



**ARUNA HOTELS LIMITED**

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**46th Annual Report  
2007 - 2008**

**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

Shri Kamal Babbar  
Whole-time Director

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

Shri D. Ramjee

**GENERAL MANAGER - HOTEL**

Shri Charles Kissinger

**AUDITORS**

M/s. S. Viswanathan  
Chennai-600 004

**INTERNAL AUDITORS**

M/s. Subhash Chatter & Associates  
New Delhi

**BANKERS**

Punjab National Bank, Chennai - 34.

**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**

M/s. MCS Limited,  
Mumbai.

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**FORTY SIXTH ANNUAL GENERAL MEETING**

Date	30/09/2008
Day	Tuesday
Time	10.35 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 Sixth Annual General Meeting of the Company will be held at 10.35.A.M. on Tuesday, the 30<sup>th</sup> September 2008, 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 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, 31-03-2008 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 modifications(s), as an Ordinary Resolution:

*"RESOLVED THAT Mr. 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-600 006 retiring Auditors, be and are hereby re-appointed as Auditors of the Company from the conclusion of the Forty Sixth Annual General Meeting till the conclusion of the Forty Seventh 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 that Mr. Kamal Babbar, who was appointed as an Additional Director by the Board of Directors on 28.01.2008 under the provisions of Section 260 of the Companies Act, 1956 and who would hold office up to the date of this general meeting, be and is hereby appointed as a Director of the Company pursuant to the provisions of Sections 255, 256, 257 and other applicable provisions if any of the Companies Act, 1956."*

5. 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 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 Kamal Babbar, Director, be and is hereby appointed as a Whole-time Director of the Company for a period of five years from 01.07.2008 to 30.06.2013, on the following terms and conditions, in accordance with the provisions of Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such other applicable statutory requirements and compliances:*

*1. Salary; Rs.65,000/- (Rupees Sixty Five Thousand only) in the time scale of Rs.65,000-5000-75,000/-*

*2. 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.*

*Provision 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 salary per year or three months' salary in a period of three years.*

## ARUNA HOTELS LIMITED

(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/-*

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 Whole-time Director.*

(iii) *Reimbursement of Entertainment Expenses – The Whole-time Director would be entitled to reimbursement of all entertainment expenses actually and properly 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.*

### 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 18-09-2008 to 30-09-2008 (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.
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.

Date: 01.07.2008

D. RAMJEE

Place: Chennai – 600 034. Company Secretary



### Reappointment of Directors:

#### Item No.2

Mr. M. Uttam Reddi, aged about 82 years, is a former Commissioner of Income Tax. He has been practicing 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 Limited.

#### Explanatory Statement

#### Item No.4:

Mr. Kamal Babbar was appointed as an Additional Director under Section 260 of the Companies Act, 1956, by the Board of Directors at their meeting held on 28.01.2008. As per the provisions of Section 260, he would hold office up to the ensuing annual general meeting only. The Company has received a notice from a member of the Company, along with a deposit of Rs.500/-, signifying his intention to propose Mr. Kamal Babbar as a candidate for the office of Director under the provisions of Sections 255, 256 & 257 of the Companies Act, 1956. Hence the resolution is being placed before the Members for their approval.

Mr. Kamal Babbar is a B.Com. graduate and is engaged in import and export of air-conditioning and other equipment, fertilizers, etc., and in real estate business and is owning an entertainment centre in Chennai. He is a director in Indo Thermal & Hydro Power Ltd. and Bay View Hotels & Resorts Ltd.

#### Item No.5

Mr. Kamal Babbar has invested a sum of about Rs.4.00 crores to meet the margin money requirement for availing the term loan from the Bank for the renovation of our hotel. It is proposed to appoint him as a whole-time director for a period of five years, so that he would monitor the implementation of renovation and also the financial performance of the Company after renovation to enable us to service and repay the loan availed from the Bank. His appointment would be on the terms & conditions mentioned in the resolution.

Approval of the Members is now sought for his appointment as above.

As mentioned under item No.4, Mr. Kamal Babbar is a B.Com. graduate and is engaged in import and export of air-conditioning and other equipment, fertilizers, etc., and in real estate business and is owning an entertainment centre in Chennai. He is a director in Indo Thermal & Hydro Power Ltd. and Bay View Hotels & Resorts Ltd.

### Disclosure of Interest:

#### Item No.4

Mr. Kamal Babbar is interested in the passing of the resolution providing for his appointment as a director under the provisions of Sections 255, 256 & 257 of the Companies Act, 1956 as mentioned in the resolution under item No.4.

#### Item No.5

Mr. Kamal Babbar is interested in passing of resolution under item No.5 to the extent of remuneration, perquisites and other monetary benefits payable to him as provided in the resolution under item No.5.

No other director is interested in the passing of either of the above two resolutions.

**ARUNA HOTELS LIMITED****DIRECTORS' REPORT**

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

**FINANCIAL RESULTS**

During this financial year, your Company made a turnover of Rs. 703.45 lakhs including other income, and earned cash profit of Rs.49.82 lakhs. However, after providing for a sum of Rs. 137.68 lakhs towards depreciation and a sum of Rs. 3.25 lakhs towards Fringe Benefit Tax, there was a net loss of Rs.91.11 lakhs only.

