cornell University, Ithaca, New York (including one year at the Cornell Graduate School of Business Administration)	B. Com; F. C. A. (England & Wales)	B. Com; F. C. A. (England & Wales)

### Details of shares held in the Company

4,398

NIL

NIL

### List of Companies in which outside Directorships held as on 31.03.2006 (excluding private & foreign companies)

1. Tata Sons Limited	1. Nicholas Piramal Limited	1. Housing Development Finance Corporation Limited
2. Tata Industries Limited	2. Siemens Limited	2. Infrastructure Development Finance Company Limited
3. Tata Steel Limited		3. GlaxoSmithKline Pharmaceuticals Limited
4. Tata Motors Limited		4. Mahindra & Mahindra Limited
5. Tata Chemicals Limited		5. Hindustan Lever Limited
6. The Tata Power Company Limited		6. Castrol India Limited
7. Tata Tea Limited		7. Hindustan Oil Exploration Company Limited
8. Tata AutoComp Systems Limited		8. HDFC Asset Management Company Limited
9. The Bombay Dyeing & Manufacturing Company Limited		9. HDFC Standard Life Insurance Company Limited
10. Tata Consultancy Services Limited		10. HDFC Chubb General Insurance Company Limited
11. Tata Teleservices Limited		11. Siemens Limited
12. Tata Teleservices (Maharashtra) Limited		12. Motor Industries Company Limited
13. Hindustan Aeronautics Limited		

**Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company  
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)**

<b>NAME OF DIRECTOR</b>	<b>Mr. R.N. Tata</b>	<b>Mr. K. B. Dadiseth</b>	<b>Mr. Deepak Parekh</b>
			13. Exide Industries Limited (Alternate Director)
			14. Borax Morarji Limited (Alternate Director)
			15. Zodiac Clothing Limited (Alternate Director)
			16. Bharat Bijlee Limited (Alternate Director)
<b>Chairman / Member of the *Committees of other Companies on which he is a Director as on 31.03.2006</b>	N/A	1. Siemens Limited - Audit Committee	1. Glaxo Smithkline Pharmaceuticals Limited - Audit Committee
			2. Mahindra & Mahindra Limited - Audit Committee
			3. Castrol India Limited - Audit Committee
			4. Motor Industries Company Limited - Audit Committee
			5. Hindustan Lever Limited- Audit Committee
			6. Siemens Limited - Audit Committee
			7. Motor Industries Company Limited – Shareholders/ Investor Grievance Committee

\*The Committees include the Audit Committee and the Shareholders' / Investor Grievance Committee.

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the 105<sup>th</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as on that date:

### FINANCIAL RESULTS

Particulars	2005/06 Rupees (In Crores)	2004/05 Rupees (In Crores)
Total Income	1127.57	873.24
Profit before Depreciation, Interest, Tax & Extraordinary Items	358.26	207.30
Less: Depreciation	65.90	56.77
Less: Interest	20.36	31.84
Profit before extraordinary items and tax	272.00	118.69
Add : Profit on sale of hotel and property	-	6.38
Add : Profit on sale of investments	-	16.61
Profit before tax	272.00	141.68
Less: Provision for tax	88.22	35.82
Profit after tax	183.78	105.86
Add: Balance brought forward from the previous year	81.90	44.34
Profit before Appropriations	265.68	150.20
<b>APPROPRIATIONS</b>		
(i) General Reserve	20.00	11.00
(ii) Dividend:		
A dividend of 130% i.e. Rs 13/- per Ordinary Share on 58,404,859 Ordinary Shares was recommended by the Board of Directors. (Refer Note 3 (d) Page 80) (In respect of the previous year, a dividend of 100% i.e. Rs.10/- per Ordinary Equity Share was declared and paid to the shareholders)	77.95	50.25
Tax on Dividend	10.93	7.05
(iii) Balance carried to Balance Sheet	156.80	81.90
	<b>265.68</b>	<b>150.20</b>

### INCOME

The total income for the year ended March 31, 2006 at Rs. 1127.57 crores was higher than that of the previous year by 29%. During the year under review, the Company crossed the Rs 1000 crore landmark for the first time.

Room Income was higher than the previous year by 33%. The Average Room Rate (ARR) increased by 31% over the previous year, contributing significantly to the total increase in room income, with a sizeable increase attributable to higher room inventory as well.

Food & Beverage (F&B) income was 21% higher than the previous year. Out of the aggregate increase in F&B income, Rs. 7.3 crores was on account of new outlets at Taj Mahal Palace and Tower, Mumbai, Taj West End, Bangalore and Taj Connemara, Chennai. Banquets income grew by 26% over the previous year.

#### **INTEREST AND DEPRECIATION**

Interest cost was substantially lower at Rs. 20.36 crores for the year ended March 31, 2006 as compared to Rs. 31.84 crores in the previous year. The reduction in the interest cost was due to conversion of FCCBs into equity and healthy operational cash flow.

Depreciation for the year was higher due to incremental depreciation on new additions to fixed assets.

#### **PROFITS**

Profit before Extraordinary Items and Tax at Rs. 272.00 crores was significantly higher than the previous year by 129%. Profit before Tax at Rs. 272.00 crores and Profit after Tax at Rs. 183.78 crores were also significantly higher by 92 % and 74%, respectively over the previous year.

#### **DIVIDEND**

Your Directors are pleased to recommend a dividend of 130 % or Rs. 13 /- per Ordinary Share in respect of the year ended March 31, 2006. Dividend at the same rate is also recommended to be paid on those Ordinary Shares that may be allotted by the Company on conversion of FCCB's issued by the Company upto July 18, 2006, (as per the prevailing rules) being the commencement date of the closure of the Company's Register of Members and Share Transfer Books.

#### **FCCB ISSUE**

During the year under review, the Company has received requests for conversion of the Bonds for a total of US\$ 90.23 million resulting in reduction in FCCB liability to US\$ 2.86 million and increase in the equity capital from Rs. 50.25 crores to Rs. 58.41 crores.

#### **BORROWINGS**

The total borrowings stood at Rs. 544.34 crores as on March 31, 2006 as against Rs. 1008.33 crores as on March 31, 2005. The total reduction of debt during the year amounted to Rs. 463.99 crores. While repayment of debt amounted to Rs. 69.57 crores, a reduction of Rs. 394.42 crores was on account of conversion of the FCCB liability into equity.

#### **CAPITAL EXPENDITURE**

During the year under review, the Company incurred Rs. 72.20 crores towards capital expenditure. Major expenditures were incurred on Taj Mahal Palace & Tower, Mumbai, Taj Mahal, Delhi, Jai Mahal Palace, Jaipur, Taj Connemara, Chennai.

#### **BUSINESS OVERVIEW**

The Travel and Tourism Industry worldwide has grown significantly during 2005/06. This has been a year of buoyancy and further consolidation on the gains made by the Tourism Industry globally since 2004/05. On the back of a successful year that the Industry witnessed in 2004/05, barring the effect of the tsunami, the growth trend continued.

As per the revised estimates released by the Central Statistical Organisation, real GDP grew at the rate of 8.4 per cent during 2005-06. Against the annual average growth rate of 8% envisaged in the Tenth Five Year Plan (2002/03 to 2006/07), the average rate is estimated to have been 7% in the first four years ending in 2005/06.

Services Sector growth continues to be broad based with the three sub sectors namely Trade, Hotels, Transport and Communications. Services continue to lead by growing at double digit rates for the third successive year.

The business outlook for the year ahead is expected to be positive. General economic conditions remain bullish for the coming year. The hotel industry expects this bullishness to drive tourist traffic globally and in the domestic market. This will

drive business travel into India and the hospitality industry would benefit. The Company is actively pursuing targeted destinations to take advantage of the business potential in those markets. Notwithstanding the fact that several international hotel chains and domestic business houses have made announcements about their foray into the various segments of the hospitality industry, the domestic market continues to present a favourable demand-supply position vis-à-vis your Company. This, coupled with the increasing attraction of India as a tourist destination for business and leisure, presents the hospitality industry with an opportunity to consolidate on the gains of 2005/06 and look forward to a sustainable profitable growth in the years to come. Your Company, being a leader in most markets in the luxury and leisure segments, expects to achieve sustained growth in turnover and profitability.

## **THE TAJ WAY**

Your Company, along with its subsidiaries and associates operating under the Taj brand, is in a unique position to leverage its competitive advantage in the buoyant global and domestic environment. Several initiatives have been taken by your Company in this regard. A brief summary is given below with details in the section - Management Discussion and Analysis.

### **Product Upgrades**

Continuing with its ongoing programme of investing in renovation and upgradation of its properties, the Company continued to renovate rooms and suites at the Taj Mahal Palace & Tower, Mumbai and Taj West End, Bangalore, Taj Holiday Village, Goa and the Jai Mahal Palace, Jaipur. Renovation was also undertaken by your Company at associate companies' hotels of Taj Residency, Bangalore, Taj Blue Diamond, Pune, Taj View, Agra, Taj Residency, Vishakapatnam. The lobby and public areas of Taj Residency, Bangalore were also completely renovated.

'Wink', the bar at Taj President, Mumbai designed by internationally renowned designers, Superpotato, was launched during the year. 'Pure' the restaurant for organic living, operated by Michel Nischan from Philadelphia was launched in May, 2006 in Taj Lands End, Mumbai. The "Ice" bar at Taj Residency, Bangalore, the "Beachhouse" at Taj Holiday Village, Goa and the "Verandah" restaurant, Hip Asia and the Distel Bar were all launched at Taj Connemara, Chennai, during the year. The renovated products and new outlets were very well received in the market.

In the coming years, several Food and Beverage outlets with innovative themes, with some by international celebrity Chefs, will continue to be launched.

### **Expansion in Domestic and International Markets**

During the year, your Company added 583 rooms to its portfolio by expanding its presence both in international destinations and within India. The Company acquired, through a lease arrangement, The Pierre hotel in New York and through an outright purchase, a hotel in Sydney. The management contracts for Palm Island, Jumeirah in Dubai, Langkawi in Malaysia and Thimphu in Bhutan, were secured last year. The Company is looking for opportunities for growth in countries like China, Thailand, South Africa, Qatar and Morocco.

In the rapidly expanding domestic space, the company has started development / construction activities in the business destinations of Whitefield, Bangalore, Santa Cruz, Mumbai, Racecourse Road, Coimbatore and the luxury Falaknuma Palace in Hyderabad. With the upgradation of the premium hotel brand, the Company is now aggressively exploring the mid-market space through the "Gateway" brand. New management contracts were signed for properties in Vijaywada and Chennai and the existing Holiday Inn in Surat, has been taken over as a Gateway Hotel effective April 1, 2006. The Company is also looking at brownfield expansions of existing properties as a part of its overall expansion programme.

### **Service Excellence**

Your Company continues to take significant steps to enhance guest experience by improving the product and service levels to be in line with the best-in-class hotels. Operating and service indices are benchmarked against key international luxury hotel chains. Strengthening of personalized services for discerning guests - personal butler services, concierge and door associates has been continued this year, with special focus on Palace and Luxury hotels. Further, the Learning & Development

team is continuously reinforcing the 'Taj Service Standards' - the main drivers of the Taj Brand for guests, so as to ensure consistency in guest experience. Standard operating procedures derived from the brand standards for each area have been implemented in all operating units. Further, to ensure that these standards are consistently implemented and sustained across the organization, a robust third party audit system has been initiated. Learning from these audits has been incorporated into practice and procedures have been revised where necessary.

The focus on employee involvement in improving processes to ensure guest delight is reflected in the 70 process improvement teams across the Strategic Business Unit (SBUs). These teams meet, analyze and implement improvements in operational processes.

Implemented in December, 2005, the online Customer Feedback System (CFS) has enabled individual hotels to customize and improve their products and services based on the feedback received from the guests. The online CFS allows guests to record their feedback on the entire gamut of products and services being offered by Taj hotels, at their convenience.

### **Marketing Alliances**

In the year 2005/06 your Company entered into its second marketing alliance. The first such alliance was entered into with Raffles Hotels and Resorts encompassing 14 Taj Luxury Hotels and 15 Raffles Hotels. During this year, the Company tied up with Shilla Hotels and Resorts, Korea. The alliance will give an opportunity to your Company to undertake cross-promotional activities in each of the alliance partners markets and will also provide an opportunity to work together on loyalty programmes and give our Guests the benefit of redeeming their points at the various participating hotels. Your Company also proposes to have similar such marketing alliances with other hospitality chains for similar synergies.

### **Information Technology**

During the year 2005/06, the Company has initiated more services oriented towards guest satisfaction and effective operations.

The National Call Center has now been upgraded to an International Call Center to enable a global reach. To facilitate business continuity in the event of a catastrophe at the Call Center, an alternate call center with limited resources has been put into service in Chennai, a different geographically and seismic location.

In view of the positive guest response to the "In room" entertainment systems deployed at the Taj Palace and Tower Hotel, Mumbai and the Taj Wellington Mews Luxury Residencies, Mumbai, it has been proposed to roll out these systems in more Luxury properties, with additional services.

Last year, the Group headed towards an integrated, unified Back Office System by launching Project Orion. This was deployed in certain key properties. The positive impact of this initiative is visible.

More properties are now under implementation, the goal being to cover all key Hotels. HR functions will also be added to the system to enable uniform HR policies and functions.

### **SUBSIDIARIES**

The Company, along with its Subsidiaries and Associates is today in a unique position in the hospitality industry and has branched into budget hotels and wildlife lodges, in addition to its traditional hotel operations business.

The Company has obtained an exemption from the Department of Company Affairs (DCA) for publication of the Accounts of its Subsidiaries under the provisions of Section 212 of the Companies Act, 1956. The accounts of the Subsidiary Companies are not separately included in the Annual Report. However, the Consolidated Financial Statements of the Subsidiaries, Joint Ventures and Associates, in accordance with Accounting Standard 21 of the Institute of Chartered Accountants of India, duly audited by the Statutory Auditors, form a part of Annual Report and are reflected in the Consolidated accounts.

The Financial Statements of the Subsidiary Companies and other detailed information will be made available to the investors seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be available for inspection at the head office of the Company as well as the respective head offices of Subsidiary Companies.

## **LISTING**

The Ordinary Shares and Debentures of your Company are listed on the Stock Exchanges at Mumbai, Delhi, Bangalore and Chennai as well as the National Stock Exchange, Mumbai. The Global Depository Shares issued by the Company are listed on the London Stock Exchange. The FCCB's issued by the Company are listed on the London Stock Exchange. There is a proposal to delist from the Stock Exchanges at Delhi, Bangalore and Chennai, which is detailed at Item No. 7 under Special Business of the Notice of the Annual General Meeting.

## **FIXED DEPOSITS**

The Company accepts/renews fresh deposits only from the Members of the Company at a rate of 6.25% p. a. for a period of three years with the minimum amount of the deposit being Rs. 25,000.

The outstanding amount of fixed deposits placed with the Company amounted to Rs. 9.76 crores (previous year Rs. 27.05 crores) including Rs. 1.28 crores (previous year Rs. 0.59 crores), which remained unclaimed by depositors as on March 31, 2006.

## **DIRECTORS**

In accordance with the Companies Act, 1956, and the Articles of Association of the Company, three of your Directors, viz. Mr. R.N. Tata, Mr. Deepak Parekh and Mr. K. B. Dadiseth retire by rotation, and are eligible for re-appointment.

Owing to other commitments, Mr. M. Valli Moosa had resigned as a Director of the Company during the year. The Board places on record its appreciation for the contribution made by Mr. Valli Moosa during his tenure as Director.

## **CORPORATE GOVERNANCE**

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of conditions of Corporate Governance, form part of the Annual Report.

## **AUDITORS**

The Members are requested to re-appoint M/s. S.B. Billimoria & Co., Chartered Accountants, Mumbai and M/s. N.M. Raiji & Co., Chartered Accountants, Mumbai as Joint Auditors for the current year and authorise the Board of Directors to fix their remuneration.

## **FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1)(e) of the Companies Act, 1956, read with rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the information relating to foreign exchange earnings and outgo is in Note Nos. 19 & 20 of the Notes to Balance Sheet & Profit and Loss Account.

## **STAFF**

As required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement of information relating to the employees has been given in the Annexure to the Report and forms a part of it.

The Board desires to place on record, its appreciation to all employees of the Company who during the year under review with sustained dedicated effort, enabled the Company to deliver a good all-round record performance.

## **DIRECTOR'S RESPONSIBILITY STATEMENT**

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

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
- ii. It has in the selection of the accounting policies, consulted the Statutory Auditors and has 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 as at March 31, 2006 and of the profit of the Company for that period.
- iii. It has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records.
- iv. It has prepared the annual accounts on a going concern basis.

## **GLOBAL COMPACT**

As part of the Tata Group, your Company had signed up to promote the United Nations "Global Compact" which lays down ten key principles to specifically address issues in the areas of human rights, labour, corruption and the environment. Your Company continues to be an active member of Global Compact. Your Company annually submits a 'Corporate Sustainability Report' detailing its economic, environmental and social performance.

**On behalf of the Board of Directors**

**Ratan N. Tata**  
**Chairman**

Mumbai, June 8, 2006

**Registered Office:**

Mandlik House  
Mandlik Road  
Mumbai 400 001

## ANNEXURE TO THE DIRECTORS' REPORT

**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF THE EMPLOYEES) RULES 1975 & FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2006.**

Name of Employee	Designation / Nature of Job	Age as on 31/3/2006	Gross Remuneration Rs.	Net Remuneration Rs.	Qualification	Experience (No. of Years) 31/3/2006	Last Employment Held	Commencement of Employment
Arora S.K.	Director (Food Production) Taj Sats Air Catering Limited	60	43,28,917	27,72,417	Dip. In H.M.C.T., Dip. Spl. Hotel Management	38	First Employment	September, 1967
Ananda S.	Corporate Chef - Business Hotels Division & Executive Chef - Taj President Hotel, Mumbai	50	47,07,031	30,83,264	Dip. In H.M.C.T	23	Hotel Blue Diamond	March, 1990
*Bajpai Dev	Vice President - Legal & Company Secretary	40	17,17,737	11,71,807	B.Com, LLB, F.C.S	18	Marico Industries Limited	February, 2006
Batliwala S.R.(Ms.)	Vice President - Food & Beverage	55	39,57,363	25,78,789	Dip. In H.M.C.T., Post Dip. In Spl. Hotel Mgmt., F.H.C.I.M.A. (UK)	35	First Employment	May, 1970
Beri D K	Vice President - Business & Corporate Affairs	57	28,40,145	18,44,595	B.Sc. Dip. In H.M.C.T Advance Dip. In Hotel Management (Germany)	35	ITDC	January, 1982
Bickson. R	Managing Director	50	2,96,84,530	1,97,54,705	Advance Mgmt. Program - Harvard University Boston, MA, USA International Senior Managers Program - Harvard University Boston, MA, USA Financial Mgmt. Course - Cornell University (U S A) Production & Services - Ecole Lernania de Lausanne, Switzerland Honorary Doctorate in Hospitality Management from Johnson & Wales University, USA	33	The Mark Hotel New York, U.S.A	January, 2003
Chandrasekhar N.	Vice President - Finance	43	25,23,541	16,98,135	B. Com, A.C.A	20	M/s. Brahmaya & Co. Chartered Accountant Madras	December, 1986
Chawla Simi Kumar (Ms)	Vice President - Internal Audit	41	31,19,054	20,90,279	B.Com., A.C.A	18	Tata Administrative Service	June, 1988
**Daboo Jamshed	Chief Operating Officer - Business Division	43	49,04,819	31,58,006	B.E. (Mech.), PGDBM (Marketing & Finance)	19	Tata Administrative Service Titan Industries Ltd.	July, 2000
Deodhar K D	Director - Engineering Services	59	24,56,382	16,23,806	B.E. (Mech)	36	First Employment	December, 1969
Diwan Rajendra Kumar	Director - Operations (TSACL)	58	26,74,762	17,19,330	H.S.C	37	V.P Operations - Ambassador "Sky Chef"	September, 1992
Dutt Salil Kumar	Chairman - Taj Trade & Transport Company Limited	57	26,80,629	17,48,852	B.A, Dip In H.M.C.T	33	First Employment	October, 1973
*Fernandes C. (Ms.)	Vice President- Business Excellence	52	18,61,509	12,87,881	Dip. In H.M.C.T	30	First Employment	June, 1975
Goel Anil P.	Senior Vice President - Finance	49	83,40,151	50,39,038	B.Com.(Hons.) A.C.A	24	Tata Tea Limited	July, 2004

Name of Employee	Designation / Nature of Job	Age as on 31/3/2006	Gross Remuneration Rs.	Net Remuneration Rs.	Qualification	Experience (No. of Years) 31/3/2006	Last Employment Held	Commencement of Employment
Guha Sumit	Vice President - Projects & Development	39	31,63,372	20,43,774	B.E (IIT) Kharagpur, PGDM (IIM Ahmedabad)	16	Tata Administrative Services Titan Industries Ltd.	June, 1990
Gujral R.	Chief Operating Officer & Senior Vice President - Mergers, Acquisitions & Development	55	52,46,371	33,66,336	B B M ( Mkt.), FHCIMA	33	Quality Traders	August, 1973
Jain Sanjay	Director - Finance (Luxury Division)	42	25,25,899	16,16,024	A.C.A, A.C.S	16	Fixwell Pushin Cords Ltd	February, 1993
Jamal Farhat	Vice President (Mumbai Hotels) & General Manager - Taj Mahal Palace & Tower, Mumbai	48	35,13,466	22,69,567	Dip. In H.M.C.T	28	First Employment	May, 1978
Kumar Perpetua (Ms)	Director - ITPL Project, Bangalore	51	28,85,302	19,12,939	B.A.(Hons.)	23	First Employment	August, 1976
*Mahalingam S	Vice President - Finance (Europe)	48	21,82,280	14,65,094	B.Com, A.C.A	24	Ranbaxy Group	April, 1999
*Malhotra Dev	General Manager - Special Assignment, Chennai	54	22,77,678	16,05,466	B. A, Dip in Hotel Management, Dip In Food Prodn	29	ITDC	December, 1991
Misra A.K.	Sr.Vice President - Sales & Marketing	49	66,10,969	41,86,136	B.E.(Hons.)-Civil, M.B.A.	26	Tata Administrative Services	June, 1980
Misra Deepa H (Ms.)	Vice President - Marketing	48	35,26,808	22,76,068	B.A, M.A (English.), Dip. In Journalism	22	Fashion Magazine	July, 1983
*Mitra Avijit	Vice President - Finance	45	31,87,671	20,98,612	B.Com., A.C.A	23	Tata Tea Limited	February, 1999
Mohankumar P K	Area Director (Bangalore) & General Manager - Taj West End, Bangalore	54	34,06,374	21,97,684	Dip. In. H.M.C.T	32	First Employment	June, 1974
Momen Faisal	Chief Operating Officer - Taj Trade & Transport Company Limited & Inditravel Private Limited (Part of Portfolio)	37	30,05,225	20,29,067	B.B.A (Wharton School of Business) University of Pennsylvania	14	White Cliff Tea (P) Ltd.	April, 2005
Mukerji A.	Chief Operating Officer - Luxury (India)	43	45,66,577	29,89,123	B.Com. Dip. In Hotel. Management, MBA - Cornell -Essec, CHA, TGMP (Harvard University)	21	First Employment	December, 1984
Nair S. (Ms.)	Vice President - Special Projects	42	33,16,994	21,83,454	B.Sc., PGDM	20	Mathura Restaurant Woodlands Group	June, 1986
**Narang J. (Ms.)	Chief Operating Officer - Leisure Division	48	46,01,507	29,37,278	B.A. (Eco), M.B.A	27	Spica Group of Industries	October, 1982
*Nariman B.D.	Senior Vice President - Legal & Company Secretary	51	40,31,865	27,67,761	B.Com.,F.C.S	31	KEC International Ltd.	May,1998
Oberoi H.K.	Corporate Chef - Luxury Hotels Division & Executive Chef Taj Mahal Hotel, Mumbai	51	60,84,247	39,72,258	Dip. in H.M.C.T.	31	First Employment	July, 74
*Patel M.	Chairman Taj Trade & Transport Company Limited	60	41,98,317	28,48,341	Dip in Hotel Management	35	Ritz Hotel	July,1971
Rao P.	Vice President - Materials	54	31,50,135	20,82,563	B.Sc., A.C.A	27	ITC Hotels Ltd.,	September, 1999
*Sankaranarayanan A (Ms)	Director - Marketing	37	11,95,033	833,386	B.A(Hons.), PGDM	14	Tata Administrative Services	June, 1992

# The Indian Hotels Company Limited

Name of Employee	Designation / Nature of Job	Age as on 31/3/2006	Gross Remuneration Rs.	Net Remuneration Rs.	Qualification	Experience (No. of Years) 31/3/2006	Last Employment Held	Commencement of Employment
Sarswata Arvind	Director Food Production (TSACL)	60	41,45,320	26,61,364	Dip. In H.M.C.T., Dip. In Spl. Hotel Mgmt., MHCI (London)	37	First Employment	August, 1968
Saher Pervez Pestonji	Senior Operator	57	86,36,542	57,54,546	S S C	32	First Employment	January, 1974
*Seth Vimal	General Manager - Taj Coral Reef, Maldives	55	13,48,716	9,83,552	Chemical Engineer	33	Baroda Rayon	January, 1976
Sethi Sanjay	Area Director (Hyderabad) & General Manager - Taj Krishna, Hyderabad	41	24,53,530	16,18,647	Dip. In. H.M.C.T	18	General Manager, Bogmalo Beach Park Plaza Resort, Goa	October, 1999
*Singh Veer Vijay	Area Director (Sri Lanka) & General Manager - Taj Samudra, Colombo	51	26,11,085	18,15,748	Dip. In H.M.C.T	29	First Employment	December, 1976
Srinivasan K S	Vice President - Human Resources	47	35,22,518	23,25,350	B.Com.(Hons)L.L.B, PGDPM CHRE	22	Hyderabad Allwyn Ltd,	April, 1989
*Swamy Sridhar	Vice President - Megers & Acquisition (Finance)	39	19,72,867	13,34,650	B. Com. A.C.A	19	KPMG India Pvt Ltd	May, 2004
Taneja Sunil	Director - Marketing & Business Development (TSACL)	46	24,44,124	15,94,438	B.Com, Dip In Hotel Management, MHCIMA	26	First Employment	September, 1980
**Vesavevala Rustom	Head - Learning & Development	42	28,05,329	19,09,977	B. Com, M.M.S	18	Tata Administrative Services	June, 1989
Warty S.P.	Sr. Vice President - Corporate Affairs	60	33,34,292	21,90,874	Dip. in H.M.C.T.	37	First Employment	July, 1968
Yogi Sriram	Sr. Vice President - Human Resources	51	43,64,759	28,21,165	M.A in Personel Management & Industrial Relations (TISS), L.L.B, MBA Diploma in Training & Development (ISTD)	29	B.P. India Services Pvt. Ltd	May, 2005

Note :

1. Net Remuneration is arrived at by deducting from the remuneration received, Income Tax, Company's Contribution to Provident Fund and Superannuating Fund.
2. All employees are entitled to Gratuity, Medical Benefits & Leave Travel Assistance as per rules of the Company.
3. All the employees have Adequate experience to discharge the responsibilities assigned to them.
4. The nature of employment in all cases is contractual.
5. No Employee is related to any director of the Company.
6. None of the above employees hold more then 2% of paid up capital of the Company.
7. \*Employed only for part of the year.
8. \*\*Change in Strategic Business unit/Function effective 01/04/2006.

