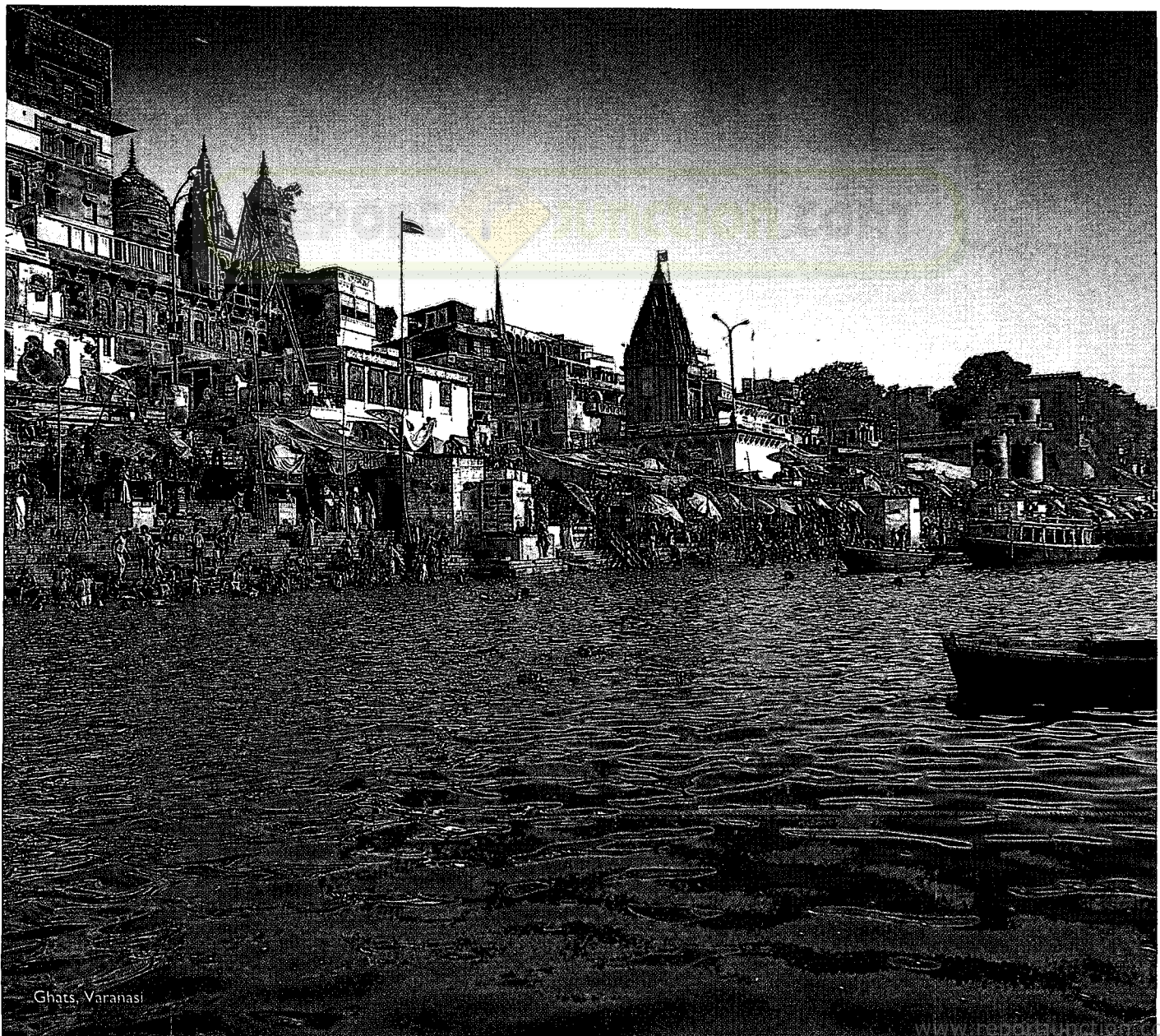


BENARES HOTELS LIMITED
36th Annual Report 2006-07





Lobby, Taj Ganges, Varanasi

Corporate Information

Board of Directors

DR. ANANT NARAIN SINGH
(Chairman)

