



**45th Annual Report
2006 - 2007**

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

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 FIFTH
ANNUAL GENERAL MEETING**

Date	28/12/2007
Day	Friday
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 Fifth Annual General Meeting of the Company will be held at 10.15 A.M. on Friday, the 28th December 2007, at the Hotel "The Aruna Chennai", 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 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, 31-03-2007 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 Mr. Kartick P Sivaram, 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 Fifth Annual General Meeting till the conclusion of the Forty Sixth 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 as an Ordinary Resolution, pursuant to Sections 196, 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 M. Sivaraam, Managing Director be and is hereby reappointed as Managing director of the Company for a period of five years from 1.4.2007 to 31.3.2012, on the following terms and conditions:

THAT Shri M. Sivaraam will be paid remuneration and perquisites as follows:

1. Salary Rs.100,000/-
(Rupees one lakh only)
in the time scale of
Rs.100,000- 10,000-
150,000/-
2. Commission: One percent 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.
 - (i) House Rent Allowance – He will be paid 60% of his salary as house rent allowance 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.

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(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/-

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.

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 Managing Director.

(iii) Reimbursement of Entertainment Expenses – The Managing Director would be entitled to reimbursement of all entertainment expenses actually and property incurred for 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.

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".

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

"RESOLVED as an Ordinary Resolution, pursuant to Sections 196, 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, Executive Director be and is hereby reappointed as Executive Director of the Company for a period of five years from 5.10.2007 to 4.10.2012, on the following terms and conditions:

THAT Shri Kartick P Sivaram will be paid such remuneration and perquisites as follows:

1. Salary Rs.50,000/- (Rupees Fifty Thousand only) in the time scale of Rs.50,000-5000-70,000/-

2. Commission: One percent 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 – He will be paid 60% of his salary as house rent allowance 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.

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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".

By order of the Board

For Aruna Hotels Limited

Date: 29.06.2007
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 21-12-2007 to 28-12-2007 (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. MCS Limited, Mumbai have been the Share Transfer Registrars. M/s. Cameo Limited, Club House Road, Chennai-600 002 have since 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:

Item No.2

Mr.Kartick P.Sivaram, aged about 31 years, is a Commerce Graduate and an MBA from Australia. 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.

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Explanatory Statement

Item No.4:

The previous term of Mr. M. Sivaraam as Managing Director expired on 31/3/2007. The Board of Directors have, at their meeting held on 02/02/2007, reappointed Mr. M. Sivaraam as the Managing Director for a further period of five years from 1/4/2007, on the terms & conditions mentioned in the resolution above, in accordance with the conditions specified in Schedule XIII of the Companies Act, 1956, subject to the approval of the Members. Approval of the Members is now sought for his reappointment as above.

Mr. M. Sivaraam is a Commerce Graduate and holds an MBA degree from Australia. He joined the Company in 1970, and worked as a Whole time Director and later as an Executive Director. He became the Managing Director from 1/4/1980 and has been managing the Company since then. He has held various positions such as Vice-President of Indian Sugar Mills Association, President of South Indian Sugar Mills Association, Chairman of Indo American Chamber of Commerce (Tamil Nadu), Founder President of Round Table 42, etc. and is connected with various chambers of commerce and industrial / social organizations.

Item No.5

The present term of Mr. Kartick P Sivaram as Executive Director would be expiring as at the close of 4/10/2007. The Board of Directors have, at their meeting held on 02/02/2007, reappointed Mr. Kartick P Sivaram as the Executive Director for a further period of five years from 5/10/2007, on the terms & conditions mentioned in the resolution above, in accordance with the conditions specified in Schedule XIII of the Companies Act, 1956, subject to the approval of the Members. Approval of the Members is now sought for his reappointment as above.

Mr. Kartick P. Sivaram, aged about 31 years, is a Commerce Graduate and an MBA from Australia. 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 Freight Corp, Sydney and as Management Consultant in Morgan & Banks Ltd., Sydney.

He joined the Company on 31-10-2001 as a director in the casual vacancy caused by the demise of Dr. P. Maruthai Pillai, the then Chairman of the Company. Subsequently, he was appointed as Executive Director effective from 5th October 2002. He is looking after the operational affairs of the Company.