## Management Discussion and Analysis

In line with the international practice, The Indian Hotels Company Limited (IHCL) has been reporting consolidated results taking into account the results of its Subsidiaries, Joint Ventures and Associates (together referred to as 'the Group'). This discussion, therefore, covers the financial results and other Group developments during April, 2005 to March, 2006, in respect of the Group.

Some statements in this discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various factors such as changes in Government Regulations, Tax Regimes, Economic Developments within India and the countries within which your Company conducts its business, exchange rates and interest rates fluctuations, impact of competition, demand and supply constraints.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

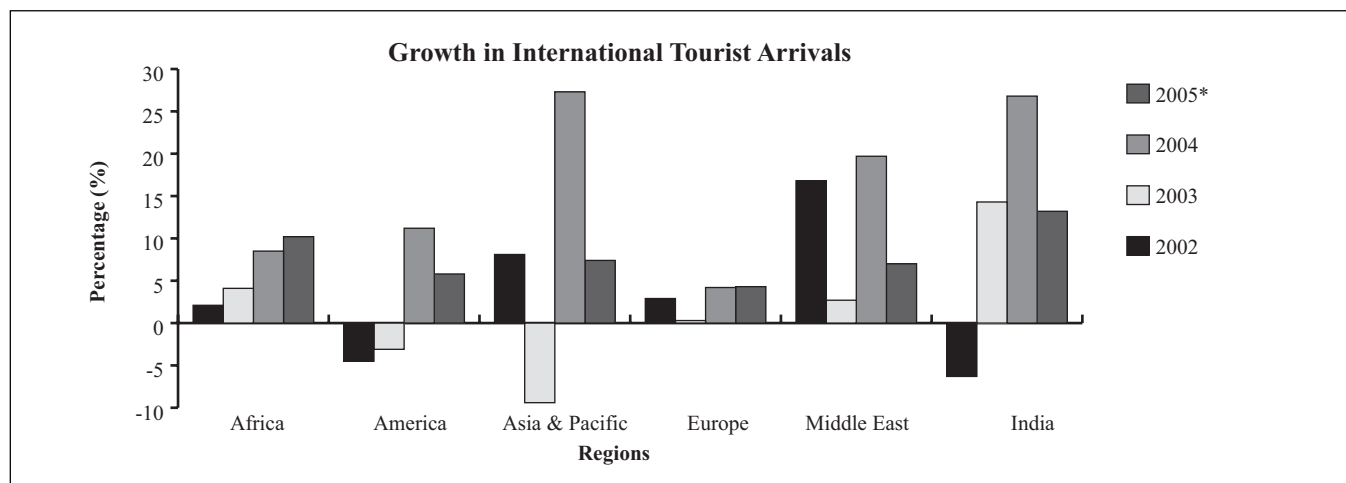
#### An Overview of the Global Tourism Industry

The Travel and Tourism Industry worldwide has grown significantly during 2005/06. The forecast for this industry globally over the next ten years is positive. World wide in 2005/06, the Travel and Tourism Industry is expected to have recorded US \$ 6201 bn for economic activity (total demand) and this is forecast to grow to US \$ 10679 bn by 2015.

The year 2005/06 has been a year of buoyancy and further consolidation on the gains made by the Tourism Industry globally since 2004/05. On the back of a successful year that the Industry witnessed in 2004/05, barring the impact of the Tsunami, the growth trend continued. This is corroborated by the report of the World Travel and Tourism Council (WTTC) released in April, 2006 which reinforces the fact that the Industry has had a good year and the forecast for the future is also bright. The WTTC report states that the record robust recovery started in 2004 and continued in 2005 at a healthy rate. WTTC also reported that the December, 2004, Tsunami which struck some tourist destinations around the Indian Ocean, had significant but limited overall impact on the tourism economies. In the report, the top ten Travel and Tourism Economies have also been brought out. India stands at no. 3 position, with an annualised real growth rate of 8.3%. The Industry experienced the highest growth since 1976.

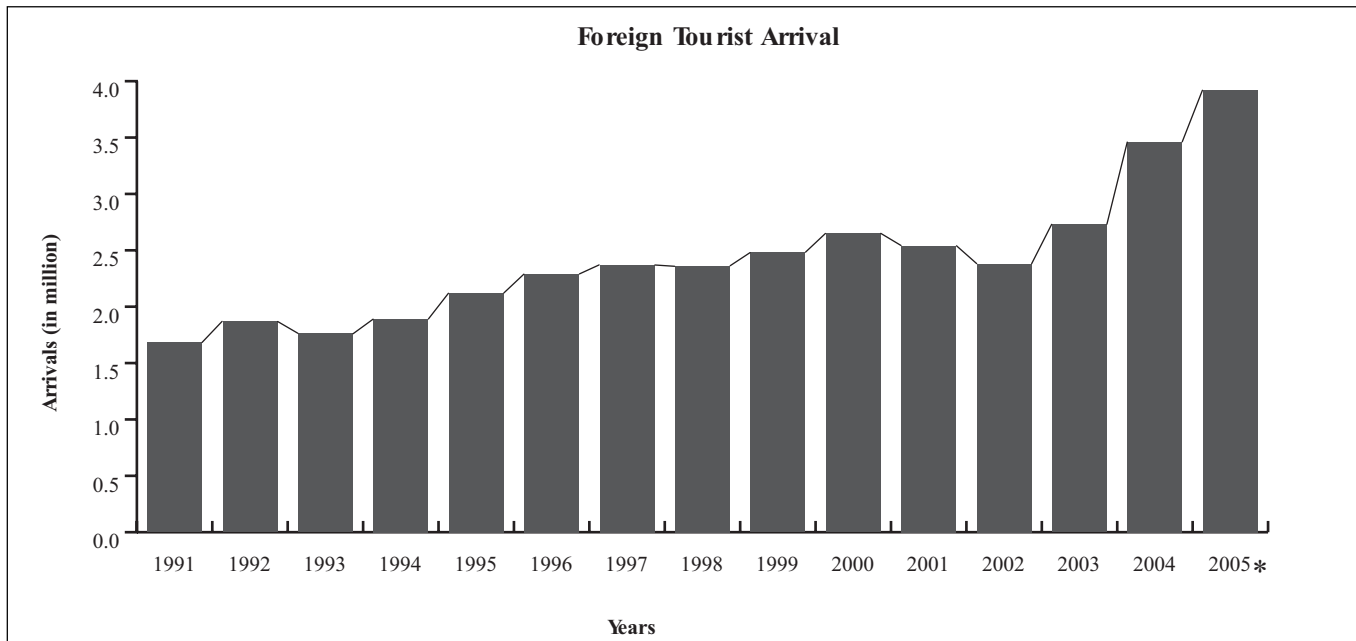
The following charts bring out the composition of the International Tourist arrivals by region. According to forecasts published by Pacific Asia Travel Association (PATA) for the period upto 2007, international travel is expected to grow at 10% annually.

#### Region-wise growth in International Tourist Arrivals



Sources : Department of Tourism (\* Provisional)

## Foreign Tourist Arrivals to India



Sources : Department of Tourism (\* Provisional)

## Indian Economy & the Tourism Industry

As per the revised estimates released by the Central Statistical Organisation, real GDP grew at the rate of 8.4% during 2005-06. Against the annual average growth rate of 8% envisaged in the Tenth Five Year Plan (2002/03 to 2006/07), the average rate is estimated to have been 7% in the first four years ending in 2005/06. Maintenance of growth at or above 8% in 2006/07 will yield a plan period annual average growth rate of at least 7.2%. Clearly, the growth trends for the last three years appear to indicate the beginning of a new phase of cyclical upswing in the economy.

Services Sector growth continues to be broad based with the three sub sectors namely Trade, Hotels, Transport and Communications Services continuing to lead, by growing at double digit rates for the third successive year.

The sustained growth in the economy brought about the requisite buoyancy in the economy and improved investor confidence and business sentiments within the country. The health of the economy has a multiplier effect on the tourism industry, which in turn, contributes to economic development and employment generation. Apart from its direct contribution to the economy, tourism has significant positive linkages with several other sectors like agriculture, horticulture, poultry, handicrafts and construction.

The Government has laid special emphasis on the Services Sector. Foreign tourist arrivals numbered around 4.01 million in 2005/06 which is still a fraction of the potential that India has to offer. The Ministry of Tourism, Government of India has embarked upon an ambitious plan under which it will:

- Take up the development of 15 tourist destinations and circuits following an integrated area development approach.
- Identify 50 villages with core competency in handicrafts, handlooms and culture, close to existing destinations and circuits and develop them for enhancing tourists' experience and promoting rural tourism.

- Establish 4 new Institutes of Hotel Management in the States of Chattisgarh, Haryana, Jharkhand and Uttaranchal.

The Government has also decided to increase the Plan allocation from Rs. 786 crores to Rs. 830 crores during 2006/07 for the Tourism Industry.

In addition to the above promotional measures, some measures already implemented include:

- The 'Incredible India' campaign initiated last year to promote the country as a destination;
- Treatment of convention centres as part of core infrastructure, allowing critical funding for the large investments required;
- Formation of an inter-institutional group to pool in Rs 40,000 crores for airports, seaports and the tourism sector;
- Upgrading 28 regional airports in smaller towns targeted for completion in 2006;
- Finalisation of plans and selection of private sector partners for modernization of Delhi and Mumbai international airports;
- As part of the Open Skies Policy, removal of restrictions on international flights to India, permission to domestic aviation companies to operate on international sectors and increasing operators of low cost airlines;
- Upgrading of national highways to expressways connecting the major cities and towns in India;

All the above led to a significant growth in the Indian inbound tourism industry, both international and domestic. During the year, foreign tourist arrivals registered a growth of 11% from 3.61 million to 4.01 million, which was driven mainly by business travel. Domestic travel is estimated to have grown in the region of 20% over the last year. Domestic leisure tourism is growing rapidly, driven by higher disposable income, lower airfares propelled by low cost carriers and evolution of technology in reservation channels, availability of package tours funded by easy loans or instalments, etc. Domestic business travel continues to grow, sustained by a buoyant economic environment.

### **Sources of Competitive Advantage**

Your Company operates hotels under the "Taj Hotels Resorts and Palaces" brand and is the largest hotel chain in South Asia. It comprises of hotels with 9082 rooms and over 200 Food and Beverage outlets. The total number of hotels which are owned or managed by the Company are 75 as against 67 in 2004/05. Internationally, the Company has hotels, among other locations, at Maldives, Mauritius, Seychelles, Malaysia, UK, Bhutan, Sri Lanka, Africa, Middle East, Australia and the USA. Your Company owns, either directly or through its associates and partners, properties in many key business and leisure destinations and has built for itself several sources of competitive advantage as enumerated below:

- **Branding**

The "Taj" brand today has a strong image and reputation which has been built over the years by consciously investing into brand building, evolving high brand standards and adhering to the same with the objective of providing an exclusive TAJ experience to the Guest. The brand equity is further strengthened by the ownership and backing of Tatas, a Group with varied business interests, operating in several countries & enjoying high credibility.

- **Infrastructure**

The Company has properties at prime locations in India. It has the largest portfolio of Indian Original Palaces and largest chains of Hotels in South Asia. The Sales and Marketing network, the network of Partners and Associates, Reservation network and the Information Technology Services add to a robust and strong infrastructure.

## ▪ **Best ‘In Class’ Services**

The Company has been a pioneer in Food and Beverage experience in India. The Company has in the recent past, launched Jiva Spas in some of its properties, which provide rejuvenation and treatments based on Indian systems of traditional medicine namely the ayurvedic and yogic systems, set in an international ambience.

## **Opportunities**

The Group is poised strategically to take advantage of the following situation:

- In the backdrop of a healthy economy having its positive fallouts on the Tourism Sector leading to rapid growth in markets in India, South Asia and key gateway cities in source-market destinations.
- Rapid expansion in both International and Domestic destinations, with top-of-the-line Luxury, Leisure and Business properties.
- Meeting growing demand in the budget and mid-market segments.
- Extending the product portfolio into related offerings viz. luxury residences, wildlife lodges and health spas.

Key initiatives taken by your Company during the year are discussed in a separate section.

## **Threats**

The threats identified by the Group are related mainly to the markets in which the Group operates and general factors related to the tourism industry. Significant among these are:

- Cheaper international airfares, increasing affordability of travel to International destinations, especially South East Asia, Europe and Australia.
- Growing presence of international hospitality chains competing in the Luxury and Business segments, to meet excess demand situation.
- Appreciating Indian Rupee vis-à-vis the US Dollar, resulting in lower realisation on foreign exchange earnings.
- Slowdown of international demand resulting in reduction of revenues.

These threats and the Group’s strategy to overcome them have been discussed in detail in the section on Risks and Concerns and the Risk Mitigation Initiatives.

## **Update on Key Initiatives**

### **New Properties**

During the year, your Company added 583 rooms to its portfolio by expanding its presence both in international destinations and within India. The Company acquired, through a lease arrangement, the Pierre Hotel in New York and through an outright purchase, a hotel in Sydney. Project work on the management contracts at Palm Island, Jumeirah in Dubai, Langkawi in Malaysia and Thimphu in Bhutan, which were secured last year, has commenced and the Langkawi hotel and Bhutan hotel are expected to open during the current financial year. The Company is looking for opportunities in China, Thailand, South Africa, Qatar and Morocco among other countries.

In the rapidly expanding domestic space, the Company has started development / construction activities in the business destinations of Whitefield - Bangalore, Santa Cruz - Mumbai, Racecourse Road - Coimbatore and the luxury Falaknuma Palace in Hyderabad. With the upgradation of the premium hotel brand, the Company is now aggressively exploring the mid-market space through the Gateway brand. New management contracts were signed for properties in Vijayawada and Chennai and the existing Holiday Inn in Surat, has been taken over effective April 1, 2006. The Company is also looking at brownfield expansions of existing properties, as a part of its overall expansion programme.

## Spas

In the year 2003/04, your Company had initiated the development and launch of its own exclusive concept of a Spa, based on the Indian system of traditional medicine namely the ayurvedic and yogic system set in an international ambience. The 'Jiva Spa' is an international standard Spa, with unique treatment menus adapted to local traditions, in contemporary settings. During the last year, Jiva Spas were launched in 5 locations under two brands viz the high end 'Jiva Grande Spa' and the smaller 'Jiva Spa'. During the year 2005/06, Jiva Spas in several other hotels of the Taj Group have been launched across the country and abroad, to further consolidate on the Spas initiative that the Company has embarked upon. These are:

- Taj Exotica, Bentota, Sri Lanka
- Taj Exotica Resort & Spa, Maldives
- Taj Lake Palace, Udaipur
- Umaid Bhavan Palace, Jodhpur
- Taj Exotica, Goa
- Fort Aguada Beach Resort & Taj Holiday Village, Goa
- Fisherman's Cove, Chennai
- Taj Chandigarh, Chandigarh

## 'Smart Basics' Hotels

The first of the hotels under this segment was launched in Whitefield, Bangalore in June 2004 and was initially branded as indiOne™. Subsequently, it was decided to launch the new hotels with a new brand name that was truly in sync with the fresh, simple yet stylish and warm world of Smart Basics, namely "Ginger" Hotels. Landor Associates, globally recognised branding and design consultants, were involved in the creation of the Ginger brand name. Ginger Hotels are innovative, reasonable, basic yet smart, very different yet contemporary.

In March 2006, the second Ginger Hotel was launched in Haridwar, as part of the fresh roll out strategy. Several features and attributes have been revisited and upgraded, subsequent to the prototype launch, to test market the concept with the objective of enhancing guest comfort levels. These include improved room look and feel, superior room features, new kitchen and restaurant layout and contemporary new exterior design.

In terms of future roll out plan, it is proposed that by the end of 2006/07, new Ginger Hotels will be launched in Bhuvaneshwar, Pune, Mysore, Thiruvananthapuram and Durgapur. Work will shortly commence for launch of Ginger Hotels in Panjim, Agartala, Tirupur, Pondicherry and Nashik.

The Smart Basics concept has transformed the dynamics of the entire hospitality space and has emerged as a compelling business opportunity.

## Wildlife Lodges

Your Company has already acquired two reputed, existing lodges, in Bandhavgarh and Pench, both in Madhya Pradesh. The site work is in active progress in both locations and the Bandhavgarh property is slated to be opened for commercial operations by end-October, 2006. The Pench property will be opened for operations, by December, 2006. Effective steps have been taken for extending the wilderness and wildlife experience to four other sites; in Madhya Pradesh and Uttaranchal, where the properties are likely to be opened for operations by March 2007. The Lodges are unique in their reserves and will offer the world famous Taj Hotel - CC Africa hospitality, who are our partners for these lodges.

## **Product Upgradation**

Continuing with its ongoing programme of investing in renovation and upgradation of its properties, the Company completed renovation of rooms and suites at the Taj Mahal Palace & Tower, Mumbai and Taj West End, Bangalore, Taj Holiday Village, Goa and the Jai Mahal Palace, Jaipur. Renovation was also undertaken at associate companies' hotels of Taj Residency, Bangalore, Taj Blue Diamond, Pune, Taj View, Agra, Taj Residency, Vishakapatnam. The lobby and public areas of Taj Residency, Bangalore were also completely renovated.

'Wink', the bar at the Taj President, Mumbai, designed by internationally renowned designers Superpotato, was launched during the year. 'Pure' the restaurant for organic living, operated by Michel Nischan from Philadelphia was launched in May, 2006 in Taj Lands End, Mumbai. The "Ice" bar at Taj Residency, Bangalore, the "Beachhouse" at Taj Holiday Village, Goa and the "Verandah" restaurant at Taj Connemara, Chennai, were also launched during the year. The renovated products and new outlets were very well received in the market.

In the coming years, several Food and Beverage outlets with innovative themes and some by international celebrity chefs, will continue to be launched.

## **Guest experience**

Your Company continues to take significant steps to enhance guest experience by improving the product and service levels to be in line with the best-in-class hotels. Operating and service indices are benchmarked against key international luxury hotel chains. Strengthening of personalised services for discerning guests - personal butler services, concierge and door associates have been introduced, with special focus on Palace and Luxury hotels. Further, the Learning & Development team is continuously reinforcing the 'Taj Service Standards' - the main drivers of the Taj Brand for guests, so as to ensure consistency in guest experience. Standard operating procedures derived from the brand standards for each area have been implemented in all operating units. Further, to ensure that these standards are consistently implemented and sustained across the organisation, a robust third party audit system has been initiated. Learning from these audits has been incorporated into practice and procedures have been revised where necessary.

The focus on employee involvement in improving processes to ensure guest delight is reflected in the 70 process improvement teams across the Strategic Business Units (SBUs). These teams meet, analyze and implement improvements in operational processes.

Implemented in December 2005, the online Customer Feedback System (CFS) has enabled individual hotels to customise and improve its products and services, based on the feedback received from the guests. The online CFS allows guests to record their feedback on the entire gamut of products and services being offered by Taj hotels, at their convenience.

## **Business Excellence**

Your Company constantly gets itself assessed, internally as well as externally, through the Tata Quality Management Services under the Tata Business Excellence Model (TBEM). This covers the criteria of Leadership, Strategic Planning, Customer and Market Focus, Measurement, Analysis and Knowledge Management, Human Resource Focus, Process Management and Business Results. During the year, the external assessment of the three SBUs – Luxury, Business and Leisure was completed. The 2004/05 external assessment feedback reports identified certain best practices within the Tata Group as well as certain other opportunities for improvements. On the basis of this feedback, as well as those from internal assessments, action plans to improve processes, which finally impact the overall organizational effectiveness, have been drawn out and are in the process of being implemented.

## **Awards**

- The Luxury SBU was recognized for the highest delta improvement amongst the top scoring Tata companies.

- The Leisure SBU was recognized with an award for Active Promotion of TBEM and was also recognized for achieving a 500+ score on its very first attempt.
- The Business SBU was recognized with an award for Serious Adoption of TBEM and was also recognized for achieving this milestone on its very first attempt.

#### **Launch of Knowledge Management Site**

The Knowledge Management (KM) site was launched in 2006. This site will encourage the sharing of best practices, access to tacit knowledge across the Taj Group and build a culture of learning and sharing.

The Taj Annual Business Excellence Awards were given in July 2005, with sharply defined criteria focused on operational excellence and customer delight and international benchmarks.

In order to enhance standards of food hygiene, implementation of the internationally recognised 'Hazard Analysis and Critical Control Point' (HACCP) standards is being taken up at all major hotels, across the Taj Group.

#### **Systems and Technology**

During the year 2005/06, the Company has initiated more services oriented towards guest satisfaction and effective operations. Both these factors are responsible for the expanding Taj brand in the Hospitality Industry.

The key initiatives and technologies planned for roll out are given as under:

#### **Electronic Signage**

The present tack board signage in your Company's hotels is proposed to be replaced with large screen digital displays with special event management software. Dynamic, high-resolution graphical promotional and event displays in the lobby of a Hotel lend a pleasing view while displaying relevant information accurately. A hotel may also display important ticker messages, airline schedules and more. Revenue generation by promoting certain brands of products is a possibility that your Company may explore.

#### **Guest Wireless Internet access:**

Your Company has extended WiFi services from 22 Hotels last year to 49 Hotels in India. Apart from merely increasing the count, the WiFi services have also been enhanced by providing higher bandwidths in many properties. Many operational services, directly impacting guests, such as minibar billing, restaurant order taking now ride on the WiFi network. This has generated immense guest satisfaction.

A positive fall out of this enhancement is the Guest Printing service. This service enables the guest to print documents from the room and also allows a guest to print a document from one Taj Hotel to another.

#### **In Room Guest Entertainment Systems:**

In view of the emphatic guest response to the In room entertainment systems deployed at the Taj Mahal Palace & Tower Hotel, Mumbai and the Taj Wellington Mews Luxury Residences, Mumbai, it has been proposed to roll out these systems in more Luxury properties, with additional services. Revenue generation by advertisements and promotions of select Brands is in the pipeline.

#### **The Taj Contact Centre**

The National Call Centre has now been upgraded to an International Call Centre to enable a global reach. To facilitate business continuity in the event of a catastrophe at the Call Centre, an alternate call centre with limited resources has been put into service in Chennai, a different geographic and seismic location.

## **Project Orion, the Integrated Back Office System**

The Group has headed towards an integrated, unified Back Office System by launching Project Orion. This was deployed in certain key properties. The positive impact felt has now been measured and demonstrated as under:

- Standardisation of Business Processes
- Consolidated view of finances across SBUs and Units
- Lowering of costs in the purchase function and supply chain

More properties are now under implementation, the goal being to cover all key hotels. HR functions will also be added to the system, to enable uniform HR policies and functions.

## **Self service Kiosks**

Today's business travellers would not like to wait in queues at the reception table for a check in. All the more so, if the guest has a confirmed reservation. For such guests, interactive, self-service, check in - check out kiosks are a boon. The system gives a personalized touch to the new age traveller. Check out includes printing the folio and closing the records. The system includes display of airline and railway schedules, travel information, tourist spots in the city and outskirts, information on other Taj Hotels and more. Printing of airline boarding cards and railway tickets is a possibility. Here too, brand promotions may be done when the kiosk is inactive, to earn revenue.

## **Key Marketing Initiatives**

### **Marketing Alliances**

In the year 2005/06, your Company entered into its second marketing alliance. The first such alliance was entered into with Raffles Hotels and Resorts, encompassing 14 Taj Luxury Hotels and 15 Raffles Hotels. During this year, the Company tied up with Shilla Hotels and Resorts, Korea. The alliance will provide an opportunity to your Company to undertake cross-promotional activities in each of the alliance partners markets and to work together on loyalty programmes and give our guests the benefit of redeeming their points at the various participating hotels. Your Company also proposes to have such similar marketing alliances with other hospitality chains for similar synergies.

### **Global Reach and 24 x 7 x 365 Access for our customers across the world**

During the year the Taj Reservation India Toll Free Access was extended to International Toll Free Lines in order to ensure that our guests across the world have access to make reservations and get information on any Taj Hotels. The India Toll Free – 1 800 111825 was launched in August, 2005 and allows the Guests easy reach to our Centralised Taj Reservations. The International Toll Free was launched in October 2005, along with the UIFN Technology for The Rest of the World. With this facility in place, the Guests in America and Canada and 32 other countries across the world can now directly call the Taj Reservations. This 24 x 7 Taj Reservations is the centralised Reservation Cell located in Mumbai.

### **Taj Website**

During this year, the Taj website has been made more user friendly and interactive by ensuring that it became multi lingual. In about 37 Hotels, the web pages were translated in German along with 10 Hotels fact sheets in Russian and another 15 Hotels fact sheets in Japanese.

