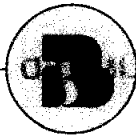


Hotels and Enterprises Limited

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*12th
Annual Report
2000-2001*



BALAJI HOTELS AND ENTERPRISES LIMITED

TWELFTH ANNUAL REPORT 2000-2001

Board of Directors	M Sreenivasulu Reddy (Managing Director)
	M Dharmaraj
	M Masthan Reddy
	C S Vijayaraghavan
	D Balakoteswara Rao
	T.K. Subramanian - Nominee IFCI Limited
Company Secretary	V Krishnaswami
Auditors	M/s. S Viswanathan Chartered Accountants Chennai - 600 004
	M/s.P.A.Reddy & Co Chartered Accountants Nellore 524 001
Bankers	Bank of Baroda
	Global Trust Bank Limited
	ICICI Bank Limited
	Corporation Bank
	BNP Paribas
Registered Office	365, (Old No. 267), Anna Salai Teynampet Chennai - 600 018
Corporate Office	No.9, Bazullah Road T Nagar Chennai - 600 017
Registrar and Share Transfer Agent	Cameo Corporate Services Limited Subramanian Building, No.1, Club House Road Chennai - 600 002



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BALAJI HOTELS AND ENTERPRISES LIMITED

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of Balaji Hotels and Enterprises Ltd will be held on Wednesday, 26th September 2001 at 10.30 a.m at Annai Mahal Thirumana Madapam, No. 33, Raghavendra Colony, Chinmaya Nagar, Virugambakkam, Chennai 600 092 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 2001 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. M Dharmaraj, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint Auditors and authorise the Board to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary resolution:

"RESOLVED THAT Mr.C.S.Vijayaraghavan, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

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

"RESOLVED THAT Mr.D.Balakoteswara Rao be and is hereby appointed as a Director of the Company, liable to retire by rotation".

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: 31st July 2001

V KRISHNASWAMI
Company Secretary



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. Explanatory Statement as required under Section 173(2) of The Companies Act 1956 is annexed to the Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21.9.2001 to 26.9.2001 (both days inclusive)
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 prior to the notice of the meeting so that the information can be made available at the meeting.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

Items No.4 & 5

Messrs C.S.Vijayaraghavan and D Balakoteswara Rao were appointed as Additional Directors by the Board on 29.06.2001. Accordingly they hold office upto the ensuing Annual General Meeting.

Mr.C.S.Vijayaraghavan is an Engineering Graduate with Combined Certificate of Competency for Chief Engineers in Marine Engineering and has about 35 years of experience in Project execution, administration and management. The Board feels that his appointment would be beneficial to the Company. Notice has been received from a member proposing the name of Mr. C.S. Vijayaraghavan for the office of Directorship under section 257 of the Companies Act 1956, depositing the requisite amount with the Company.

Mr.D Balakoteswara Rao is a Chartered Accountant and has about 10 years experience in Finance, Accounts and Management. The Board is of the opinion that his appointment would benefit the Company. Notice has been received from a member proposing his name for the office of the Directorship, depositing the requisite amount as required U/s 257 of the Companies Act 1956.

The Directors commend the resolutions for adoption.

None of the Directors except Mr.C.S.Vijayaraghavan and Mr.D. Balakoteswara Rao is interested in these resolutions.

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: 31st July 2001

V KRISHNASWAMI
Company Secretary



BALAJI HOTELS AND ENTERPRISES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Twelfth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2001.

1. PERFORMANCE HIGHLIGHTS

During the year under review, the loss of the Company has been considerably reduced to Rs.3.45 Crores as compared to that of the previous year which stood at Rs.8.77 Crores. Your directors are confident that the restructuring measures would soon yield the desired result which will in turn improve the profitability of your Company in the years to come.

2. SUMMARY OF FINANCIAL RESULTS

A. EARNINGS		Rs. in lacs
S.No.Particulars	2000-2001	1999-2000
1. Profit/(Loss) before depreciation	(94.71)	(614.46)
2. Less: Depreciation	250.74	262.54
3. Profit/(Loss) before tax	(345.45)	(877.00)
4. Provision for tax	—	—
5. Profit/(Loss) after tax	(345.45)	(877.00)
6. Prior year adjustments	(46.03)	130.54
7. Surplus/Deficit from previous year	(780.87)	226.67
8. Loss Carried forward	(1172.35)	(780.87)

3. DIVIDEND

As the operations during the year have resulted in a loss, your directors regret their inability to recommend any dividend.

