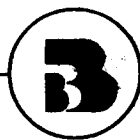


# **Balaji Hotels and Enterprises Limited**

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**14<sup>th</sup>**  
**Annual Report**  
**2002-2003**


**BALAJI HOTELS AND ENTERPRISES LIMITED**
**FOURTEENTH ANNUAL REPORT 2002-2003**
**Board of Directors**

M Sreenivasulu Reddy  
Managing Director

M Dharmaraj

M Masthan Reddy

C S Vijayaraghavan

D Balakoteswara Rao

S Srinivasan  
Nominee - ICICI Bank Ltd

**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 Limited

Global Trust Bank Limited

ICICI Bank Limited

Corporation Bank Limited

Indian Bank

**Registered Office**

No.365, 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 FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Balaji Hotels and Enterprises Ltd will be held on **Tuesday, September 23, 2003 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 Audited Profit and Loss Account for the Financial Year Ended March 31, 2003 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri M Dharmaraj, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri D Balakoteswara Rao, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and authorise the Board / Audit Committee to fix their remuneration.

M/s S Viswanathan, Chartered Accountants, Chennai and M/s P A Reddy & Co., Chartered Accountants, Nellore hold office untill the 14<sup>th</sup> Annual General Meeting. M/s S Viswanathan, Chennai have expressed that they are not seeking re-appointment. The Board recommends the appointment of

M/s CNGSN & Associates, Chennai as Auditors of the Company in the place of M/s S Viswanathan, Chennai, alongwith M/s P A Reddy & Co., the Joint Auditors.

#### SPECIAL BUSINESS:

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

"RESOLVED THAT the following Article No.140A be inserted after Article No.140:

**Permanent Chairman** 140A "The Directors may appoint any one among them as permanent Chairman to preside over the Board Meetings of the Company. The Director so appointed as permanent Chairman shall not be liable to retire by rotation of Directors as long as he continues to hold office as Chairman. The Directors shall have the right to remove such Chairman and appoint another Director as Chairman in his place."

"Provided further that if the Chairman so appointed is not present or could not attend the meeting, then the Directors present shall choose one among them to be Chairman of such meeting."

By Order of the Board  
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai  
Dated: July 31, 2003

**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 pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in the Notice is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 17.09.2003 to 23.09.2003 (both days inclusive).
5. 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.
6. Pursuant to the provisions of Section 205A of the Companies Act, 1956 dividend for the financial year ending March 31, 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 Government. 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.

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## ANNEXURE TO THE NOTICE

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

## Item No.5

At present Article 140 of the Articles of Association of the company provides for the appointment of chairman or vice-chairman. Considering the future requirement, it is proposed to insert a new Article 140A to provide for the appointment of permanent chairman who shall not be liable to retire by rotation. This requires the approval of the shareholders by means of a special resolution.

None of the Directors of the company is interested in the special resolution.

The Directors recommend the Special Resolution for adoption.

By Order of the Board  
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai  
Dated: July 31, 2003

V KRISHNASWAMI  
Company Secretary



## BALAJI HOTELS AND ENTERPRISES LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Fourteenth Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2003.

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

##### 1. SUMMARY OF FINANCIAL RESULTS

		Rs. in lacs	
S.No.	Particulars	2002-03	2001-02
1	Profit / (Loss) before depreciation	(17.28)	(1055.73)
2	Less: Depreciation	191.67	222.83
3	Profit / (Loss) before tax	(208.95)	(1278.56)
4	Provision for tax	-	-
5	Profit / (Loss) after tax	(208.95)	(1278.56)
6	Prior year adjustments	(3.23)	(134.78)
7	Surplus / Deficit from previous year	(3430.04)	(1172.36)
8	Deferred Tax	32.39	(844.33)
9	Transfer from General Reserve	2.50	
10	Loss carried forward	(3607.33)	(3430.03)

##### 2. PERFORMANCE / OPERATIONS

During the year under review the Company had a turnover of Rs.6.48 lacs. The Loss incurred by the Company during the year under review is Rs.208.95 lacs.

Your Company had 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.22.77 lacs relating to this year have not been recognised as Revenue.

##### 3. HOTEL PROJECT

The efforts to identify a strategic partner did not materialise during the year under review. However, your Company is making earnest efforts for a suitable arrangement for completion of Hotel Project within a reasonable time.

##### 4. DIVIDEND

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

##### 5. DIRECTORS

During the year, IFCI Limited Nominated Shri MV Muthu and ICICI Bank Limited Nominated Shri S Srinivasan as Directors on the Board with effect from 11.11.2002.

Subsequently IFCI Limited has withdrawn their nominee Shri MV Muthu from the Board effective from 31.07.2003.