### **Outlook**

General economic conditions and most industrial sectors remain bullish for the coming year. The hotel industry expects this bullishness to drive tourist traffic globally and in the domestic market. This will drive business travel into India and the hospitality industry would benefit. The Commonwealth Games planned in Delhi in 2010 would require adequate infrastructure

to be created, including Hotels. There may be opportunities for the hospitality industry in the Special Economic Zones (SEZs), which are being established in the country. The Company is actively pursuing targeted destinations to take advantage of the business potential in those markets. The domestic market continues to present a favourable demand-supply position vis-à-vis your Company. This, coupled with the increasing attraction of India as a tourist destination for business and leisure, presents the hospitality industry with an opportunity to consolidate on the gains of 2005/06 and look forward to a sustainable profitable growth in the years to come. Your Company, being a leader in most markets in the luxury and leisure segments, expects to achieve sustained growth in turnover and profitability.

### **Management Discussion and Analysis of Operating Results and Financial Position**

The Annual Report contains Financial statements of your Company, both on a stand-alone and consolidated basis. An analysis of the financial affairs is discussed below under summarised headings.

#### **Results of operations – IHCL**

##### ***Profit and Loss Account***

##### ***Revenues:***

Income increased by 29% from Rs. 873.24 crores in 2004/05 to Rs. 1127.57 crores in 2005/06. Room revenue increased by 33% to Rs. 563.35 crores from Rs. 423.14 crores driven by average room rate (ARR), which increased by 31% to Rs. 7187/- from Rs. 5471/-. Increase in occupancy levels - the number of room nights increased by 1% from 2119 to 2148 per day. Food and Beverage income increase by 21% to Rs. 406.36 crores from Rs. 336.46 crores.

##### ***Operating expenses:***

The total operating expenditure increased by 17% from Rs. 665.95 crores in 2004/05 to Rs. 777.41 crores in 2005/06. The increase was largely on account of increases in payroll cost, licence fee and general administration expenses. The increase in payroll cost was mainly due to wage settlement in some of the units and general increase in line with the industry. The general administration expenses increase due to revision in municipal taxes and incremental advertising for a better global reach. Cost of raw materials, heat, light & power, licence fees, stores and spares were in line with increased volume of business.

##### ***Earnings before Interest Depreciation Tax and Amortisation (EBITDA) :***

The gross profit of Rs. 358.26 crores for the current financial year is 73% higher than Rs. 207.30 crores in 2004/05.

##### ***Interest costs and Depreciation:***

Interest cost is lower by Rs. 11.48 crores compared to the previous year due to conversion of FCCBs into equity and healthy operational cash flows.

##### ***Profit Before Tax:***

Profit before extraordinary & exceptional items and tax, increased from Rs. 118.69 crores to Rs. 272.00 crores, an increase of 129%. Profit before tax was Rs. 272.00 crores, higher by 92% over the previous year.

##### ***Profit After Tax:***

Profit after tax for 2005-06 increased by 74% over that of 2004-05 from Rs. 105.86 crores to Rs. 183.78 crores.

##### ***Balance Sheet***

##### ***Working Capital:***

The Company maintained tight control on working capital leading to reduction in Net Working Capital from Rs. 558.28 crores in 2004/05 to Rs. 438.63 crores in 2005/06.

## **Fixed Assets:**

The gross fixed assets increased by Rs. 69.59 crores, due to renovations carried out in some of the properties.

## **Investments:**

Investments increased by Rs 49.56 crores from Rs 607.01 crores in 2004/05 to Rs 656.57 crores in 2005/06. Investments during the year were made mainly in Roots Corporation Ltd., a 100% subsidiary of your Company and investment of surplus operational cash in liquid Schemes of Mutual Fund.

## **Financing:**

The gross debt reduced from Rs. 1008.33 crores in 2004/05 to Rs. 544.34 crores in 2005/06. The reduction in debt was partly on account of conversion of FCCB liability into equity to the extent of Rs. 394.42 crores whilst the balance was on account of repayment of Rs. 69.57 crores from cash accruals.

## **Results by Strategic Business Units**

### **Luxury Division:**

The revenue of the Luxury division increased from Rs. 703.08 crores in 2004/05 to Rs. 904.51 crores in 2005/06, an increase of 29%. The Occupancy levels were constant with a 32% growth in Average Room Rate (ARR). F & B revenue grew by 22% from Rs. 293.95 crores in 2004/05 to Rs. 357.67 crores in 2005/06.

### **Business Hotels Division:**

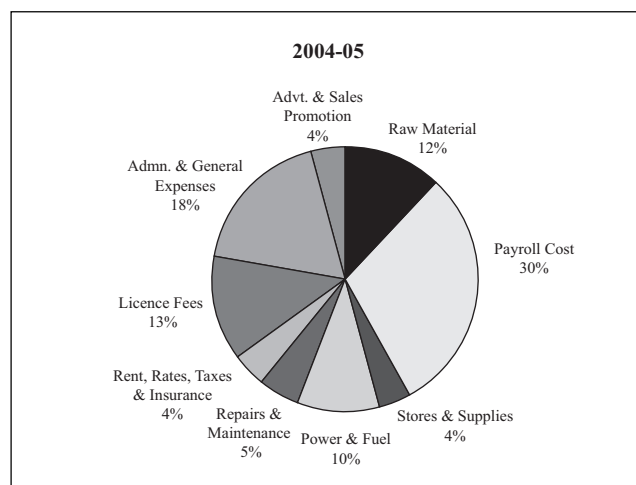
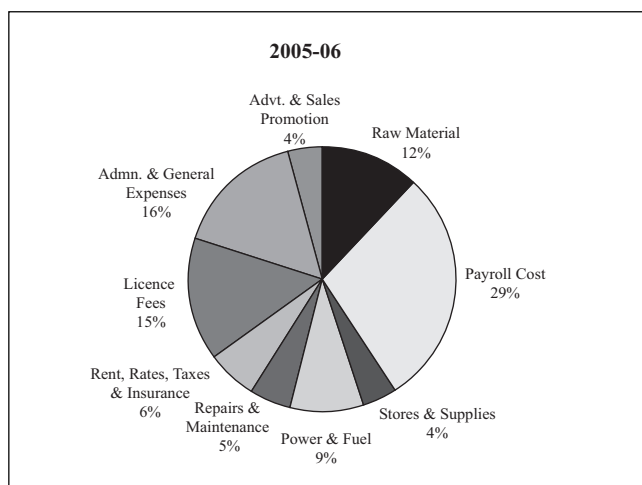
Revenue earned by the Business division increased from Rs. 58.82 crores in 2004/05 to Rs. 76.43 crores in 2005-06, an increase of 30%. The Occupancy levels were constant with a 25% growth in ARR. F & B revenue grew by 25% from Rs. 16.74 crores 2004/05 to Rs. 20.87 crores in 2005/06. Management fee earned by the division during the year increased by 41% to Rs. 23.42 crores in 2005/06.

### **Leisure Division:**

The performance of the Leisure division of your Company improved substantially during the year. The revenue from the division increased by 22% from Rs. 79.92 crores in 2004/05 to Rs. 97.63 crores in 2005/06. The Occupancy level were constant with a 30% growth in ARR. F & B revenue grew by 17% from Rs. 23.84 crores in 2004/05 to Rs. 27.82 crores in 2005/06. Management fee earned by the division during the year increased by 17% to Rs. 12.62 crores in 2005/06.

## **Composition of costs**

The increased focus on costs has helped company to achieve a substantial jump in Gross Operating Profit.



### **Results of operations – IHCL Consolidated Results**

Your Company has Consolidated its Financial Statements with those of its Subsidiaries, Joint Ventures and Associates (together referred as ‘Group companies’ or ‘Group’) in accordance with generally accepted accounting practices prevailing in India. The Consolidated statements include the financial position of Subsidiaries by line items, Joint Ventures by line items to the extent of proportionate holding and associates by a one-line consolidation of share of profit after tax. A synopsis on the performance of Consolidated entities is presented below:

#### ***Profit and Loss Account:***

The consolidated operating results reflect the strength of the entire portfolio of hotels through your Company’s Group companies. The Group’s business, managed entirely by your Company, grew in line with the market dynamics discussed earlier. Total income increased by 40% over the previous year to Rs. 1874.73 crores from Rs. 1337.94 crores. Profit Before Tax improved significantly by 125% with increase in operating margins. Profit after tax, including share of profit from Associates and after eliminating minority interest in profit/losses, improved substantially from Rs.128.50 crores in 2004/05 to Rs. 248.74 crores in 2005/06, an increase of 94%. Earning per share diluted for conversions of FCCBs improved from Rs.22.47 to Rs. 42.41.

#### ***Balance Sheet:***

Consolidated net worth of Group companies, increased by Rs. 574.42 crores to Rs.1890.21 crores in 2005/06, of which Rs. 394.42 crores was on account of conversion of FCCBs. Consolidated debt reduced by Rs. 468.38 crores over the previous year to Rs. 1500.95 crores, resulting in the consolidated Debt-Equity ratio reducing from 1.49 in 2004/05 to 0.79 in 2005/06. Net Fixed Assets increased by Rs. 87.43 crores while Net Current Assets reduced by Rs. 153.74 crores to Rs. 287.93 crores.

### **Risks and concerns**

#### ***Industry Risk***

##### **General economic conditions**

The Hotel business is cyclical in nature and to a large extent depends upon the external environment. It is sensitive to changes to the economy and stands adversely affected in the event of a down turn in the economy. The factors which may unfavourably affect the hotel business include recession in global and domestic economies, changing local market conditions, reduced international and domestic travel, competition in the industry, changes in interest rates and currency fluctuations, availability of finance and other natural and social factors.

##### **Environmental Risk**

The Hotel Industry is directly impacted by changes in the socio-political environment both internationally, as also within the country. In the past, events such as the conflict in Iraq, SARS, etc. have affected the travel and business activity, threat on account of political instability, terrorist activity, as also natural calamities. The Tsunami which had occurred in the later part of 2004 is a case in point.

#### ***Company specific Risks***

##### **Dependence on Indian Operations**

The Company’s revenue is generated significantly from the Indian Operations, which make it susceptible to domestic socio-political and economic conditions. Moreover, within the Indian operations the revenues are largely generated from certain Hotel properties, located in only a few cities.

##### **Dependence on high margin segment**

The Company’s operations are divided into Luxury, Business and Leisure segments. The Luxury segment contributes a significant proportion of the total revenue generated by the Company. This segment is affected by international events, travel behaviour and such similar conditions. Being the high margin segment, the risk of depending on the high end Luxury segment is a Company specific risk.

## **Competition**

With the growth in the Indian Economy on a sustained basis in the last few years, India is being increasingly looked upon as a destination to invest. With the growth in the economic activity, services sector generally and the Hotel industry in particular also has to significantly grow, to keep pace with the overall business dynamics. This has led to several international hotel chains to set up hotels and resorts in India. Being a delicensed industry where foreign investment is permitted in a significant manner, several International hotels have either already set up hotels, or have finalised on plans to establish hotels, in order to leverage the gap between demand and supply. While your Company encourages healthy competition in the long run, the entry of international chains would intensify the competition environment in the short run.

## **Increased International Travel**

Since a significant portion of your Company's revenue gets generated from domestic business, increasing alternatives that are available to consumers outside India at competitive prices, would be a risk to the Company's business. The recent competitiveness to the recent airfare and the strengthening of the Indian Rupee has resulted in destinations like Europe, South East Asia and Australia becoming more affordable to an average Indian traveller. Increased out bound travel would present a risk to the domestic segment for Leisure resorts.

## **High Operating Leverage**

The industry in general has a high operating leverage. However, it has been observed that your Company has been able to earn higher revenues, with acceptance of its products in the market and improved economic conditions

## **Foreign exchange fluctuation risks**

Your Company has a significant exposure to currency fluctuations with a large portion of its revenue denominated in foreign currency, particularly US Dollars. Appreciation of the Indian Rupee against foreign currencies may affect realisation of foreign currency sales.

Your Company also has a portfolio of foreign currency debt, in respect of which it faces exposure to fluctuations in currency, as well as interest rate risks.

## **Risk mitigation Initiatives**

Your Company employs various policies and methods to counter these risks effectively, as enumerated below:

- To reduce the geographical and economic risk, your Company is looking at increasing its presence internationally in key gateway cities and resorts in South East Asia and the Indian Ocean rim.
- To counter the risk of dependence on the high-end luxury segment, your Company is entering the mid-market segment, which is comparatively insulated from political and social changes in India.
- To successfully counter the risk from growing competition and new properties, your Company is renovating and repositioning all its key properties. It is also improving its service standards, in consultation with international experts to provide exceptional service consistently across its hotels.
- Your Company aims to control its operating and financial leverage by expansion through management contracts and leveraging the strengths of its associates.
- Your Company closely monitors foreign currency exposures and hedges in consultation with its advisors. Net exposures, including those from derivative instruments, are kept at acceptable levels and within overall limits approved by the Board. These exposures are subjected to regular reviews.

### **Internal control systems and their adequacy**

Your Company has reviewed internal controls and its effectiveness through the internal audit process. Internal audits were undertaken for every operational Unit and all major corporate functions under the direction of the Group Internal Audit department. The focus of these reviews as follow:

- Identity weaknesses and areas of improvement
- Compliance with defined policies and processes
- Safeguarding of tangible and intangible assets
- Management of business and operational risks
- Compliance with applicable statutes
- Compliance with the Tata Code of Conduct

The ‘Taj Positive Assurance Model’, which is an objective methodology of providing a positive assurance based on the audits of operating units and corporate functions, was institutionalised as a standard audit process in conjunction with empanelled internal audit firms. This process works on a framework developed for each functional area identified on the basis of an assessment of risk and control and provides a score, allowing the hotel to improve on high risk and weak areas.

The Audit Committee of the Board oversees the adequacy of the internal control environment through regular reviews of the audit findings and monitoring implementations of internal audit recommendations through the compliance reports submitted to them.

### **Human Resources and Industrial Relations**

The manpower employed in your Company for 2005/06 was 8553 (Previous Year 8443), which included executives, bargainable staff, probationers, trainees, apprentices and contract employees.

The key initiatives implemented by the Human Resources Department include the launching of the Taj Emerging Leaders program primarily for the identification and development of the high potential employees in the Company. Hospitality Specific & General Management training programs were conducted in association with leading universities & Business Schools, to enhance the skill set of the employees. A new “Internal Mobility” policy has also been initiated to facilitate the flow of talent within the Company. In order to create a cadre of international managers, an “International Talent Swap” program has been introduced, where high potential managers are identified for development for short term posting in operations in Luxury hotels abroad.

Based on Guest or Peer feedback process of the internationally recognized reinforcement program of your Company, ‘Special Thanks and Recognition System-STAR’, 47 employees have qualified to the highest category, the MD’s club and will be facilitated. Your Company seeks regular feedback from its employees to ascertain their levels of satisfaction and to ensure that employees’ morale and motivation are constantly improved. Critical human resource issues are analysed, corrective actions initiated and results monitored regularly.

Industrial relations throughout the year were cordial at all hotels and operating units of your Company. Periodic wage settlement Agreements were entered in to with the Staff representatives and Unions at various locations.

### **Awards and Acclaims**

#### **Taj Group Awards**

- The Taj is India’s Most Trusted Hotel Brand – Economic Times Brand Equity Most Trusted Brands Survey 2005.
- Avaya Global Connect Customer Responsiveness Award 2005 (Travel and Tourism - Hospitality)
- Travel + Leisure 2005 Global Vision Award – Corporate Initiative

## **Luxury Hotels**

### **Taj Mahal Palace & Tower, Mumbai**

- House and Garden, UK – Best Hotels in the World list
- Best Hotel of the Year - SATTE Awards 2006
- Best Hotel for Leisure and Business Travel in Asia – Pacific Asia Travel Writers Association (PATWA), ITB, Berlin 2006
- Luxury Travel Magazine, Australia 2006 Gold List – Best Overseas Hotel
- Best Hotel in Mumbai – DestinAsian Readers' Choice Awards 2006
- Outlook Traveller – Best of Travel Awards 2006, First in the Luxury Hotels category
- Conde Nast Traveller U.K 2006 Gold List- Taj Mahal Palace & Tower, Mumbai was awarded the highest points for food in Asia
- Conde Nast Traveller USA 2006 – The Gold List
- Tatler Travel Guide - Ranked amongst 101 Best Hotels in the World
- Travel & Leisure 2006 500 Best Hotels in the World
- Conde Nast Traveler selects Wasabi by Morimoto in the Hot List Tables 2005 of the 80 new restaurants worldwide
- Travel + Leisure's 2005 Business Travel Guide - World's Best Business Hotels - chosen by readers
- Best Business Hotel at the '2005 Business Traveller Asia-Pacific' Awards. Dedicated to continuous innovation and the highest standards of hospitality, the awards are recognition of the investment in product standards and in service
- India's leading Hotel -11th World Travel Awards 2004 Barbados
- Travel & Leisure Annual list of the 500 highest-rated properties in the World's Best Awards survey

### **Taj Lake Palace, Udaipur**

- Best Palace Hotel - SATTE Awards 2006
- SpaAsia's Connoisseur Collection of the World's Finest Spas
- Awarded 2nd place by The Leading Hotels of the World Advisory Board in the 'Rising Stars' Competition, at the 2006 IRRRM Conference, Nice.
- Travel & Leisure Annual list of the 500 highest-rated properties in the World's Best Awards survey

### **Umaid Bhawan Palace, Jodhpur**

- House and Garden, UK – Best Hotels in the World list
- Australian Gourmet Traveller – Selected by the editors in the Best of the Best list of 20 hotels from around the world
- Conde Nast Traveler Hot List Hotels 2006

### **Taj Palace Hotel, New Delhi**

- Travel + Leisure's 2005 Business Travel Guide - World's Best Business Hotels - chosen by T + L readers
- Best Business Hotel '2005 Business Traveller Asia-Pacific' Awards. Dedicated to continuous innovation and the highest standards of hospitality, the awards are recognition of the investment in product standards and in service.

**Taj Lands End, Mumbai**

- 6th Annual Best Business Hotels in Asia Awards by Business Asia magazine and CNBC Asia Pacific

**Taj Wellington Mews Luxury Residences, Mumbai**

- Jiva Grande Spa listed in Conde Nast Traveler's Hot List – Spas
- SpaAsia's Connoisseur Collection of the World's Finest Spas

**Taj Palace, Dubai**

- Dubai's Best Indian Restaurant 2006' awarded to Handi restaurant, by Time Out magazine, Dubai

**The Pierre Hotel, New York, USA**

- The Travel + Leisure "World's Best Awards 2005" - ranked 35th in USA and Canada

**Taj Exotica Resort & Spa, Mauritius**

- House and Garden, UK – Best Hotels in the World list
- Luxury SpaFinder Magazine - Editor's choice of Best of Mauritius
- SpaAsia's Connoisseur Collection of the World's Finest Spas
- Senses Wellness Award as Best Beach Resort Worldwide
- Tatler – Ranked amongst 101 Best Hotels of 2006
- Condé Nast Traveller, U.K. May 2005 – The Hot List – 60 Best new hotels in the world

**51 Buckingham Gate, London, U. K**

- Considerate Hotel of the Year – awarded by the National Considerate Hoteliers Association

**Taj Exotica Resort & Spa, Maldives**

- House and Garden, UK – Best Hotels in the World list
- SpaAsia's Connoisseur Collection of the World's Finest Spas
- Best Overseas Resort - Luxury Travel Magazine, Australia 2006 Gold List
- Best Overseas Spa - Luxury Travel Magazine, Australia 2006 Gold List
- Luxury Travel Magazine's Gold List 2006-Australia

**Leisure Hotels**

**Taj Malabar, Cochin**

- Kerala State Tourism Awards 2003/04 for the best performers in the travel and tourism sector. Best Five Star Deluxe hotel

**Taj Exotica, Goa**

- Best Beach Resort - SATTE Awards 2006

## **Taj Garden Retreat, Varkala**

- National Tourism Awards – Department of Tourism Awards for facilities for physically challenged guests, eco-friendly practices and social responsibility practices followed by the hotel - in the 4 Star Category

## **Savoy Hotel, Ooty**

- National Tourism Awards – Department of Tourism Awards for facilities for physically challenged guests, eco-friendly practices and social responsibility practices followed by the hotel - in the Heritage Grand Category

## **Taj Coral Reef Resort, Maldives**

- Winner of ‘The Best Over Water Bungalow Dive & Travel Award 2006’ at Marine Diving Fair 2006 held in Tokyo
- SpaAsia’s Connoisseur Collection of the World’s Finest Spas

## **Business Hotels**

### **Taj Residency, Hyderabad**

- National Tourism Awards – Department of Tourism Awards for facilities for physically challenged guests, eco-friendly practices and social responsibility practices followed by the hotel - in the 5 Star Category

### **Taj Residency, Bangalore**

- ‘Best Nightlife Award’ for ICE by Times Food Guide
- ‘Best Patisserie Award’ for Sugar ‘n’ Spice by Times Food Guide
- Taste & Travel – ICE selected as the Best Bar in The Food Lover’s Food Guide Awards
- National Tourism Award of the Department of Tourism 2004/05 – 5-star hotel category

### **Gateway Hotel on Residency Road, Bangalore**

- National Tourism Award of the Department of Tourism 2004/05 – 4-star hotel category

### **BLUE, Sydney, Australia**

- House and Garden, UK – Best Hotels in the World list
- Hotel Deal of the Year Award given by HVS International at the Hotel Investment Conference – South Asia (HICSA) 2006
- Luxury Travel Magazine’s Gold List 2006 – Australia
- Conde Nast Traveller UK 2006 Gold List – 3rd highest points for Location in Australia and South Pacific

## Report on Corporate Governance

This report on Corporate Governance is divided into the following parts:

- Philosophy on Corporate Governance
- Board of Directors
- Committees of the Board
  - Audit Committee
  - Share Transfer and Shareholders'/ Investor Grievance Committee
  - Remuneration Committee
- Remuneration Policy
- General Body Meetings
- Means of Communication
- General Shareholder Information

### **Philosophy on Corporate Governance**

Corporate Governance is a dynamic concept thriving under constantly changing environment. Corporate Governance encompasses good corporate practices, laws, procedures, standards and implicit rules that determine a Management's ability to take sound decisions with respect to its various stakeholders viz. its shareholders, creditors, partners, associates, employees and the Government. The objective of Corporate Governance is to maximize long-term shareholder value through an open and transparent disclosure regime enabling every stakeholder to have access to fullest information about the Company and its functioning. Your Company is firmly of the view that Corporate Governance is not an end in itself but a facilitator in maximizing the objective of shareholder value. Any Corporate which embodies principles of Corporate Governance like openness, transparency, ownership fairness in its functioning is bound to maximize shareholder value and also its own corporate values.

In keeping with the above, your Company reaffirms its commitment to excellence in Corporate Governance and constantly strives to benchmark itself against the best, in its relentless pursuit to attain the highest standards of corporate values and ethics. This is done with the objective of generating long-term economic value for the shareholders, whilst concurrently respecting the interests of the other stakeholders.

The Company has complied with the provisions of the amended Clause 49 of the Listing Agreement of the Stock Exchange (which came into effect from January 1, 2006), which deals with the compliance of Corporate Governance requirements. The same are detailed below.

### **The Board of Directors:**

1. The Board of Directors comprise Executive, Non-Executive as well as Independent Directors. Non-Executive Directors comprise more than 50% of the Board of Directors, with the Chairman being a Non-Executive Director. The Directors possess experience in diverse fields ranging from hoteliering, architecture and the liberal arts to banking, administration and finance. The experience and wisdom of the Directors who are stalwarts in their respective fields, have proved to be invaluable to the Company. The details of Directors seeking re-appointment have been attached along with the Notice of the Annual General Meeting.

2. “Independent Directors,” i.e. Directors who apart from receiving Directors remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which, in the judgment of the Board, may affect the independence of judgment of the Director, comprise over one half of the Board.
3. During the year under review, the Board of Directors of the Company met seven times and the period between any two meetings did not exceed four months. The dates of the Board Meetings held during each quarter are as follows :

No.	Date of Meeting	For The Quarter
1	June 6, 2005	April to June
2	June 23, 2005	April to June
3	July 8, 2005	July to September
4	July 22, 2005	July to September
5	October 28, 2005	October to December
6	January 20, 2006	January to March
7	February 27, 2006	January to March

As required under Annexure I to Clause 49 of the Listing Agreement with the Stock Exchanges, all the necessary information was placed before the Board from time to time.

4. All the relevant information, as recommended by the Securities and Exchange Board of India (SEBI) /Stock Exchanges, is promptly furnished to the Board from time to time in a structured manner.
5. In addition to commission, the Company pays its Non-Executive Directors as sitting fees, an amount of Rs. 10,000/- per meeting for attending meetings of the Board of Directors and the Audit Committee. For attending meetings of the Share Transfer & Shareholders’ / Investor Grievance and the Remuneration Committee, the sitting fees paid amount to Rs. 5,000/- per meeting.
6. None of the Directors of the Board serve as members of more than 10 Committees nor are they Chairman of more than 5 Committees, as per the requirements of the Listing Agreement. “Committees” for this purpose include the Audit Committee and the Shareholders’ / Investor Grievance Committee under the said Clause 49 of the Listing Agreement.
7. A detailed explanation, in the form of a table illustrating the above is given on page No. 43 for ready reference.
8. The Company has adopted a Code of Conduct for its Non-Executive Directors and all Non-Executive Directors have affirmed compliance with the said Code. All Senior Management of the Company have affirmed compliance with the Tata Code of Conduct. The Code of Conduct is also displayed on the Company’s web site. The Annual Report of the Company contains a Certificate duly signed by the Managing Director (CEO) in this regard.
9. The Company has not entered into any materially significant related party transactions during the year, which could have a potential conflict of interest between the Company and its Promoters, Directors, Management and / or relatives other than transactions entered into in the normal course of business.

