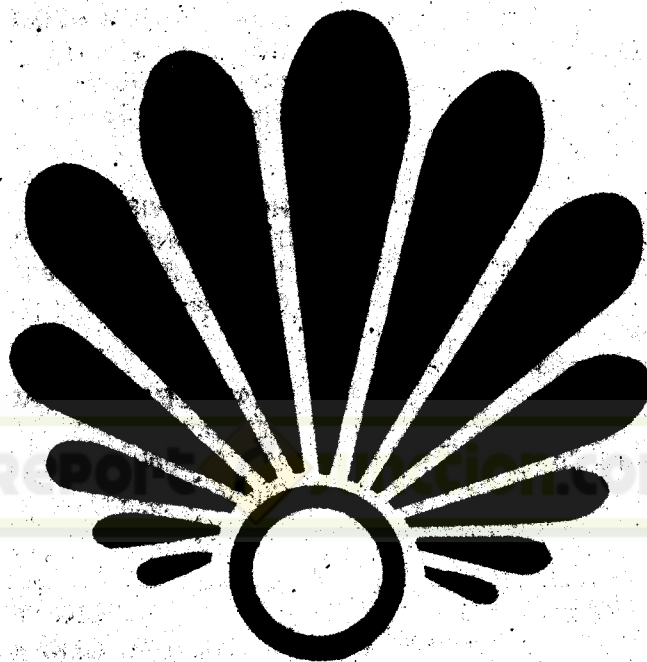


old name. Aruna Sunrise Hotels Ltd



ARUNA HOTELS LIMITED



41st Annual Report 2002 - 2003

ARUNA HOTELS LIMITED

DIRECTORS

Dr. B.S. Adityan
Chairman

Shri M. Sivaraam
Vice-Chairman & Managing Director

Shri M. Uttam Reddi

Shri R.N. Bansal

Shri T.K. Roy
Nominee Director – GIC

Shri Kartick P. Sivaram
Executive Director

AUDITORS

M/s. S. Viswanathan
Chennai-600 004

INTERNAL AUDITORS

M/s. Ganesh Subramaniam & Co.,
Chennai-600 010.

M/s. Shankar Sadguru & Co.
Chennai-600 014.

SR.VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Shri D. Ramjee

VICE PRESIDENT – FINANCE

Shri V. Sundaram

CORPORATE & REGD. OFFICE

'Aruna Centre"
145, Sterling Road,
Chennai-600 034.

HOTEL DIVISION

THE ARUNA CHENNAI
144-145, Sterling Road,
Chennai-600 034.

SHARE TRANSFER AGENTS

MQS Limited
225, Thambu Street
Chennai-600 001

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FORTY FIRST ANNUAL GENERAL MEETING

Date	30-09-2003
Day	TUESDAY
Time	10.15 A.M.
Venue	THE ARUNA CHENNAI 144-145, Sterling Road Chennai - 600 034

NOTE :

Members are requested to bring this copy along with them to the General Meeting



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Forty-first Annual General Meeting of the Company will be held at 10.15 A.M. on Tuesday, the 30th September, 2003, at the Hotel "The Aruna Chennai", 144-145, Sterling Road, Chennai-600 034, to transact the following business:

ORDINARY BUSINESS:

1. To consider and, if deemed fit, to pass the following resolution, with or without modifications(s), as an Ordinary Resolution:

"RESOLVED THAT the Directors' Report, Audited Balance Sheet as at, and the Profit & Loss Account for the year ended, 31-03-2003 and the Auditors' Report thereon, be and are hereby adopted".

2. To consider and, if deemed fit, to pass the following resolutions, with or without modifications(s), as Ordinary Resolutions:

"RESOLVED THAT Dr. B.S. Adityan, who retires by rotation and who being eligible, offers himself for reappointment, be and is hereby appointed as a Director".

"RESOLVED THAT, Shri R.N. Bansal, who retires by rotation and who being eligible, offers himself for reappointment, be and is hereby appointed as a Director".