Disclosure of Interest:

Item No.4

Mr. M. Sivaraam and Mr. Kartick P Sivaram, son of Mr. M. Sivaraam, are interested in the passing of the Resolution to the extent of remuneration and other perquisites payable to Mr. M. Sivaraam.

Item No.5

Mr. Kartick P Sivaram and Mr. M. Sivaraam, 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.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Forty Fifth Annual Report, together with the Audited Accounts of the Company for the financial year 2007/2008 consisting of 12 months from 01-04-2006 to 31-03-2007.

FINANCIAL RESULTS

During this financial year, your Company made a turnover of Rs. 873.03 lakhs including other income, and earned cash profit of Rs. 143.39 lakhs. However, after providing for a sum of Rs.130.87 lakhs towards depreciation, a sum of Rs.3.10 lakhs towards Fringe Benefit Tax and another sum of Rs. 1.42 lakhs towards Tax, there was a net profit of Rs.8.00 lakhs only. The details are given below:



Rs. in lakhs

	2006-07		2005-06	
Gross Sales	758.28		674.13	
Other Income	114.76		237.93	
Total Income		873.03		912.06
Less:				
- Mfg. & Other				
- Expenses	646.32		693.00	
- Financial Charges	83.33		80.97	
- Total Expenditure		729.19		773.97
Cash Profit		143.84		138.09
Less: Depreciation		130.87		120.18
Profit before Tax		12.52		17.91
Less:				
- Deferred Revenue				
- Expenses written off	0.00		0.00	
- Fringe Benefit Tax	3.10		3.44	
- Provision for tax	1.42		1.52	
		4.52		4.96
Net Profit / Loss (-)		8.00		12.96

We could not make full advantage of the above boom, as the hotel needs renovation.

We have, therefore, finalized a renovation and modernization plan for our hotel in order to make the best use of this boom in business. We are in the process of mobilizing required funds to carry out this renovation & modernization plan.

The discotheque in the 2nd floor of the Annex building is functioning satisfactorily.

CURRENT YEAR'S PROSPECTS

The prospects of hotel industry in the country as a whole would continue to be exciting because of the overall improvement in the economic scenario and the various 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, Health care, etc.

FIXED DEPOSITS

As on 31-03-2007, 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, Mr. Kartick P Sivaram retires by rotation at the 45th 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 45th AGM till the conclusion of the 46th 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

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 50.24%.

The Hotel industry is continuing to witness a boom all over the Country and Chennai is also benefited from this upsurge in demand for good hotel rooms, thanks to the spurt in the number of new companies coming up in and around Chennai in IT, ITES, Automobile, Healthcare and other sectors.

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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 31st March 2007 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 2007 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: 29.06.2007.
Chennai-600 034

Dr. B.S. Adityan
Chairman



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 2006-07	PREVIOUS YEAR 2005-06
1	ELECTRICITY		
	a) Purchased		
	Units	000 KWH	2592262
	Amount	Rs.in lakhs	167.14
	Rate / Unit	Rs.	6.48
	b) Own Generation		
	i) Through Diesel Generator		
	Units	000 KWH	2,37,848
	Units per litre of diesel oil	KWH	2.33
	Cost / Unit	Rs.	15.26
2	Coal	Nil	Nil
3	Furnace Oil:		
	Quantity KL	Nil	Nil
	Total Amount	Rs.in lakhs	
	Average Rate	Rs.	
4	Others/Internal Generation		
	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

2006-07

2005-06

1. Foreign Exchange Earned

2. Foreign Exchange used

ARUNA HOTELS LIMITED**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 2006-2007, there were four Board Meetings, held on 28th April 2006, 2nd August 2006, 2nd November 2006, and 2nd February 2007.

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 28/09/06	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	4	Yes	1	3	1	3
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	-	1	-	-
Mr. T.K. Roy	(Nominee) Independent Non-Executive Director	4	2	No	-	-	-	-
Mr. Kartick P. Sivaram Executive Director	Promoter - Executive Director	4	4	Yes	-	1	-	-