RAYMOND N. BICKSON

SHRIRAMAN

RUKMANI DEVI

A. R. GANDHI

B. L. PASSI

D. BAJPAI

JYOTI NARANG

DEEPA MISRA HARRIS

Company Secretary

P. K. Bhatia

Auditors

N. Krishnaswamy and Company,
Chartered Accountants,
71A, Kashi Raj Apartments, Kamachha,
Varanasi-221 001

Registered Office

Nadesar Palace Compound,
Varanasi-221 002
Phone : 0542-2503001

Registrar and Share Transfer Agent

The Indian Hotels Company Limited
Mandlik House, Mandlik Road
Mumbai - 400001
Phone : 022-66395515
Fax : 022-22027442
Email : shares.dept@tajhotels.com

Shares Listed at

BOMBAY STOCK EXCHANGE LIMITED
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

THE DELHI STOCK EXCHANGE
ASSOCIATION LTD.
3/1, Stock Exchange Building
Asaf Ali Road
New Delhi - 110 002

THE UTTAR PRADESH STOCK
EXCHANGE ASSOCIATION LTD.
Padam Towers
14/113, Civil Lines
Kanpur - 208 001

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BENARES HOTELS LIMITED
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HIGHLIGHTS	2006-07 (Rs. Lacs)	2005-06 (Rs. Lacs)
Gross Revenue	1,943.33	1,574.94
Profit Before Tax	586.90	436.33
Profit After Tax	386.73	289.08
Dividend	130.00	110.50
Retained Earnings	321.30	230.64
Funds Employed	2,039.23	1,788.81
Net Worth	1,862.48	1,627.84
Debt : Equity Ratio	0.00:1	0.00:1
Net Worth Per Equity Share (Rs. 10/- each)	Rs. 143.27	Rs. 125.22
Earnings (EAT) Per Equity Share (Rs. 10/- each)	Rs. 29.75	Rs. 22.24
Dividend Per Equity Share (Rs. 10/- each)	Rs. 10.00	Rs. 8.50
	100%	85%

Notice to the Members

Notice is hereby given that the Thirty Sixth Annual General Meeting of the Members of BENARES HOTELS LIMITED will be held at the Registered Office of the Company at Nadesar Palace Compound, Varanasi-221 002, on Wednesday, 12th September 2007 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. A. R. Gandhi who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. B. L. Passi who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Ms. Deepa Misra Harris, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

7. Commission to Directors

To consider and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding three per cent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the

Company for each year for a period of five years commencing 1st April, 2006.”

8. To place the **Secretarial Compliance Certificate** obtained pursuant to Section 383A of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules, 2001.

NOTES

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No. 7 and 8 is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED TO THE COMPANY, DULY COMPLETED, NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
- (c) The Company has appointed The Indian Hotels Company Limited as its Registrar & Share Transfer Agent with effect from 1st June, 2007. The Members are requested to correspond with The Indian Hotels Company Limited, Mandlik House, Mandlik Road, Mumbai 400 001, for change of address, transfer, demat and other share related matters.
- (d) Members are requested to intimate to the Company, changes, if any, in their registered address alongwith Pin Code Number. Members whose shareholding is in demat form are requested to send the intimation for change of address to their respective Depository Participant(s).
- (e) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 30th August, 2007 to

BENARES HOTELS LIMITED

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Wednesday, 12th September, 2007 (both days inclusive).

- (f) The dividend as recommended by the Directors for the year ended 31st March, 2007, if passed at the meeting, will be made payable on or after Saturday, 22nd September, 2007 to those members whose names appear on the Register of Members of the Company on Thursday, 30th August, 2007. As regards shares held in electronic form, the dividend will be payable to the 'beneficial owners' of the shares whose names appear in the statement of Beneficial Ownership furnished by the Depositories as at the end of business hours on 29th August, 2007.
- (g) Members who are holding shares in identical order of names in more than one folio are requested to write to the Company for consolidating their holding in one folio.
- (h) Pursuant to Section 205C of the Companies Act, 1956, all unclaimed/unpaid dividends for a period of 7 years from the date of transfer to the 'Unpaid Dividend Account' are

required to be transferred by the Company to the "Investor Education and Protection Fund" established by the Central Government. Accordingly, the unclaimed dividend paid up to the financial year ended 31st March, 2000, has been transferred by the Company to the said Fund.

- (i) Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.

By order of the Board of Directors
of **BENARES HOTELS LTD.**

P. K. BHATIA
Company Secretary

Place : Mumbai
Date : 1st June, 2007

Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the business under Item No. 7 and 8 mentioned in the accompanying Notice dated 1st June, 2007.

Item No. 7

At the Annual General Meeting held on 12th September, 2001, the shareholders had passed the Special Resolution approving the payment of commission to the Directors equivalent to the amount not exceeding 3% per annum of the net profit of the Company for a period of 5 years commencing from 1st April, 2001. The said five years have expired on 31st March, 2006.