3. To consider and, if deemed fit, to pass the following resolution, with or without modification(s), as an Ordinary Resolution:

"RESOLVED THAT M/s.S.Viswanathan, Chartered Accountants, Chennai-600 004 retiring Auditors, be and are hereby re-appointed as Auditors of the Company from the conclusion of the Forty First Annual General Meeting till the conclusion of the Forty Second Annual General Meeting of the Company on a remuneration of Rs.50,000/- (Rupees Fifty Thousand Only) plus reimbursement of out-of-pocket expenses".

SPECIAL BUSINESS:

4. To consider and, if deemed fit, to pass the following resolution, with or without modification(s), as an Ordinary Resolution:

"RESOLVED pursuant to Sections 198, 269, 309, 310, 311 and 314 (1B), read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and

subject to such other approvals as may be required,

THAT Shri Kartick P. Sivaram be and is hereby appointed as Executive director of the Company for a period of five years from 5.10.2002 to 4.10.2007, on the following terms and conditions:

THAT Shri Kartick P. Sivaram will be paid such remuneration as may be decided by the Board of Directors each year, in accordance with the provisions of Companies Act, 1956 and such other applicable statutory requirements, subject to the condition that his minimum salary would be as follows:

- | | |
|----------------|--|
| 1. Salary | Rs.25,000/-
(Rupees twenty five thousand only) p.m.
in the time scale of
Rs.25,000-5,000-40,000/- |
| 2. Commission | 1% (one per cent) of the net profits of the Company, subject to a ceiling of 50% of the salary. |
| 3. Perquisites | Perquisites will be in addition to salary and commission. |
| A. (i) | House Rent Allowance – 60% of salary over and above 10% payable by him.
Provisions of gas, electricity, water and furnishing valued as per the Income Tax Rules, 1962, subject to a ceiling of 10% of his salary. |
| (ii) | Medical Reimbursement – Expenses incurred for self and family, subject to a ceiling of one month's salary per year or three months' salary in a period of three years. |
| (iii) | Leave Travel Concession – for self and family once in a year incurred in accordance with the rules of the Company. |
| (iv) | Club Fees – Fees of clubs subject to a maximum of two clubs, except admission and life membership fees. |
| (v) | Personal Accident Insurance – Premium not exceeding Rs.5000/- |

ARUNA HOTELS LIMITED

- B. (i) Company's contribution to Provident Fund and Superannuation Fund, as per the rules of the Company, the total contribution not exceeding 25% of his salary as laid down under the Income Tax Rules, 1962.
- (ii) Gratuity in accordance with the Company's Scheme, but not exceeding one half-month's salary for each completed year of services, subject to statutory ceiling.
- C. (i) Free use of Car with Driver, the monetary value of which may be evaluated as per the Income tax Rules, 1962.
- (ii) Free Telephone facility at residence.
- Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director.
- (iii) Reimbursement of Entertainment Expenses – The Executive Director would be entitled to reimbursement of all entertainment expenses actually and properly incurred the business of the Company, which would not be treated as part of perquisites.
- (iv) Privilege leave, sick leave and all other facilities according to the rules of the Company. Unavailed leave can be encashed at the end of the tenure.
- THAT in any year of loss or inadequacy of profit, the proposed remuneration shall not exceed such limit as may be prescribed by the Government of India in this regard, from time to time.
4. To consider and, if deemed fit, to pass the following resolution, with or without modification(s), as a Special Resolution:
- "RESOLVED THAT consent of the Members be and is hereby given for delisting the shares of the Company from Madras Stock Exchange.

By order of the Board
For Aruna Hotels Limited

Date: 01.08.2003
Chennai – 600 034.

