

Balaji Hotels and Enterprises Limited



15th
Annual Report
2003-2004



BALAJI HOTELS AND ENTERPRISES LIMITED

FIFTEENTH ANNUAL REPORT 2003-2004

Board of Directors

M Sreenivasulu Reddy
Chairman cum Managing Director

M Dharmaraj

M Masthan Reddy

D Balakoteswara Rao

Sudesh Yadav
(Nominee - TFCI Ltd.)

Statutory Auditors

M/s CNGSN & Associates
Chartered Accountants
Chennai

M/s P A Reddy & Co.,
Chartered Accountants
Nellore

Bankers

Bank of Baroda Ltd

ICICI Bank Ltd

Corporation Bank Ltd

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.



BALAJI HOTELS AND ENTERPRISES LIMITED

CONTENTS

	Page
NOTICE	3
DIRECTORS' REPORT	5
CORPORATE GOVERNANCE REPORT	8
AUDITORS' REPORT	13
BALANCE SHEET	19
PROFIT & LOSS ACCOUNT	20
SCHEDULES TO ACCOUNTS	21
CASH FLOW STATEMENT	33
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	35
STATEMENT RELATING TO SUBSIDIARY	36
ANNUAL REPORT OF ATLAS HOTELS AND RESORTS LTD.	37
CONSOLIDATED FINANCIAL STATEMENTS	48



BALAJI HOTELS AND ENTERPRISES LIMITED

NOTICE OF THE FIFTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifteenth Annual General Meeting of Balaji Hotels and Enterprises Limited will be held on **Monday, September 27, 2004** at **11.30 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, 2004 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 Masthan Reddy, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and authorize the Board / Audit committee to fix their remuneration.

SPECIAL BUSINESS:

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

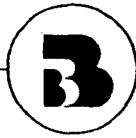
"RESOLVED THAT subject to the provisions of Section 269, 316 and Schedule XIII and other applicable provisions, if any, of the companies Act, 1956 Shri M Sreenivasulu Reddy be and is hereby appointed as Managing Director of the company for a period of three years from 01.12.2004 and that he shall carry out such duties as may be entrusted to him subject to the supervision of the Board of Directors and shall perform such other duties and services as shall from time to time be entrusted to him by the Board."

"RESOLVED FURTHER THAT he shall not draw any remuneration from the company."

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: August 30, 2004

M. SREENIVASULU REDDY
Chairman



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 Registrar of Members and Share Transfer Books of the company will remain closed from 23.09.2004 to 27.09.2004 (both days inclusive).
5. Members are requested to send queries, if any, on the accounts, atleast 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, 1997 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 unpaid / unclaimed dividend.

ANNEXURE TO THE NOTICE

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

Item No.4

Shri M Sreenivasulu Reddy, aged about 51 years is one of the main promoters of the Balaji Group and has initiated all the expansion ventures of the group. He is an industrialist with over 30 years of experience.

Shri M Sreenivasulu Reddy was appointed as Managing Director without any remuneration by the shareholders at the 10th Annual General Meeting held on 29.09.1999, with effect from 01.12.1999 for five years. The appointment comes to an end on 30.11.2004. Hence it is proposed to appoint him as Managing Director for three years from 01.12.2004 subject to the Article 140A of the Articles of Association of the Company and provisions of section 269, 316 and other applicable provisions of the companies Act, 1956. He shall not draw any remuneration from the company.

He is also Director of 1) Balaji Distilleries Limited, 2) Balaji Industrial Corporation Limited, 3) Magunta Hotels Limited and 4) Kalyani Constructions Private limited.

None of the directors except Shri M Sreenivasulu Reddy is interested in the resolution. The Directors recommend the resolution for adoption.

The proposed resolution and this explanatory statement may be treated as an abstract of terms and conditions of the appointment of Shri M Sreenivasulu Reddy as Managing Director in terms of section 302 of the companies Act, 1956.