4. OPERATIONS

During the year 2001, the Company posted a turnover of Rs.105.95 Crores as against the turnover of Rs. 107.41 Crores in the previous year.

The operations of IMFL Trading Division at Mumbai were satisfactory during 2000-2001. The division clocked a turnover of Rs.104 Crores.

Due to lack of orders from TASMAL, the IMFL manufacturing unit at Goa was not operated during the year under review.

Your Company has leased certain assets to Rajasthan State Electricity Board in the earlier years. The lease rentals in respect of the same

have not been received in the year under review, pending resolution of some disputes. Even though your Company is confident of realising the lease rentals, as a conservative measure, the same has not been recognised as revenue amounting to Rs. 791.70 lakhs.

5. HOTEL PROJECT

During the year under review, your Company was able to fulfill the statutory requirements and obtain various sanctions/approvals for transfer of the Hotel Project to its Subsidiary Company M/s. Atlas Hotels and Resorts Limited. Your directors are confident that the transfer of the hotel project would be effected before the third quarter of this year and that the total project would be completed in the subsequent year without any further delay.

6. SHARE CAPITAL

During the year under review your Company has allotted 20,00,000 - 12% Redeemable Cumulative non convertible preference shares of Rs. 100/- each aggregating to Rs. 20 Crores to M/s. Global Trust Bank Ltd. on private placement basis.

7. DIRECTORS

During the year Mr.N.Sivaraman was appointed as a Director nominated by IFCI Limited in the place of Mr.K.Desikan. Tourism Finance Corporation of India Limited had nominated Mr.R.Subramanian as a Director of your Company with effect from 23.10.2000. Mr.B.Sarath Babu resigned from the Board as a Director on 01.02.2001 due to his pre-occupation. Mr. R. Subramanian has also resigned from the board on 31.03.2001 due to his pre occupation. The Board has appointed Mr.C.S. Vijayaraghavan and Mr. D. Balakoteswara Rao as Additional Directors on 29.06.2001 and they hold office upto the ensuing Annual General Meeting. Notices have been received from members proposing their names for the office of Directorship. IFCI Limited has nominated Mr.T.K.Subramanian as a Director in the place of Mr.N.Sivaraman on 31.07.01. The Board places on record the valuable services rendered by Messrs. B. Sarath Babu, R. Subramanian, K. Desikan and N. Sivaraman during their tenure. Mr.M.Dharmaraj retires by rotation and being eligible offers himself for reappointment.



BALAJI HOTELS AND ENTERPRISES LIMITED

8. CORPORATE GOVERNANCE

The provisions of Clause 49 of the listing agreement on Corporate Governance are applicable to your Company from this financial year (2001-2002). Your Company will be implementing these requirements so as to ensure full compliance by 31st March 2002.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of Annual Accounts for the period ended 31st March 2001, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- (ii) that the Directors have 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 and of the profit and loss of the Company for the period under review.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act 1956 for safeguarding the asset of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Accounts for the financial year have been prepared on a 'going concern' basis.

10. 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 in 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.

- 1) Foreign exchange earnings: Nil
- 2) Foreign Exchange Outgo Nil

11. PARTICULARS OF EMPLOYEES

There is no employee falling within the purview of Sec.217 (2A) of the Companies Act 1956.

12. LISTING OF SHARES WITH THE STOCK EXCHANGES

The equity shares of the company are listed with the following stock exchanges:

The Hyderabad Stock Exchange Ltd

The Madras Stock Exchange Ltd (Regional Stock Exchange)

The Stock Exchange, Mumbai

There is no amount due to any of these stock exchanges on account of Annual Listing Fees.

13. AUDIT COMMITTEE

As required under the provisions of Section 292A of the Companies Act, the Company has constituted an Audit Committee with Messrs. M. Dharmaraj, C.S.Vijayaraghavan, D. Balakoteswara Rao as Members.