D. RAMJEE
Company Secretary

NOTES

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself, and such proxy need not be a member.
2. Proxy, forms, complete in all respects, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. Form of Proxy is enclosed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 26-09-2003 to 30-09-2003 (both days inclusive).
4. An explanatory statement, pursuant to the provisions of Section 173 (2) concerning item No.4 to be considered as Special Business, is attached.
5. As the trading of shares of the Company is now permitted only in demat form, those members who wish to convert their shares into demat form may approach the depository participants sending the physical certificates.
6. Those members, who wish to continue to hold the shares in physical form, may write to the Company to enable the Company to send them necessary stickers for change of name of the Company to be affixed on their share certificates.
7. M/s. MCS Limited; 225, Thambu Street, Chennai-600 001 are the Registrars for transfer of shares.
8. Reappointment of Directors:
Dr. B.S. Adityan, aged about 69 years, joined the Board in the year 1963. He is an Arts graduate from University of Madras. He has been conferred Doctorate by Madurai Kamarajar in the year 1994 and by Annamalai University in the year 1995. He is Director of Daily Thanthi group of publications. He has been a member of Senate / Syndicate in Madurai Kamarajar University, University of Madras, Annamalai University and Bharatidasan University. He is a former Sheriff of Madras. He has held the positions of Life President of Indian Olympics Association, Vice-President of Olympic Council of Asia, Executive Vice President of International Volleyball Confederation,



President of Volleyball Federation of India, etc. He is Chairman of Sun Paper Mills Limited and Director in India Cements Limited, Gay Travels P.Ltd., Nellai Murasu P.Ltd., Educational Trustee Co.(P) Ltd., India Cements Capital & Finance Ltd., Sivanthi Farms P.Ltd., Mlot Hospitals Ltd., India Cabs P.Ltd.

Shri RN. Bansal, aged about 72 years, joined the Board on 27th July 1989. He holds Masters Degree in Economic and is a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India. He has served the Department of Company Affairs for more than three decades, and has held such senior positions as Registrar of Companies,

Regional Director and Member, Company Law Board. He has served as nominee of Central Government on the Central Council of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and on the Governing Boards of Stock Exchanges, etc. He is on the Board of Chambal Fertilisers & Chemicals Ltd., Universal ABB Power Cables Ltd., Essar Shipping Ltd., Vardhaman Polytex Ltd., Orient Ceramics & Industries Ltd., Hindonstan Spinning & Weaving Mills Ltd., Gobind Sugar Mills Ltd., Spice Net Ltd., Jones Woodhead & Sons (India) Ltd., Pushpsons Industries Ltd., Spice Systems Ltd., Imaging Products P.Ltd and HVS Computer & Management Services P.Ltd.

EXPLANATORY STATEMENT

Item No.4:

Mr. Kartick P. Sivaram, aged about 25 years, is a Commerce Graduate and an MBA from Australian School of Management, Sydney. He also holds Diploma in Software Technology and Systems Management from NIIT. After completing his education, he was working as Business & Planning Analyst - Coal in FreightCorp, Sydney and as Management Consultant in Morgan & Banks Ltd., Sydney. He joined the Board on 31-10-2001 in the casual vacancy caused by the sad demise of Dr. P. Maruthal Pillai. At the last AGM held on 30/09/2002, he was appointed as a Director liable to retire by rotation. Subsequently, the Board of Directors appointed him as an Executive Director to hold office for a period of five years effective from 4th October 2002, on the terms & conditions mentioned in the resolution, subject to the approval of the Members and such other approvals as may be required. Approval of

the Members is now sought for his appointment as above.

Disclosure of Interest:

Mr. Kartick P. Sivaram and Mr. M. Sivaram, Vice-Chairman & Managing Director, being the father of Mr. Kartick P. Sivaram, are interested in the passing of the Resolution to the extent of remuneration and other perquisites payable to Mr. Kartick P. Sivaram as Executive Director.

Item No.5:

The Company's equity shares are currently listed in Chennai and Mumbai Stock Exchanges. Over the period, the volume of trading of our shares in Madras Stock Exchange has come down drastically, and the Mumbai Stock Exchange has trading terminals available in the whole country and thus the shares can be easily traded. Hence, it is proposed to de-list the shares from the Madras Stock Exchange, Chennai.

ARUNA HOTELS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their Forty-first Annual Report, together with the Audited Accounts of the Company for the financial year 2002/2003 consisting of 12 months from 01-04-2002 to 31-03-2003.

