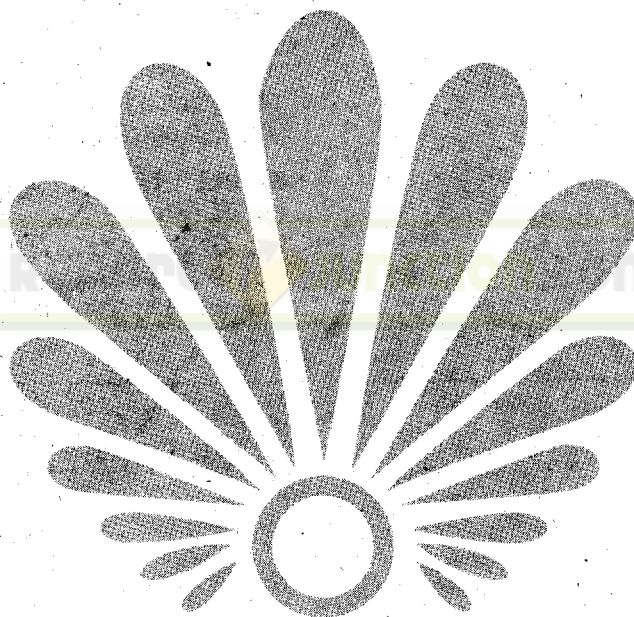




**ARUNA HOTELS LIMITED**



**42nd Annual Report  
2003 - 2004**

**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.

**SR.VICE PRESIDENT (LEGAL) & COMPANY SECRETARY**

Shri D. Ramjee

**VICE PRESIDENT – FINANCE**

Shri V. Sundaram

**GENERAL MANAGER – HOTEL DIVISION**

Shri. Ajay Kacker

**CORPORATE & REGD. OFFICE**

'Aruna Centre'  
145, sterling Road,  
Chennai-600 034.

**HOTEL DIVISION**

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

**SHARE TRANSFER AGENTS**

MCS Limited  
C/o. GNSA Investor Services P. Ltd.,  
No. 19/1 Balaiah Avenue  
Chennai-600 004

**CONTENTS****Page No.**

Notice to Shareholders	3
Directors' Report	4
Report on Corporate Governance	7
Auditors' Report	12
Accounts	15
Schedules	17
Cash Flow Statement	28

**FORTY SECOND ANNUAL GENERAL MEETING**

Date	30/09/2004
Day	Thursday
Time	10.15 A.M.
Venue	"THE ARUNA CHENNAI" 144 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-Second Annual General Meeting of the Company will be held at 10.15 A.M. on Thursday, the 30<sup>th</sup> September, 2004, at the Hotel "The Aruna Chennai", 144, 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 modification(s), as an Ordinary Resolution:

"RESOLVED THAT the Directors' Report, Audited Balance Sheet as at, and the Profit & Loss Account for the year ended, 31-03-2004 and the Auditors' Report thereon, be and are hereby adopted".

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

"RESOLVED THAT Shri. M. Uttam Reddi, 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 Second Annual General Meeting till the conclusion of the Forty Third Annual General Meeting of the Company on a remuneration of Rs.50,000/- (Rupees Fifty Thousand Only) plus reimbursement of out-of-pocket expenses".

By order of the Board  
For Aruna Hotels Limited

Date: 01.09.2004  
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 23-09-2004 to 30-09-2004 (both days inclusive).
4. 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.
5. Members are requested to notify immediately any change in their address to the Company / Share Transfer Agents / Depository Participants.
6. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
7. M/s. MCS Limited, C/o. GNSA Investor Services P. Ltd., 19/1, Balaiah Avenue, Chennai-600 004 are the Registrars for transfer of shares.
8. The Company's shares are listed in The Stock Exchange, Mumbai (BSE) only and are delisted from Ahmedabad and Madras Stock Exchanges.

### Reappointment of Directors:

Shri. M. Uttam Reddi, aged about 78 years, is a former Commissioner of Income Tax. He has been practising as an Advocate in Supreme Court and is a reputed legal and management consultant specializing in Taxation, Company Law, etc. He is a director in Beardsell Ltd., Madanapalle Spinning Mills Ltd., Switching Technologies Gunthur Ltd., Pal Industries Ltd., and Anusha International Ltd.

## ARUNA HOTELS LIMITED

### DIRECTORS' REPORT

Your Directors have pleasure in presenting their Forty-second Annual Report, together with the Audited Accounts of the Company for the financial year 2003/2004 consisting of 12 months from 01-04-2003 to 31-03-2004.

