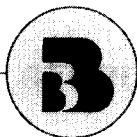


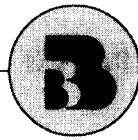
# *Balaji Hotels and Enterprises Limited*

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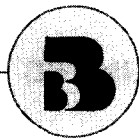
**13<sup>th</sup>**  
**Annual Report**  
**2001-2002**


**BALAJI HOTELS AND ENTERPRISES LIMITED**
**THIRTEENTH ANNUAL REPORT 2001-2002**

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

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**BALAJI HOTELS AND ENTERPRISES LIMITED**

**NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirteenth Annual General Meeting of Balaji Hotels and Enterprises Ltd will be held on **Friday, September 27, 2002 at 10.00 a.m at Balamandir German Hall, No.17, Prakasam Street, T Nagar, Chennai 600 017** to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Directors' Report, the Audited Accounts of the Company for

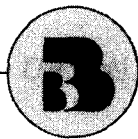
the year ended March 31, 2002 and the Auditors' Report thereon.

2. To appoint a Director in the place of Shri M Masthan Reddy, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and authorise the Board to fix their remuneration.

By Order of the Board  
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai  
Dated: 29th July 2002

**V KRISHNASWAMI**  
Company Secretary

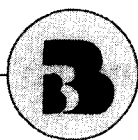


## BALAJI HOTELS AND ENTERPRISES LIMITED

### 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. The Register of Members and Share Transfer Books of the Company will remain closed from 20.09.2002 to 27.09.2002 (both days inclusive).
4. 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.
5. Pursuant to the provisions of section 205A of the Companies Act 1956, dividend for the financial year ending 31st March, 1996 and thereafter which remains unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Govt. Members who have not encashed their dividend warrants for the said period are requested to make their claims to the Company. Upon such transfer, a member shall have no claim against the fund or the company regarding his unpaid dividend.
6. Members are requested to notify immediately any change in their addresses.

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## BALAJI HOTELS AND ENTERPRISES LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Thirteenth Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2002.

#### A. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

##### SUMMARY OF FINANCIAL RESULTS

		Rs. in lacs	
S.No.	Particulars	2001-2002	2000-2001
1	Profit / (Loss) before depreciation	(1055.73)	(94.71)
2	Less: Depreciation	222.83	250.74
3	Profit / (Loss) before tax	(1278.56)	(345.45)
4	Provision for tax	-	-
5	Profit/(Loss) after tax	(1278.56)	(345.45)
6	Prior year adjustments	(134.78)	(46.03)
7	Surplus / Deficit from previous year	(1172.36)	(780.87)
8	Deferred Tax	(844.33)	-
9	Loss carried forward	(3430.03)	(1172.35)

##### PERFORMANCE / OPERATIONS

During the year under review the Company had a turnover of Rs.30.23 crores. The Loss incurred by the Company during the year under review is Rs.12.78 crores. During the year the company disposed of certain machinery to Andhrapradesh State Electricity Board (APSEB). These machineries were leased out to them. As the tenure of the Lease Agreement has been completed, the machineries were sold to APSEB at their residual value. This resulted in a loss of Rs.5.79 crores.

Your company has leased certain assets to Rajasthan State Electricity Board (RSEB) in the earlier years. The lease rentals in respect of the assets leased have not been received, pending resolution of certain disputes. Hence as a conservative measure the Lease Rentals of Rs.48.57 lakhs relating to this year have not been recognised as Revenue. However, the interest payable on unpaid balance to RSEB has been provided in the accounts amounting to Rs.238.68 lakhs.

#### HOTEL PROJECT

During the year under review, inspite of having obtained the various sanctions / approvals for transfer of Hotel Project to its Subsidiary Company M/s. Atlas Hotels And Resorts Ltd your Company was not able to transfer the Hotel Project to its Subsidiary Company as Oberois, the strategic Investor had opted out of the investment proposal in the Hotel Project owing to a major drop in the Tourism Industry as a result of the adverse impact of the Terrorist Attack in the United States in September 2001.

However, your company is on a constant endeavour to identify a new strategic Partner who would invest in the Hotel Project to enable its early completion. Your Directors are hopeful that the Hotel Project would be completed in the subsequent year without any further delay.

#### B. DIVIDEND

As the operations during the year have resulted in a Loss, your Directors regret their inability to recommend any Dividend.

#### C. DIRECTORS

During the year IFCI Limited withdrew the nomination of Shri. T.K. Subramaniam from the Board of the Company with effect from 11.12.2001. Shri. Masthan Reddy retires by rotation and being eligible, offers himself for reappointment.

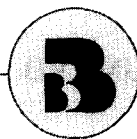
#### D. CORPORATE GOVERNANCE

A detailed report on Corporate Governance is separately annexed.