### **Committees of the Board:**

The Committees constituted by the Board of Directors of the Company are as under :

#### **1. Audit Committee:**

The composition of the Company's Audit Committee is such that it is comprised entirely of Independent Directors. All Members of the Committee have the relevant experience in the field of finance, banking and accounting, with a majority of the Members being Chartered Accountants. The Committee has inter alia, the following terms of reference :

- i. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii. Recommending the appointment and removal of statutory auditors, fixation of audit fee and also approval for payment for any other services.
- iii. Reviewing with management the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Board's Report in terms of clause 2AA of Section 217 of the Companies Act, 1956
  - Any changes in accounting policies and practices and reasons thereof.
  - Major accounting entries based on the exercise of judgement by the Management.
  - Qualifications in the draft audit report.
  - Significant adjustments made in the financial statements, arising out of audit findings.
  - The going concern assumption.
  - Compliance with Accounting Standards.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Any related party transactions i.e. transactions of the Company of material nature, with Promoters or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- iv. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- v. Reviewing with the management, performance of statutory and internal auditors and the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- vii. Discussion with internal auditors on any significant findings and follow-up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussion with external auditors before the audit commences, nature and scope of audit, as well as have post-audit discussion to ascertain any area of concern.
- x. Reviewing the Company's financial and risk management policies.
- xi. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

The details of the composition, names of Members and Chairman as well as the number of meetings held and Directors attendance thereat during the year are as under:

NO.	MEMBERS	ATTENDANCE AT AUDIT COMMITTEE MEETINGS HELD ON				
		06.06.05	22.07.05	23.09.05	28.10.05	20.01.06
1.	Mr. S. K. Kandhari – Chairman	✓	✓	✓	✓	✓
2.	Mr. Deepak Parekh	—	—	✓	✓	✓
3.	Mr. Jagdish Capoor	✓	✓	✓	✓	✓

The Committee met five times during the period under review.

Audit Committee meetings are attended by invitation by the Senior Vice President (Finance), Vice President – Group Internal Audit and the Statutory Auditors. The Company Secretary acts as the Secretary to the Audit Committee.

2. **Share Transfer & Shareholders' / Investor Grievance Committee:**

The Share Transfer & Shareholders'/Investor Grievance Committee has the required powers to carry out the handling of shareholders' / investor grievances. The brief terms of reference of the Committee include redressing shareholder and investor complaints like transfer of shares, non-receipt of Annual Reports, non-receipt of dividends etc.

The Committee met four times during the period under review.

NO.	MEMBERS	ATTENDANCE AT SHARE TRANSFER & SHAREHOLDERS'/ INVESTOR GRIEVANCE COMMITTEE MEETINGS HELD ON			
		01.06.05	19.07.05	24.10.05	16.01.06
1.	Mr. N. A. Soonawala - Chairman	✓	✓	✓	✓
2.	Mr. R. K. Krishna Kumar	—	✓	✓	✓
3.	Mr. Raymond N. Bickson	✓	✓	—	✓

Share transfers are processed weekly and approved by the Committee. Investor grievances are placed before the Committee. There were no pending investor complaints not solved to the satisfaction of the Members by the Committee. All share transfers lodged up to March 31, 2006 have been processed by the Committee. The status of the complaints received from shareholders from 01.04.05 to 31.03.06 is as under:

Complaints received	Pending as on 31.03.06
3	NIL

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer unpaid dividends, matured deposits, redeemed debentures and interest accrued thereon remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

Given below are the proposed dates for transfer of the unclaimed dividend to the IEPF by the Company: -

Financial Year	Date of declaration of Dividend	Proposed Date of transfer to IEPF*
1998-99	August 21, 1999	November 6, 2006
1999-00	May 8, 2000	July 25, 2007
2000-01	September 1, 2001	November 5, 2008
2001-02	June 13, 2002	August 17, 2009
2002-03	September 5, 2003	November 9, 2010
2003-04	August 10, 2004	October 15, 2011
2004-05	August 12, 2005	October 16, 2012

\* Indicative dates, actual dates may vary

It may be noted that no claims will lie against the Company nor the IEPF in respect of the said unclaimed amounts transferred to the Fund.

#### Amounts Transferred to IEPF

The following amounts have been transferred to IEPF of the Central Government as at March 31, 2006:

Particulars	Amount in Rs.
Unpaid / unclaimed dividend with the Company	41,06,778.84
Unpaid / unclaimed matured deposits with the Company	10,40,868.00
Unpaid matured debentures with the Company	96,55,486.97
Interest accrued on the unpaid matured deposits	4,45,991
Interest accrued on the unpaid matured debentures	28,22,327.68
<b>Total</b>	<b>1,80,71,452.49</b>

#### Compliance Officer

**Mr. Dev Bajpai**

**Vice President (Legal) & Company Secretary**

The Indian Hotels Company Limited

Address: Mandlik House, Mandlik Road, Colaba, Mumbai – 400 001

Phone : 6665 3238

Fax : 2202 7442

#### 3. Remuneration Committee:

The Listing Agreement with the Stock Exchanges provides that a Company may appoint a Committee for recommending managerial remuneration payable to the Directors. The Company has in place a Remuneration Committee for the said purpose. The main function of the said Committee is to determine the remuneration payable to the Whole-time Directors.

The Chairman of the Remuneration Committee was present at the last Annual General Meeting of the Company. During the year, the Committee met once as under :

NO.	MEMBERS	ATTENDANCE AT THE REMUNERATION COMMITTEE MEETING HELD ON 06.06.05
1.	Mr. Jagdish Capoor - Chairman	✓
2.	Mr. R. N. Tata	✓
3.	Mr. N. A. Soonawala	✓
4.	Mr. R. K. Krishna Kumar	✓

## **Remuneration Policy:**

The remuneration of the Whole-time Director(s) is recommended by the Remuneration Committee based on factors such as industry benchmarks, the Company's performance vis-à-vis the industry, performance/ track record of the Whole-time Director(s) etc, which is decided by the Board of Directors. Remuneration comprises a Fixed Component viz. salary, perquisites and allowances and a variable component viz. commission. The Remuneration Committee also recommends the annual increments (which are effective April 1 annually) within the salary scale approved by the Members as also the Commission payable to the Whole-time Director(s) on determination of profits for the financial year, within the ceilings on net profits prescribed under Sections 198 and 309 of the Companies Act, 1956.

The commission payable to Non-Executive Directors is decided by the Board and is distributed based on a number of factors, including number of Board and Committee meetings attended, individual contribution there at etc.

## **Service Contract and Notice Period of the Managing Director**

Mr. Raymond N. Bickson's contract as a Managing Director is for a period of 5 years, commencing from July 19, 2003 up to and including July 18, 2008, terminable by 6 months notice on either side

The Company has no scheme for stock options.

## **Details of ordinary shares of the Company held by Directors are as under:**

Mr. R. N. Tata	4,398
Dr. J. J. Bhabha	4,536

## **General Body Meetings:**

Location, date and time of the General Meetings held in the last 3 years are as under :

<b>Location</b>	<b>Date</b>	<b>Time</b>
<b>ANNUAL GENERAL MEETINGS</b>		
Birla Matushri Sabhagar 19, Sir Vithaldas Thackersey Marg, Mumbai – 400 020	August 11, 2005 August 9, 2004 September 4, 2003	3.45 p.m.
<b>EXTRA ORDINARY GENERAL MEETING</b>		
Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai – 400 020	January 27, 2004	11.00 a.m.

All special resolutions passed in the previous three Annual General Meetings of the Company were unanimously passed by a show of hands by the Members of the Company present and voting at the said meetings.

**Means of Communication:**

Quarterly, half-yearly and annual results of the Company were published in leading English and vernacular newspapers viz. Indian Express and Loksatta. Additionally, the results and other important information is also periodically updated on the Company's website viz. [www.tajhotels.com](http://www.tajhotels.com). Further, the Company also holds an Analysts' Meet after the quarterly, half-yearly and Annual Accounts have been adopted by the Board of Directors, where information is disseminated and analysed. Moreover, the Company also gives important Press Releases from time to time.

Further, the Securities and Exchange Board of India (SEBI) vide its circular nos. SMD/POLICY/CIR – 13 /02 dated June 20, 2002 and SMD/POLICY/CIR – 17 /02 dated July 3, 2002, has made it mandatory for Companies by introducing Clause 51 in the Listing Agreement entered into between the Companies and the Stock Exchange, to file information through the internet on their website <http://www.sebiedifar.nic.in/> vide Electronic Data Information and Retrieval System (EDIFAR) which is an automated system for filing, retrieval and dissemination of time – sensitive corporate information. The Company has been regularly filing information such as the full version of the Annual Report including the Balance Sheet, Profit and Loss account, Director's Report and Auditor's Report, cash flow statements, half yearly financial statements, quarterly financial statements, Corporate Governance report, shareholding pattern etc. on the site.

Management Discussion and Analysis forms part of the Annual Report.

**Disclosures:**

The Board of Directors receive from time to time disclosures relating to financial and commercial transactions from key managerial personnel of the Company where they and / or their relatives have personal interest. There are no materially significant related party transactions, which have potential conflict with the interest of the Company at large.

The details of the Related Party transactions are placed before and reviewed by the Company's Audit Committee.

The Company has complied with the requirements of the Stock Exchanges / Securities and Exchange Board of India / statutory authorities on all matters relating to capital markets, during the last 3 years.

Pursuant to the provisions of sub – clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director (CEO) and the Senior Vice President Finance (CFO) have issued a certificate to the Board, for the Financial Year ended March 31, 2006.

**Risk Management**

The Company has in place a Risk Management Policy, which lays down a robust and dynamic process for identification and mitigation of risks. This Policy has been adopted by the Audit Committee as well as the Board of Directors of the Company. The Audit Committee reviews the risk management and mitigation plan from time to time.

**Subsidiary Companies**

The Company does not have any material unlisted subsidiary and hence is not required to have an Independent Director of the Company on the Board of such subsidiary. The Audit Committee reviews the financial statements of the Company's unlisted subsidiary companies.

The Minutes of the subsidiary companies are periodically placed before and reviewed by the Board of Directors of the Company.

## **Compliance with non-mandatory requirements**

1. **The Board** : The Non-Executive Chairman has a separate office as the Group Chairman at the Tata Group headquarters at Bombay House, 24 Homi Mody Street, Mumbai - 400 001 and hence a separate office is not maintained. The Company has adopted the Tata Guidelines for composition of the Board of Directors, Committees of the Board and Retirement Age of Directors, which take into account the provisions of the Listing Agreement, the Companies Act, 1956 and other applicable laws. In line with best practices to continuously refresh the Board's membership, the Board is encouraged to seek a balance between change and continuity. Accordingly, the Board may consider adopting a broad guideline for the maximum tenure in the case of Non – Executive Directors.
2. **Remuneration Committee**: Details already given under the caption 'Remuneration Committee' in an earlier part of the Report.
3. **Shareholders Rights** : In addition to being published in a leading English and a Marathi newspaper having wide circulation, the Company publishes its half – yearly results on its website [www.tajhotels.com](http://www.tajhotels.com). Additionally, the same is also available on [www.sebiedifar.nic](http://www.sebiedifar.nic). Hence, a half-yearly declaration of financial performance including summary of the significant events is presently not being sent to each household of shareholder's individually.
4. **Audit qualifications** : For the financial year 2005-06, there are no audit qualifications to the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
5. **Mechanism for evaluating Non-Executive Board members** : The Board of Directors of the Company comprises of ten Non-Executive Directors. The Directors appointed on the Board are from diverse fields relevant to the Company's business and have long-standing experience and expertise in their respective fields. They have considerable experience in managing large corporates and have been in public life for decades. The enormously rich background of the Directors is of considerable value to the Company.

Non-Executive Directors add substantial value through the deliberations at the Meetings of the Board and Committees thereof. To safeguard the interests of the investors, they also play a control role. In important Committees of the Board like the Audit Committee, the Remuneration Committee etc., they play an important role by contributing to the deliberations of the Committee Meetings. Besides contributing at the meetings of the Board and Committees, the Non-Executive Directors also have off-line deliberations with the Management of the Company and add value through such deliberations.

In the light of the above, the Chairman under authority from the Board decides on the performance of each Non-Executive Director and they are accordingly evaluated and remunerated.

6. **Whistle Blower Policy** : The Company has adopted the Whistle Blower policy pursuant to which employees can raise their concerns relating to fraud, malpractice or any other activity or event which is against the Company's interest. No employee has been denied access to the Audit Committee in this regard.

As regards the other non-mandatory requirements, the Board has taken cognisance of the same and shall consider adopting the same as and when necessary.

**Board of Directors:**

Names	Category	Remuneration paid Rs.			No. of outside Directorships		No. of outside Committee Positions Held		No. of Board Meetings attended	Attendance at the last Annual General Meeting held on 11.08.2005
		Salary & Perks 2005-2006	Sitting Fees 2005-2006	Commission 2004-2005	Indian	Foreign	as Member	as Chairman		
Mr. R. N. Tata (Chairman)	Promoter Non-Executive	-	75,000	17,15,000	13	6	-	-	7	Yes
Mr. R.K. Krishna Kumar (Vice Chairman)	Promoter Non-Executive	-	90,000	13,15,000	11	8	1	1	7	Yes
Dr. J. J. Bhabha	Promoter Non-Executive	-	70,000	5,15,000	2	-	-	-	7	Yes
Mr. N. A. Soonawala	Promoter Non-Executive	-	95,000	13,15,000	6	-	-	2	7	Yes
Mr. S.K. Kandhari	Non-Executive Independent	-	1,00,000	13,10,000	-	1	-	-	5	Yes
Mr. K. B. Dadiseth	Non-Executive Independent	-	40,000	-	2	1	1	-	4	Yes
Mr. Deepak Parekh	Non-Executive Independent	-	70,000	1,70,000	12	-	2	5	4	Yes
Mr. Jagdish Capoor	Non-Executive Independent	-	95,000	8,85,000	5	-	2	3	4	Yes
Mr. Shapoor Mistry	Non-Executive Independent	-	40,000	3,45,000	10	-	4	-	4	Yes
Mr. Tejendra Khanna	Non-Executive Independent	-	30,000	4,30,000	3	-	1	3	3	Yes
* Mr. Valli Moosa	Non-Executive Independent	-	20,000	-	-	5	-	-	2	No
Mr. Raymond N. Bickson	Executive	2,81,84,530	-	15,00,000	10	7	2	4	7	Yes

\* Resigned effective December 4, 2005

**NOTE:** Traditionally, the Directors are paid commission each year, after the Annual Accounts are approved by the Members at the Annual General Meeting of the Company. A sum of Rs. 1.60 Crores has been provided as commission to Non – Executive Directors for the year 2005-06. An amount of Rs. 75 lakhs is proposed to be paid as commission to the Managing Director for the year 2005-06. Payment of commission to the Directors – both Managing and Non- Executive Directors will be made after the accounts are approved at the Annual General Meeting

**General Shareholder Information**

**Annual General Meeting**

- **Date and Time** August 4, 2006 at 3.30 p.m.
- **Venue** Birla Matushri Sabhagar,  
19, Sir Vithaldas Thackersey Marg,  
Mumbai 400 020

**Registered Office** Mandlik House  
Mandlik Road  
Mumbai 400 001

**Telephone No.**

(022) 2202 6260

**Facsimile No.**

(022) 2202 7442

**Website**

www.tajhotels.com

**E-mail**

shares.dept@tajhotels.com

**Financial Calendar**

Financial reporting for:

- Quarter ending June 30, 2006 July 2006
- Quarter ending September 30, 2006 October 2006
- Quarter ending December 31, 2006 January 2007
- Quarter ending March 31, 2007 May /June 2007

**Date of Book Closure**

July 18 to August 4, 2006  
(both days inclusive)

**Dividend Payment Date**

On or after August 5, 2006

**Listing**

- **Ordinary Equity Shares** Bombay Stock Exchange Ltd.  
National Stock Exchange of India Ltd.  
The Delhi Stock Exchange Association Ltd.  
Madras Stock Exchange Ltd.  
Bangalore Stock Exchange Ltd.
- **Global Depository Shares** London Stock Exchange

The Company has paid annual listing fees to each of the above Stock Exchanges in respect of the financial year 2006-2007.

**Stock Codes**

STOCK EXCHANGE	STOCK CODE
Bombay Stock Exchange Ltd.	500850
National Stock Exchange of India Ltd.	INDHOTEL EQ
The Delhi Stock Exchange Association Ltd.	109046
Madras Stock Exchange Ltd.	INDHOT
Bangalore Stock Exchange Ltd.	IHT1

**Registrar and Share Transfer Agent**

The Company has obtained Category I Registrar to an Issue & Share Transfer Agent Certificate from SEBI Category I - INR000003746

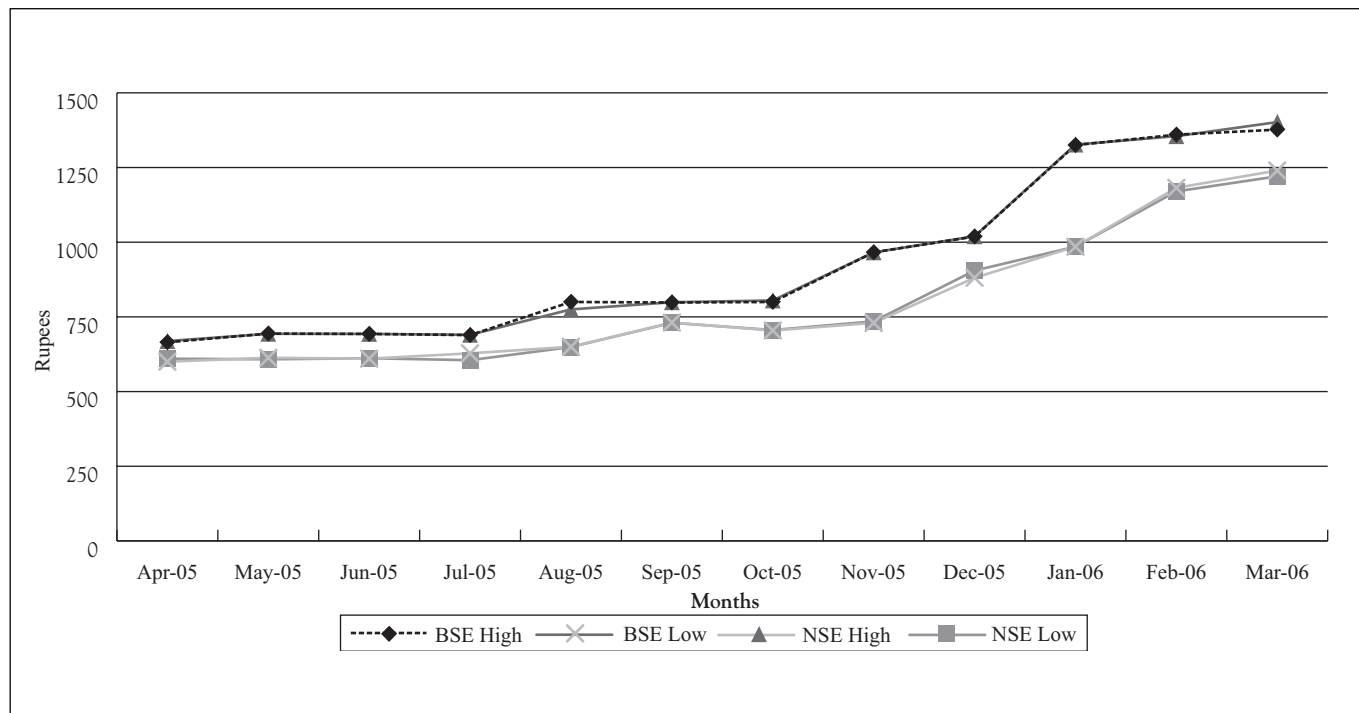
**SEBI Registration No.**

**Share Transfer System**

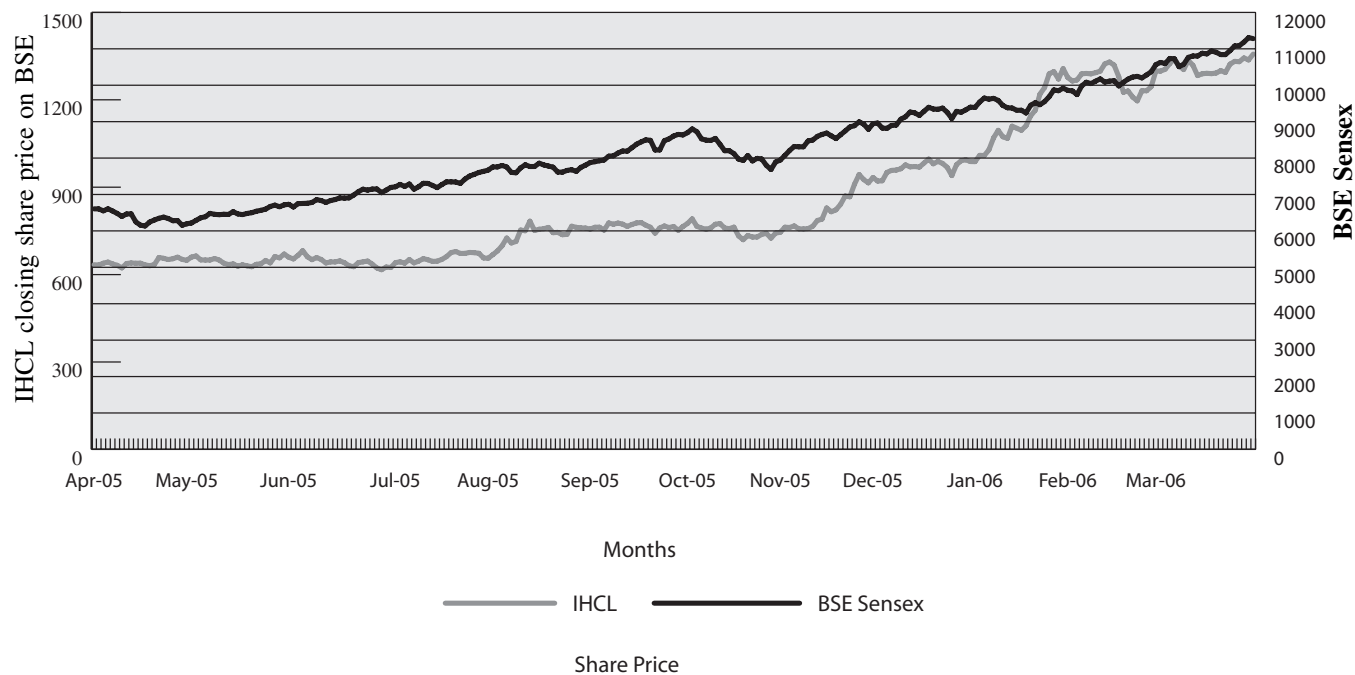
All shares have been transferred and returned within 21 days from the date of lodgement, provided the necessary documents were in order.

**Market Price Data : High, Low during each month in last financial year**

Months	BSE High	BSE Low	No. of Shares Traded	NSE High	NSE Low	No. of Shares Traded
Apr-05	665.00	600.10	584158	669.00	610.05	709575
May-05	694.00	613.00	1577756	693.40	608.00	1460386
Jun-05	693.00	610.10	1160413	693.00	611.50	2979333
Jul-05	689.00	628.00	1546232	690.00	605.05	2294568
Aug-05	800.00	650.00	1193465	775.05	649.15	1948607
Sep-05	798.00	731.00	775513	799.00	730.10	1556606
Oct-05	800.00	704.45	765839	805.00	706.00	2084902
Nov-05	966.00	730.00	683888	966.00	735.00	2677533
Dec-05	1018.95	881.00	1010968	1019.80	905.00	3558754
Jan-06	1325.00	985.00	1169065	1326.80	985.05	3212061
Feb-06	1360.00	1182.00	1999826	1355.00	1170.10	3869359
Mar-06	1376.80	1240.00	3255548	1402.00	1220.55	6624950

**IHCL Comparative High Low price on BSE & NSE**

**Performance in comparison to broad-based indices such as BSE Sensex**



**Two-way Fungibility of Global Depository Receipts (GDRs)**

Reserve Bank of India, vide its circular dated February 13, 2002, had brought into force the Operative Guidelines for the two-way fungibility under the “Issue of Foreign Currency Convertible Bonds and Ordinary shares (through Depository Receipt mechanism) Scheme 1993. Consequent thereto, the Company has executed documents with Citibank N.A., New York, Depository for GDR holders, supplemental to the Depository Agreements executed by the Company at the time of issue of GDRs in 1995 and 1997, whereby the Company offers investors the facility for conversion of Ordinary Shares into GDRs, within the limits prescribed for Two-way Fungibility.

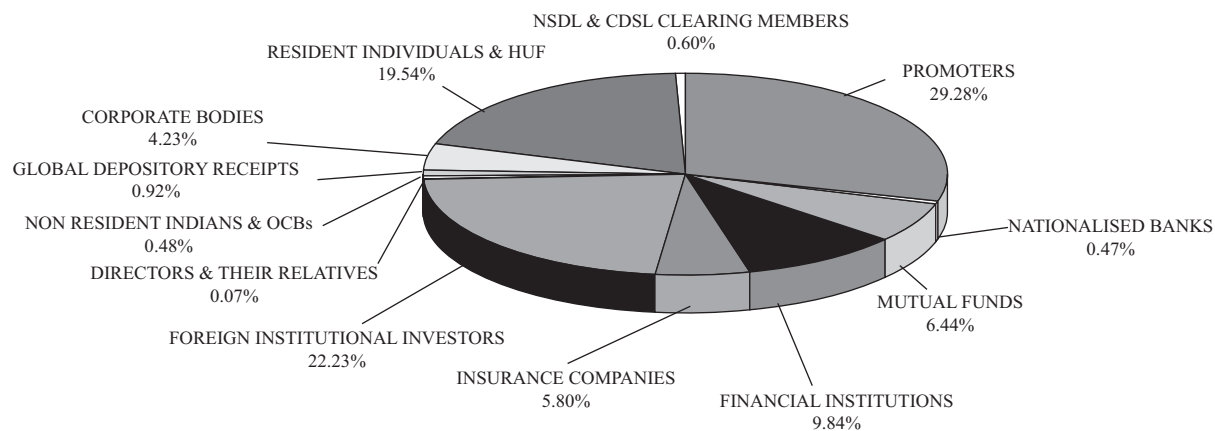
**STATUS OF FOREIGN CURRENCY CONVERTIBLE BONDS ISSUED**

The Company had raised US \$ 150 million through an issue of Foreign Currency Convertible Bonds (FCCBs) in the financial year 2003-04. The conversion price was fixed at Rs. 501.53 per share. During the year under review the Company had received requests aggregating US \$ 90.23 million (Previous Year - US \$ 56.91 million) for conversion of FCCBs into Ordinary Shares of the Company. The Company had allotted 81,50,057 shares, arising out of conversion of FCCBs into shares (Previous Year - 51,40,107 shares). Resultantly, the paid-up share capital of the Company after conversion and allotment of shares, increased from Rs. 50.25 Crores to Rs. 58.41 Crores.