### FINANCIAL RESULTS

During this financial year, your Company made a turnover of Rs.701.87 lakhs including other income, and earned cash profit of Rs.38.48 lakhs. However, after writing off Rs.8.12 lakhs towards Deferred Revenue Expenses and providing a sum of Rs.104.69 lakhs towards Depreciation and a sum of Rs.1.12 lakhs towards Deferred Tax, there has been a net loss of Rs.75.45 lakhs. The details are given below:

	Rs.in lakhs	
	2003/04	2002/03
Gross Sales	620.60	767.62
Other Income	81.27	55.48
Total Income	701.87	823.10
Less:		
- Mfg. & Other Expenses	595.67	748.97
- Financial Charges	67.72	43.12
- Total Expenditure	663.39	792.09
Cash Profit	38.48	31.01
Less: Depreciation	104.69	101.01
Net Loss	-66.21	-70.00
Less: Extraordinary Items		
- Loss on sale of Chemical Unit		23.51
- Deferred Revenue Expenses written off	8.12	8.12
Less: Provision for taxation - deferred	1.13	1.76
Total Loss	-75.45	-103.39

### 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 58%. While there has been an appreciable improvement in the demand for hotel rooms in certain cities like Delhi, Mumbai and Bangalore, the situation in cities like Chennai, Kolkatta, etc. has not significantly improved. The performance of our Hotel was affected due to higher availability of rooms consequent on establishment of more hotels in Chennai City, whereas the demand has not gone up to that extent.

As already stated in the last report, we have given licence to two different chains of restaurants, viz. Specialty Restaurants P. Ltd. and Jewels India Hotels P. Ltd. who have set up a Chinese restaurant and a Tandoori Restaurant in the 3<sup>rd</sup> and 4<sup>th</sup> floor of our annexe building, Aruna Centre, respectively. Both the restaurants are successfully functioning.

The agreement entered into with a private company for operating the discotheque in the 2<sup>nd</sup> floor of the Annex building on leave & licence basis had to be terminated and the matter is now in the Court.

#### RESTRUCTURING

Consultations were held with leading hotel management / financial consultants for exploring the ways and means of improving the performance of the Hotel. They have advised us that a total renovation of the Hotel is a must in order to face the increasing competition. They have also advised us to hive off the Hotel Undertaking to a wholly owned subsidiary, since it would help us mobilize adequate funds either by way of fresh borrowing or strategic investment.

The subsidiary company will discharge the consideration to the parent company partly by way of shares / other securities and partly by way of money after meeting the cost of renovation of the Hotel out of the funds mobilized by them.

#### CURRENT YEAR'S PROSPECTS

It is hoped that after renovation, the Hotel will be able to face the competition and attract better business. This should generate higher earnings to the subsidiary company from the Hotel business resulting in better yield for the parent company.



## **FIXED DEPOSITS**

As on 31-03-2004, no amount due to fixed deposit holders remained unclaimed.

## **BOARD OF DIRECTORS**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the company, Shri, M. Uttam Reddi retires by rotation at the 42<sup>nd</sup> Annual General Meeting and, being eligible, offers himself for re-appointment.

## **AUDITORS**

At the Annual General Meeting, the members have to appoint Auditors for the period from the conclusion of the 42<sup>nd</sup> AGM till the conclusion of the 43<sup>rd</sup> 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 in excess of the limit specified under Section 217(2A) of the Companies Act, 1956 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 31<sup>st</sup> March 2004 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 31<sup>st</sup> March 2004 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: 01.09.2004  
Chennai - 600 034.

Dr. B.S. Adityan  
Chairman

## **ADDENDUM TO DIRECTORS' REPORT**

There has been some unavoidable delay in transfer of the unpaid dividend amount and in payment of TDS. However, the unpaid dividend amount has since been transferred to the Investor Protection Fund and the TDS has since been paid.

**ANNEXURE -1 TO DIRECTORS' REPORT**

**FORM A**

**DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

**A POWER & FUEL CONSUMPTION**

		CURRENT YEAR 2003-04	PREVIOUS YEAR 2002-03
<b>1 ELECTRICITY</b>			
a) Purchased			
Units	000 KWH	2372300	2377080
Amount	Rs.in lakhs	166.09	139.56
Rate / Unit	Rs.	7.00	5.87
b) Own Generation			
i) Through Diesel Generator			
Units	000 KWH	20436	42108
Units per litre of diesel oil	KWH	2.03	1.99
Cost / Unit	Rs.	11.19	10.5
<b>2 Coal</b>		Nil	Nil
<b>3 Furnace Oil:</b>			
Quantity	KL	Nil	Nil
Total Amount	Rs.in lakhs		Nil
Average Rate	Rs.		Nil
<b>4 Others/Internal Generation</b>			
Quantity (Agricultural Wastage)	000 MTs	Nil	Nil
Total Amount	Rs.in lakhs	Nil	Nil
Average Rate	Rs.	Nil	Nil

**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 Exchange. 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 facts 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 95% 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 2003-2004, there were four Board Meetings, held on 26<sup>th</sup> April 2003, 1<sup>st</sup> August 2003, 27<sup>th</sup> October 2003 and 31<sup>st</sup> January 2004.