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: August 30, 2004

M. SREENIVASULU REDDY
Chairman



BALAJI HOTELS AND ENTERPRISES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Fifteenth Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. SUMMARY OF FINANCIAL RESULTS

Rs. in lacs		
S.No. Particulars	2003-04	2002-03
1 Profit / (Loss) before depreciation	(2.49)	(17.28)
2 Less: Depreciation	188.68	191.67
3 Profit / (Loss) before tax	(191.17)	(208.95)
4 Provision for tax	-	-
5 Profit / (Loss) after tax	(191.17)	(208.95)
6 Prior year adjustments	(973.27)	(3.23)
7 Surplus / (Deficit) from previous year	(3607.33)	(3430.04)
8 Deferred Tax	73.20	32.39
9 Transfer from General Reserve	-	2.50
10 Loss carried forward	(4698.57)	(3607.33)

2. PERFORMANCE / OPERATIONS

During the year the company had a turnover of Rs.4.69 lakhs. The Loss incurred by the Company during the year under review is Rs.191.17 lakhs.

3. HOTEL PROJECT

The efforts to identify a strategic partner did not materialize during the year under review. However, your company is making earnest efforts for a suitable arrangements 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 Smt Sudesh Yadav as Director on the Board with effect from 30.01.2004.

ICICI Bank Limited withdrew the nomination of Shri S Srinivasan from the Board of the company with effect from 16.04.2004 and Shri C S Vijayaraghavan have resigned from the Board as Director on 15.04.2004 due to pre-occupation. Your Board places on record its appreciation for the services rendered by them during their tenure.

Shri M Masthan Reddy, retires by rotation and being eligible offers himself 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 year ended March 31, 2004, 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 year 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.
- 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



BALAJI HOTELS AND ENTERPRISES LIMITED

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.

- i) Foreign Exchange Earnings: Nil
- ii) Foreign Exchange Outgo: Nil

9. PARTICULARS OF EMPLOYEES

There is no employee falling within the purview of section 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 Limited, (Regional Stock Exchange)
- The Hyderabad Stock Exchange Limited
- 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 has already taken steps for Revocation of suspension.

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 CNGSN & Associates, 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 re-appointment.

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

- a. The capitalization of interest amounting to Rs.43.72 crores pertains to the previous years interest up to March 2002. During that year, even though the work was suspended in the

Hotel Project, activities relating to Identification of a Strategic Partner was going on. Hence, the interest on borrowed funds was taken to expenses pending allocation which is to be capitalized after the completion of the hotel project.

- b. 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.
- c. 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.
- d. As mentioned earlier, the Company has been making constant efforts for recovery of advances in cash or in kind aggregating to Rs.16.16 Crores. As the Company is confident about its recovery, no provision was considered necessary.
- e. During the year, the Company has not received the lease rental aggregating to Rs.4.06 lakhs from Rajasthan State Electricity Board (RSEB) pending resolution of certain disputes. Hence, as a conservative measure, the lease rentals of Rs.4.06 lakhs were not recognized during the year.
- f. 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.
- g. The Company is taking steps to negotiate with the financial institutions / banks / non banking finance Companies (NBFC's) for complete / partial waiver of interest charged by them. Hence, no provision has been made for interest charged by the financial institutions / banks / NBFC's during the year. The same shall be accounted after it is finalized with the financial institutions / banks / NBFC's.
- h. Certain advances have accrued during the amalgamation of the erstwhile M/s. Balaji



BALAJI HOTELS AND ENTERPRISES LIMITED

Industries Private Limited with the Company. 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.

- i. The Company is of the opinion that the security given for availing working capital loan from Corporation Bank is adequate.
- j. 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.
- k. The company has filed suitable reply in respect of the recall notice served by the bank for the corporate guarantee given. As the company is confident that no liability would arise on this account, no provision has been made in this regard.
- l. As explained earlier, the company has been incurring losses for the past four years hence the company was not in a position to pay the preference dividend and the penal interest relating to it. The company has also not been able to redeem the Preference Shares on the due dates and is looking at negotiating with the bank for extending the redemption date for the said Preference Shares.
- m. 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.
- n. As regards updating of quantitative details and location of fixed assets your company is taking necessary steps for updating the same.