#### E. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (I) that in the preparation of Annual Accounts for the year ended 31st March 2002, the applicable accounting standards had been followed along with proper explanations relating to material departures.



## BALAJI HOTELS AND ENTERPRISES LIMITED

- (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 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 assets 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.

### F. 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

### G. PARTICULARS OF EMPLOYEES

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

### H. AUDITORS

M/s.Viswanathan, Chartered Accountants, Chennai and M/s.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.

As regards the observations of the auditors' vide para 3 of the report, the Board of Directors wish to express the following views:

- (i) During the year the company was constantly making efforts to identify a strategic partner for which the required information's/ documents were being prepared. Hence even though there was suspension of work in the Hotel project, as mentioned earlier, the other related activities were going on. Hence the interest on borrowed funds to the tune of Rs.43.72 crores pertaining to the year have been taken to expenses pending allocation which is to be capitalised after the completion of the project.
- (ii) The company has been providing Depreciation under straight line method as per the rates applicable in Schedule XIV of the Companies Act 1956. As the life of the leased Assets is considered more than that of the lease period, the rates as per the Companies Act have been adopted.
- (iii) The management of the company is fully confident about the recovery of debts outstanding for more than 3 years. Hence no provision has been made for doubtful recovery in respect of sundry debtors or for advances in cash or in kind.
- (iv) The management is yet to receive confirmation from a few debtors and creditors and efforts are being taken to get the same.
- (v) The Company is taking steps to negotiate with the financial institutions for complete / partial waiver of the interest pertaining to Non-Convertible Debentures. Hence the accrued interest on the debentures have not been provided for during the year. However the same shall be duly accounted after it is finalised with the financial institution during the current year.

### I. ACKNOWLEDGEMENT

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

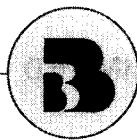
The Directors also wish to express their appreciation to all the employees of the Company.

For and on behalf of the Board

Place : Chennai  
Date : 29th July 2002

**M SREENIVASULU REDDY**  
CHAIRMAN





## BALAJI HOTELS AND ENTERPRISES LIMITED

### REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance forms part of the Directors Report.

#### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The essential elements of Corporate Governance are fairness, transparency, accountability and responsibility to which your Company continues to remain committed. The Company will endeavour to improve on these aspects on an ongoing basis.

#### BOARD OF DIRECTORS

Composition of the Board of Directors and other details

SI No.	Name of the Director	Category	No. of Meetings Attended	Attendance at Last AGM	No. of Outside Director-ship Held	No. of Membership/ Chairmanship in other Board Committees
1	M Sreenivasulu Reddy Managing Director	Promoter Executive Director	4	—	8	5
2	M Dharmaraj	Promoter Non Executive Director	2	—	5	—
3	M Masthan Reddy	Independent - Non Executive Director	2	Yes	5	—
4	C S Vijayaraghavan	Independent - Non Executive Director	4	Yes	2	—
5	D Balakoteswara Rao	Independent - Non Executive Director	3	Yes	—	—
6	T K Subramanian* (IFCI Nominee)	Independent - Non Executive Director	2	—	3	—

\* Nomination of Shri T K Subramanian has been withdrawn by IFCI Limited with effect from 11.12.2001.

Four Board Meetings were held during the year from 1.4.2001 to 31.3.2002. The dates on which the meetings were held are as follows : 29.06.2001; 31.07.2001; 31.10.2001 and 31.01.2002.

#### PARTICULARS OF RETIRING DIRECTOR

Shri. M. Masthan Reddy was appointed as a Director on 26.5.1999. He is a commerce graduate and has over 20 years of experience in business and general administration. He is Director in the following Companies :

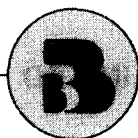
(1) Deccan Breweries (P) Ltd., (2) Balaji News Papers (P) Ltd., (3) Sambhu Prasad and Sons (P) Ltd., (4) Nageswara Rao Estates Ltd., (5) Maharshi Publishers (P) Ltd., (6) Balaji Energy (P) Ltd.

#### AUDIT COMMITTEE

The functioning and terms of reference of the Audit Committee are as prescribed under section 292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges including their role, powers, duties, quorum and frequency of the meeting.

The Company has had an Audit Sub-committee in place since 31.01.2000 and it was reconstituted on June 29, 2001 comprising of 3 Members. Shri. M Dharmaraj; Shri. C S Vijayaraghavan and Shri. D Balakoteswara Rao were its members. The members of the Audit Committee shall elect a Chairman from amongst themselves. The Company Secretary acts as Secretary to the Audit Committee. Further Shri. T K Subramanian\*, Nominee of IFCI Limited was inducted in the Audit Committee on 31.10.2001 and continued to be a member till his withdrawal of nomination by IFCI on 11.12.2001 and attended one meeting.