The Board of Directors had decided that applications for conversions received upto the date of closure of the Register of Members of the Company would be processed and the resulting shares arising out of the said conversions of FCCBs, would also be eligible for dividend, as recommended by the Board and approved at the ensuing Annual General Meeting of the Company.

**Distribution of Shareholding as on March 31, 2006**

Category	No. of Shares held	% to paid up Capital
Promoters	16589787	29.28
Directors & Their Relatives	40994	0.07
Global Depository Receipt	519354	0.92
Nationalised Banks	267219	0.47
Mutual Funds	3647785	6.44
Financial Institutions	5574435	9.84
Insurance Companies	3288645	5.80
Foreign Institutional Investors	12655900	22.33
Non Resident Indians & OCBs	271160	0.48
Corporate Bodies	2396159	4.23
Resident Individuals & HUF	11070764	19.54
NSDL & CDSL Clearing Members	343206	0.60
<b>Total</b>	<b>56665408</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2006**

■ FINANCIAL INSTITUTIONS	□ NON RESIDENT INDIANS & OCBs	□ NSDL & CDSL CLEARING
■ MUTUAL FUNDS	■ DIRECTORS & THEIR RELATIVES	■ RESIDENT INDIVIDUALS & HUF
□ NATIONALISED BANKS	■ FOREIGN INSTITUTIONAL INVESTORS	□ CORPORATE BODIES
■ PROMOTERS	■ INSURANCE COMPANIES	□ GLOBAL DEPOSITORY RECEIPTS

## Distribution Schedule of The Indian Hotels Company Limited as on March 31, 2006

No. of Shares held	Total Members	Total Shares	Total % to Capital
Upto 500	52089	4999884	8.82
501 to 1000	3415	2459947	4.34
1001 to 2000	1236	1744909	3.08
2001 to 3000	304	746868	1.32
3001 to 4000	156	547272	0.96
4001 to 5000	69	321203	0.57
5001 to 10000	118	866459	1.53
10001 and above	205	44978866	79.38
<b>Total</b>	<b>57592</b>	<b>56665408</b>	<b>100.00</b>

### Secretarial Audit

In keeping with the requirements of the SEBI and the Stock Exchanges, a secretarial audit by a practicing Company Secretary is carried out to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The said audit confirms that the total issued / paid – up capital tallies with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

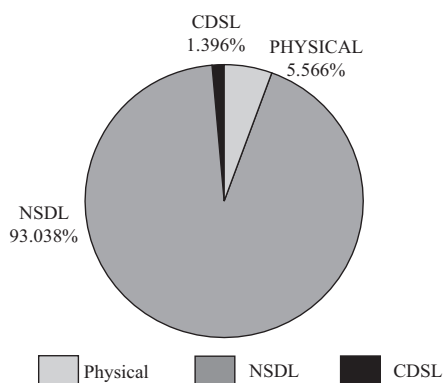
A certificate from the Statutory Auditors of the Company on Corporate Governance is attached as an annexure to the Report.

### Dematerialisation of Shares & Liquidity

- As of the end of March 2006, shares comprising approximately 94.44% of the Company's Equity Share Capital have been dematerialised.
- Trading in the Company's shares in a dematerialised form has been made compulsory with effect from April 5, 1999.

ISIN No.            INE053A01011

Status on Dematerialised Shares



**Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

5,19,354 GDRs (each GDR representing 1 Ordinary Share of the Company); 2,860 – 1% FCCBs (due 2009) of US \$ 1000 each, may at the option of the Bondholders, be converted into 2,58,325 Ordinary Shares / Global Depository Share (GDS) at Rs. 501.53 per share, at any time upto January 28, 2009.

**Registrars to the Company's  
Fixed Deposit Scheme**

TSR Darashaw Limited  
(formerly Tata Share Registry Limited)  
Army and Navy Building  
148 Mahatma Gandhi Road  
Fort Mumbai 400001.  
Tel. No.022-66568484  
Fax No.022-66568494  
Website : [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

**Investor Correspondence**

For any queries, investors are requested to get in touch with the Company's share department at Mandlik House, Mandlik Road, Mumbai 400 001.

**Electronic Clearing Service (ECS)**

The Company is availing of the ECS facility to distribute dividend to those members who have opted for it.

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with sub-clause I(D) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them, for the Financial Year ended March 31, 2006.

For **The Indian Hotels Company Limited**

**Raymond N. Bickson**  
Managing Director

# The Indian Hotels Company Limited

## Hotel Locations:

The various hotels / units of the Taj Group are tabled as under :

Taj Luxury Hotels	Taj Business Hotels	Taj Leisure Hotels	Air Catering
The Taj Mahal Palace & Tower Hotel, Mumbai	Taj President, Mumbai	Taj Exotica, Goa	Mumbai
Taj Lands End, Mumbai	Taj Connemara, Chennai	Fort Aguada Beach Resort, Goa	New Delhi
Taj Wellington Mews Luxury Apartments, Mumbai	Taj Residency, Bangalore	Taj Holiday Village, Goa	Kolkata
The Taj Mahal Hotel, New Delhi	Taj Residency, Hyderabad	The Aguada Hermitage, Goa	Chennai
Taj Palace Hotel, New Delhi	Taj Banjara, Hyderabad	Fisherman's Cove, Chennai	Goa
Taj Bengal, Kolkata	Taj Residency, Visakhapatnam	Taj Green Cove, Kovalam	
Taj Coromandel, Chennai	Taj Residency, Ummad, Ahmedabad	Taj Residency, Ernakulam	
The Taj West End, Bangalore	Taj Residency, Calicut	Taj View Hotel, Agra	
Taj Krishna, Hyderabad	Taj Residency, Lucknow	Taj Ganges, Varanasi	
Taj Lake Palace, Udaipur	Taj Residency, Aurangabad	Hotel Chandela, Khajurao	
Rambagh Palace, Jaipur	Taj Residency, Nasik	Taj Hari Mahal, Jodhpur	
Ummaid Bhavan Palace, Jodhpur	Taj Blue Diamond, Pune	Taj Malabar, Cochin	
The Pierre, New York	Taj Residency, Vadodra	Jai Mahal Palace, Jaipur	
Taj Exotica Resort & Spa, Maldives	City Inn, Baramati	Savoy Hotel, Ooty	
Taj Exotica Resort & Spa, Mauritius	The Ambassador Hotel, New Delhi	Sawai Madhopur Lodge, Sawai Madhopur	
Crowne Plaza - St. James Court, London	Gateway Hotel on Residency Road, Bangalore	Ramgarh Lodge, Jaipur	
51 Buckinghamgate Luxury Suites & Apartments, LONDON	Gateway Hotel on Athwa Lanes, Surat	The Gir Lodge, Sasangir	
Taj Denis Island, Seychelles	Manjarun Hotel, Mangalore	Usha Kiran Palace, Gwalior	
Taj Palace Hotel, Dubai	Taj Samudra, Colombo	Rawal Kot Hotel, Jaisalmer	
	Airport Garden Hotel, Colombo	Taj Garden Retreat, Madurai	
	The Pamodzi Hotel, Lusaka	Taj Garden Retreat, Conoor	
	Taj Sheba Hotel, Sana'a	Taj Garden Retreat, Chikmagalur	
	Blue Woolloomooloo Bay, Australia	Taj Garden Retreat, Varkala	
		Taj Garden Retreat, Thekkady	
		Taj Garden Retreat, Kumarakom	
		Kutteeram, Bangalore	
		Taj Exotica, Bentota	
		Taj Coral Reef Resort, Maldives	
		Sohar Beach Hotel, Oman	
		Rebak Marina Resort, Malaysia	

## **AUDITORS' CERTIFICATE**

### **TO THE MEMBERS OF THE INDIAN HOTELS COMPANY LIMITED**

We have examined the compliance of conditions of Corporate Governance by **The Indian Hotels Company Limited** for the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

**For S. B. BILLIMORIA & CO.**  
Chartered Accountants

**Nalin M. Shah**  
Partner  
Membership No.15860

Mumbai, 6th July, 2006

**For N. M. RAIJI & CO.**  
Chartered Accountants

**Vinay D. Balse**  
Partner  
Membership No.39434

## Community Initiatives of the Taj Group of Hotels - 2005-2006

Since inception, the Company has been committed to responsibility to society and the community in which it operates, in addition to the Tata values of honesty, accountability and compliance with regulatory requirements. This commitment had been reaffirmed decades ago, by way of inclusion of a Clause on Social Responsibility in the Company's Articles of Association.

The Company recognizes the great importance of sustainable growth - the creation of financial, social and environmental value. By striking an equitable balance between these three pillars, the Company wishes to realize its business objectives, while respecting the opportunities for future generations to meet their own needs, in particular the need for mobility, income, good working conditions, self-development and a high quality of life.

At the Taj there has been a deep commitment in serving the Community, which is not just another stakeholder, but community service is one of the core values in the Taj Group. All employees believe in serving people in the form of corporate volunteering, which not only revives the spirit of learning in the organization, but more significantly, results in transformational benefits to them.

The Company constantly strives to build professional and organizational capabilities to strengthen its reach to the people, particularly the underprivileged.

The theme for Community Initiatives has been "Building Livelihoods". In view of India's vast and diverse regions, cultures and states, each region differs in its identification of Key Communities. In order to tackle this, the Company adopts a two-pronged approach, where all the hotel units adopt not only the corporate theme, but are encouraged to take up a local theme, as identified in the region where they are functioning from.

The community philosophy is based on:

1. Corporate theme: Building Livelihoods
2. Unit Theme: All the units are supposed to adopt/work with a local NGO/Agency/Trust for upliftment of the community.

Our focus in terms of Building Livelihoods has been on building livelihoods for the destitute women and also literacy programs for the underprivileged children.

### **Building Livelihoods**

Some of the initiatives undertaken by various hotels are listed below:-

1. **Taj President, Mumbai** has, in addition to providing on the job-training program for 6 children from NGOs Premdhan and Vatsalya, started a project titled Shreefish Project, wherein the unit has identified a group of downtrodden fishermen and are purchasing fish from them, so as to supplement their income.
2. **Taj Manjarun, Mangalore** has been training an underprivileged youth in the Kitchen Stewarding Department on an ongoing basis.
3. **Taj Residency, Hyderabad** has been providing training to 5 boys from Hyderabad Council of Human Welfare in departments such as the Hotel's banquets, housekeeping, production and staff cafeteria.
4. **Taj Residency, Umed** took up the responsibility of training women of SAATH, an NGO working for socio economic development of women in Ahmedabad.
5. **Taj Residency, Vadodara** has been training 7 people as apprentices, in association with Dr. Reddy's Foundation.
6. **Taj Residency, Aurangabad** provides employment opportunities to scheduled caste and scheduled tribes. 8 to 10 persons from the backward class are working in the unit.
7. **Taj Exotica Resort & Spa, Maldives** has been purchasing fish from the local community once a week, thereby generating an avenue for sale of their catch, by avoiding middlemen and ensuring a fair price for their catch. Additionally, manpower is being sourced from the island, thereby generating livelihood for the local island youth. A local fishing island trip is organised for guests, which helps in generating revenues for the locals, by means of sale of souvenirs etc. that the islanders use for their socio-economic development.
8. **Taj Lands End, Mumbai** has continued to purchase biryani clay pots on a regular basis from the local artisans, which are then used in the cafeteria.
9. **Taj Garden Retreat, Kumarakom** has hired local ladies as Tourist Guides to take the guests around the village and for boating around the lagoon.

10. **Taj Malabar, Cochin** purchases canteen snacks supplied by a group of ladies, which helps them earn their livelihood.
11. **Taj Ganges, Benaras** has tied up with the cause of Women's Empowerment through supporting the "Sui Dhaga", an NGO that is helping rural women's employment in the suburbs of Benares. The hotel has provided them with space in the hotel where they could display their products for sale. They are also provided with food from the hotel.

### **Special Projects**

#### **(i) Adoption of Bajardeha Village**

Seeing the plight of the underprivileged Paramparik Karigar at Benaras, we have adopted the Bajardeha village near Benares, which has saree weavers, whose standard of living is below normal. Recently we have installed two tube wells for the villagers, to solve the water problems of the area.

#### **(ii) Mumbai Water Deluge – 26<sup>th</sup> July, 2005**

One of the important projects undertaken last year was the relief to those affected by the Mumbai Water Deluge. The Company mobilized its supply chain and got together food and linen to be disbursed. The people whose houses had been destroyed by the rain water were moved into municipal schools, where makeshift arrangements had been made for them. The hotels at various locations were requested to send their used linen, clothes etc which were then distributed to the affected areas. The relief was mostly in the form of packed food and food grain kits, which were distributed by our volunteers in areas such as Kurla, Mumbra and Chembur. Used linen and medicines were also distributed.

#### **(iii) Adoption of J B Petit School**

The Company has adopted the J.B. Petit school centre to help out with the educational needs of 60 slum children. It has discussed on the functioning and plans with the centre on educating these 60 children. This will be done by providing them with educational material, books and other aids, school uniforms and salaries for teachers.

#### **(iv) Artisan Programs: - (Paramparik Karigars)**

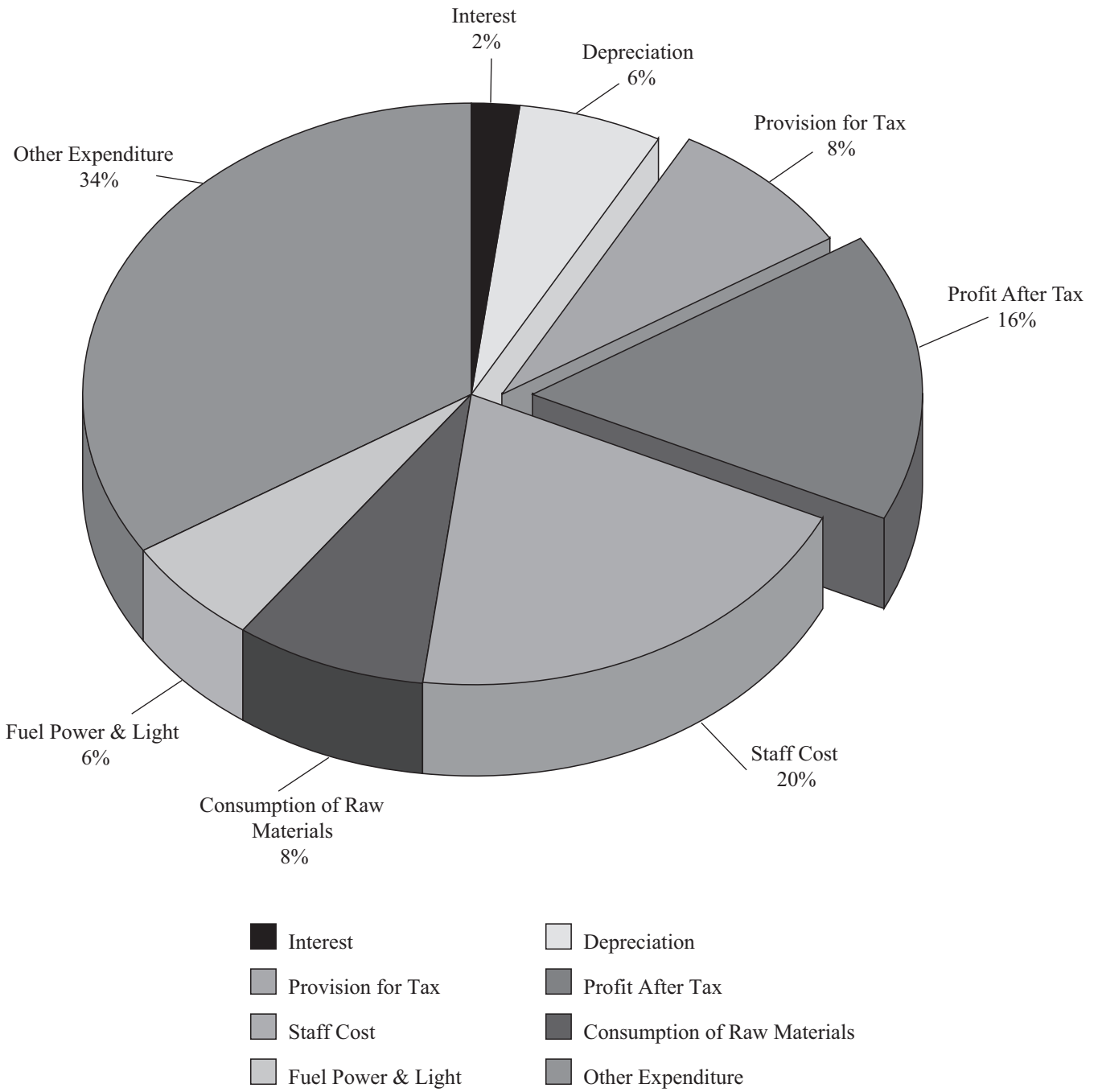
Towards the theme of "Building Livelihoods", the Taj Group has been focusing on developing the indigenous artisans of India, whose art is on the verge of dying out. Knowing that the wares and handicrafts of the artisans are going to be in demand in places that see a high influx of foreign tourists, the Taj realizes that this key community has a direct relationship with our industry.

1. **Taj President, Mumbai** has the Wada Project, which aims at inculcating marketing skills in the local artisans, to help them market their products better.
2. **Taj Residency, Hyderabad** is providing support to the Artisans of Srikalahasthi.
3. **Taj Residency, Ummed** has been providing support to the works of the local craftsmen, by providing them with place in the lobby to showcase their products and renting them a shop.
4. **The Ambassador Hotel, Delhi** has identified a traditional potter and promoted his artefacts by the display of his crafts at the Hotel. The entire money that he earned by selling his artefacts went to his family, which helped them financially.
5. **Taj Coromandel, Chennai** has taken the initiative in order to save the dying art of the Bhommakara Community, who earn their livelihood by making toys. Space has been provided within the Hotel to these artisans, where they can display and sell their products and thus earn their livelihood.
6. **Rambagh Palace, Jaipur** has been promoting Lac products made by a local artisan. The unit has also supported the production and distribution of his products.
7. **Taj Krishna, Hyderabad** has on the occasion of Diwali, provided support to the local artisans from Frikalahasthi near Tirupati, by providing space in the Hotel to sell off their articles.
8. **Taj Ganges, Benaras** has been supporting the wooden artisans & craftsmen of Khajuha village They are given space in the lobby to display and sell their wooden handmade items.

#### **(v) Affirmative Action for the Disadvantaged**

1. **Taj Mahal, Delhi** has been providing training in Bakery and Confectionary to 6 individuals with the help of Khatha Khazana (an NGO).
2. **Fort Aguada Beach Resort/ Taj Holiday Village, Goa** has a physically challenged boy employed by the unit to run a grocery store for the employees.

### BREAK UP OF TOTAL INCOME



## **AUDITORS' REPORT TO THE MEMBERS OF THE INDIAN HOTELS COMPANY LIMITED**

1. We have audited the attached Balance Sheet of **THE INDIAN HOTELS COMPANY LIMITED**, as at 31st March, 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as at 31st March, 2006 taken on record by the Board of Directors, none of the Directors is disqualified as at 31st March, 2006 from being appointed as a Director in terms of Section 274 (1) (g) of the Companies Act, 1956.

**For S. B. BILLIMORIA & CO.**  
Chartered Accountants

Nalin M. Shah  
Partner  
(Membership No.15860)

Mumbai, 8th June, 2006

**For N. M. RAIJI & CO.**  
Chartered Accountants

Vinay D. Balse  
Partner  
(Membership No. 39434)

## ANNEXURE TO THE AUDITORS' REPORT OF

### THE INDIAN HOTELS COMPANY LIMITED (Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities and results for the year, clauses (viii), (x), (xiii) and (xiv) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Physical verification of fixed assets has been carried out by the Management at most of the units in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. We have been informed that the reconciliation of assets verified with the fixed assets register is still in progress at some of the units. Discrepancies, if any, arising out of verification and reconciliation are yet to be determined.
  - (c) Fixed assets disposed off during the year were not substantial.
- (iii) In respect of inventory of stores, operating supplies and food and beverages:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of the loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - (a) The Company has granted during the year, loans aggregating Rs. 350.62 crores to 5 Parties. At the year-end, the outstanding balances of such loans aggregated Rs. 486.46 crores (number of parties – 6) and the maximum amount outstanding during the year amounted to Rs. 662.76 crores (number of parties – 8).
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The receipt of principal amounts and interest have been regular/as per stipulations during the year, *except in the case of a joint venture company, wherein an amount of Rs. 7.53 crores remains outstanding.*
  - (d) In respect of overdue amounts of over rupees one lakh remaining outstanding as at the year-end, the Management has taken reasonable steps for recovery of the principal and interest.

- (v) In respect of the loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has taken loan aggregating to Rs. 5.50 crores from a party. At the year-end, the outstanding balance of such loan aggregated Rs. Nil and maximum amount involved during the year was Rs. 14.50 crores (number of parties – 2).
  - (b) The rate of interest and other terms and conditions of such loan are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The payment of principal amounts and interest in respect of such loans are regular/as per stipulations.
- (vi) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in such internal control system.
- (vii) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) In our opinion, the contracts or arrangements that needed to be entered in the Register required to be maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - (b) Where each of such transactions (excluding loans reported under paragraphs (iv) and (v) above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (viii) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, with respect to the deposits accepted from the public. According to information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (ix) In our opinion, the Company has an internal audit system, whereby internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (x) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities during the year.
  - (b) There are no undisputed amounts outstanding as at 31st March, 2006 for a period of more than six months from the date they became payable.

# The Indian Hotels Company Limited

(c) Dues relating to items as listed below which have not been deposited as on 31st March, 2006 on account of disputes with the related authorities:

<b>Nature of Dues</b>	<b>Amount (Rs. Crores)</b>	<b>Period to which the amount relates</b>	<b>Forum where dispute is pending</b>
<b>Luxury Tax</b>	0.03	1995-1996	Deputy Commissioner of Luxury Tax
	0.03	1998-2000	Commissioner, Luxury Tax
	0.05	1999-2001	Appellate Asst. Commissioner of Commercial Taxes
	0.04	1998-2000	Assistant Commissioner, Luxury Tax
	0.35	2001-2006	Assistant Commissioner of Commercial Taxes
<b>Entertainment Tax</b>	1.39	2003-2004	Tribunal
	0.11	2003-2004	Divisional Commissioner – Entertainment Tax
<b>Sales Tax</b>	0.11	1992-1995	Tribunal
	0.27	1995-1996	Appellate Board
	0.23	1996-1998	Appellate & Revision Board
	1.01	1997-1998/ 1999-2001	Deputy Commissioner of Sales Tax
	1.76	1998-2003	Deputy Commissioner of Commercial Taxes
	0.24	1994-1995/ 2000-2001/2002-2003	Assistant Commissioner – Sales Tax
<b>Property Tax</b>	7.42	2004-2006	Dispute pending with Municipal Corporation of Greater Mumbai
	0.53	1998-1999	
<b>Service Tax</b>	0.08	2001-2004	Superintendent of Central Excise
<b>Central Excise</b>	0.33	1994-1995	Supreme Court
<b>Sewerage Tax</b>	4.26	1999-2004	Deputy Assessor & Collector, Mumbai
<b>Total</b>	<b>18.24</b>		

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are *prima facie* not prejudicial to the interests of the Company.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
- (xv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (xvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies/firms covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvii) According to the information and explanations given to us and the records examined by us, securities have been created in respect of the debentures issued.
- (xviii) The Company has not raised monies by way of public issue during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, having regard to the nature of the Company's business, no material fraud on or by the Company was noticed or reported during the year.

