



**44th Annual Report  
2005 - 2006**

**ARUNA HOTELS LIMITED****DIRECTORS**

Dr. B.S. Adityan  
Chairman

Shri M. Sivaraam  
Vice-Chairman & Managing Director

Shri M. Uttam Reddi

Shri T.K. Roy  
Nominee Director – GIC

Shri Kartick P. Sivaram  
Executive Director

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

Shri D. Ramjee

**AUDITORS**

M/s. S. Viswanathan  
Chennai-600 004

**INTERNAL AUDITORS**

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

**CORPORATE & REGD. OFFICE**

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

**HOTEL DIVISION**

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

**SHARE TRANSFER AGENT**

CAMEO CORPORATE SERVICES LIMITED  
No.1, Club House Road,  
Chennai - 600 002.

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**FORTY FOURTH ANNUAL GENERAL MEETING**

Date	28/09/2006
Day	Thursday
Time	10.30 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 Fourth Annual General Meeting of the Company will be held at 10.30 A.M. on Thursday, 28<sup>th</sup> September 2006, 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, 31-03-2006 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 Dr. B.S. Adityan, 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 Fourth Annual General Meeting till the conclusion of the Forty Fifth 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: 02.08.2006  
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 21-09-2006 to 28-09-2006 (both days inclusive).
4. 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.
5. M/s. Cameo Limited, Club House Road, Chennai-600 002 have been appointed as the Share Transfer Registrars.
6. The Company's shares are listed only in The Stock Exchange, Mumbai (BSE) and the process of delisting the shares from Ahmedabad and Madras Stock Exchanges is on.

### REAPPOINTMENT OF DIRECTORS:

**Dr. B.S. Adityan**, aged about 70 years, joined the Board in the year 1963. The Board of Directors appointed him as the Chairman in October 2001 following the sad demise of Dr. P. Maruthai Pillai, the then Chairman. 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., Miot Hospitals Ltd., and India Cabs P.Ltd.

## ARUNA HOTELS LIMITED

### DIRECTORS' REPORT

Your Directors have pleasure in presenting their Forty-Fourth Annual Report, together with the Audited Accounts of the Company for the financial year 2005/2006 consisting of 12 months from 01-04-2005 to 31.03.2006.

### FINANCIAL RESULTS

During this financial year, your Company made a turnover of Rs.912.06 lakhs including other income, and earned cash profit of Rs.138.09 lakhs. However, after providing for a sum of Rs.120.18 lakhs towards depreciation, a sum of Rs.3.44 lakhs towards Fringe Benefit Tax and another sum of Rs. 1.52 lakhs towards Tax, there was a net profit of Rs.12.96 lakhs. The details are given below:

	2005/06	2004/05
Gross Sales	674.13	682.87
Other Income	237.93	154.00
Total Income	912.06	836.87
Less:		
- Mfg. & Other Expenses	693.00	608.58
- Financial Charges	80.97	89.52
- Total Expenditure	773.97	698.10
Cash Profit	138.09	138.77
Less: Depreciation	120.18	103.46
Net Profit before Tax	17.91	35.31
Less:		
- Deferred Revenue Expenses written off	-	17.90
- Fringe Benefit Tax	3.44	-
- Provision for Tax	1.52	-
Total	4.96	17.90
Net Profit / Loss(-)	12.96	17.40

### 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 63.51%.

The Hotel industry is witnessing a boom all over the Country and Chennai is also now fast catching up with this upsurge in demand for good hotel rooms, caused by the spurt in the number of new companies coming up in and around Chennai in IT, ITES, Automobile, Healthcare and other sectors.

We want to make the best use of this boom in business by implementing a renovation and modernization in its hotel.

We have let out the fifth floor also to M/s. Speciality Restaurants P. Ltd. (who have already taken the third floor on leave & licence) for setting up another speciality restaurant.

The discotheque in the 2<sup>nd</sup> floor of the Annexe building is functioning satisfactorily.

#### RESTRUCTURING

The different options for restructuring of the Hotel are being evaluated and a final decision would be taken soon.

#### CURRENT YEAR'S PROSPECTS

The hotel industry in the country as a whole is expected to do very well in the immediate future, thanks to the overall improvement in the economic scenario and the various incentives being steps being taken by both the Central and State Government to give an impetus to the tourism industry. In Chennai city, particularly, the scenario is bright due to the upsurge in the various sectors such as IT, ITES, Automobile, Healthcare, etc.

#### FIXED DEPOSITS

As on 31-03-2006, 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 your Company, Dr. B S. Adityan retires by rotation at the 44<sup>th</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 conclusion of the 44<sup>th</sup> AGM till the conclusion of the 45<sup>th</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 in Section 217 (2-A) of the Companies Act, 1956.

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 2006 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 2006 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: 02.08.2006  
Chennai – 600 034.

