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| MD | <input checked="" type="checkbox"/> | | | BKC | <input checked="" type="checkbox"/> |
| CS | <input checked="" type="checkbox"/> | | | DPY | <input checked="" type="checkbox"/> |
| RO | <input checked="" type="checkbox"/> | | | DIV | <input checked="" type="checkbox"/> |
| TRA | <input checked="" type="checkbox"/> | | | AC | <input checked="" type="checkbox"/> |
| AGM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | SHI | <input checked="" type="checkbox"/> |
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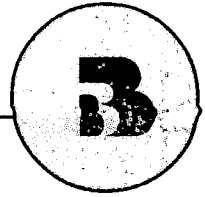
Balaji Hotels and Enterprises Ltd.

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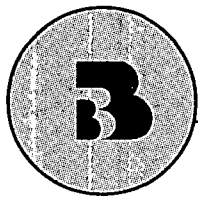
ANNUAL REPORT

1997-98



BALAJI HOTELS AND ENTERPRISES LIMITED**NINTH ANNUAL REPORT 1997 - 98**

| | |
|---------------------|---|
| Board of Directors | M. Sudhakar Reddy M. Sreenivasulu Reddy (Managing Director) M. Dharmaraj M. Kiran Reddy Navratan Dugar A. Shivkumar Reddy S. Subramanian G. Gautam Reddy K. Desikan (Nominee - Industrial Finance Corporation of India Ltd.) |
| Company Secretary | V. Krishnaswami |
| Auditors | M/s. S. Viswanathan Chartered Accountants Chennai - 600 004. P.A. Reddy & Co. Chartered Accountants Nellore 524 001 |
| Bankers | Bank of Baroda Global Trust Bank Ltd. The United Western Bank Ltd. Corporation Bank |
| Registered Office | 16/449 Somasekharapuram Nellore 524 001 |
| Corporate Office | 9, Bazullah Road, T. Nagar, Chennai 600 017. |
| Hotels Division | Guna Building, 5th Floor 304 & 305 Anna Salai Chennai 600 018 |
| Distillery Division | Nanora, Asanora, Goa |
| Printing Division | PIPDIC Industrial Estate Sedarapet Pondicherry 605 101 |



BALAJI HOTELS AND ENTERPRISES LIMITED

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BALAJI HOTELS AND ENTERPRISES LIMITED**3****NOTICE OF THE NINTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Ninth Annual General Meeting of BALAJI HOTELS AND ENTERPRISES LIMITED will be held on Monday the 28th September 1998 at 11.30 A M, at Raghava Kalyana Mandapam, 8/512, Ranganayakulapeta, Nellore - 524 001, Andhra Pradesh, to transact the following business:

ORDINARY BUSINESS

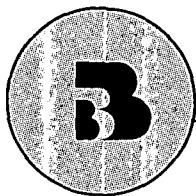
1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March, 1998 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr.M.Sudhakar Reddy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr.G.Gautam Reddy, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr.S.Subramanian, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

“RESOLVED THAT pursuant to Section 81 (1-A) and other applicable provisions, if any, of The Companies Act, 1956 and subject to all norms, guidelines, regulations in force and statutory approvals as may be necessary, consents, permissions and/or sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchange(s) and all other appropriate authorities, institutions or bodies and subject to such conditions as may be

