



## 1. Overview of Industry

In 2020, the world experienced a crisis like no other and it continued in 2021. The Governments all over the world took bold steps to save lives and the economy with nearly USD 12 trillion in fiscal and about USD 7.5 trillion monetary action. The pandemic has caused heavy toll on life and livelihood and pushed millions into poverty. This may impact economic activities and the income level for some time.

The pandemic severely impacted travel and tourism globally, causing the industry a loss of almost USD 4.5 trillion in the year. Domestic visitor spends decreased by 45% while international visitor spends decreased by 69.4% compared to 2019 (Source: World Travel & Tourism Council, Economic Impact Reports 2020).

The Leela Mumbai, from the very start, has been on a continuous journey to delight every guest offering memorable and magical stays that reflect the essence of India. The signature promise and philosophy is 'Atithi Devo Bhava', or 'Guest is God', as laid down in the ancient Indian scriptures. And the commitment to stay true to this guiding principle has resulted in outstanding experiences for our guests.

Your Company operates in the luxury hotel segment. After the sale of the Company's hotel undertakings in Delhi, Bengaluru, Chennai and Udaipur as well as the Company's business of hotel management operations and sale of the 100% shareholdings of the Company in Leela Palaces and Resorts Limited (LPRL) to BSREP III India Ballet Pte. Ltd. ("Brookfield") in the financial year 2019-20 to repay the debts of the Company, the Company is left with only one Hotel "The Leela, Mumbai".

The operations at Hotel are badly affected by COVID 19 pandemic and lockdowns imposed by Central/State Government and other local authorities during the financial year under review. The Company suspended the operations of its hotel with effect from 25<sup>th</sup> March, 2020 following the National Lockdown announced by the Government of India and the guidelines issued by the Central /State Government and other regulatory authority(ies) for hospitality sector.

The Company commenced operations of its Hotel at Mumbai on 1<sup>st</sup> October, 2020 with all necessary care, precautions and preventive measures as recommended against COVID – 19.

Your Company continued to cut down its costs to sustain the operations and to optimize the use of its financial resources.

The Indian Hotel Industry has taken a hit of over ₹ 1.30 lakh crore in revenue for the fiscal year 2020-21 due to the impact of the Covid-19 pandemic as per the Federation of Hotel & Restaurant Associations of India.

The Indian hotel industry's total revenue in Financial Year 2019-20 stood at ₹ 1.82 lakh crore. In Financial Year 2020-21, approximately 75 per cent of the industry's revenues got wiped off. That is more than ₹ 1.30 lakh crore revenue hit. The businesses are steadily closing and NPAs are rising. The Reserve Bank of India reports about ₹ 45,000 Crores of debt given by Banks to hotels are in the throes of becoming NPAs.

Since March 2020, the industry has been struggling to manage its statutory and capital expenditure obligations.

## 2. Future Outlook

According to a Report, the domestic hospitality industry, which has been severely affected by the COVID -19 related disruptions, is likely to witness a decline of over 65% in 2020-21 with massive operating and net losses, wiping out the cumulative profits of the four past years.

However, a sharp demand recovery is possible in the later part of the financial year 2021-22, as vaccine rollouts gain traction. Much though will be contingent upon the spread of the pandemic and success of vaccination efforts.

The domestic hospitality industry has been one of the worst-hit sectors, severely affected by the COVID-19 pandemic and subsequent lockdowns, which restricted mobility and hotel occupancies in all the major markets. Pan-India occupancy hit an all-time low of 18-20% in eight months of the financial year 2020-21, down from 64-65% in the previous year. The average room rates (ARR)s was at ₹ 3,400-3,500 per night, a discount of 35-40 per cent, while the RevPAR declined by about 80 per cent during the period under consideration.

Although some sequential improvements have been witnessed since September 2020, recovery is slow and arduous, punctuated by setbacks, this will culminate in a weak financial year 2021-22. With closed international borders, foreign tourist arrivals are likely to stay muted well into 2021-22 in comparison to domestic tourism which is expected to recover faster. Nevertheless, the absence of corporate travel and big-box MICE events will cap recovery for most of the hotels in large cities.

We witnessed Financial Year 2020-21 RevPAR declined by 70-75 per cent pan-India. It will continue to be impacted by the lockdown, travel restrictions because of the virus spread.

It is expected that in Financial Year 2021-22 the industry may witness growth of 120% in revenues and operating margins clawing up to about 30% supported by pick-up in revenues and some continued benefits of the large-scale cost rationalisation measures undertaken during the pandemic, particularly in staffing.

However, to put these growth numbers in perspective, the optically high growth numbers for financial year 2021-22 will only place the industry on a recovery path to pre-COVID levels in 2-3 year.

## 3. Operations

At present, the Company operates only one hotel "The Leela, Mumbai" with 394 guest rooms.