Dr. B.S. Adityan  
Chairman

## ADDENDUM TO DIRECTORS' REPORT

There has been some unavoidable delay in remittance of statutory dues like provident fund / employees state insurance contributions, TDS, etc. However, these dues have since been paid.

**ARUNA HOTELS LIMITED****ANNEXURE -1 TO DIRECTORS' REPORT****FORM A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****I ENERGY CONSERVATION****A POWER & FUEL CONSUMPTION**

		CURRENT YEAR 2005-06	PREVIOUS YEAR 2004-05
<b>1</b>	<b>ELECTRICITY</b>		
	a) Purchased		
	Units	000 KWH	2668660
	Amount	Rs.in lakhs	165.20
	Rate / Unit	Rs.	6.19
	b) Own Generation		
	i) Through Diesel Generator		
	Units	000 KWH	20,756
	Units per litre of diesel oil	KWH	2.24
	Cost / Unit	Rs.	15.85
<b>2</b>	<b>Coal</b>	Nil	Nil
<b>3</b>	<b>Furnace Oil:</b>		
	Quantity KL	Nil	Nil
	Total Amount	Rs.in lakhs	
	Average Rate	Rs.	
<b>4</b>	<b>Others/Internal Generation</b>		
	Quantity (Agricultural Wastage)	000 MTs	Nil
	Total Amount	Rs.in lakhs	Nil
	Average Rate	Rs.	Nil

**B CONSUMPTION PER UNIT OF PRODUCTION**

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

**II RESEARCH & DEVELOPMENT**

Nil

**III TECHNOLOGY ABSORPTION & INNOVATION**

Nil

**IV FOREIGN EXCHANGE EARNED & USED**

2005-06

2004-05

1. Foreign Exchange Earned

2. Foreign Exchange used



## 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 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 five directors – two promoter directors (the Managing Director and the Executive Director), and three independent directors. The independent directors include 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 2005-2006, there were five Board Meetings, held on 30<sup>th</sup> June 2005, 1<sup>st</sup> August 2005, 28<sup>th</sup> October 2005, 21<sup>st</sup> November 2005 and 3<sup>rd</sup> February 2006.

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 & Designation of the Directors	Category & Position	Board Meetings during the tenure		Attendance at the last AGM 29/12/05	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	5	5	Yes	1	4	1	4
Mr. M. Sivaram Vice-Chairman & Managing Director	Promoter - Executive Director	5	5	Yes	-	1	-	-
Mr. M. Uttam Reddi	Independent - Non-Executive Director	5	5	Yes	2	1	1	-
Mr. T.K. Roy	(Nominee) Independent - Non-Executive Director	5	5	No	-	2	-	1
Mr. Kartick P. Sivaram Executive Director	Promoter - Executive Director	5	5	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 M. Uttam Reddi, (Chairman of the Committee), Dr. B.S. Adityan and Shri T.K. Roy. The Managing Director, Shri M. Sivaram 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. M. Uttam Reddi	Chairman (Independent)	4
Dr. B.S. Adityan	Member (Independent)	4
Mr. T.K. Roy	Member (Independent)	2
Mr. M. Sivaram	Invitee (Managing Director)	4
Mr. Kartick P. Sivaram	Invitee (Executive Director)	4

### 4. REMUNERATION TO DIRECTORS.

Mr. M. Sivaram, Vice Chairman & Managing Director and Mr. Kartick P. Sivaram, Executive Director, are the two executive directors receiving remuneration. The details are given below:

Particulars	Mr. M. Sivaram Vice-Chairman & Managing Director	Mr. Kartick P. Sivaram Executive Director
Salary	600000	300000
Perquisites	576000	180000
Contribution to PF	72000	36000
Commission	0	0
<b>Total</b>	<b>1248000</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. Sivaram 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	24	24	0
Dematerialisation	19	19	0
Others	5	5	0

## 6. GENERAL BODY MEETINGS:

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

AGM Detail	Venue	Time & Date
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
42 <sup>nd</sup> Annual General Meeting	Hotel Aruna, Chennai 144, Sterling Road, Chennai-600 034.	10.15 A.M. on 30 <sup>th</sup> September 2004
43 <sup>rd</sup> Annual General Meeting	Hotel Aruna, Chennai 144, Sterling Road, Chennai-600 034	10.30 A.M. on 29 <sup>th</sup> December 2005

During the year under review, the Company has not passed any resolution through Postal Ballot as required by the Companies (passing of resolution by postal ballot) Rules, 2001/Clause 49 of the Listing Agreement.

## 7. DISCLOSURES:

a) 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. Whatever related party transactions were there, particulars thereof have been duly disclosed in the Balance Sheet.

b) 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 furnishing certain information to the Stock Exchanges. 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 set up its own website for its Hotel.
- 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.