Shri M Dharmaraj and Shri D Balakoteswara Rao, retire by rotation and being eligible offer themselves for reappointment.

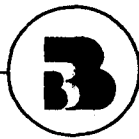
##### 6. CORPORATE GOVERNANCE

A detailed report on the Corporate Governance is separately annexed.

##### 7. 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 period ended March 31, 2003, 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 financial year and of the 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 provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.



## BALAJI HOTELS AND ENTERPRISES LIMITED

(iv) that the Accounts for the financial year have been prepared on a 'going concern' basis.

### 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 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

### 9. PARTICULARS OF EMPLOYEES

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

### 10. LISTING OF SHARES WITH THE STOCK EXCHANGES

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

The Madras Stock Exchange Ltd (Regional Stock Exchange)

The Hyderabad Stock Exchange Ltd

The Stock Exchange, Mumbai.

Currently Your Company's equity shares have been suspended from Trading in Mumbai Stock Exchange for non-payment of Listing Fee. The Company subsequently paid the Listing Fee and has already taken steps for Revocation of Suspension.

For the year under review, the Listing Fee in respect of Hyderabad Stock Exchange has not been paid.

### 11. SUBSIDIARY

The Consolidated Financial Statements and the Annual Report of the subsidiary Company, Atlas Hotels and Resorts Limited, together with statement under section 212, of the companies Act, 1956 are annexed.

### 12. AUDITORS

M/s S Viswanathan, Chartered Accountants, Chennai and M/s P A Reddy & Co., Chartered Accountants, Nellore hold office until the 14<sup>th</sup> Annual General Meeting. M/s S Viswanathan, Chennai have expressed that they are not seeking reappointment. The Board recommends the appointment of M/s CNGSN & Associates, Chennai as Auditors of the Company in the place of M/s S Viswanathan, Chennai alongwith M/s P A Reddy & Co., the Joint Auditors.

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

- i) As mentioned in the earlier year's report, the Company is taking efforts to identify a strategic partner for which the required information / documents were updated. Even though there was suspension of work in the project activity, other related activities were going on. Hence the interest on borrowed funds to the tune of Rs.43.72 crores pertaining to the previous years (upto March 2002) were taken to expenditure pending allocation which would be capitalised on completion of the project.
- ii) The diminution in the value of investment amounting to Rs.45 lacs is due to the general recession in the market condition. The Company has valued the investment at cost. Any diminution in the value of investments would be considered at the time of liquidation of shares.
- iii) The management of the Company is confident about the recovery of debts amounting to Rs.56 crores which are outstanding for more than 3 years. The Company is making continuous efforts for recovery of the amounts from the Debtors. Hence no provision has been made in the Accounts in this regard.
- iv) As mentioned earlier, the Company has been making constant efforts for recovery of advances in cash or in kind aggregating to Rs.18.07 crores. As the Company is confident about its recovery, no provision was considered necessary.
- v) During the year, the Company has not received the lease rental aggregating to Rs.22.77 lacs from Rajasthan State Electricity Board (RSEB)



## BALAJI HOTELS AND ENTERPRISES LIMITED

- pending resolution of certain disputes. Hence as a conservative measure, the lease rentals of Rs.22.77 lacs were not recognized during the year.
- vi) The management is yet to receive confirmation from a few debtors and creditors and efforts are being taken to get the same.
- vii) The Company has been providing depreciation under straight line method as per the rates in Schedule XIV of the Companies Act, 1956. As the life of the leased Assets are considered more than the lease period, the rates as per the companies Act have been adopted.
- viii) The Company is taking steps to negotiate with the financial institutions / banks for complete / partial waiver of interest charged by them. Hence no provision has been made for interest charged by the financial institutions during the year. The same shall be accounted after it is finalised with the financial institutions.
- ix) The Company has accrued certain advances during the amalgamation of the erstwhile M/s Balaji Industries Private Limited. Most of these deposits were made as margin money deposits to avail certain specific bank guarantees. In respect of other deposits / Advances the Company is making an earnest effort for recovery of the same. Hence no provision has been made in the accounts of the Company.
- x) The Company is of the opinion that the security given for availing working capital loan from corporation Bank is adequate
- xi) The Company is taking necessary steps to dispose the raw materials, work in progress and finished goods that are lying in the Distillery unit due to suspension of operation. Any diminution in the value of stocks would be accounted for in the year in which it is disposed off.
- xii) Even though the Company has suspended all the activities in its manufacturing and trading divisions, the Company is confident of identifying a suitable partner for completion of its hotel project within a reasonable time.
- xiii) As there were no activities in the distillery division during the year under review, no physical verification of stocks was considered necessary.
- xiv) As mentioned earlier, the Company is taking necessary steps for disposal of the physical stocks lying in the Distillery Division. Discrepancies if any would be suitably dealt with and accounted for in the year of disposal.
- xv) As mentioned earlier, the physical verification of stocks was not considered necessary as there were no operation in the distillery division during the year.
- xvi) The parties to whom loans or advances in the nature of loan were given, the repayment is being obtained regularly. In cases where there is delay, the Company is taking necessary action for getting back the advances/loans.
- xvii) As the operation of the distillery unit was suspended during the year there was no unserviceable or damaged raw materials, stores and finished goods.
- xviii) As the work in hotel project has been suspended, the Company has temporarily dispensed with the existing internal audit system. The same shall be resumed on commencement of work at the hotel project.
- xix) The Company has taken steps for remittance of the sales tax liability during the current year.
- 13. ACKNOWLEDGEMENT**
- The Directors wish to express their sincere thanks for valuable assistance extended by Governments of Tamil Nadu, Maharashtra and Goa, Tourism Finance Corporation of India Ltd, IFCI Limited and ICICI Bank Limited and other bankers to the Company.