**For S. B. BILLIMORIA & CO.**

Chartered Accountants

Nalin M. Shah

Partner

(Membership No.15860)

Mumbai, 8th June, 2006

**For N. M. RAIJI & CO.**

Chartered Accountants

Vinay D. Balse

Partner

(Membership No. 39434)

# The Indian Hotels Company Limited

## Balance Sheet as at 31st March, 2006

	Schedule	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds				
Capital	1	58.41		50.25
Reserves and Surplus	2	1,657.83		1,081.80
Total			1,716.24	1,132.05
Loan Funds				
Secured Loans	3	423.73		433.45
Unsecured Loans	4	120.61		574.88
Total			544.34	1,008.33
Trade Deposits			33.38	43.70
Deferred Tax Liability (Refer Note 4 (b) Page 81)			80.05	82.36
			<u>2,374.01</u>	<u>2,266.44</u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets				
Gross Block	5	1,357.30		1,287.71
Less : Depreciation		465.33		405.50
Net Block			891.97	882.21
Investments	6		656.57	607.01
Long Term Deposits	7		385.69	217.28
Current Assets, Loans and Advances	8	796.99		895.74
Less: Current Liabilities and Provisions	9	358.36		337.46
Net Current Assets			438.63	558.28
Miscellaneous Expenditure (to the extent not adjusted or written off)	10		1.15	1.66
			<u>2,374.01</u>	<u>2,266.44</u>

The accompanying notes form an integral part of the Balance Sheet

As per our report attached.  
For S. B. Billimoria & Co.  
Chartered Accountants

For N. M. Raiji & Co.  
Chartered Accountants

R. N. TATA  
R. K. KRISHNA KUMAR  
RAYMOND N. BICKSON  
N.A.SOONAWALA  
J. J. BHABHA  
S. K. KANDHARI  
JAGDISH CAPOOR  
SHAPOOR MISTRY  
K B DADISETH

For and on behalf of the Board  
Chairman  
Vice - Chairman  
Managing Director

NALIN M. SHAH  
Partner

VINAY D. BALSE  
Partner

DEV BAJPAI

Vice President - (Legal)  
& Company Secretary

Mumbai, 8th June, 2006

Directors

## Profit and Loss Account for the year ended 31st March, 2006

	Schedule	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>INCOME</b>				
Rooms, Restaurants, Banquets and Other Income	11		<b>1,127.57</b>	873.24
<b>EXPENDITURE</b>				
Operating and General Expenses	12	<b>777.41</b>		665.95
Depreciation		<b>65.90</b>		56.77
Interest (net) (Refer Note 12 Page 83)		<b>20.36</b>		31.84
<b>Total</b>		<b>863.67</b>		754.56
Less : Unallocated Expenditure during construction period transferred to Fixed Assets		<b>8.10</b>		0.01
			<b>855.57</b>	754.55
<b>PROFIT BEFORE EXTRAORDINARY &amp; EXCEPTIONAL ITEMS AND TAX</b>			<b>272.00</b>	118.69
Profit on sale of Business & Property			-	6.38
Exceptional items (Refer Note 14 Page 84)			-	16.61
<b>PROFIT BEFORE TAX</b>			<b>272.00</b>	141.68
Less : Provision for Tax (Refer Note 4 (a) Page 80)			<b>88.22</b>	35.82
<b>PROFIT AFTER TAX</b>			<b>183.78</b>	105.86
Add : Balance brought forward from Previous Year			<b>81.90</b>	44.34
Amount available for Appropriation			<b>265.68</b>	150.20
Appropriation:				
Proposed Dividend (Refer Note 3 (d) Page 80)			<b>77.95</b>	50.25
Tax on Dividend			<b>10.93</b>	7.05
Transferred to General Reserve			<b>20.00</b>	11.00
Balance carried forward			<b>156.80</b>	81.90
			<b>265.68</b>	150.20
Earnings Per Share - Basic (Refer Note 31 Page 92)				
Before extraordinary items - (In Rupees)			<b>31.47</b>	20.06
After extraordinary items - (In Rupees)			<b>31.47</b>	21.06
Earnings Per Share - Diluted (Refer Note 31 Page 92)				
Before extraordinary items - (In Rupees)			<b>31.35</b>	17.76
After extraordinary items - (In Rupees)			<b>31.35</b>	18.63
Face Value Rs.			<b>10.00</b>	10.00

The accompanying notes form an integral part of the Profit and Loss Account

As per our report attached.  
For S. B. Billimoria & Co.  
Chartered Accountants

For N. M. Raiji & Co.  
Chartered Accountants

R. N. TATA  
R. K. KRISHNA KUMAR  
RAYMOND N. BICKSON

N.A.SOONAWALA  
J. J. BHABHA  
S. K. KANDHARI  
JAGDISH CAPOOR  
SHAPOOR MISTRY  
K B DADISETH

DEV BAJPAI

For and on behalf of the Board  
Chairman  
Vice - Chairman  
Managing Director

Directors

NALIN M. SHAH  
Partner

VINAY D. BALSE  
Partner

Vice President - (Legal)  
& Company Secretary

Mumbai, 8th June, 2006

## Cash Flow Statement for the year ended 31st March, 2006

	2005-06		2004-05	
	Rupees (In Crores)	Rupees (In Crores)	Rupees (In Crores)	Rupees (In Crores)
<b>Cash Flow From Operating Activities</b>				
Net Profit Before Tax		272.00		141.68
<b>Adjustments For :</b>				
Depreciation	65.90		56.77	
Amortisation of VRS Expenditure	0.51		0.52	
Surplus on sale of investments	-		(16.61)	
Loss/(Surplus) on sales of assets	(2.61)		-	
Surplus on sale of business/property	-		(6.38)	
Provision for Doubtful Debts	2.11		1.81	
Interest/Dividends ( Net )	0.36		16.61	
Provision for Leave Encashment	10.92		0.26	
Diminution in value of Investment	-		(1.14)	
		<u>77.19</u>		<u>51.84</u>
Operating Profit before working capital changes		<b>349.19</b>		<b>193.52</b>
<b>Adjustments For :</b>				
Trade and Other Receivables	(32.66)		29.28	
Inventories	(2.02)		(3.51)	
Trade Payables	16.67		47.62	
		<u>(18.01)</u>		<u>73.39</u>
Cash Generated from Operating activities		<b>331.18</b>		<b>266.91</b>
Direct Taxes Paid		<b>(93.29)</b>		<b>(27.68)</b>
<b>Net Cash From Operating Activities</b>		<b>237.89</b>		<b>239.23</b>
<b>Cash Flow From Investing Activities</b>				
Purchase of Fixed Assets	(86.40)		(139.74)	
Sale of Fixed Assets	2.12		6.33	
Purchase of Investments	(49.56)		(9.45)	
Sale of Investments	-		21.02	
Interest Received	23.88		17.06	
Dividend Received	20.00		15.23	
Deposits with Other Companies	17.20		1.31	
Loans to Subsidiaries	28.90		(493.12)	
<b>Net Cash Used In Investing Activities</b>		<b>(43.86)</b>		<b>(581.36)</b>
<b>Cash Flow From Financing Activities</b>				
Debenture issue costs	-		(0.04)	
Interest Paid	(44.49)		(57.56)	
Proceeds from/(Repayment of) long term and short term borrowings	(54.61)		(116.19)	
Dividend Paid (Including tax on dividend)	(59.60)		(40.71)	
<b>Net Cash Used In Financing Activities</b>		<b>(158.70)</b>		<b>(214.50)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>35.33</b>		<b>(556.63)</b>
CASH AND CASH EQUIVALENTS Opening 1st April, 2005 - as per Schedule 8		<b>54.80</b>		<b>611.43</b>
CASH AND CASH EQUIVALENTS Closing 31st March, 2006 - as per Schedule 8		<b>90.13</b>		<b>54.80</b>

**Note :** Cash and Cash Equivalents include exchange loss /(gain) Rs. 3.34 crores  
Previous Year Rs. (20.21) crores arising out of revaluation of foreign currency deposits.

As per our report attached.  
For S. B. Billimoria & Co.  
Chartered Accountants

For N. M. Raiji & Co.  
Chartered Accountants

R. N. TATA  
R. K. KRISHNA KUMAR  
RAYMOND N. BICKSON  
N.A.SOONAWALA  
J. J. BHABHA  
S. K. KANDHARI  
JAGDISH CAPOOR  
SHAPOOR MISTRY  
K B DADISETH

For and on behalf of the Board  
Chairman  
Vice - Chairman  
Managing Director

Directors

NALIN M. SHAH  
Partner

VINAY D. BALSE  
Partner

DEV BAJPAI

Vice President - (Legal)  
& Company Secretary

Mumbai, 8th June, 2006

## Schedules forming part of the Balance Sheet

### Schedule 1 : Share Capital

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>AUTHORISED SHARE CAPITAL</b>			
Ordinary Shares			
10,00,00,000 Ordinary Shares of Rs. 10/- each	<b>100.00</b>		100.00
Preference Shares			
1,00,00,000 (Previous Year 1,00,00,000) Cumulative Redeemable Preference Shares of Rs. 100/- each	<b>100.00</b>		100.00
		<b>200.00</b>	200.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
5,66,65,408 (Previous Year 4,64,13,001) Ordinary Shares of Rs. 10/- each Fully Paid (See Notes Below)		<b>56.67</b>	46.41
Share Application Money (Refer Note 3 (b) Page 80)		<b>1.74</b>	3.84
		<b>58.41</b>	50.25

Notes :

Of the above :

- (i) 49,00,400 Ordinary Shares of the face value of Rs. 10/- each were issued as fully paid Bonus Shares by capitalisation of Reserves.
- (ii) 2,48,87,717 Ordinary Shares of the face value of Rs. 10/- each were issued as fully paid Bonus Shares by capitalisation of Securities Premium Account .
- (iii) 1,15,50,713 Ordinary Shares of the face value of Rs. 10/- each were issued as fully paid shares pursuant to exercise of option for conversion by holders of Foreign Currency Convertible Bonds, (FCCBs) upto March 31, 2006.

## Schedules forming part of the Balance Sheet

### Schedule 2 : Reserves and Surplus

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>Capital Reserve</b>			
Balance as per Last Account		0.85	0.85
<b>Capital Redemption Reserve</b>			
Balance as per Last Account		0.55	0.55
<b>Securities Premium Account</b>			
Balance as per Last Account	382.23		186.17
Add : Addition due to Conversion of FCCBs (Refer Note 3 (b) Page 80)	305.30		61.46
Add : On Application Money pending Conversion (Refer Note 3 (b) Page 80)	84.69		181.44
Less : FCCB Issue Expenses written off	-		0.04
Less : Provision for premium on Redemption of FCCBs	-		46.80
Add : Provision for premium on Redemption of FCCBs no longer required (Refer Note 3 (c) Page 80)	45.54		-
<b>Total</b>		<b>817.76</b>	<b>382.23</b>
<b>General Reserve</b>			
Balance as per Last Account	515.66		265.29
Add : Transferred from Profit and Loss Account	20.00		11.00
Add : Transferred from Foreign Exchange Earnings / Utilised Reserve	2.50		245.30
Add : Transferred from Investment Allowance Reserve	-		1.68
Less : Adjustment for Impairment of Assets	-		7.61
<b>Total</b>		<b>538.16</b>	<b>515.66</b>
<b>Investment Reserve</b>			
Balance as per Last Account		5.00	5.00
<b>Investment Allowance Reserve</b>			
Balance as per Last Account	-		1.68
Less : Transferred to General Reserve	-		1.68
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Investment Allowance Utilised Reserve</b>			
Balance as per Last Account		4.03	4.03
<b>Export Profits Reserve</b>			
Balance as per Last Account		0.41	0.41
<b>Debenture Redemption Reserve</b>			
Balance as per Last Account		88.67	88.67
<b>Foreign Exchange Earnings Reserve</b>			
Balance as per Last Account	2.50		2.50
Less : Transferred to General Reserve	2.50		-
<b>Total</b>		<b>-</b>	<b>2.50</b>
<b>Foreign Exchange Earnings Utilised Reserve</b>			
Balance as per Last Account	-		245.30
Less : Transferred to General Reserve (Refer Note 15 Page 84)	-		245.30
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Foreign Currency Translation Reserve</b>			
Reserve created on Shareholder's Deposit (Refer Note 5 Page 81)		45.60	-
<b>Profit and Loss Account</b>			
Balance carried forward		156.80	81.90
		<b>1,657.83</b>	<b>1081.80</b>

## Schedules forming part of the Balance Sheet

### Schedule 3 : Secured Loans

	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>DEBENTURES</b>		
100, 9.75% Secured Non-Convertible Redeemable Debentures of Rs.1.00 crore each, allotted on March 2, 2002, and repayable at the end of the 5th year from the date of allotment. (Repayable within one year - Rs. 100.00 crores ; Previous Year - Rs. Nil)	<b>100.00</b>	100.00
Exchange Loss on Currency Swap of 9.75% Debentures (Repayable within one year - Rs. 13.73 crores ; Previous Year - Rs. Nil) (Refer Note 2 (b) Page 79)	<b>13.73</b>	24.96
120, 6 % Secured Non-Convertible Redeemable Debentures of Rs. 1.00 crore each, allotted on March 2, 2002, and repayable at the end of 5 years from the date of allotment, with a put option with the Debenture holders at the end of the 2nd, 3rd & 4th year from the date of allotment. (Repayable within one year - Rs. 120.00 crores; (Previous Year - Rs. Nil) (Refer Note 2 (a) Page 79)	<b>120.00</b>	120.00
80, 6% Secured Non-Convertible Redeemable Debentures of Rs. 1.00 crore each, allotted on March 2, 2002, and repayable at the end of 5 years from the date of allotment, with a put option with the Debenture holders at the end of the 1st, 2nd, 3rd & 4th year from the date of allotment. (Repayable within one year - Rs. 80.00 crores; (Previous Year - Rs. Nil) (Refer Note 2 (a) Page 79)	<b>80.00</b>	80.00
Term loan from a Bank ( Repayable within one year - Rs. Nil; (Previous Year Rs. Nil)	<b>100.00</b>	100.00
Security :		
All the above Debentures and Term Loans are secured by a pari passu first charge created on all the fixed assets of the Company, both present and future, ensuring a security cover of 1.25 times at all times.		
<b>FROM BANK</b>		
Bank Overdraft (Secured by hypothecation of Operational Supplies, Stores, Beverages and Receivables)	<b>10.00</b>	8.49
<b>TOTAL</b>	<b>423.73</b>	433.45

## Schedules forming part of the Balance Sheet

### Schedule 4 : Unsecured Loans

	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>FIXED DEPOSITS</b>		
<b>From Shareholders :</b>	<b>2.00</b>	1.21
Repayable within 1 year - Rs. Nil; ( Previous Year - Rs. 0.29 crore )		
<b>From Others :</b>	<b>6.48</b>	25.25
Repayable within 1 year - Rs. 4.44 crores; ( Previous Year - Rs. 19.97 crores )		
<b>SHORT TERM LOANS FROM BANKS</b>	<b>-</b>	8.74
Repayable within 1 year - Rs. Nil; ( Previous Year - Rs. 8.74 crores )		
<b>INTER - CORPORATE DEPOSITS</b>	<b>-</b>	9.01
Repayable within 1 year - Rs. Nil; ( Previous Year - Rs. 9.01 crores )		
<b>1% FOREIGN CURRENCY CONVERTIBLE BONDS</b>	<b>12.76</b>	407.18
Repayable within 1 year - Rs. Nil; ( Previous Year - Rs. Nil ) (Refer Note 3 Page 80)		
<b>FOREIGN CURRENCY TERM LOAN FROM BANKS</b>	<b>99.37</b>	98.49
Repayable within 1 year - Rs. 10.71 crores; ( Previous Year - Rs. Nil )		
<b>COMMERCIAL PAPERS</b>	<b>-</b>	25.00
Repayable within 1 year - Rs. Nil; ( Previous Year - Rs. 25.00 crores ) Maximum amount outstanding during the year - Rs. 25.00 crores; ( Previous Year - Rs. 50.00 crores )		
<b>TOTAL</b>	<b>120.61</b>	574.88

## Schedules forming part of the Balance Sheet

### Schedule 5 : Fixed Assets

Figures Rs. Crores

	Gross Block (at cost) as at 01.04.2005	Additions	Deductions	Gross Block (at cost) as at 31.03.2006	Accumulated Depreciation as at 01.04.2005	Depreciation for the Year	Deductions	Impairment Adjustment	Accumulated Depreciation as at 31.03.2006	Net Block as at 31.03.2006	Net Block as at 31.03.2005
<b>TANGIBLE ASSETS</b>											
Freehold Land	<b>14.46</b> <i>14.46</i>	-	-	<b>14.46</b> <i>14.46</i>	<b>3.92</b> -	-	-	-	<b>3.92</b> <i>3.92</i>	<b>10.54</b> <i>10.54</i>	<b>10.54</b>
Leasehold Land	<b>6.91</b> <i>6.56</i>	<b>1.71</b> <i>1.63</i>	- <i>1.28</i>	<b>8.62</b> <i>6.91</i>	<b>0.06</b> <i>0.02</i>	<b>0.06</b> <i>0.04</i>	-	-	<b>0.12</b> <i>0.06</i>	<b>8.50</b> <i>6.85</i>	<b>6.85</b>
Buildings	<b>476.74</b> <i>312.10</i>	<b>25.24</b> <i>165.81</i>	<b>6.41</b> <i>1.17</i>	<b>495.57</b> <i>476.74</i>	<b>42.42</b> <i>33.39</i>	<b>7.95</b> <i>6.49</i>	<b>0.02</b> <i>0.31</i>	- <i>2.85</i>	<b>50.35</b> <i>42.42</i>	<b>445.22</b> <i>434.32</i>	<b>434.32</b>
Plant and Machinery	<b>482.84</b> <i>393.58</i>	<b>33.10</b> <i>94.64</i>	<b>0.44</b> <i>5.38</i>	<b>515.50</b> <i>482.84</i>	<b>231.25</b> <i>206.04</i>	<b>32.94</b> <i>28.04</i>	<b>0.43</b> <i>4.34</i>	- <i>1.51</i>	<b>263.76</b> <i>231.25</i>	<b>251.74</b> <i>251.59</i>	<b>251.59</b>
Furniture, Fixtures and Office Equipment	<b>230.01</b> <i>186.27</i>	<b>8.41</b> <i>45.61</i>	<b>9.35</b> <i>1.87</i>	<b>229.07</b> <i>230.01</i>	<b>110.57</b> <i>93.55</i>	<b>19.13</b> <i>17.36</i>	<b>5.26</b> <i>1.26</i>	- <i>0.92</i>	<b>124.44</b> <i>110.57</i>	<b>104.63</b> <i>119.44</i>	<b>119.44</b>
Vehicles	<b>11.57</b> <i>12.96</i>	<b>1.68</b> <i>0.68</i>	<b>0.61</b> <i>2.07</i>	<b>12.64</b> <i>11.57</i>	<b>4.47</b> <i>4.55</i>	<b>1.06</b> <i>1.04</i>	<b>0.36</b> <i>1.17</i>	- <i>0.05</i>	<b>5.17</b> <i>4.47</i>	<b>7.47</b> <i>7.10</i>	<b>7.10</b>
<b>INTANGIBLE ASSETS</b>											
Website Development Cost	<b>4.53</b> <i>4.53</i>	-	-	<b>4.53</b> <i>4.53</i>	<b>3.58</b> <i>2.67</i>	<b>0.72</b> <i>0.91</i>	-	-	<b>4.30</b> <i>3.58</i>	<b>0.23</b> <i>0.95</i>	<b>0.95</b>
Customer Reservation System	<b>15.13</b> <i>13.31</i>	<b>1.98</b> <i>1.82</i>	-	<b>17.11</b> <i>15.13</i>	<b>7.73</b> <i>5.39</i>	<b>2.64</b> <i>2.34</i>	-	-	<b>10.37</b> <i>7.73</i>	<b>6.74</b> <i>7.40</i>	<b>7.40</b>
Other Intangible Assets	<b>10.75</b> <i>1.00</i>	<b>0.08</b> <i>9.75</i>	-	<b>10.83</b> <i>10.75</i>	<b>1.50</b> <i>0.95</i>	<b>1.40</b> <i>0.55</i>	-	-	<b>2.90</b> <i>1.50</i>	<b>7.93</b> <i>9.25</i>	<b>9.25</b>
<b>TOTAL</b>	<b>1,252.94</b> <i>944.77</i>	<b>72.20</b> <i>319.94</i>	<b>16.81</b> <i>11.77</i>	<b>1,308.33</b> <i>1,252.94</i>	<b>405.50</b> <i>346.56</i>	<b>65.90</b> <i>56.77</i>	<b>6.07</b> <i>7.08</i>	- <i>9.25</i>	<b>465.33</b> <i>405.50</i>	<b>843.00</b> <i>847.44</i>	<b>847.44</b>
<b>CAPITAL WORK - IN - PROGRESS</b>				<b>48.97</b> <i>34.77</i>	-	-	-	-	-	<b>48.97</b> <i>34.77</i>	<b>34.77</b>
<b>TOTAL</b>				<b>1,357.30</b> <i>1,287.71</i>	<b>405.50</b> <i>346.56</i>	<b>65.90</b> <i>56.77</i>	<b>6.07</b> <i>7.08</i>	- <i>9.25</i>	<b>465.33</b> <i>405.50</i>	<b>891.97</b> <i>882.21</i>	<b>882.21</b>

Notes :

- (1) Gross Block includes improvements to buildings constructed on leasehold land - Rs. 373.06 crores; ( Previous Year - Rs. 363.48 crores ).
- (2) Exchange (gain)/loss adjusted to cost of the Fixed Assets - Rs. (11.84) crores; ( Previous Year - Rs. 23.07 crores ).
- (3) Plant & Machinery includes Fixed Assets taken on finance lease : Gross Block - Rs. 27.40 crores; (Previous Year - Rs. 27.40 crores), Accumulated Depreciation - Rs. 16.79 crores; (Previous Year - Rs. 12.13 crores), Depreciation for the year - Rs. 4.66 crores; (Previous Year - Rs. 2.64 crores) and Net Block - Rs. 10.61 crores; (Previous Year - Rs. 15.27 crores).
- (4) Figures in italics are in respect of the previous year.
- (5) Accumulated Depreciation includes adjustment for impairment of Rs. 9.25 crores made in the previous year.

## Schedules forming part of the Balance Sheet

### Schedule 6 : Investments

Long Term	Face Value Rupees	Holdings As at 31 <sup>st</sup> Mar 06	Rupees (In Crores)	Rupees (In Crores)	Holdings As at 31 <sup>st</sup> Mar 05	Previous Year Rupees (In Crores)
<b>Trade Investments :</b>						
<b>Unquoted Equity Shares, (unless otherwise stated) Fully Paid:</b>						
Gateway Hotels & Getaway Resorts Ltd.	10	3,99,800	0.40		3,99,800	0.40
Hotel De L' Annapurna Pvt. Ltd.	Nepalese Rs. 100	1,98,240	1.18		1,98,240	1.18
Hotels and Restaurant Co-op. Service Society Ltd. (Rs. 1,000/-)	50	20	-		20	-
Ideal Ice & Cold Storage Co. Ltd.	10	57,240	0.06		57,240	0.06
India Tourism Development Corporation Ltd.	10	67,50,275	44.58		67,50,275	44.58
Inditravel Pvt. Ltd.	10	1,44,003	0.14		1,44,003	0.14
Kumarkrupa Hotels Ltd.	10	96,432	0.94		96,432	0.94
Kuteeram Resorts Ltd.	10	62,500	0.06		62,500	0.06
Piem Hotels Ltd.	10	8,81,228	35.27		8,81,228	35.27
Rallis India Ltd. (7% Cumulative Redeemable Preference Shares)	10	2,00,00,000	20.00		2,00,00,000	20.00
Residency Food & Beverages Ltd.	10	2,50,000	0.25		2,50,000	0.25
Taida Trading & Industries Ltd.	100	17,920	0.18		17,920	0.18
Taj Asia Ltd.	US \$ 1	13,29,778	13.63		13,29,778	13.63
Taj Enterprises Ltd.	100	7,000	0.07		7,000	0.07
Taj Karnataka Hotels & Resorts Ltd.	10	3,00,000	0.30		3,00,000	0.30
Taj Kerala Hotels & Resorts Ltd.	10	1,41,51,663	15.67		1,41,51,663	15.67
Taj Lands End Ltd. (See Note 3 Page 70)	10	2,37,80,500	24.15		2,37,80,500	24.15
Taj Lanka Hotels Ltd.	Sri Lankan Rs. 10	3,43,75,640	18.72		3,43,75,640	18.72
Taj Madras Flight Kitchen Pvt. Ltd.	10	79,44,112	8.56		79,44,112	8.56
Taj Madurai Ltd.	10	9,11,994	0.95		9,11,994	0.95
Taj Rhein Shoes Co. Ltd.	100	45,000	0.45		45,000	0.45
Taj Trade & Transport Co. Ltd.	10	12,54,000	2.67		12,54,000	2.67
Taj Wilderness Lodges Ltd. (Subsidiary in the previous year)	10	6,50,000	0.65		60,000	0.06
Tata Projects Ltd.	100	15,000	0.17		15,000	0.17
Tata Services Ltd.	1,000	421	0.03		421	0.03
Tata Sons Ltd.	1,000	4,500	25.00		4,500	25.00
Tata Sons Ltd. (6% Cumulative Redeemable Preference Shares)	1,000	29,800	2.98		29,800	2.98
Tourism Finance Corporation of India Ltd.	10	50,000	0.10		50,000	0.10
					<b>217.16</b>	216.57
Carried over					<b>217.16</b>	216.57

## Schedules forming part of the Balance Sheet

### Schedule 6 : Investments (Contd.)

	Face Value Rupees	Holdings As at 31 <sup>st</sup> Mar 06	Rupees (In Crores)	Rupees (In Crores)	Holdings As at 31 <sup>st</sup> Mar 05	Previous Year Rupees (In Crores)
Brought Over				<b>217.16</b>		216.57
<b>Quoted Shares - Fully Paid</b> <b>(unless otherwise stated) :</b>						
Benares Hotels Ltd.	10	<b>2,93,000</b>	<b>0.69</b>		2,93,000	0.69
Indian Resort Hotels Ltd.	10	<b>6,22,774</b>	<b>4.99</b>		6,22,774	4.99
Oriental Hotels Ltd.	10	<b>33,76,455</b>	<b>28.72</b>		33,76,455	28.72
Taj GVK Hotels & Resorts Ltd.	2	<b>1,60,00,000</b>	<b>40.34</b>		32,00,000	40.34
(Previous Year - 32,00,000 shares of Rs. 10/- each)						
Tata Consultancy Services Ltd.	1	<b>3,07,188</b>	<b>0.05</b>		3,07,188	0.05
				<b>74.79</b>		74.79
<b>Investments in Subsidiary Companies</b>						
Asia Pacific Hotels Ltd. (See Note 4, on Page 70)	10	<b>5,77,00,100</b>	<b>69.50</b>		5,77,00,100	69.50
International Hotel Management Services Inc.	US \$ 1	<b>99</b>	<b>11.33</b>		99	11.33
KTC Hotels Ltd.	10	<b>6,04,000</b>	<b>0.70</b>		6,04,000	0.70
Roots Corporation Ltd.	10	<b>2,40,00,000</b>	<b>24.00</b>		94,30,000	9.43
Taj International Hotels (H.K.) Ltd.	US \$ 1	<b>2,67,55,000</b>	<b>81.12</b>		2,67,55,000	81.12
Taj Investment & Finance Co. Ltd. (See Note 5, on Page 70)	10	<b>8,15,00,000</b>	<b>81.50</b>		8,15,00,000	81.50
Taj SATS Air Catering Ltd.	10	<b>88,74,000</b>	<b>61.82</b>		88,74,000	61.82
United Hotels Ltd.	10	<b>25,18,320</b>	<b>1.11</b>		25,18,320	1.11
				<b>331.08</b>		316.51
<b>Other Investments - Long Term</b>						
Central India Spinning Weaving & Manufacturing Co. Ltd.	500	<b>50</b>	<b>0.00</b>		50	0.00
(10% Cumulative Preference Shares) (Rs. 27,888/-)						
HDFC Bank Ltd. (Rs. 5,000/-)	10	<b>500</b>	<b>0.00</b>		500	0.00
				<b>0.00</b>		0.00
<b>Total Long Term Investment - Gross</b>				<b>623.03</b>		607.87
Less : Provision for Diminution in Value of Investments				<b>0.86</b>		0.86
<b>Total Long Term Investment - Net</b>				<b>622.17</b>		607.01
Carried over				<b>622.17</b>		607.01

**Schedules forming part of the Balance Sheet**  
**Schedule 6 : Investments (Contd.)**

	Face Value Rupees	Holdings As at 31 <sup>st</sup> Mar 06	Rupees (In Crores)	Rupees (In Crores)	Holdings As at 31 <sup>st</sup> Mar 05	Previous Year Rupees (In Crores)
Brought Over				<b>622.17</b>		607.01
<b>Current Investments</b>						
Investment in Mutual Funds (Unquoted - Units of Rs. 10/- each )						
Standard Chartered Mutual Liquidity Manager - Daily Dividend	10	<b>39,309</b>	<b>0.04</b>		-	-
(2,50,36,808 units purchased; 2,49,97,500 units sold during the year )						
Standard Chartered Mutual Liquidity Manager - Daily Dividend	10	<b>20,670</b>	<b>0.02</b>		-	-
(90,12,428 units purchased; 89,91,758 units sold during the year )						
Tata Floating Rate Short Term Installment Plan - Daily Dividend	10	<b>65,549</b>	<b>0.07</b>		-	-
(3,00,34,272 units purchased; 2,99,68,723 units sold during the year )						
Tata Liquidity Management Fund - Daily Dividend	10	<b>3,39,440</b>	<b>34.02</b>		-	-
(3,39,440 units purchased during the year )						
Tata Liquid Super High Investment Fund - Daily Dividend	10	<b>2,256</b>	<b>0.25</b>		-	-
(11,86,639 units purchased; 11,84,383 units sold during the year )						
				<b>34.40</b>		-
<b>TOTAL</b>				<b>656.57</b>		<b>607.01</b>

Notes :

1	Aggregate of Quoted Investments	: Cost	<b>74.79</b>	74.79
		: Market Value	<b>625.85</b>	240.84
2	Aggregate of Unquoted Investments - Gross	: Cost	<b>582.64</b>	533.08
3	The shares have been pledged with the Debenture Trustee of 'Taj Lands End Ltd.'			
4	The shares have been pledged with HDFC Ltd. in relation to a loan taken by 'Asia Pacific Hotels Ltd.'			
5	Undertaking given to Infrastructure Leasing & Financial Services Ltd. for non dilution stake in the subsidiary in relation to Loan taken by the subsidiary.			