FINANCIAL RESULTS

During this financial year, your Company made a turnover of Rs.823.10 lakhs and earned cash profit of Rs.31.01 lakhs. However, after writing off Rs.23.51 lakhs towards Loss on sale of Alum Unit and Rs.8.12 lakhs towards Deferred Revenue Expenses and providing a sum of Rs.101.01 lakhs towards depreciation, there has been a net loss of Rs.103.39 lakhs. The details are given below:

	Rs.in lakhs	
	2002/03	2001/02
Gross Profit before Financial charges and depreciation.	74.13	114.72
Less :		
Financial Charges	43.12	35.23
Depreciation	101.01	107.03
Deferred Revenue Expenditure	8.12	9.12
Loss on Sale of Undertaking	23.51	
Add :		
Deferred Tax Asset	- 1.76	18.58
Net Profit/ (Loss)	- 103.39	- 18.08

DIVIDEND

Considering the financial results of the Company for the year under review, the Board of Directors could not consider payment of any dividend to the shareholders.

REVIEW OF OPERATIONS**HOTEL DIVISION.**

During the year under review, the Hotel Division achieved an average occupancy of 64.94%. The prospects for the Hotel Industry continued to reel under the impact of lower demand and the higher availability of rooms further created lower demand.

Moreover in the city of Chennai, a number of new hotels have come up as a result of which the availability of rooms is estimated to be much

higher than the demand, thereby sharpening the competition. All possible efforts are being taken to improve marketing.

The agreement entered into with M/s. Tulip Star Hotels Ltd., Mumbai for management of the Hotel was terminated and the Management is considering alternative arrangement for marketing and management. The name of the Hotel remains as The Aruna, Chennai.

We have let out the third floor of our Annexe Building where a speciality restaurant serving authentic Chinese cuisine has been set up and is functioning highly successfully. We have now let out the fourth floor of the same building to another chain of restaurants for setting up a speciality restaurant serving North Indian cuisine. This is expected to start functioning shortly. We have also entered into an agreement with a company for operating the discotheque in the 2nd floor of the Annex building on lease basis.

CHEMICAL DIVISION

During the period under review, the Company divested the Alum Unit considering the bleak future of the Unit as it was continuing to face stiff competition from small-scale units, which have sprung up in different parts of Tamil Nadu and enjoy the benefit of exemption from excise duty.

CURRENT YEAR'S PROSPECTS

There has been a gradual improvement in the inflow of foreign tourists and this is expected to cause an increase in the demand for rooms. However, with so many new hotels having come up, particularly in Chennai city, the supply outstrips the demand. Consequently, almost all the hotels are offering steep discounts and we are also constrained to follow, with the result that the average room revenue keeps falling. We are endeavouring our best to improve the occupancy and the revenue by adopting various strategic measures.

FIXED DEPOSITS

As on 31-03-2003, no amount due to fixed deposit holders remained unclaimed.

BOARD OF DIRECTORS

Your Board of Directors have appointed Mr. Kartick P. Sivaram, as Executive Director, subject to the



approval of the Members. This subject is being placed before the Members as a Special Business.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of your company, Dr. B.S. Adityan and Mr. R.N. Bansal retire by rotation at the 41st Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDITORS

At the Annual General Meeting, the members have to appoint Auditors for the period from conclusion of the 41st AGM till the conclusion of the 42nd AGM. M/s. S. Viswanathan, Chartered Accountants, Chennai-600 004, the retiring Auditors, are eligible for re-appointment and they have confirmed that their re-appointment, if made, will be within the limits specified under Section-224 (1-B) of the Companies Act, 1956.

CORPORATE GOVERNANCE:

A report on Corporate Governance including Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the listing agreement, is furnished with the Annual Report.

BOARD COMMITTEES:

The Company has two Board Committees, viz. Audit Committee and Investors' Grievances Committee, to assist the Board of Directors in effective discharge of its responsibilities.

STATUTORY PARTICULARS

There were no employees in receipt of remuneration of more than Rs.3, 00, 000/- per month or Rs.36,00,000/- per annum in aggregate, during the year.

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo, have been given in Annexure-I.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

That in preparation of the annual Accounts, the applicable accounting standards have been followed along with proper explanation.

That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on 31st March 2003 and of the profit of the Company for that year.

That the Directors had taken proper and sufficient care for maintenance of adequate accounting records for the year ended 31st March 2003 in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention of fraud and other irregularities.