For and on behalf of the Board

Place : Chennai  
Date : July 31, 2003

**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 :

Sl No.	Name of the Director	Category	No. of Meetings Attended*	Attendance at Last AGM	No. of Outside Directorship Held	No. of Membership/ Chairmanship in other Board Committees
1	M Sreenivasulu Reddy Managing Director	Promoter Executive Director	3	No	7	4
2	M Dharmaraj	Promoter Non Executive Director	4	Yes	6	—
3	M Masthan Reddy	Independent - Non Executive Director	3	Yes	2	—
4	C S Vijayaraghavan	Independent - Non Executive Director	4	Yes	2	—
5	D Balakoteswara Rao	Independent - Non Executive Director	4	Yes	—	—
6	S. Srinivasan Nominee ICICI Bank Ltd.	Independent - Non Executive Director	2	—	6	—
7	M V Muthu Nominee - IFCI Ltd.	Independent - Non Executive Director	—	—	3	—

\* Attendance at Board Meetings relevant to the period when the appointment as Director of the Company.

Four Board Meetings were held during the year from 1.4.2002 to 31.3.2003. The dates on which the meetings were held are as follows : 28.06.2002, 29.07.2002, 11.11.2002 and 31.01.2003.

#### PARTICULARS OF RETIRING DIRECTORS

Shri M Dharmaraj is a Director since the incorporation of the Company. He has about 30 years of experience in the field of Management and General Administration. He is Director in the following companies:

1) Seven Seas Distillery Private Limited, 2) Sri Rama Traders Private Limited, 3) Balaji Ship Management Private Limited, 4) Taurus and Taurus (India) Enterprises Private Limited, 5) Balaji Enterprises (Pondy) Private Limited 6) Prime Distilleries Limited.

Shri D Balakoteswara Rao was appointed as a Director on 29.06.2001. He is a Chartered Accountant and has over 10 years experience in Accounts, Finance and Taxation. He is not a Director in any other Company.

#### 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.



## BALAJI HOTELS AND ENTERPRISES LIMITED

The Company has had an Audit Sub-committee in place since 31.01.2000, Committee comprising of 5 Members. M Dharmaraj, C S Vijayaraghavan, D Balakoteswara Rao, S Srinivasan and M V Muthu are 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.

Three Meetings of the Audit Committee were held during the year. Attendance at meetings during the year.

Committee Members	No. of Meetings attended
M Dharmaraj	3
C S Vijayaraghavan	3
D Balakoteswara Rao	3
S Srinivasan	1
M V Muthu	—

### 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 comprises of 3 members, V Krishnaswami, Company Secretary acts as the Compliance Officer.

14 Meetings of Share Transfer cum Investor's Grievance Committee were held during the year. Attendance at meetings during the year:

Committee Members	No. of Meetings attended
M Sreenivasulu Reddy	13
M Dharmaraj	14
C S Vijayaraghavan	14

There has been no complaint from any investor, which has not been redressed.

### ANNUAL GENERAL MEETINGS

Locations and time for the last three AGM's

Financial Year ended	Date	Venue	Time
31.03.2000	29.09.2000	Raghava Kalyana Mandapam 8/512, Ranganayakulapeta, Nellore 524 001.	10.00 A.M
31.03.2001	26.09.2001	Annai Mahal Thirumana Madapam No.33, Raghavendra Colony, Chinmaya Nagar, Virugambakkam, Chennai 600 092.	10.30 A.M
31.03.2002	27.09.2002	Balamandir German Hall No.17, Prakasam Street T.Nagar, Chennai 600 017.	10.00 A.M

No postal ballot resolutions were passed.

### DISCLOSURE

During the year ended 31.03.2003, 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 except non payment of listing fee to Hyderabad Stock Exchange Limited.