## Schedules forming part of the Balance Sheet

### Schedule 7 : Long Term Deposits

	Rupees (In Crores)	Previous Year Rupees (In Crores)
Long term deposits placed with Hotel Operating Companies (includes Rs. 3.50 crores placed with subsidiaries), (Previous Year Rs. 3.50 crores)	<b>116.38</b>	113.48
Shareholders' Deposit placed with Subsidiary Company (Refer Note 5 Page 81)	<b>269.31</b>	103.80
<b>TOTAL</b>	<b>385.69</b>	217.28

## Schedules forming part of the Balance Sheet

### Schedule 8 : Current Assets, Loans and Advances

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>CURRENT ASSETS</b>			
Stock of Stores and Operating Supplies		11.99	11.10
Stock of Food and Beverages		13.86	12.73
Sundry Debtors (Unsecured, considered good) (See Note (1) below)			
Outstanding over six months			
Considered good	7.24		10.99
Considered doubtful	9.42		7.31
	<u>16.66</u>		<u>18.30</u>
Others (Considered good)	72.40		60.00
	<u>89.06</u>		<u>78.30</u>
Less : Provision for Doubtful Debts (Refer Note 25 Page 86)	9.42		7.31
		<u>79.64</u>	<u>70.99</u>
Cash and Bank Balances			
Cash on Hand [Including Cheques on Hand - Rs. 8.93 crores; (Previous Year - Rs. 6.96 crores)]	10.19		7.69
Balances with Scheduled Banks :			
In Current Account	14.61		22.88
In Call and Short Term Deposit Account	65.33		24.23
		<u>90.13</u>	<u>54.80</u>
<b>Total Current Assets</b>		<u>195.62</u>	<u>149.62</u>
<b>LOANS AND ADVANCES</b>			
(Unsecured, considered good)			
Deposits with Public Bodies and Others		29.78	34.17
Advances to Subsidiary Companies		19.32	21.57
Other Advances (See Note 2 below)		141.65	116.00
Deposits with Companies			
Deposits with Subsidiary Companies	368.13		514.69
Others	42.49		59.69
		<u>410.62</u>	<u>574.38</u>
<b>Total Loans and Advances</b>		<u>601.37</u>	<u>746.12</u>
<b>TOTAL</b>		<u>796.99</u>	<u>895.74</u>

Notes :

- (1) Sundry Debtors include debts due from Directors - Rs.82,359/- (Previous Year - Rs.1,08,130/-). Maximum amount due during the year - Rs.4,73,864/- (Previous Year - Rs.13,25,249/-).
- (2) Other Advances include :
  - (i) Amount due from a Director - Rs.Nil; (Previous Year - Rs. Nil). Maximum amount due during the year - Rs. Nil, (Previous Year - Rs. 48,60,564/-).
  - (ii) Amount paid towards Share Application Money - Rs. 0.20 crore; (Previous Year - Rs. 0.20 crore).
  - (iii) Advance against Equity - Rs. 3.66 crores; ( Previous Year - Rs. 3.66 cores)
  - (iv) Advance payment of Income tax, net of provisions for current income tax, - Rs. 61.34 crores; (Previous Year - Rs. 53.34 crores).

## Schedules forming part of the Balance Sheet

### Schedule 9 : Current Liabilities and Provisions

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>CURRENT LIABILITIES</b>			
Sundry Creditors (Refer Note 16 , Page 84)	131.96		118.65
Other Liabilities	48.89		32.25
Amount to be credited to Investor Education and Protection Fund	-		-
Dividend Warrants issued but not encashed	0.90		1.14
Preference Shares Redemption Pay Orders issued but not encashed	0.01		0.01
Sundry Deposits	5.30		11.24
Advance Collections against Reservation	17.83		15.73
Interest accrued but not due	3.05		3.81
<b>TOTAL CURRENT LIABILITIES</b>		<b>207.94</b>	<b>182.83</b>
<b>PROVISIONS</b>			
Provision for Retirement Benefits	12.32		1.40
Provision for Contingencies (Refer Note 17 Page 84)	1.12		-
Provision for Premium on Redemption of Debentures / Bonds	50.40		95.93
Proposed Dividend	75.93		50.25
Tax on Dividend	10.65		7.05
<b>TOTAL PROVISIONS</b>		<b>150.42</b>	<b>154.63</b>
<b>TOTAL</b>		<b>358.36</b>	<b>337.46</b>

### Schedule 10 : Miscellaneous Expenditure (to the extent not adjusted or written off)

	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>Voluntary Retirement Scheme (VRS)</b>		
Opening Balance	1.66	2.18
Less : Amortised during the year	0.51	0.52
Closing Balance	1.15	1.66

## Schedules forming part of the Profit and Loss Account

### Schedule 11 : Rooms, Restaurants, Banquets and Other Income

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>INCOME</b>			
<b>Rooms, Restaurants, Banquets and Other Services</b> (Includes Sale of Food and Beverages - Rs. 358.10 crores; Previous Year - Rs. 294.97 crores) ( Refer Note 18 Page 85)		<b>1084.26</b>	847.63
<b>Other Income</b>			
Dividend Income ( Refer Notes 8 (c) & 8 (d) Page 82)	<b>20.00</b>		15.23
Surplus on sale of assets (Net)	<b>2.61</b>		-
Miscellaneous Income ( Refer Note 8 (e) Page 82)	<b>20.70</b>		10.38
		<b>43.31</b>	25.61
<b>TOTAL</b>		<b>1127.57</b>	873.24

### Schedule 12 : Operating and General Expenses

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>OPERATING EXPENSES</b>			
<b>Payments to &amp; Provisions for Employees</b>			
Salaries, Wages, Bonus etc. (Refer Note 8 (a) Page 81)	<b>153.43</b>		135.49
Company's Contribution to Provident Fund & Other Funds	<b>12.28</b>		9.15
Retiring Gratuity	<b>1.76</b>		5.89
Workmen Staff Welfare Expenses (Refer Note 8 (g) Page 82)	<b>36.69</b>		34.56
Reimbursement of Expenses on Personnel Deputed to the Company	<b>10.89</b>		8.61
Payments to Orchestra Staff & Artistes	<b>7.23</b>		6.56
		<b>222.28</b>	200.26
<b>Food &amp; Beverages Consumed</b>			
Opening Stock	<b>12.73</b>		10.19
Add: Purchases (Refer Notes 8 (b) Page 82 & 18 Page 85)	<b>94.35</b>		81.67
	<b>107.08</b>		91.86
Less: Closing Stock	<b>13.86</b>		12.73
		<b>93.22</b>	79.13
Carried Over		<b>315.50</b>	279.39

## Schedules forming part of the Profit and Loss Account

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
<b>Schedule 12 : Operating and General Expenses (contd.)</b>			
Brought Over		<b>315.50</b>	279.39
<b>Other Operating Expenses</b>			
Linen & Room Supplies	<b>16.80</b>		13.81
Catering Supplies	<b>9.96</b>		8.00
Other Supplies	<b>0.69</b>		0.59
Fuel, Power & Light (Refer Note 8 (a) Page 81)	<b>68.49</b>		64.73
Repairs to Buildings (Refer Notes 8 (a) Page 81 & 8 (g) Page 82)	<b>13.85</b>		11.57
Repairs to Machinery (Refer Note 8 (a) Page 81)	<b>15.20</b>		12.32
Repairs to Others	<b>10.62</b>		9.86
Linen & Uniform Washing and Laundry Expenses (Refer Note 8 (a) Page 81)	<b>3.18</b>		2.83
		<b>138.79</b>	123.71
<b>GENERAL EXPENSES</b>			
Rent (Refer Notes 8 (a) Page 81 & 8 (g) Page 82)	<b>11.09</b>		8.90
Licence Fees	<b>111.66</b>		86.30
Rates & Taxes	<b>27.70</b>		16.73
Insurance	<b>5.55</b>		4.43
Advertising & Publicity	<b>30.51</b>		23.91
Printing & Stationery	<b>7.67</b>		6.29
Passage & Travelling	<b>12.05</b>		8.21
Provision for Doubtful Debts	<b>2.81</b>		1.81
Other Expenses (Refer Notes 8 (a) Page 81 & 8 (f) Page 82)	<b>112.40</b>		104.58
Loss on Sale of Assets (Net)	-		0.19
Auditors' Remuneration	Rs. crores		
As Auditors	0.85		0.56
For Tax Audit	0.12		0.09
For Other Services	0.04		0.17
For Expenses	0.02		0.02
Service Tax	0.07		0.08
		<b>1.10</b>	0.92
		<b>322.54</b>	262.27
<b>Amortisation of Voluntary Retirement Scheme Expenses</b>		<b>0.51</b>	0.52
<b>Directors' Fees</b>		<b>0.07</b>	0.06
<b>TOTAL</b>		<b>777.41</b>	665.95

## Schedules forming part of the Profit and Loss Account

### Schedule 13 : Computation of Net Profit Under Sections 198 and 309 (5) of the Companies Act, 1956

	Rupees (In Crores)	Rupees (In Crores)	Previous Year Rupees (In Crores)
Profit as per Profit and Loss Account		272.00	141.68
Add:			
Provision for doubtful debts	2.81		1.81
Loss on Sale of fixed assets	0.89		0.19
Directors' Remuneration (Including Directors' Fees)	4.94		4.49
		<u>8.64</u>	<u>6.49</u>
		280.64	148.17
Less:			
Capital profit on sale of assets / undertaking	3.50		6.38
Consideration on assignment of operating licence	0.28		0.28
Profit on Sale of Investments	-		16.61
		<u>3.78</u>	<u>23.27</u>
Profit		<u>276.86</u>	<u>124.90</u>
Commission			
Managing Director and Whole - time Director		0.45	0.60
Other Directors		1.60	0.80
<b>TOTAL</b>		<u>2.05</u>	<u>1.40</u>

## Notes to the Balance Sheet and the Profit and Loss Account

### 1. Significant Accounting Policies:

The financial statements are prepared under historical cost convention on an accrual basis and comply with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI), referred to in Section 211 (3C) of the Companies Act, 1956. The significant accounting policies adopted in the presentation of the Accounts are as under:

(a) **Sales:**

Sales comprise Sale of Rooms, Food and Beverages and allied services relating to hotel operations, including net income from telecommunication services and management and operating fees.

(b) **Retirement Benefits:**

Staff benefits arising out of retirement / death, comprising of contributions to Provident Fund, Superannuation & Gratuity Schemes, accrued Leave Encashable and other post-separation benefits are accounted for on the basis of contribution to the schemes, or an independent actuarial valuation as the case may be.

(c) **Fixed Assets:**

Fixed assets are stated at cost less depreciation. Cost includes expenses incidental to the installation of assets and attributable borrowing costs and exchange differences.

(d) **Depreciation:**

In respect of assets acquired before 16<sup>th</sup> December, 1993, depreciation is provided under the straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, as existing on that date.

In respect of assets acquired on or after 16<sup>th</sup> December, 1993, depreciation is provided at the rates as specified in Schedule XIV to the Companies Act, 1956, as revised with effect from that date. In respect of Leasehold Land, depreciation is provided for from the date the land is put to use for commercial operations over the balance period of the lease.

In respect of additions/deletions to fixed assets pursuant to capitalisation of exchange differences arising on account of repayment / restatement of foreign currency borrowings / swaps, depreciation thereon is adjusted prospectively over the residual life of the assets.

Depreciation on assets purchased and provided to Company executives under the Company's 'White Goods' scheme is charged at 25%.

Intangible assets are depreciated on a straight-line basis at rates specified below:

Website Development Cost	- 20.00%
Cost of Customer Reservation System (including licenced software)	- 16.67%
Service & Operating Rights	- 10.00%

(e) **Transactions in Foreign Exchange:**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

In respect of Integral foreign operations :

- Monetary items outstanding at the balance sheet date are translated at the exchange rate prevailing at the balance sheet date and the resultant difference is recognised as income or expense.
- Exchange differences arising on repayment/revaluation and on currency swaps in respect of underlying rupee borrowings transacted on or after April 1, 2004 and utilised for acquisition of fixed assets, are recognised as income or expense in the period in which they arise. Exchange difference on such borrowings/currency swaps transacted prior to April 1, 2004, are adjusted to the carrying cost of the relevant fixed assets.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

- c) Non-monetary items outstanding at the balance sheet date are reported using the exchange rate at the date of the transactions.

In respect of Non-integral foreign operations :

Both monetary and non-monetary items are translated at the closing rate and the resultant difference is accumulated in a Foreign Currency Translation Reserve until the disposal of the net investment.

(f) **Impairment of Assets :**

Impairment is ascertained at each balance sheet date in respect of the Company's fixed assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

(g) **Assets taken on lease:**

- i) In respect of finance lease transactions, prior to April 1, 2001, lease rents paid are charged to the Profit and Loss Account in accordance with the terms of the lease agreement.
- ii) In respect of finance lease arrangements entered into after April 1, 2001, the assets taken on lease are capitalised and depreciated. Finance charges are debited to the Profit and Loss Account of the year in which they are incurred.
- iii) In respect of operating lease transactions, the assets are not capitalised in the books of the Company and lease payments are charged to the Profit & Loss Account.

(h) **Inventories:**

Stock of food and beverages and operating supplies are carried at cost (computed on weighted average basis) or Net Realisable Value, whichever is lower.

(i) **Investments:**

- i) Long term investments are carried at cost. However, provision is made for diminution in value, other than temporary, on an individual basis.
- ii) Current investments are carried at the lower of cost and fair value determined on a category-wise basis.

(j) **Miscellaneous Expenditure:**

Payments made under the Voluntary Retirement Scheme, also comprising of additional liabilities towards leave encashment and gratuity arising pursuant to the Voluntary Retirement Scheme, are amortised over a period of 60 months commencing from the month in which the Scheme is implemented.

(k) **Taxes on income:**

- (i) Income tax is computed in accordance with Accounting Standard 22 - 'Accounting for Taxes on Income (AS-22)', issued by the ICAI. Tax expenses are accounted in the same period to which the revenue and expenses relate.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

(ii) Provision for current income tax is made on the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the prevailing tax laws. The differences between taxable income and the net profit or loss before tax for the year as per the financial statements are identified and the tax effect of the deferred tax asset or deferred tax liability is recorded for timing differences, i.e. differences that originate in one accounting period and reverse in another. The tax effect is calculated on accumulated timing differences at the end of the accounting year based on effective tax rates that would apply in the years in which the timing differences are expected to reverse.

(iii) Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

### (l) Accounting for Provisions, Contingent Liabilities and Contingent Assets :

Provisions are recognised in terms of Accounting Standard 29 – ‘Provisions, Contingent Liabilities and Contingent Assets’ (AS-29), issued by the ICAI, when there is a present legal or statutory obligation as a result of past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognised in the financial statements.

### (m) Exports Benefits Entitlement :

Unutilised Export Benefits, in the nature of duty exemptions, are recognised to the extent that there is a certainty as to the availment of the benefits.

### (n) Borrowing Costs :

Interest and other borrowing costs on specific borrowings attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to revenue.

## 2. Non-Convertible Debentures:

(a) The Company had, during the financial year 2001-02, issued 6%, 5-year Secured Non-Convertible Redeemable Debentures of a total value of Rs. 200.00 crores. These Debentures are redeemable at a premium which is dependent on the year in which the put option is exercised by the debenture holders. While the interest on such Non-Convertible Debentures is charged to revenue each year over the tenor of the instrument, the entire amount of the premium payable on redemption, aggregating to Rs. 48.93 crores, had been provided for in the financial year 2001-02 and charged to the Securities Premium Account (SPA), assuming that the put option would not be exercised by the debenture holders. As on the Balance Sheet date, none of the investors have exercised the put option.

(b) The Company had also effected a currency swap in March 2002 in respect of 9.75% Secured Non-Convertible Redeemable Debentures aggregating to Rs. 100.00 crores, whereby the underlying rupee liability was converted into a Japanese Yen liability. The liability has been re-stated in rupee terms as on 31<sup>st</sup> March, 2006 at the prevailing/contracted exchange rates. Since the borrowing has been utilised for acquisition of fixed assets, the exchange fluctuation has been capitalised to the underlying assets.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

### 3. Foreign Currency Convertible Bonds:

- (a) The Company raised 5-year 1-day, 1% Foreign Currency Convertible Bonds (FCCBs) in the financial year 2003-04 aggregating USD 150 million (Rs. 656.81 crores), including a greenshoe option of USD 15 million, with an option to the investors to convert the FCCBs into ordinary shares or global depository shares at Rs. 501.53 per share, at any time after March 24, 2004 and prior to January 28, 2009. The terms of the issue include redemption of the bonds at a premium of 11.545% at maturity, representing a yield-to-maturity of 3.15%. The bonds are redeemable at the option of the Company after February 11, 2006, but prior to February 12, 2009, if the closing price of the shares is greater than 125% of the conversion price for a continuous period of thirty consecutive trading days.
- (b) The current status of FCCB Conversion into equity is as follows :

Particulars	FCCB value	Increase in Capital	Increase in Securities Premium Account
	USD million	Rs. Crores	Rs. Crores
Conversions effected upto March 31, 2006	127.88	11.55	548.20
Conversions effected from April 1, 2006 to June 5, 2006	19.26	1.74	84.69
<b>Total</b>	<b>147.14</b>	<b>13.29</b>	<b>632.89</b>

- (c) During the year, pursuant to conversion options being exercised by bond holders, the corresponding provision for premium on redemption of bonds aggregating Rs. 45.54 crores, made in the previous year, by a charge to the SPA, has now been written back to the SPA, leaving a balance of Rs. 1.47 crores, representing the premium on the unconverted FCCBs.
- (d) The Company has made a provision for dividend in the books of account after taking into consideration the applications for conversions received as at date of the Board Meeting. The Company is obliged to pay dividend even to those FCCB holders who convert their bonds into equity after adoption of the financial statements and upto the book closure date for dividend purposes. Incremental dividend payable, if any, will be paid out of the balance available in the Profit and Loss Account. During the year under review, an amount of Rs. 2.30 crores (including Dividend Tax), being the dividend on shares converted by FCCB holders upto the record date for the entitlement of dividend for 2004-05, has been paid out of the balance in Profit and Loss Account.

### 4. Provision for Current Tax, Deferred Tax & Fringe Benefit Tax:

- (a) Provision for current tax includes the following :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Current Tax	<b>84.68</b>	22.13
Wealth Tax	<b>0.60</b>	0.60
Deferred Tax liability / (asset)	<b>(2.31)</b>	13.09
Fringe Benefit Tax	<b>5.25</b>	-
<b>Net provision</b>	<b>88.22</b>	35.82

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

(b) The net deferred tax liability comprises of the following components :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
<b>Deferred tax liability</b>		
Depreciation on fixed assets	92.43	87.84
Total	92.43	87.84
<b>Deferred tax asset</b>		
Provision for doubtful debts	3.17	2.46
Payroll	4.06	0.43
Impairment of Assets	1.64	1.64
Others	3.51	0.95
Total	12.38	5.48
<b>Net deferred tax liability</b>	<b>80.05</b>	82.36

5. Shareholder's Deposits placed with a subsidiary company comprise of an amount of Rs. 118.56 crores (equivalent to USD 26.57 million) placed during the year and Rs. 150.75 crores (equivalent to USD 33.78 million) placed in earlier years, with the Company retaining the rights to convert the said deposits of Rs. 150.75 crores into equity by December 31, 2006, as per the permission received from the Reserve Bank of India.

Being a non-integral foreign operation, the Company has, in line with Accounting Standard – (AS) 11 – The Effects of Changes in Foreign Exchange Rates issued by the ICAI, translated the said deposit of USD 60.35 million at the rate prevailing on the balance sheet date and the resultant difference of Rs. 45.60 crores has been accumulated in a Foreign Currency Translation Reserve.

6. The Company has given an undertaking to The Hongkong & Shanghai Banking Corporation in respect of borrowing by IHMS (Australia) Pty Limited, a wholly owned subsidiary, for Australian Dollars 17.1 million, that it will not dilute its shareholding in its subsidiary, IHMS (Australia) Pty Limited.
7. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 37.58 crores (previous year - Rs. 8.91 crores)
8. a) Expenditure recovered from other parties :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Salaries, Wages, Bonus etc.	8.81	7.22
Fuel, Power and Light	7.19	6.13
Repairs to Buildings	2.58	0.36
Repairs to Machinery	0.35	2.52
Linen and Uniform Washing	1.13	0.94
Rent	1.17	1.26
Other Expenses	19.82	19.88
<b>Total</b>	<b>41.05</b>	38.31

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

- b) Purchase of Food and Beverages is after adjusting Rs. 0.47 crore (previous year - Rs. 0.41 crore) on account of sale of empties, etc.
- c) Dividend income includes dividend from subsidiary companies - Rs. 6.08 crores (previous year - Rs. 6.40 crores).
- d) Income on Investments includes income on Long term Investments - Rs. 19.56 crores (previous year - Rs. 15.16 crores) and on Current Investments - Rs. 0.44 crore (previous year - Rs. 0.07 crore).
- e) Miscellaneous Income includes gain on currency swap - Rs. 0.25 crore (previous year - Rs. Nil) and net gain on foreign exchange transactions - Rs. 5.24 crores (previous year - Rs. Nil).
- f) Other Expenses include loss on foreign exchange - Rs. Nil (previous year - Rs. 4.06 crores), lease charges - Rs. 4.81 crores (previous year - Rs. 4.88 crores), and Bad Debts written off - Rs. Nil (previous year Rs. 11.75 crores)
- g) Workmen Staff Welfare Expenses include Rent - Rs. 7.49 crores (previous year - Rs. 6.35 crores) and Repairs to Building - Rs. 1.19 crores (previous year - Rs. 1.07 crores).

### 9. Contingent Liabilities:

- (a) On account of Income Tax matters in dispute :
  - i) In respect of appeals filed by the Income Tax Department against the decision of the Income Tax Appellate Tribunal for the Assessment Years 1967-68 to 1970-71 - Rs. 0.05 crore (previous year - Rs. 0.05 crore).
  - ii) In respect of matters, which have been decided in the Company's favour by the Appellate Authorities, where the Income-tax department has preferred an appeal - Rs. 62.59 crores (previous year - Rs. 58.64 crores).
  - iii) In respect of other matters for which Company's appeals are pending - Rs. 29.17 crores (previous year - Rs. 33.56 crores).
- (b) On account of other disputes in respect of :
  - i) Luxury tax - Rs. 0.61 crore (previous year - Rs. 0.38 crore).
  - ii) Entertainment tax - Rs. 0.16 crore (previous year - Rs. 4.12 crores).
  - iii) Sales tax - Rs. 4.10 crores (previous year - Rs.3.24 crores).
  - iv) Property tax - Rs. 9.01 crores (previous year - Rs. 19.44 crores).
  - v) Others - Rs. 7.39 crores (previous year - Rs. 4.89 crores).
- (c) Other claims against the Company not acknowledged as debts - Rs. 15.92 crores (previous year - Rs. 12.25 crores).
- (d) Guarantees given by the Company in respect of deposits received and loans obtained by other companies, and outstanding as on 31<sup>st</sup> March 2006 - Rs. 80.15 crores (previous year - Rs. 80.15 crores)

### 10. Managerial Remuneration:

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Salaries	1.06	1.18
Estimated monetary value of benefits in cash or in kind	1.76	1.83
Commission on Profits Include - Rs. 1.60 crores (previous year - Rs. 0.80 crore) for Directors other than Managing Director and Whole-time Directors	2.05	1.40
Contribution to Provident & Superannuation Funds	-	0.02
<b>Total</b>	<b>4.87</b>	<b>4.43</b>

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

11. a) The Company has taken on finance lease, assets having an aggregate value of Rs. 19.11 crores (previous year - Rs. 19.11 crores), against which the future obligations aggregate to Rs. 6.57 crores (previous year - Rs. 12.79 crores). Lease rentals paid during the year were - Rs. 6.22 crores (previous year - Rs. 6.32 crores).