Rs. in lakhs

	2007-08	2006-07
Gross Sales	573.39	758.28
Other Income	130.05	114.76
Total Income	703.45	873.04
Less:		
- Mfg. & Other		
- Expenses	556.48	645.86
- Financial Charges	97.14	83.33
- Total Expenditure	653.62	729.19
Cash Profit	49.82	143.85
Less: Depreciation	137.68	131.33
Profit before Tax	-87.86	12.52
Less:		
- Deferred Revenue		
- Fringe Benefit Tax	3.25	3.10
- Provision for tax	0.00	1.42
	3.25	4.52
Net Profit / Loss (-)	-91.11	8.00

**DIVIDEND**

Considering the financial results of the Company 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 33% and an ARR of Rs.2171/-.

In order to take full advantage of the ongoing boom in the Hotel industry, we have finalized a renovation and modernization plan for our hotel. The total requirement of funds towards cost of renovation, acquisition of one additional floor in Annexe Building and augmentation of long-term working capital, has been assessed as Rs.22.00 crores. Our Bankers, Punjab National Bank, have sanctioned a term loan of Rs.16.50 crores on the condition that we should bring in Rs.5.50 crores as margin money. We have commenced the renovation work and we expect to complete the same by January 2009.

Meanwhile, we have entered into an arrangement with Fortune Park Hotels Limited, a wholly owned subsidiary of ITC Hotels Ltd., for branding, managing and marketing of our hotel.

**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 boom in the various sectors such as IT, ITES, Automobile, Healthcare, etc.

As already stated, the implementation of renovation of the Hotel and the arrangement with Fortune Park Hotels Limited for branding, marketing and managing the Hotel would help us also reap the benefits of the prevailing boom in the industry.

**FIXED DEPOSITS**

As on 31-03-2008, 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, Mr. M. Uttam Reddi retires by rotation at the 46<sup>th</sup> Annual General Meeting and, being eligible, offers himself for re-appointment.



Mr. T.K. Roy, who was the nominee director of General Insurance Corporation of India resigned from the Board of Directors and his resignation was accepted effective from 28.01.08.

Mr. Kamal Babbar, who was appointed as an additional Director on 28.01.2008, would be holding office up to the date of this annual general meeting. The proposal to appoint him as a Director under the provisions of Sections 255, 256 & 257 of the Companies Act, 1956 is being placed before the Members for their approval.

It is also proposed to appoint him as a whole-time director and this proposal is also being placed before the Members for their approval.

#### **AUDITORS**

At the Annual General Meeting, the members have to appoint Auditors for the period from the conclusion of the 46<sup>th</sup> AGM till the conclusion of the 47<sup>th</sup> AGM. M/s.S.Viswanathan, Chartered Accountants, Chennai-600 006, 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 2008 and of the loss 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 2008 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 help and support 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: 01.07.2008  
Chennai-600 034

Dr. B.S. Adityan  
Chairman



**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 2007-08	PREVIOUS YEAR 2006-07
1	<b>ELECTRICITY</b>		
a)	<b>Purchased</b>		
	Units	000 KWH	2415870
	Amount	Rs.in lakhs	157.23
	Rate / Unit	Rs.	6.51
b)	<b>Own Generation</b>		
i)	<b>Through Diesel Generator</b>		
	Units	000 KWH	11675
	Diesel oil bought	6380	16352
	Price of diesel oil bought	215643	356468
	Units per litre of diesel oil	KWH	1.83
	Cost / Unit	Rs.	33.80
2	<b>Coal</b>	Nil	Nil
3	<b>Furnace Oil:</b>		
	Quantity KL	Nil	Nil
	Total Amount	Rs.in lakhs	
	Average Rate	Rs.	
4	<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**

2007-08

2006-07

1. Foreign Exchange Earned

0.02

7.72

2. Foreign Exchange used

Nil

Nil





## 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 included 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. The nominee director has however resigned effective from 28<sup>th</sup> January 2008. At the same meeting, the Board appointed another independent director.

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 2007-2008, there were four Board Meetings, held on 29<sup>th</sup> June 2007, 30<sup>th</sup> July 2007, 3<sup>rd</sup> November 2007 and 28<sup>th</sup> January 2008.

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 28/12/07	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	Independent - Non-Executive Director	4	4	Yes	-	1	-	-
Mr. T.K. Roy	(Nominee) Independent Non-Executive Director	4	2	No	-	-	-	-
Mr. Kartick P. Sivaram	Promoter - Executive Director	4	4	Yes	-	1	-	-

## 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:

a. 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.

b. 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.

c. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

d. Reviewing with management the annual financial statements before submission to the Board.

e. Reviewing the company's financial and risk management policies.

f. 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 consisted of three independent non- executive Directors viz. Shri M. Uttam Reddi, (Chairman of the Committee), Dr. B.S. Adityan and Shri T.K. Roy. In the place of Mr. T.K. Roy, who resigned effective from 28<sup>th</sup> January 2008, the Board has nominated Mr. Kamal Babbar as an independent director-member of the Committee. 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)	-

### 4. REMUNERATION TO DIRECTORS.

Mr. M. Sivaraam, Managing Director and Mr. Kartick P. Sivaram, Executive Director, are the two executive directors who received remuneration during the year under review. The details are given below:

Particulars	Mr. M. Sivaraam Vice-Chairman & Managing Director	Mr. Kartick P. Sivaram Executive Director
Salary	600000	300000
Perquisites	455000	180000
Contribution to PF	72000	36000
Commission	0	0
<b>Total</b>	<b>1127000</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.