prescribed by them in granting any such approval, consents, permission or sanction (hereinafter referred to as “The Requisite Approvals”), the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee of Directors which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this resolutions) be authorised on behalf of the Company, to issue and allot, in the course of national/international offerings on private placement basis, rights basis or otherwise in Indian/ one or more foreign markets, Equity Shares, Cumulative or Non-cumulative Preference Shares, Debentures, Bonds, and/or securities convertible into Equity Shares at the option of the Company, and/or the holders of the securities linked to Equity Shares and/or non-convertible securities and/or securities with or without detachable/non-detachable warrants/notes with rights exercisable by the warrants/notes holders to subscribe for Equity Shares and/or at such price and manner and during such period as the Board may decide, and/ or any instruments or securities representing equity Shares or convertible securities either through Global Depository Receipt Mechanism/American Depository Receipt mechanism/Eurobonds/notes etc., or by an issue to or by private placement with foreign/Indian investor(s) including institutional investors, banks, Non-Resident Indians, and Overseas Corporate Bodies, and/or Foreign Institutional Investors, whether members of the Company or not, subject to the memorandum of association of the Company through prospectus and/or offering letter of circular and/or private placement basis for an amount (inclusive of such premium as may be determined) not exceeding Rs.750 crores or equivalent thereof in any other currency(ies), such issues and allotment to be made at such time/times in such tranche(s), at such price or prices (including at a discount or premium to market price or prices) and in such manner as are in conformity with any guidelines or directions or norms, statutory or otherwise and as may be finalised by the Board, in consultation with the Lead Managers and/or Underwriters and/or other Advisors, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board.”



BALAJI HOTELS AND ENTERPRISES LIMITED

“RESOLVED FURTHER that without prejudice to the generality of the above, the securities may have all or any terms or combination of terms in accordance with Indian/International norms/practice including but not limited to terms and conditions in relation to payment of interest, additional interest, premia on redemption or prepayment and any other debt service payment whatsoever, besides terms as to security, if any, to be created for any of the securities with such ranking as the Board may determine and including terms for issue of additional equity Shares or variation of the conversion price of the security during the duration of the securities.”

“RESOLVED FURTHER that the Board be authorised to enter into and execute all such agreements/contracts with one or more Lead Manager(s), Manager(s), Banker(s), Broker(s), Underwriter(s), Guarantor(s), Depository(ies), Custodian(s), Trustee(s) and all such agencies as may be involved or concerned in such offering of securities and to remunerate all such institutions and agencies by way of commission, brokerage, fees or the like, and also to seek the listing of such securities in one or more International Stock Exchange(s) and/or The National Stock Exchange/ Stock Exchanges in India.”

“RESOLVED FURTHER that the Company and/ or an agency or body authorised by the Board may issue Depository Receipts representing the underlying Equity Shares in the Capital of the Company or such other securities in registered or bearer form with such features and attributes as are prevalent in Indian/International Capital Markets for instruments of this nature and providing for the tradeability or free transferability thereof as per Indian/International norms, practices and regulations and under the forms and practices prevalent in Indian/International Markets.”

“RESOLVED FURTHER that the Board be authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted directly or upon conversion of any securities or as may be necessary in accordance with the terms of offering all such shares ranking ‘Pari Passu’ with the existing Equity Shares of the Company in all respects, excepting the right to dividend as may be declared in the financial year in which such Equity Shares are issued shall be in proportion to the amount paid-up on such shares and pro-rata for the period during which such amount paidup thereon.”

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to determine the terms of payment, issue price, premium/discount, interest on Debentures and/or bonds and/or other securities.”

“RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be authorised on behalf of the Company to accept and make, in the interest of the Company, all such modifications, and alterations to the terms and conditions concerning any aspect of the issue including increases or decreases in the aggregate value of the issue, retention of over subscription, rate of premium/discount, interest or other charges payable or any other matter as be considered necessary or expedient and/or as may be specified in the Requisite Approvals and to take all such actions as may be necessary or desirable to effect such modifications and alterations and to do all such acts, deeds, matters and things as it may at its discretion deemed necessary or desirable for such purpose including without limitation the entering into of underwriting, marketing, depository and custodian/trustees/agents arrangements with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Equity Shares/ securities as it may in its absolute discretion deemed fit.”