14. SUBSIDIARY COMPANY

Your Company has invested in 100000 Equity shares of Rs.10/- each in M/s.Atlas Hotels and Resorts Limited, making it a 100% Subsidiary Company.

15. AUDITORS

M/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.

16. ACKNOWLEDGEMENT

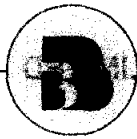
The Directors wish to express their sincere thanks for valuable assistance extended by Governments of Tamilnadu, Maharashtra and Goa, the Company's Bankers, Tourism Finance Corporation of India Ltd, IFCI Limited and ICICI Limited

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

For and on behalf of the Board

Place : Chennai
Date : 31st July 2001

M SREENIVASULU REDDY
CHAIRMAN



BALAJI HOTELS AND ENTERPRISES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BALAJI HOTELS AND ENTERPRISES LIMITED

We have audited the attached Balance Sheet of "BALAJI HOTELS AND ENTERPRISES LIMITED" as at 31st March 2001 and the Profit and Loss Account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in para 1 above :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company, so far as it appears from our examination of such books.
 - c. The Balance Sheet and Profit and Loss account referred to in this report are in agreement with the books of accounts.
 - d. In our opinion, the Balance Sheet and Profit and Loss account comply with the Accounting Standards referred to in sub section 3C of Section 211 of the Companies Act, 1956 to the extent applicable.
 - e. On the basis of written representations received from the Directors and taken on record by the board of Directors, we report that none of the Directors is disqualified from being appointed as a Director as on 31.3.2001, in terms of clause (g) of sub section (i) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss account, read together with the notes thereon, give the information required by The Companies Act, 1956 in the manner so required, and give a true and fair view:
 - (i) In the case of Balance Sheet, of the state of affairs of the company as at March 31, 2001 and
 - (ii) In the case of the Profit and Loss account, of the Loss of the Company for the year ended on that date.

For **M/s. S. VISWANATHAN**
Chartered Accountants

For **M/s. P A REDDY & CO.**
Chartered Accountants

C. N. GANGADARAN
Partner.

P. ASHOK REDDY
Proprietor

Place : Chennai
Date : 29th June 2001

**ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. We are informed that these Fixed Assets including the leased assets have been physically verified by the management at reasonable intervals during the period and no material discrepancies were noticed on such verification.
2. None of the Fixed Assets has been revalued during the year.
3. According to the information and explanations given to us, physical verification of stocks has been conducted by the management at reasonable intervals.
4. In our opinion and having regard to the size of the Company and the nature of its business, the procedures of physical verification of stocks followed by the management are reasonable and adequate.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records in so far as it appears from our examination of the books.
6. In our opinion the valuation of stock-in-trade is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
7. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The parties/employees to whom loans or advances in the nature of loans were given, are repaying the principal amounts as stipulated and also regular in payment of interest, wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of raw materials, plant and machinery, equipments and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials, services and sale of goods, materials and services made in pursuance of contracts and arrangements entered in the register maintained under Sec. 301 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services, or the prices at which the transactions for similar goods or services have been made with other parties.
12. The Company has a regular procedure for the determination of unserviceable or damaged raw materials, stores and finished goods and no provision is considered necessary.
13. The Company has not accepted deposits from public as defined under Section 58A of the Companies Act, 1956.
14. The Company is maintaining reasonable records for the sale and disposal of scraps. We are informed that Company's operations do not generate any by-product.
15. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.



BALAJI HOTELS AND ENTERPRISES LIMITED

16. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
17. The Company is regular in depositing the Provident Fund and Employees State Insurance dues with the appropriate authority.
18. There are no undisputed amounts outstanding in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at the date of Balance Sheet, which are pending for more than six months from the date they became payable.
19. In our opinion and according to the information and explanations given to us, no personal expenses of employees are charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Section 3 (1) (0) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. As regards the Company's trading activities, we have been informed that there are no significant damaged goods.

For **M/s. S. VISWANATHAN**
Chartered Accountants

For **M/s. P A REDDY & CO.**
Chartered Accountants

C. N. GANGADARAN
Partner.

P. ASHOK REDDY
Proprietor

Place : Chennai
Date : 29th June 2001

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