## BALAJI HOTELS AND ENTERPRISES LIMITED

3 meetings of the reconstituted Audit Committee were held during the year. Attendance at meetings during the year.

Committee Members	No. of Meetings attended
Shri. M Dharmaraj	2
Shri. C S Vijayaraghavan	3
Shri. D Balakoteswara Rao	2
Shri. T K Subramanian	1

### REMUNERATION COMMITTEE

None of the directors get any remuneration, other than sitting fees. Shri. M. Sreenivasulu Reddy, Managing Director, does not draw any remuneration or sitting fees. Hence no remuneration committee was constituted.

### SHARE TRANSFER CUM INVESTORS' GRIEVANCE COMMITTEE

The Share Transfer Committee was reconstituted as Share Transfer cum Investors' Grievance Committee on June 29, 2001 and comprises of 3 members, Shri. M. Sreenivasulu Reddy, Shri. M. Dharmaraj and Shri. C.S.Vijayaraghavan. Shri. V Krishnaswami, Company Secretary acts as the Compliance Officer.

There has been no complaint from any investor, which has not been redressed. During the year there was no complaints received from Stock Exchanges / SEBI / Department of Company Affairs.

### ANNUAL GENERAL MEETINGS

Locations and time for the last three AGM's

Financial Year ended	Date	Venue	Time
31.03.1999	29.09.1999	Raghava Kalyana Mandapam 8/512, Ranganayakulapeta Nellore 524 001.	10.30 A.M
31.03.2000	29.09.2000	—do—	10.00 A.M
31.03.2001	26.09.2001	Annai Mahal Thirumana Madapam No.33, Raghavendra Colony Chimaya Nagar, Virugambakkam, Chennai 600 092.	10.30 A.M

No postal ballot resolutions were passed.

### DISCLOSURE

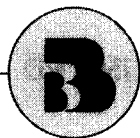
During the year ended 31.03.2002, the Company had no materially significant related party transactions as is envisaged under the Corporate Governance Code, that may have potential conflict with the interest of the Company at large.

There has not been any non-compliance, penalties or strictures imposed on the Company by the stock exchanges, SEBI or any other statutory authority, on any matter related to capital markets, during the last year.

### MEANS OF COMMUNICATION

The Company has not yet started sending the half yearly report to each household of shareholders but if any shareholder seeks any information then the same is provided by the company.

Quarterly Results are published in an English daily and a Tamil daily as is required under the Listing Agreement with the Stock Exchanges.



## BALAJI HOTELS AND ENTERPRISES LIMITED

### GENERAL SHAREHOLDERS INFORMATION

- 1) **Date, time and venue of 13th Annual General Meeting** : Friday, September 27, 2002 at 10.00 a.m. at Balamandir German Hall, NO.17, Prakasam Street, T Nagar, Chennai 600 017.
- 2) **Financial Calendar** : Year ending 31st March
- 3) **Date of Book Closure** : Friday, September 20, 2002 to Friday, September 27, 2002 (both days inclusive)
- 4) **Listing on Stock Exchanges** :
- (i) Madras Stock Exchange Limited (MSE)  
Stock Code : BALAJI HOT  
Exchange Building, Post Box NO.183  
11, Second Line Beach Road  
Chennai 600 001  
Tel:91-44-5224382, 5224392  
Fax:91-44-5244897
  - (ii) The Hyderabad Stock Exchange Ltd (HSE)  
STOCK CODE : BAL HOT \$  
3-6-275, Himayat Nagar  
Hyderabad 500 029  
Tel: 91-40-3222641-643  
Fax:91-40-3220804
  - (iii) The Stock Exchange, Mumbai (BSE)  
STOCK CODE : 530471  
Phiroze Jheejheebhoy Towers  
Dalal Street  
Mumbai 400 001  
Tel:91-22-2655581, 2655626  
Fax:91-22-2658121
- 5) **Listing fees** : Listing Fee Paid to Regional Stock Exchange for the current year.
- 6) **ISIN No.** : INE454A01011

### 7) Market Price Data :

Month	BSE		NSE	
	High	Low	High	Low
April, 2001	13.00	13.00	—	—
May, 2001	20.20	14.00	18.60	13.65
June, 2001	15.90	13.50	17.45	13.15
July, 2001	13.90	12.50	19.90	13.00
August, 2001	13.70	12.70	16.40	10.25
September, 2001	13.25	13.25	11.05	4.80
October, 2001	—	—	7.40	4.50
November, 2001	12.20	9.80	10.50	7.00
December, 2001	9.90	6.75	9.60	7.00
January, 2002	8.00	7.50	8.60	7.75
February, 2002	8.00	7.00	8.50	6.50
March, 2002	7.50	6.25	7.90	6.25