## 4. Awards and Accolades

The Leela Mumbai has received the following awards and accolades during the financial year 2020-21:

- *Times Food & Nightlife Awards 2021* – Jamavar recognized as The Best Indian Restaurant - Premium Dining, March 2021
- *Wine Spectator Award of Excellence 2020* – Le Cirque Signature honoured for having one of the most outstanding restaurant wine lists in the world, July 2020.

## 5. A. Sales & Marketing alliances

The Company continues to enjoy the following marketing arrangement through Brookfield for which the Company pays a fee to Brookfield based on the marketing expenses:

### (i) Global Hotel Alliance

Global Hotel Alliance is today the world's largest alliance of independent luxury hotel brands. Based on the airline alliance model, the alliance currently has more than 30 member brands, all with their own unique character, encompassing over 550 upscale and luxury hotels, spread across 75 countries. GHA uses a shared technology platform to operate an award winning, multi-brand loyalty program, DISCOVERY. Currently the total DISCOVERY membership base has crossed 14 million worldwide members. DISCOVERY is about making your stay and travel unforgettable. Discovery program believes that rewarding members with authentic, memorable experiences is much more valuable than collecting points. With this in mind, DISCOVERY instead rewards travelers with Local Experiences. Designed by our local experts, these specially curated experiences offer members the access to a large selection of exclusive activities which are not easily available to the general public.

### (ii) Preferred Hotels & Resorts

The Preferred Hotels & Resorts (PHR) represents over 850 independent and distinctive hotels, resorts & residences across 85 countries. Through its five global collections – Legend, LVX, Lifestyle, Connect, and Preferred Residences– Preferred Hotels & Resorts connects discerning travelers to the singular luxury hospitality experience that meets their needs and life and style preferences for each occasion. Preferred Hotels & Resorts brings strategic advantage through its Global Sales team comprising of 80 sales associates covering Corporate, Group & Leisure segments in 30 global offices.

## B. Sales, Marketing and PR Representations

The Company continues to avail the services of Sales representation companies across key geographies in the world through Brookfield. These companies are assigned the responsibility to engage with the major tour operators and retail agencies in their respective source markets. These are: Mason Rose in UK, Kartagener Associates Inc. in North America; CA-Hotel Consulting in France and other French speaking markets of Belgium and Switzerland; and H&W Enterprise, sro in Russia & CIS.

## 6. Opportunities, Threats, Risks and Concerns

The hotel business is dependent on global and domestic economic conditions. Further, your Company has the risk of heavy dependence on only one Hotel at Mumbai. There is also the risk of dependence mainly on higher luxury segment. However, the Company's hotel enjoys premium over many other competitors due to its location and service reputation.

The Company is also facing challenges in managing working capital requirements, for which various options are considered and efforts are being taken.

## 7. Risk Management-Leveraging our experience

Risk management is an integral part of the Company's business process. With the help of experts in this field, risks are carefully mapped and a risk management framework is evolved. Pertinent policies and methods are being reviewed and modified to mitigate such risks.

The Company has taken several measures to protect the safety and security of its customers. In addition to the physical security measures, the Company has also taken sufficient insurance cover to meet the financial obligations which may arise from any untoward incidents.

To counter the risk of competition, your Company focuses on providing exceptional services consistently.

## 8. Efficient Internal Control systems

The Company has a well-structured internal audit function. Under the guidance and supervision of an independent Audit Committee, independent and reputed firm of Chartered Accountants conduct regular audits and review adherence to control systems and procedures.

The effectiveness of internal controls is reviewed through the internal audit process.

The focus of these reviews is as follows:

- Identification of 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

The Audit Committee of the Board oversees the adequacy of the internal control environment through regular reviews of the audit findings and monitoring implementation of internal audit recommendations.

## 9. Human resources and industrial relations

A focused attention on attracting the best talent available in the market, which could help the Company to drive a culture oriented towards high performance and excellence.



The Company has implemented an effective customer feedback system which is yielding good results. This platform helps the team to align all its efforts in delivering relevant high quality services to the guests whilst seeking to constantly improve on standards. Industrial relations throughout the year were cordial.

As on 31<sup>st</sup> March, 2021, the total manpower was 613 (including contract labour and fixed term contractors).

**10. Corporate Social Responsibility and Environmental Initiatives**

Your Company recognizes the need to minimise the adverse impact of its operations, on the environment. The Company maintains large gardens in and around its hotel. The Company has made substantial investments for improving energy efficiencies and fresh and waste water management.

**11. Health and Safety Management System**

Health and Safety Management System in the Company aims to reduce, eliminate or control workplace hazards and associated risks of illness or injuries to the employees, customers and contractors who might be affected by the Company's activities.