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	Director	Chairman	Member
Dr. B.S. Adityan Chairman	Independent - Non-Executive Director	4	3	Yes	1	3	1	
Mr. M. Sivaram Vice-Chairman & Managing Director	Promoter - Executive Director	4	4	Yes	-	1	-	-
Mr. M. Uttam Reddi Non-Executive Director	Independent -	4	4	Yes	2	1	1	-
Mr. R.N. Bansal	Independent - Non-Executive Director	4	4	Yes	-	9	3	7
Mr. T.K. Roy	(Nominee) Independent - Non-Executive Director	4	4	No	-	2	-	1
Mr. Kartick P. Sivaram Executive Director	Promoter - Executive Director	4	4	Yes	-	3	-	-

## ARUNA HOTELS LIMITED

### 3. Audit Committee:

As a measure of good Corporate Governance and to assist the Board of Directors in discharge of their responsibilities, an Audit Committee has been functioning. The Committee consists of only independent directors:

#### a) Functions of the Committee in brief:

The functions of the Audit Committee include:

- Ensuring the adequacy of internal audit systems and to review the reports of internal auditors and the compliance of suggestions made by the internal auditors.
- 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.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

#### b) Composition and names of the members and the Chairman.

The Audit Committee consists of three independent non- executive Directors viz. Shri R.N. Bansal (Chairman of the Committee), Dr. B.S. Adityan and Shri. M. Uttam Reddi. The Managing Director, Shri M. Sivaraam and the Executive Director, Mr. Kartick P. Sivaram attend the meetings as invitees. The constitution of Audit Committee meets with

the requirements under Section 292A of the Companies Act, 1956.

#### c) Meetings and attendance during the year:

During the year, the Committee met four times. The details of attendance of Members of the Audit Committee are given below:

Mr. R.N. Bansal	Chairman (Independent)	4
Dr. B.S. Adityan	Member (Independent)	3
Mr. M. Uttam Reddi	Member (Independent)	4
Mr. M. Sivaraam	Invitee (Managing Director)	4
Mr. Kartick P. Sivaram	Invitee (Executive Director)	4

### 4. Remuneration to Directors.

Mr. M. Sivaraam, Managing Director and Mr. Kartick P. Sivaram, Executive Director, are the two executive directors receiving remuneration. The details are give below:

Particulars	Mr. M. Sivaraam Vice-Chairman & Managing Director	Mr. Kartick P. Sivaram Executive Director
Salary	600000	300000
Perquisites	517342	180000
Contribution to PF	72000	36000
Commission	0	0
<b>Total</b>	<b>1189342</b>	<b>516000</b>

The non-executive directors are paid Sitting Fee of Rs.2000/- per Board Meeting and Rs.1000/- per Committee Meeting, besides reimbursement of Rs.500/- towards out-of-pocket expenses. Out-station directors are reimbursed the traveling expenses actually incurred by them.





## 5. Shareholders / Investors Grievance Committee:

The Company has constituted the Shareholders / Investors grievance committee comprising of Dr. B.S. Adityan (Chairman), Mr. M. Sivaraam and Mr. Kartick P. Sivaram.

The Company has authorized Shri D. Ramjee, Sr.V.P. (Legal) & Company Secretary to approve the share transfers on a fortnightly basis.

The Board has designated Shri D. Ramjee,

Sr.V.P. (Legal) & Company Secretary, as the compliance officer.

The total number of complaints received and replied to the satisfaction of the shareholders during the year under review is:

Complaints relating to	Received	Attended	Pending
Share Transfer	12	12	0
Dematerialisation	9	9	0
Others	3	3	0

## 6. GENERAL BODY MEETINGS:

The last three Annual General Meetings of the Company were held as under:

AGM Detail	Venue	Time & Date
39 <sup>th</sup> Annual General Meeting	The Music Academy 306, TTK Road Chennai-600 086	10.30 A.M. on 26 <sup>th</sup> September 2001
40 <sup>th</sup> Annual General Meeting	Hotel Aruna, Chennai 144, Sterling Road, Chennai-600 018.	10.15 A.M. on 30 <sup>th</sup> September 2002
41 <sup>st</sup> Annual General Meeting	Hotel Aruna, Chennai 144, Sterling Road, Chennai-600 034	10.15 A.M. on 30 <sup>th</sup> September 2003

The Company has not considered any resolution requiring Postal Ballot as required by the Companies (passing of resolution by postal ballot) Rules, 2001/Cause 49 of the Listing Agreement, for Shareholder's approval at this Annual General Meeting.

## 7. Disclosures:

- There were no materially significant related party transactions with the Company's promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.
- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

There was some delay in transfer of unpaid dividend to the Investor Protection Fund. There was no other non-compliance.

## 8. Means of Communication.

- The Company is not sending any Half-yearly report to each household of shareholders.
- The Company has published quarterly results in The News Today / Trinity Mirror (English) and Malai Chudar / Makkal Kural (Vernacular).
- The Company has not yet set up its own website.
- No presentations have been made to institutional investors or to the analysts.
- Management Discussion & Analysis Report forms part of this Annual Report being sent to the shareholders of the Company.