That the Directors had prepared the Annual Accounts on an ongoing basis.

ACKNOWLEDGEMENT

Your Directors wish to take the opportunity to thank the Central & State Governments and Punjab National Bank for the co-operation extended by them.

Thanks are also due to our patrons for their continued patronage and the vendors for their co-operation.

Your Directors also wish to thank the Members for the continued confidence they repose in the Management and the Employees for their sincere services and co-operation.

BY ORDER OF THE BOARD
For Aruna Hotels Limited

Date: 01.08.2003
Place: Chennai-600 034

Dr. B. S. Adityan
Chairman

ARUNA HOTELS LIMITED**ANNEXURE - I DIRECTOR'S REPORT
FORM A****DISCLOSURE OF PARTICULARS WITH RESPECT OF CONSERVATION OF ENERGY****A. POWER & FUEL CONSUMPTION**

		CURRENT YEAR 2002-03	PREVIOUS YEAR 2001-02
1. ELECTRICITY			
a) Purchased			
Units	000 KWH	198090	235785
Amount	Rs.in lakhs	11.63	13.48
Rate / Unit	Rs.	5.8	5.7
b) Own Generation			
i) Through Diesel Generator			
Units	000 KWH	3609	5138
Units per litre of diesel oil	KWH	1.99	1.835
Cost / Unit	Rs.	10.5	9.9
2 Coal		NII	NII
3 Furnace Oil:		NII	NII
Quantity	KL	NII	0.87
Total Amount	Rs.in lakhs	NII	0.55
Average Rate	Rs.	NII	6.37
4 Others/Internal Generation			
Quantity (Agricultural Wastage)	000 MTs	NII	NII
Total Amount	Rs.in lakhs	NII	NII
Average Rate	Rs.	NII	NII

B CONSUMPTION PER UNIT OF PRODUCTION

Not applicable, since no production is carried out in the Hotel.



CORPORATE GOVERNANCE

The Company has been complying with the Corporate Governance Code as per clause 49 of the Listing Agreement with the Stock Exchanges. A report on the Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY :

The Company's philosophy is to ensure highest levels of transparency and accountability in all facets of its operations, and equity and ethics in all its interactions with all its stakeholders, including shareholders, employees, clients, the government and lenders.

The Company's basic goal is to enhance the overall shareholder value, and all its business decisions and actions are oriented towards achieving this basic goal.

2. BOARD OF DIRECTORS :

a) Composition of Board of Directors:

The Board of Directors of the Company consists of six directors – two promoter directors (the Managing Director and the Executive Director), three independent

directors and one nominee-director representing General Insurance Corporation of India Ltd. & its subsidiaries, who are holding more than 5% of the preference share capital of the Company.

b) Details of the Board Meetings held during the year, attendance by Directors at the Board Meetings & the Annual General Meeting and membership of Directors in other Boards/ Committees:

During the financial year 2002-2003, there were six Board Meetings, held on 27th June 2002, 31st July 2002, 11th September 2002, 30th September 2002, 30th November 2002 and 30th January 2003.

The following table gives details of Composition of the Board of Directors, Attendance of each Director at the Board meetings and the last Annual General Meeting of the Company and Details of positions of Chairmanship / Directorship of Board, and Chairmanship / Membership of Committee, held by each Director in other companies:

Name	Category	Board Meetings during the tenure		Attendance at the last AGM 26/9/02	No. of Directorships in other Public Companies		No. of Committee Membership in other Public Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Dr. B.S. Adityan Chairman	Independent - Non-Executive Director	6	6	Yes	1	3	1	4
Mr. M. Sivaram Vice-Chairman & Managing Director	Promoter - Executive Director	6	6	Yes	-	1	-	-
Mr. M. Uttam Reddi	Independent - Non-Executive Director	6	6	Yes	1	4	-	-
Mr. R.N. Bansal	Independent - Non-Executive Director	6	6	Yes	0	11	2	7
Mr. T.K. Roy	(Nominee) Independent - Non-Executive Director	6	6	No	-	-	-	-
Mr. Kartick P. Sivaram Executive Director	Promoter - Executive Director	6	5	Yes	-	2	-	-