By order of the Board
For **BALAJI HOTELS AND ENTERPRISES LTD**

V. Krishnaswami

V. KRISHNASWAMI
Company Secretary

Place : Chennai
Date : 27/06/98

BALAJI HOTELS AND ENTERPRISES LIMITED**NOTES**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on poll, to vote instead of himself. A proxy need not be a member of the Company.
2. The instrument appointing proxy, in order to be effective, should be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. A blank proxy form is enclosed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23/09/98 to 28/09/98(both days inclusive).
4. Dividend, if approved, will be paid, to those members whose names appear on the Register of Members of the Company on 28/09/98.
5. Members are requested to notify immediately any change in their addresses.
6. Members are requested to send queries, if any, on the accounts, at least seven days in advance of the meeting so that the information can be made available at the meeting.

By order of the Board
For **BALAJI HOTELS AND ENTERPRISES LTD**

V. Krishnaswami

V. KRISHNASWAMI
Company Secretary

Place : Chennai
Date : 27/06/98

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ANNEXURE TO THE NOTICE

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2)
OF THE COMPANIES ACT, 1956**

ITEM NO 7 :

The Shareholders passed a special resolution under section 81(1-A) of The Companies Act, 1956, authorising the Board to raise Rs.750 crores by way of public issue/private placement of shares/debentures, bonds and/or securities either in Indian and/or in one or more foreign markets at an appropriate time, at the Eighth Annual General Meeting held on 29th September 1997. The said issue did not materialise as the capital market was not conducive. The situation is expected to change in the coming months and your Directors feel that the issue can be taken up at an appropriate time for raising funds to meet the capital expenditure in setting up chain of Star Hotels in India. Plans are

afoot to diversify into tourism related industries and funds are required for restructuring working capital needs. As the resolution passed on 29th September 1997 has become outdated, the Directors recommend adoption of this resolution afresh at this meeting authorising to borrow upto Rs.750 crores.

The Directors of the Company may be deemed to be interested in the resolution to the extent of the Equity Shares, debentures, bonds and/or other securities that may be taken up and allotted to them in the said issue.

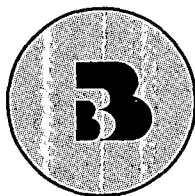
The Directors recommend the resolution for adoption

By order of the Board
For **BALAJI HOTELS AND ENTERPRISES LTD**

V. Krishnaswami

V. KRISHNASWAMI
Company Secretary

Place : Chennai
Date : 27/06/98



BALAJI HOTELS AND ENTERPRISES LIMITED

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Ninth Annual Report together with the audited accounts of the Company for the financial year ended 31st March, 1998.

1. PERFORMANCE HIGHLIGHTS

Your Company performed satisfactorily during the financial year 1997-98 with the gross income increasing to Rs.220.26 crores (Rs.162.67 Crores for 1996-97) registering a growth of 35.40%.

2. SUMMARY OF FINANCIAL RESULTS

A. Earnings

| | | Rs. in lacs | |
|-------|------------------------------------|-------------|---------|
| S.No. | Particulars | 1997-98 | 1996-97 |
| 1. | Profit before depreciation | 1253.08 | 2341.65 |
| 2. | Less: Depreciation | 260.85 | 248.32 |
| 3. | Profit before tax(PBT) | 992.23 | 2093.33 |
| 4. | Provision for tax | 170.00 | 333.90 |
| 5. | Profit after tax (PAT) | 822.23 | 1759.43 |
| 6. | Prior year adjustment | (394.95) | 22.87 |
| 7. | Surplus from previous year | 1413.41 | 928.15 |
| | Amount available for appropriation | 1840.69 | 2710.45 |

B.Appropriations

| | | Rs in lacs | |
|-------|--|------------|---------|
| S.No. | Particulars | 1997-98 | 1996-97 |
| 1. | Proposed dividend | 275.00 | 360.94 |
| 2. | Transfer to general reserve | — | 900.00 |
| 3. | Balance carried forward | 188.19 | 1413.41 |
| 4. | Tax on dividend | 27.50 | 36.10 |
| 5. | Transfer to Debenture Redemption Reserve | 1350.00 | — |
| | | 1840.69 | 2710.45 |