Your Company is committed to ensure healthy and safe working environment for all concerned and to improve the Health and Safety parameters. Under a well-designed program, the Company:

- complies with the requirements of all relevant statutory, regulatory and other provisions.
- Provides and maintains safe & healthy work place through operational procedures, safe systems and methods of work.
- Provides sufficient information, instruction, training and supervision to enable all employees to identify, minimize and manage hazards and to contribute positively to safety at work.
- Organizes audits and mock drills on site to ensure that operations are in compliance with health and safety management requirements and for emergency preparedness.
- ensures that appropriate resources are available to fully implement health and safety policy and continuously review the policy's relevance with respect to legal and business development.
- seeks continuous occupational health and safety improvements through the establishment of safety management objectives, targets and programs.

**12. Expansion / upgradation Plans**

In order to resolve the Company's debt problem, the Company had sold certain hotel business undertakings, hotel operations business, 100% shareholding in its subsidiary company and all intellectual property owned by the Company used in and held for use in the hotel owned and managed by it to BSREP III INDIA BALLETT PTE. LTD. ("Brookfield") in October 2019.

As part of the transaction, the Company and the Promoters of the Company have agreed to certain exclusivity, non-compete and non-solicit restrictions. Hence, the Company is not planning for any expansion in the near future.

**13. Analysis / highlights of operating performance, financial results and Balance Sheet**

The financial statements for the year ended on 31<sup>st</sup> March, 2021 has been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 as amended from time to time.

The financial statement of your Company forms part of this annual report and the analysis / highlights are given below:

The revenue from operations was ₹ 1,892.05 lakhs in FY 2020-21 against ₹ 14,567.56 lakhs in FY 2019-20.

Food & Beverages sales decreased by 88.36%.

Room Revenue decreased by 92% mainly due to decrease in occupancy.

Other income was ₹ 2,521.73 lakhs in FY 2020-21 as compared to ₹ 651.04 lakhs in FY 2019-20.

Total revenue was ₹ 4,413.78 lakhs in FY 2020-21 against ₹ 15,218.60 lakhs in FY 2019-20.

**Operating Expenses:**

Food & Beverages consumption decreased by 82.68% as compared to last year.

Employee Benefit expenses, including contract employee cost decreased by 66% as compared to last year.

**Finance costs and interest liability:**

Finance cost was ₹ 229.89 Lakhs as compared to ₹ 90.92 Lakhs in the previous year.

**Depreciation and Amortization:**

Depreciation and amortization expenses for the year was ₹ 1,351.70 lakhs as against ₹ 1,193.12 lakhs in previous year.

**Other expenses:**

Other expenses for the year amounted to ₹ 4,726.77 lakhs as against ₹ 10,867.50 lakhs in the previous year.

**Profit/ (Loss) after Tax:**

The Company incurred an operational (loss) of ₹ (3,592.59) lakhs during the FY 2020-21 as against a (loss) of ₹ (2,019.53) lakhs during the previous year from continued operations.

**Property, Plant and Equipment (PPE):**

The net Property, Plant, Equipment, capital work in progress, intangible assets, investment property and assets held for sale as on 31<sup>st</sup> March, 2021 was ₹ 25,823.80 lakhs as against ₹ 26,637.92 lakhs as on the last day of the previous year.

## Secured and Unsecured Loans:

The details of the Company's debts (in ₹ lakhs) are as follows:

Particulars	31.3.2021	31.3.2020
<b>Secured Loans:</b>		
Long term debt	1,043.23	359.56
Current Maturities of Long Term Debt	281.34	71.47
Interest accrued on borrowings	4.20	-
Unsecured Loans	2,791.01	2,876.01
<b>Total</b>	<b>4,119.78</b>	<b>3,307.04</b>

## Net worth:

The details of Company's net worth (in ₹ lakhs) are as follows:

Particulars	31-Mar-21	31-Mar-20
Share Capital	12,611.04	12,611.04
Free Reserves	13,195.39	21,749.28
Securities Premium Account	65,346.24	65,346.24
<b>Total</b>	<b>91,152.67</b>	<b>99,706.56</b>
Less:		
Accumulated Loss	69,585.48	66,242.70
Intangible Assets / Intangible Assets under development	21.14	26.04
<b>Total</b>	<b>69,606.62</b>	<b>66,268.74</b>
<b>Net worth</b>	<b>21,546.05</b>	<b>33,437.82</b>

## Financial Ratios and Return on Net-worth:

The Company has reported a net operating loss for the current financial year and previous financial year. Therefore, the net-profit margin is negative. The return on net-worth is also negative.

## 14. Cautionary Statement

Statements made in the Management's Discussion and Analysis Report describing the Company's objectives, projections, estimates, predictions and expectations may be 'forward-looking statements', within the meaning of applicable securities laws and regulations. As "forward-looking statements" are based on certain assumptions and expectations of future events over which the Company exercises no control, the Company cannot guarantee their accuracy nor can it warrant that the same will be realized by the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments or events or for any loss any investor may incur based on the "forward-looking statements".