In view of the fact that the Company has been consistently improving its performance, it is proposed to continue to pay the said commission to the Directors for a further period of five years, subject to the approval of the shareholders at the Annual General Meeting.

All the Directors of the Company are concerned or interested in the resolution mentioned in item No. 7 of the Notice to the extent of the amount that may be received by them.

Item No. 8

Pursuant to Section 383A of the Companies Act, 1956 the Company has obtained the Secretarial Compliance Certificate from Mr. Arvind Kohli, Company Secretary in Practice. In terms of the Companies (Compliance Certificate) Rules, 2001, the aforesaid certificate is to be laid in the Annual General Meeting of the Company. The said certificate is attached to the Directors' Report.

By order of the Board of Directors
of BENARES HOTELS LTD.

P. K. BHATIA
Company Secretary

Place : Mumbai
Date : 1st June, 2007

BENARES HOTELS LIMITED

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Directors' Report to the Members

The Directors hereby present the Thirty Sixth Annual Report of the Company together with the Audited Statements of Account for the year ended 31st March, 2007.

OPERATING AND FINANCIAL RESULTS	2006-07 (Rs./Lacs)	2005-06 (Rs./Lacs)
Income	1,943.33	1,574.94
Gross Profit for the year	673.56	503.89
Less: Depreciation	<u>86.66</u>	<u>67.56</u>
Profit before tax	586.90	436.33
Less: Provision for tax		
- Current Tax	190.70	144.00
- Deferred Tax	7.07	0.96
- Fringe Benefit Tax	<u>2.40</u>	<u>2.29</u>
Net Profit	386.73	289.08
Add: Balance brought forward from previous year	<u>297.76</u>	<u>169.68</u>
Balance available for appropriations	684.49	458.76

APPROPRIATIONS :

(a) A dividend @ 100% i.e. Rs. 10.00 per equity share (previous year 85% i.e. Rs. 8.50 per equity share) on 13,00,000 Equity Shares, which, if approved by the Shareholders at the Annual General Meeting to be held on Wednesday, 12th September, 2007 will be paid out of the provision for dividend	130.00	110.50
(b) Tax on Dividend	22.09	15.50
(c) Amount transferred to General Reserve	45.00	35.00
(d) Balance carried forward	487.40	297.76

OPERATIONS

The renovation and refurbishment of the rooms in the Hotel coupled with the positive growth in the tourism sector helped the Company in achieving a significantly improved performance over the previous year. The Directors hope that the Company shall further improve its performance in the coming years.

DIVIDEND

Your Directors recommend the payment of dividend @ 100% (previous year dividend @ 85%) per equity share involving distribution of Rs. 130.00 lacs.

SECRETARIAL COMPLIANCE

In terms of Section 383A of the Companies Act, 1956, the Company has obtained the Secretarial Compliance Certificate from a Practising Company Secretary. A copy of the said Certificate is attached to this Report.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company had no employees during the year who were in receipt of remuneration aggregating to :

- (a) Not less than Rs. 24.00 lacs for the year, if employed throughout the year; or
- (b) Not less than Rs. 2.00 lacs per month, if employed for part of the year.

DIRECTORS

During the year under report, Mr. Digvijay Chand ceased to be an Alternate Director to Mrs. Rukmani Devi w.e.f. 7th August, 2006 and was appointed as an Alternate Director to Mrs. Rukmani Devi on 30th October, 2006. He again ceased to be her Alternate w.e.f. 24th January, 2007.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company Mr. A. R. Gandhi, Mr. B. L. Passi and Ms. Deepa Misra Harris, Directors of the Company are liable to retire by rotation and being eligible seek reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operating Management, hereby confirms that

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. it has, in the selection of the accounting policies, consulted the Statutory Auditors and has 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 as at March 31, 2007 and of the profit of the Company for that period;

3. it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of their knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records; and
4. it has prepared the annual accounts on a going concern basis.

AUDITORS

At the Annual General Meeting the Members will be required to appoint the Auditors for the current year and fix their remuneration.

FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to foreign exchange earnings and outgo is furnished at point No. 4 & 5 in the Notes on Accounts.

ACKNOWLEDGEMENTS

The Board desires to place on record its appreciation of the services rendered by the employees of the Company during the year under review.

On behalf of the Board of Directors

DR. ANANT NARAIN SINGH
Chairman

Place : Mumbai

Date : 1st June, 2007.