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Minimum lease rentals payable as on Balance Sheet date	6.57	12.79
Present value of Minimum lease rentals payable at discounted rate implicit in lease agreement	6.12	12.24

Particulars	Minimum lease payment		Present value of minimum lease payment at discounted rate implicit in lease agreement	
	Current Year Rs. Crores	Previous Year Rs. Crores	Current Year Rs. Crores	Previous Year Rs. Crores
Not later than one year	6.57	6.22	6.12	6.14
Later than one year but not later than five years	-	6.57	-	6.10
Later than five years	-	-	-	-
<b>TOTAL</b>	<b>6.57</b>	<b>12.79</b>	<b>6.12</b>	<b>12.24</b>

- b) The Company has taken on operating lease, certain assets, the minimum future lease rentals payable on which are as follows :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Not later than one year	4.80	4.91
Later than one year but not later than five years	3.84	8.82
Later than five years	-	-

12. Interest expense is net of interest income and comprises of :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Interest Expense		
Fixed loans	42.58	50.38
Other loans	1.15	1.77
	43.73	52.15
Less: Interest capitalised	-	3.05
Total expense	43.73	49.10
Interest Income (Gross)*		
Inter-corporate Deposits	2.45	3.50
Deposits with Banks	3.70	6.28
Others	17.22	7.48
Total Income	23.37	17.26
<b>Interest (Net)</b>	<b>20.36</b>	<b>31.84</b>
* Tax deducted at source	0.63	0.89

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

### 13. Derivative Instruments :

The Company uses forward exchange contracts, interest rate swaps, currency swaps and options to hedge its exposure in foreign currency and interest rates. The information on derivative instruments is as follows :

a) Derivative Instruments outstanding as at 31<sup>st</sup> March, 2006 :

Particulars	Currency	US \$ Million	Rs. Crores
Currency Swaps	INR/USD	5.43	25.00
	USD/JPY	20.55	100.00
Principal only swaps	INR/USD	28.11	125.00
Interest only swaps	INR/USD	65.95	300.00
Options	USD/JPY	15.00	-

b) Foreign currency exposures receivables not covered by forward exchange contracts as at 31<sup>st</sup> March, 2006 US \$ 55.40 million.

### 14. Exceptional Items comprise of :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Profit on Sale of Investments	-	16.61

15. The amount transferred to General Reserve represents amounts utilised towards construction of new hotels and expansion of facilities in existing hotels.

16. According to the information available with the Company, there are no amounts as at 31<sup>st</sup> March, 2006, due to suppliers who constitute a "small scale industrial undertaking".

17. The Company had reflected an amount of Rs. 4.15 crores as a Contingent Liability on account of Entertainment Tax demand in respect of a property in the previous year. The Company is in appeal at the High Court level against the said demand and has paid an amount of Rs. 3.03 crores under dispute as directed by the Court to the relevant authorities. As a matter of prudence, the Company has made a provision of the entire amount, the unpaid demand of Rs. 1.12 crores is being reflected as Provision for Contingencies.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

18. As the turnover of the Company includes sale of food and beverages, it is not possible to give quantitative details of the turnover and food & beverages consumed. Vide Order No. 46/39/2005-CL-III dated 28<sup>th</sup> March, 2005 issued by the Department of Company Affairs, the Company has been exempted from giving these particulars for the year subject to the following disclosures :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
<b>Income from Rooms, Restaurants &amp; Other Service includes:</b>		
Income from sale of Wine, Beer and Spirits	65.89	54.99
Income from Telephone and Telex	12.52	12.61
<b>Food and Beverages (excluding wine and liquor) and Smokes consumed:</b>		
Opening Stock	2.14	1.80
Purchases	76.45	65.28
	78.59	67.08
Less : Closing Stock	2.26	2.14
Consumption	76.33	64.94
<b>Food and Beverages comprising wine and liquor:</b>		
Opening Stock	10.59	8.39
Purchases	17.90	16.39
	28.49	24.78
Less : Closing Stock	11.60	10.59
Consumption	16.89	14.19

19. CIF Value of imports are as follows:

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Raw Materials (Food and Beverages)	1.69	2.47
Stores, Supplies and Spare Parts for Machinery	3.36	1.67
Capital Goods	12.35	11.28

20. Earnings in Foreign Exchange are as follows:

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
a) Royalty, Knowhow, Professional and Consultation Fees	4.30	3.13
b) Interest	17.36	12.44
c) Sale of Rooms/F&B Income	539.70	378.61

The earnings in foreign exchange as reported in 19 (c) above are on the basis of actual receipts during the year, as certified by the Management.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

21. Expenditure in Foreign Exchange:

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Membership Fees (Net of tax deducted at source)	1.22	1.99
Payment on other accounts	14.47	18.75

22. Remittance in Foreign Currencies for dividends to non-resident shareholders:

Particulars	Current Year	Previous Year
Year to which dividend relates	2004-05	2003-04
Numbers of non-resident shareholders	411	332
Number of Ordinary Shares held by non-resident shareholders	8,90,884	9,62,970
Gross amount of dividend	Rs. crores	0.77
Net amount of dividend	Rs. crores	0.77

23. The Company has an investment of Rs. 0.30 crore (previous year Rs. 0.30 crore ) and advances outstanding (including interest) of Rs. 8.91 crores (previous year Rs. 8.37 crores) in a Joint Venture, Taj Karnataka Hotels and Resorts Limited (TKHRL). TKHRL has accumulated losses in excess of its paid-up capital and reserves. Considering the inherent value of the TKHRL's assets, based on a valuation of the property and its proposed financial restructuring, for which the Company is in talks with the JV partner – the Government of Karnataka, the Management is of the view that there is no permanent diminution in the value of the investment and that the amount outstanding after the financial restructuring will be fully recovered.

24. The Company, on a review of its foreign operations had, in the past, made voluntary disclosures to the appropriate regulator of what it considered to be possible irregularities in relation to foreign exchange transactions relating to the period prior to 1998. Arising out of such disclosures, the Company has received show cause notices. The Company has replied to a majority of these notices and is in the process of completing replies to the balance. Adjudication proceedings are in progress.

25. Provision for Doubtful Debts :

Particulars	Current Year Rs. Crores	Previous Year Rs. Crores
Opening Balance	7.31	17.25
Add : Provision during the year	2.81	1.81
	10.12	19.06
Less : Bad debts written off	-	11.75
Less : Provision no longer required	0.70	-
<b>Closing Balance</b>	<b>9.42</b>	7.31

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

### 26. Loans and advances in the nature of loans to Subsidiaries, Joint Ventures and Associates:

Particulars	Maximum amount outstanding during the year Rs. Crores	Balance Outstanding as on 31 <sup>st</sup> March, 2006 Rs. Crores
<b>Subsidiaries</b>		
Taj Investment and Finance Company Ltd.	0.35	0.35
IHMS Inc.	40.54	40.16
Asia Pacific Hotels Ltd.	1.00	-
Taj International Hotels (HK) Ltd.	615.55	515.76
Roots Corporation Ltd.	12.00	-
<b>Joint Ventures</b>		
Taj Karnataka Hotels & Resorts Ltd.	5.35	5.35
Taj Asia Ltd.	6.69	6.69
Taj Kerala Hotels & Resorts Ltd.	2.50	2.00
Taj GVK Hotels & Resorts Ltd.	5.00	5.00
<b>Associates</b>		
Taj Madurai Ltd.	0.17	-
Taj Air Ltd.	27.00	6.25
Taj Lands End Ltd.	20.39	17.19

### 27. Investments made in the Equity Shares of the Company and its subsidiaries by a loanee as at March 31, 2006:

Loanee	Investment in the Company	Investment in Subsidiary	
	Rs. Crores	Company	Investment Rs. Crores
Taj Investment and Finance Company Ltd.	Nil	United Hotels Ltd.	0.39

### 28. Related Party disclosures:

- a) The names of the related parties of the Company are as under:

#### Subsidiaries

Taj Investment and Finance Co. Ltd.	KTC Hotels Ltd.
Asia Pacific Hotels Ltd.	United Hotels Ltd.
Taj International Hotels (HK) Ltd. and its subsidiaries	Taj SATS Air Catering Ltd.
International Hotel Management Services, Inc.	Roots Corporation Ltd.

#### Associates

Indian Resort Hotels Ltd.	Residency Foods & Beverages Ltd
Benares Hotels Ltd.	Taj Entreprises Ltd.
Taj Trade & Transport Ltd.	Carnival Traders Ltd.
Gateway Hotels & Getaway Resorts Ltd.	Fonda Investments Ltd.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

Taida Trading & Industries Ltd.	Oriental Hotels Ltd.
Speech & Software Technologies (I) Pvt. Ltd.	Kuteeram Resorts Ltd.
Taj Lanka Hotels Ltd.	Asian Resort and Restaurant Associates Ltd.
Ideal Ice & Cold Storage Co. Ltd.	Taj Air Ltd.
Inditravel Pvt. Ltd.	PIEM Hotels Ltd.
Taj Lands End Ltd.	

### Joint Ventures

Taj Wilderness Lodges Ltd.	Taj Madras Flight Kitchen Pvt. Ltd.
Taj GVK Hotels & Resorts Ltd.	Taj Kerala Hotels & Resorts Ltd.
Taj Karnataka Hotels & Resorts Ltd.	Taj Asia Ltd.

- b) Key managerial personnel comprise of whole-time directors, who have the authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration paid to such directors is disclosed in Note 10 on Page 82 and the dues from such persons are disclosed in footnotes 1 and 2 (i) of Schedule 8 Current Assets, Loans and Advances forming part of the Balance Sheet. Presently Mr. Raymond N Bickson, Managing Director, is the only Key Management Personnel.
- c) The details of transactions with related parties are as follows:

**Rs. Crores**

Particulars	Subsidiaries		Associates		Joint Venture	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Interest paid / provided	0.06	-	0.02	0.05	-	0.92
Interest received/accrued	15.69	6.42	1.61	2.97	1.11	1.01
Dividend received	6.08	0.63	5.06	3.41	2.63	7.46
Operating / Licence fees paid	0.34	-	33.18	23.30	-	-
Operating fees received	5.91	5.88	26.23	20.87	18.22	10.98
Purchase of goods and services	0.44	0.41	38.05	32.73	0.66	1.15
Sale of goods and services	0.72	0.22	5.27	3.70	0.37	0.36
Current account dues	22.07	22.99	0.16	(1.18)	2.94	5.05
Purchase of Shares	14.57	9.38	-	-	0.59	0.06
Net advances and deposits received (paid)	-	(502.83)	-	2.54	-	(13.50)
Debtors	-	5.70	-	1.85	-	6.26
Security Deposits	-	107.29	0.45	0.45	10.00	10.00
ICDs Shareholders Deposits	656.77	514.69	41.27	41.27	18.55	9.41

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

### d) Statement of Material Transactions

Rs. Crores

Name of Company	Current Year	Previous Year
<b>Subsidiaries</b>		
Taj Investment and Finance Co. Ltd.		
- Interest received /accrued	-	0.18
- ICDs Encashed	-	15.11
- ICDs Placed	-	3.25
Roots Corporation Ltd.		
- Purchase of shares	14.57	9.38
- ICDs raised from	2.30	-
- ICDs Repaid	2.30	-
- Due on Current Account	2.97	-
Taj SATS Air Catering Ltd.		
- Interest Paid	0.06	0.92
- Dividend Received	5.32	5.77
- ICDs Repaid	9.00	11.00
- Dues on Current Account	1.34	-
Taj International Hotels (HK) Ltd.		
- ICDs / Shareholders Deposits	-	637.41
- ICDs Placed	311.31	21.87
- Deposits encashed	376.87	-
- Interest received	14.16	6.11
- Dues on Current Account	17.79	18.58
- Dues on ICD Account	596.93	511.76
Asia Pacific Hotels Ltd.		
- Guarantees given by the Company	60.00	60.00
International Hotel Management Services		
- ICDs Placed	40.55	-
- Due on Current Account	1.22	-
<b>Associates</b>		
Indian Resort Hotels Ltd.		
- ICDs raised from	-	1.00
- Purchase of Goods & Services	3.94	3.49
- Sale of Goods & Services	2.73	1.90
Gateway Hotels & Gataway Resorts Ltd.		
- Sale of Goods & Services	-	0.44
Inditravel Pvt. Ltd.		
- Purchase of Goods & Services	20.90	15.99
- Sale of Goods & Services	0.91	-

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

d) Statement of Material Transactions

Rs. Crores

Name of Company	Current Year	Previous Year
Oriental Hotels Ltd.		
- Dividend Received	1.86	1.35
- Operating Fees Received	7.41	5.92
- ICDs Raised from	5.50	-
- ICDs Repaid	5.50	-
- Interest paid to	0.02	-
PIEM Hotels Ltd.		
- Dividend Received	2.20	-
- Operating Fees Received	12.28	9.79
- Sale of Goods & Services	1.24	0.53
- Due on Current Account	2.27	-
Taj Air Ltd.		
- Interest received /accrued	-	1.92
- Due on Current Account	0.96	-
- ICDs Encashed	-	10.18
- Purchase of Goods & Services	10.34	12.62
Taj Trade & Transport Ltd.		
- Sale of Goods & Services	-	0.57
Taj Lands End Ltd.		
- Licence Fees paid	33.18	23.31
<b>Joint Ventures</b>		
Taj GVK Hotels & Resorts Ltd.		
- Due on Security Deposit	10.00	-
- Operating Fees Received	14.90	8.37
- Dividend Received	1.44	-
- Due on Current Account	2.22	-

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

29. In compliance with the Accounting Standard 27 – ‘Financial Reporting of Interests in Joint Ventures’ (AS-27) issued by the ICAI, the Company has interests in the following jointly controlled entities:

Rs. Crores

Name of the Company	Country of Incorporation	Holding (%)	Amount of Interest based on the Last Audited Accounts for the year ended March 31, 2006			
			Assets	Liabilities	Income	Expenditure
Taj Madras Flight Kitchen Pvt. Ltd.	India	<b>50.00</b> (50.00)	<b>19.85</b> (18.31)	<b>19.85</b> (18.31)	<b>17.09</b> (15.45)	<b>12.04</b> (11.09)
Taj Karnataka Hotels and Resorts Ltd.	India	<b>40.00</b> (40.00)	<b>3.95</b> (3.92)	<b>3.95</b> (3.92)	<b>1.39</b> (1.20)	<b>1.40</b> (1.44)
Taj Kerala Hotels Ltd. *	India	<b>28.30</b> (28.30)	<b>14.71</b> (14.28)	<b>14.71</b> (14.28)	<b>8.54</b> (7.45)	<b>7.60</b> (7.17)
Taj Asia Ltd. *	Hong Kong	<b>26.66</b> (26.66)	<b>27.00</b> (25.81)	<b>27.00</b> (25.81)	<b>0.82</b> (2.60)	<b>0.00</b> (1.17)
Taj GVK Hotels and Resorts Ltd.	India	<b>25.52</b> (25.52)	<b>74.17</b> (59.65)	<b>74.17</b> (59.65)	<b>48.33</b> (29.62)	<b>30.48</b> (20.37)
Taj Wilderness Lodges Ltd. *	India	<b>33.33</b>	<b>2.36</b>	<b>2.36</b>	<b>0.00</b>	<b>1.11</b>

\* Based on Unaudited results.

Note : Figures in the brackets relate to previous year.

30. The Company's only business is hoteliering and hence disclosure of segment-wise information is not applicable under Accounting Standard 17 – ‘Segmental Information’ (AS-17). There is no geographical segment to be reported.

## Notes to the Balance Sheet and the Profit and Loss Account (Contd.)

### 31. Earnings Per Share (EPS) :

Earnings Per Share is calculated in accordance with Accounting Standard 20 – ‘Earnings Per Share’ (AS-20) issued by the ICAI.

Particulars	Current Year	Previous Year
Profit after tax before extraordinary items - (Rs. crores)	<b>183.78</b>	100.81
Profit after tax after extraordinary items – (Rs. crores)	<b>183.78</b>	105.86
No of Equity Shares – Basic	<b>5,84,04,859</b>	5,02,54,802
<b>Earnings Per Share – Basic</b>		
- Before extraordinary items - (In Rupees)	<b>31.47</b>	20.06
- After extraordinary items - (In Rupees)	<b>31.47</b>	21.06
No of Equity Shares – Diluted	<b>5,86,63,185</b>	5,86,63,185
<b>Earnings Per Share – Diluted</b>		
- Before extraordinary items - (In Rupees)	<b>31.35</b>	17.76
- After extraordinary items - (In Rupees)	<b>31.35</b>	18.63

32. Previous year’s figures have been regrouped wherever necessary to conform to the current year’s presentation.

For and on behalf of the Board

R.N. TATA	Chairman
R.K. KRISHNA KUMAR	Vice Chairman
RAYMOND N. BICKSON	Managing Director
N.A. SOONAWALA	Director
J.J. BHABHA	Director
S. K. KANDHARI	Director
JAGDISH CAPOOR	Director
SHAPOOR MISTRY	Director
K B DADISETH	Director
DEV BAJPAI	Vice President (Legal) & Company Secretary

Mumbai, 8th June, 2006

## INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

#### Registration Details

Registration No.  State Code:   
 Balance Sheet Date

#### Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

#### Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="2,37,40,048"/>	Total Assets	<input type="text" value="2,37,40,048"/>
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#### Sources of Funds

Paid-up Capital	<input type="text" value="5,84,049"/>	Reserves & Surplus	<input type="text" value="1,65,78,327"/>
Secured Loans	<input type="text" value="42,37,263"/>	Unsecured Loans	<input type="text" value="12,06,132"/>
Deferred Tax Liability	<input type="text" value="8,00,500"/>	Trade Deposits	<input type="text" value="3,33,777"/>

#### Application of Funds

Net Fixed Assets	<input type="text" value="89,19,738"/>	Investments	<input type="text" value="65,65,721"/>
Long Term Deposits	<input type="text" value="38,56,932"/>	Net Current Assets	<input type="text" value="43,86,139"/>
Misc. Expenditure	<input type="text" value="11,518"/>	Accumulated Losses	<input type="text" value="Nil"/>

#### Performance of Company (Amount in Rs. Thousands)

Turnover	<input type="text" value="1,12,75,707"/>	Total Expenditure	<input type="text" value="85,55,740"/>
+ / - Profit/Loss before Tax	<input type="text" value="27,19,966"/>	+ / - Profit/Loss after Tax	<input type="text" value="18,37,766"/>
<input type="text" value="+"/> Earning Per Share in Rs. (Basic)	<input type="text" value="31.47"/>	Dividend Rate %	<input type="text" value="130"/>
Earning Per Share in Rs. (Diluted)	<input type="text" value="31.35"/>		

#### Generic Names of Principal Product/Services of the Company (as per monetary terms)

Product Description	Item Code No. (ITC Code)
<input type="text" value="(Hoteliering &amp; Catering)"/>	<input type="text" value="Not Applicable"/>

## Statement Pursuant To Section 212 Of The Companies Act, 1956

Sr. Particulars No.	Taj Invest. & Fin. Co. Ltd.	KTC Hotels Ltd.	Asia Pacific Hotels Ltd.	United Hotels Ltd.	Taj SATS Air Catering Ltd.	Roots Corporation Ltd.	Taj Intl. Hotels (HK) Ltd.
1 The Financial Year of the Company ends on :	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006
2 Fully paid-up shares held by IHCL in the Subsidiary Company or by Subsidiary Company in the Sub-subsidiary Company at the end of the Financial Year of the Subsidiary or Sub-subsidiary Company as the case may be							
a) Number	8,15,00,000 Equity Shares of Rs. 10/- each fully paid-up	6,04,000 Equity Shares of Rs. 10/- each fully paid-up	5,77,00,100 Equity Shares of Rs. 10/- each fully paid-up	46,20,000 Equity Shares of Rs. 10/- each fully paid-up	88,74,000 Equity Shares of Rs. 10/- each fully paid-up	2,40,00,000 Equity Shares of Rs. 10/- each fully paid-up	2,67,55,000 Equity Shares of US \$ 1 each fully paid-up
b) Extent of holding	100.00%	100.00%	100.00%	55.00%	51.00%	100.00%	100.00%
3 Changes in the interest of the Company or the Subsidiary Company between the end of the Financial Year of the Subsidiary Company or Sub-subsidiary Company and 31st March, 2006	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise
Number of Shares acquired							
4 The net aggregate of Profit of the Subsidiary Company/Sub-subsidiary Company so far as they concern the Members of the Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	US \$
a) Dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	Nil	Nil	2,518,320	39,933,000	Nil	Nil
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2006	1,53,56,000	15,53,224	8,30,19,413	2,98,42,092	10,34,21,880	(2,14,04,000)	39,19,070
5 The net aggregate of profits/(losses) of the Subsidiary/Sub-subsidiary Company for previous financial years, so far as they concern the Members of the Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	US \$
a) Dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	Nil	Nil	50,36,640	1,33,11,000	Nil	Nil
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2006	1,18,22,000	84,32,184	(31,69,64,138)	4,65,59,287	64,01,57,610	(1,44,41,000)	(61,68,981)
6 Material changes between the end of the Financial Year of the Subsidiary or Sub-subsidiary Company as the case may be and 31st March, 2006							
a) Fixed Assets							
b) Investments							
c) Moneys lent by the Subsidiary Company							
d) Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise

\* Indirect holding as per Hong Kong Law

# Inclusive of indirect holding of 21.23% as per Hong Kong Law

Samsara Properties Ltd and IHMS ( Australia) Pty Limited became subsidiary of Taj International Hotel (H.K.) Limited on 1st January 2006 and the first accounting year will be 1st January 2006 to 31st March 2007, accordingly Point No.4 & 5 are not reported

Mumbai, 8th June, 2006

## Statement Pursuant To Section 212 Of The Companies Act, 1956 (Contd.)

Sr. No.	Particulars	St. James Court Hotel	SJCHL Ltd.	Chieftain Corpn. NV	IHOCO B.V.	Taj Intl. Hotels Ltd. (U.K.)	IHMS INC.	SAMSARA PROP Ltd.	IHMS (AUS) Pty Ltd.
1	The Financial Year of the Company ends on :	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2007	31st March 2007
2	Fully paid-up shares held by IHCL in the Subsidiary Company or by Subsidiary Company in the Sub-subsidiary Company at the end of the Financial Year of the Subsidiary or Sub-subsidiary Company as the case may be								
a)	Number	3,05,28,787	2,07,00,000	9,923	41,000	2	100	1,000	50,00,000
		Equity Shares of UK£ 1 each fully paid-up	Equity Shares of UK£ 1 each fully paid-up	Equity Shares of UK£ 1 each fully paid-up	Equity Shares of DFL 100 each fully paid-up	Equity Shares of UK£ 1 each fully paid-up	Equity Shares of US\$ 1 each fully paid-up	Equity Shares of US\$ 1 each fully paid-up	Equity Shares of AUD 1 each fully paid-up
b)	Extent of holding	54.01% #	100.00%	100.00%	100.00%*	100.00%	100.00%	100.00%	100.00%
3	Changes in the interest of the Company or the Subsidiary Company between the end of the Financial Year of the Subsidiary Company or Sub-subsidiary Company and 31st March, 2006	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise
	Number of Shares acquired								
4	The net aggregate of Profit of the Subsidiary Company/Sub-subsidiary Company so far as they concern the Members of the Company	UK£	UK£	UK£	EUR€	UK£	US\$	US\$	AUD \$
a)	Dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b)	Not dealt with in the accounts of the Company for the year ended 31st March, 2006	3,091	-	(11,740)	(17,679)	2,63,386	(5,67,446)	NA	NA
5	The net aggregate of profits/(losses) of the Subsidiary/Sub-subsidiary Company for previous financial years, so far as they concern the Members of the Company	UK£	UK£	UK£	EUR€	UK£	US\$	US\$	AUD \$
a)	Dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b)	Not dealt with in the accounts of the Company for the year ended 31st March, 2006	(83,90,493)	(75,08,026)	(5,07,892)	1,00,47,461	11,91,185	(6,07,202)	NA	NA
6	Material changes between the end of the Financial Year of the Subsidiary or Sub-subsidiary Company as the case may be and 31st March, 2006								
a)	Fixed Assets								
b)	Investments								
c)	Moneys lent by the Subsidiary Company								
d)	Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise	Does Not Arise

\* Indirect holding as per Hong Kong Law

# Inclusive of indirect holding of 21.23% as per Hong Kong Law  
Samsara Properties Ltd and IHMS ( Australia) Pty Limited became subsidiary of Taj International Hotel (H.K.) Limited on 1st January 2006 and the first accounting year will be 1st January 2006 to 31st March 2007, accordingly Point No.4 & 5 are not reported

R. N. TATA  
R. K. KRISHNA KUMAR  
RAYMOND N. BICKSON  
N. A. SOONAWALA  
J. J. BHABHA  
S. K. KANDHARI  
JAGDISH CAPOOR  
SHAPOOR MISTRY  
K. B. DADISETH  
DEV BAJPAI

Mumbai, 8th June, 2006

For and on behalf of the Board  
Chairman  
Vice - Chairman  
Managing Director

Directors

Vice President -  
(Legal) & Company Secretary