3. PROJECTIONS VS PERFORMANCE

The projections of your Company for the financial year ended 31st March, 1998 as indicated in the prospectus dated 8th February 1995 and the actual performance for the same period are as follows:

| | | Rs.(inCrores) | |
|---------------------------------------|--|---------------|-------------|
| | | Projections | Performance |
| Gross income | | 251.10 | 220.26 |
| Profit before depreciation & interest | | 82.57 | 20.62 |
| Depreciation | | 7.54 | 2.60 |
| Interest | | 14.91 | 8.10 |
| Profit before tax | | 60.12 | 9.92 |
| Tax provision | | 5.97 | 1.70 |
| Profit after tax | | 54.15 | 8.22 |

The proposed sale of Commercial Complex has been deferred to 1999 for better realisation which has resulted in shortfall in achieving the projected turnover and profits.

4. DIVIDEND

Your Board of Directors recommend a dividend of 10% on the paid-up equity capital for the financial year ended 31.03.98. All the holders of 6% Cumulative Convertible Preference Shares have expressed their consent to receive the dividend for the year ended 31st March 1998 along with the dividend for the year ending 31st March, 1999. Hence no appropriation is made for the dividend on preference shares this year.

5. OPERATIONS

The distillery unit at Goa had a full year of operation, achieving a production of 149088 cases of Indian Made Foreign Liquor and sales of 154550 cases.

Though there was an increase in turnover of Trading division in Mumbai the profitability decreased. The drop in profit is mainly due to the fixing of the maximum retail price for IMFL in the market and due to the change of market from Mumbai to Nasik because of market demand. The fall in profit margin is on account of a very competitive market in Nasik.

The Printing Division performed better during the year 1997-98. The Gross income has been Rs.393

BALAJI HOTELS AND ENTERPRISES LIMITED**B**

lakhs as against Rs.340 lakhs for the year 1996-97 registering a growth of 15%.

6. PROJECTS

The 5 Star Deluxe Hotel project at Abbotsbury, Chennai is nearing completion. The hotel is expected to go into operation by the year 1999. The hotel would be managed by "The Oberois".

As part of this hotel, a commercial complex is also being constructed which would also be simultaneously ready for occupation at the time of opening of the hotel. M/s. Richard Ellis have been appointed for marketing the commercial complex.

Apart from these projects two more 4 Star Hotels, one at Chennai and the other at Coimbatore are under implementation. These hotels would also be managed by "The Oberois"

7. DIRECTORS

Messrs.M.Sudhakar Reddy, G.Gautam Reddy and S Subramanian retire by rotation under Article 132 of the Articles of Association of the company and being eligible offer themselves for re-appointment.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Pursuant to Section 217 (1) (e) of the Companies Act 1956 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the information is furnished below:

The company has fully absorbed the technology and the manufacture of Indian Made Foreign

Liquor under the supervision of the Company's principals. Except for the normal quality control activities, no research and development has been carried out.

i) Foreign exchange Earnings : Nil

ii) Foreign Exchange Outgo : Rs. 62,15,293/-

9. PARTICULARS OF EMPLOYEES

The particulars of employees falling within the purview of Sec.217 (2A) of the Companies Act 1956, is annexed.

10. AUDITORS

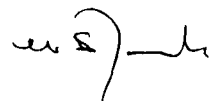
M/s.S.Viswanathan, Chartered Accountants, Chennai and P.A.Reddy & Co., Chartered Accountants, Nellore, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

11. ACKNOWLEDGEMENT

The Directors wish to express their sincere thanks for valuable assistance extended by Governments of Tamilnadu, Pondicherry, Maharashtra and Goa, the Company's Bankers, Tourism Finance Corporation of India Ltd, Industrial Finance Corporation of India Limited and Industrial Credit and Investment Corporation of India Ltd.

The Directors also wish to express their appreciation to all the employees and agencies involved in the execution of the company's hotel projects for their untiring efforts in project implementation.

On behalf of the Board



M. SREENIVASULU REDDY
Managing Director

Place : Chennai
Date : 27/06/98