As there were no activities in the distillery division during the year under review, no physical verification of stocks was considered necessary.

- o. Most of the loans are advanced to various parties in the ordinary course of business and for the general business purposes and hence, are not prejudicial to the interest of the company.
- p. As mentioned earlier, the company has been incurring continuous losses for the past four years. The activities in the Hotel Project also have been suspended and the company is on a look out for a Strategic Partner for completion of the Hotel Project. After identification of the Partner, the company proposes to negotiate with the Financial Institutions / Banks for complete or partial waiver of Interest / Principal charged by them and the amount would be duly settled.
- q. 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.

Your company shall make further endeavour to recover the money during the course of the current year.

- r. 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.

13. ACKNOWLEDGEMENT

The Directors wish to express their sincere thanks for valuable assistance extended by Government of Tamil Nadu, Maharashtra and Goa, Tourism Finance Corporation of India Ltd, IFCI Ltd and ICICI Bank Ltd and other bankers to the Company.

By Order of the Board
For Balaji Hotels and Enterprises Limited



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 Chairman cum Managing Director	Promoter Executive Director	4	—	4	1
2	M Dharmaraj	Promoter Non Executive Director	3	Yes	6	—
3	M Masthan Reddy	Independent - Non Executive Director	1	—	2	—
4	C S Vijayaraghavan	Independent - Non Executive Director	3	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	—
8	Sudesh Yadav ### Nominee	Independent - Non Executive Director	—	—	2	—

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

S Srinivasan, Nominee Director withdrawn from the Board by ICICI Bank Ltd with effect from 16.04.2004.

M V Muthu, Nominee Director withdrawn from the Board by IFCI Ltd with effect from 31.07.2003.

Sudesh Yadav, Nominee Director inducted to the Board by TFCI Ltd with effect from 30.01.2004.

Four Board Meetings were held during the year from 01.04.2003 to 31.03.2004. The dates on which the meetings were held are as follows: 28.06.2003, 31.07.2003, 31.10.2003 and 30.01.2004.

PARTICULARS OF RETIRING DIRECTORS

M Masthan Reddy was appointed as a Director on 26.05.1999. He is a Commerce Graduate and has over 20 Years of experience in business and general administration. He is also Director in the following Companies:

1. Sambhu Prasad & Sons Private Limited
2. Nageswara Rao Estates Limited

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 Audit Committee comprises of Four members. M Dharmaraj, C S Vijayaraghavan, D Balakoteswara Rao and S Srinivasan, Nominee Director are its members. Subsequently the Board reconstituted the Audi Committee on 28.04.2004 and the members are M. Dharmaraj, D Balakoteswara Rao and M. Masthan Reddy. D Balakoteswara Rao acts as Chairman of the Committee.

Four 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	2
D Balakoteswara Rao	4
S Srinivasan	2

SHARE TRANSFER/INVESTORS' GRIEVANCE COMMITTEE

The Share Transfer Committee comprises of 3 members.

16 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	16
M Dharmaraj	16
C S Vijayaraghavan	14

During the year company has not received complaints from the shareholder. As on March 31, 2004 no share transfers were pending for approval. Subsequently the Board reconstituted the Share Transfer cum Investor's Grievance Committee on 28.04.2004 and the members are M. Sreenivasulu Reddy, M. Dharmaraj and D. Balakoteswara Rao.

ANNUAL GENERAL MEETINGS

Locations and time for the last three AGM's

Financial Year ended	Date	Venue	Time
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
31.03.2003	23.09.2003	Balamandir German Hall No.17, Prakasam Street T.Nagar, Chennai 600 017.	10.00 A.M

None of the Special Resolutions were required to be put through postal ballot. No Special Resolutions on matters requiring postal ballot are placed before the shareholders at the forthcoming 15th Annual General Meeting.

DISCLOSURE

During the year ended 31.03.2004, 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 the Stock Exchanges.