

Balaji Hotels and Enterprises Limited

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16th
Annual Report
2004-2005


BALAJI HOTELS AND ENTERPRISES LIMITED
SIXTEENTH ANNUAL REPORT 2004-2005
Board of Directors

M Sreenivasulu Reddy
Chairman cum Managing Director

M Dharmaraj

M Masthan Reddy

D Balakoteswara Rao

N D Auddy
(Nominee - IFCI Ltd.)

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

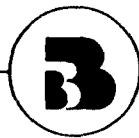
Old No.9, New No.17/1, Bazullah Road
T Nagar
Chennai 600 017.

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 SIXTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of Balaji Hotels and Enterprises Limited will be held on **Wednesday, September 28, 2005 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, 2005 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 Auditors and authorize the Board / Audit committee to fix their remuneration.

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: July 22, 2005

M. SREENIVASULU REDDY
Chairman

**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 Registrar of Members and Share Transfer Books of the company will remain closed from 26.09.2005 to 28.09.2005 (both days inclusive).
4. 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.
5. Pursuant to the provisions of section 205C of the companies Act, 1956 dividend for the financial year ending March 31, 1998 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.



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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their **Sixteenth Annual Report** together with the Audited Accounts of the Company for the Financial Year ended **March 31, 2005**.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. SUMMARY OF FINANCIAL RESULTS

S.No. Particulars	Rs. in lacs	
	2004-05	2003-04
1 Profit / (Loss) before depreciation	(198.03)	(2.49)
2 Less: Depreciation	2147.64	188.68
3 Profit / (Loss) before tax	(2345.67)	(191.17)
4 Provisions for tax	-	-
5 Profit / (Loss) after tax	(2345.67)	(191.17)
6 Prior year adjustments	(4.36)	(973.27)
7 Surplus / Deficit from previous year	(4698.57)	(3607.33)
8 Deferred Tax	738.75	73.20
9 Transfer from General Reserve	-	-
10 Loss carried forward	(6309.85)	(4698.57)

2. PERFORMANCE/OPERATIONS

The Loss incurred by the Company during the year under review is Rs.2345.67 lacs.

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 suitable arrangements for completion of Hotel Project with a reasonable time.

4. DIVIDEND

As the operations in all the divisions of the company were suspended during the year, it had resulted in a loss. Hence, your directors regret their inability to recommend any dividend.

5. DIRECTORS

During the year, IFCI Limited nominated Shri G J Prasad as Director on the Board with effect from 28.01.2005.

Subsequently IFCI Limited withdrew the nomination of Shri G J Prasad from the Board of the company with effect from 22.07.2005 and nominated Shri N D Auddy, who was inducted as Director on the Board with effect from 22.07.2005.

Shri M Dharmaraj, retires by rotation and being eligible offer 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:

- that in the preparation of annual accounts for the year ended March 31, 2005, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- 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.
- 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.
- 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:

- Foreign Exchange Earnings : Nil
- 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

Your company's equity shares have been suspended from trading in Mumbai Stock



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Exchange for non-payment of Listing Fee. The Company has requested 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 company has been incurring losses for the past five 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 (*Refer sl.no.4(d) & 4(e) v(i) of Auditor's Report*).
- b. 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 were going on. Hence, the interests on borrowed funds were taken to expenses pending allocation, which is to be capitalized after the completion of the hotel project (*Refer sl.no.4(e)(i) & 4(e) v(a) of Auditor's Report*).
- c. The company has valued the Investment at cost. Any diminution in the value of investments would be considered at the time of sale of shares (*Refer sl.no.4(e) (ii) & 4(e) v(b) of Auditor's Report*).
- d. As the work in the Hotel Project was suspended during the construction phase, many areas of work are at different level of completion. Hence it is difficult to quantify the net realisable value. As regards the Distillery Division at Goa, since the operations have been discontinued for more than 4 years, it may not be possible to quantify exactly the net realisable value of the assets. The net impact of loss due to impairment of assets would be accounted in the year in which the Distillery comes in to operation (*Refer sl.no.4(e) (iii) of Auditor's Report*).
- e. Regarding the status and quantification of Contingent Liabilities existing at the balance sheet date, details have been given in Schedule-R in point no. 4 in Notes on Accounts. Your directors are confident that there will not be any liability that will be devolved on the company after the balance sheet date (*Refer sl.no.4(e) (iv) of Auditor's Report*).
- f. The management of the Company is confident about the recovery of Debts amounting to Rs. 56 Crores which are outstanding for more than 4 years. The Company is making maximum efforts for recovery of the amounts from the Debtors and necessary provisions / write off would be made in the Accounts in the subsequent years (*Refer sl.no.4(e) v(c) of Auditor's Report*).
- g. The Company has been making constant efforts for recovery of Advances in cash or in kind aggregating to Rs.91.76 Crores. As the Company is confident that with intensified effort the amount could be recovered, no provision was made in the accounts (*Refer sl.no.4(e) v(d) of Auditor's Report*).
- h. During the year, the Company has not received the Lease Rental aggregating to Rs.1.05 lakhs from Rajasthan State Electricity Board (RSEB) pending resolution of certain disputes. Hence, as a conservative measure, the lease rentals of Rs.1.05 lacs were not recognized during the year (*Refer sl.no.4(e) v(e) of Auditor's Report*).
- i. The Company is taking appropriate action to negotiate with the Financial Institutions / Banks / NBFCs for complete / partial waiver of interest charged by them. Hence, no provision has been made for Interest charged by the financial institutions to the tune of Rs.79.19 crores during the year. The same shall be accounted after it is finalized with the Financial Institutions / Banks / NBFCs (*Refer sl.no.4(e) v(f) of Auditor's Report*).
- j. The Company is of the opinion that the security given for availing working capital loan from Corporation Bank is adequate (*Refer sl.no.4(e) v(g) of Auditor's Report*).



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- 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 (**Refer sl.no.4(e) v(h) of Auditor's Report & in sl.no. xv in Annexure to Auditor's Report**).
- l. The effect of Audit qualifications has been summarized (**Refer sl.no.4(e) v(j) of the Auditor's Report**).
- 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 (**Refer sl.no.4(e) v(k) of the Auditor's Report**).
- n. In respect of the assets given on lease, even though the lease period has expired since the issue is pending resolution of certain disputes, which are before the court of law, the Company has not taken possession of the assets (**Refer sl.no.1(b) of Annexure to Auditor's Report**).
- o. As there were no activities in the distillery division during the year under review, no physical verification of stocks was considered necessary (**Refer sl.no.ii (b)& (c) of Annexure to Auditor's Report**).
- p. Most of the loans are advanced to various parties for the general business purposes and hence, are not prejudicial to the interest of the company (**Refer sl.no.iii (b) of Annexure to Auditor's Report**).
- q. The parties to whom loans or advances in the nature of loan were given, the repayment is being obtained regularly in some cases. In cases where there is delay, the Company is taking necessary action for getting back the advances / loans (**Refer sl.no.iii (c) of Annexure to Auditor's Report**).
- r. Your company shall make further endeavour to recover the money during the course of the current year (**Refer sl.no.iii (d) of Annexure to Auditor's Report**).
- s. 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 (**Refer sl.no.vii of Annexure to Auditor's Report**).
- t. As regards the disputed dues of Income Tax & Wealth Tax, the company has preferred Appeals before ITAT against the Orders passed by the CIT(A). The Company is confident that the Appeal before ITAT would be in its favour. Hence, the disputed amount of income tax & wealth tax has not been remitted and stay has been obtained in this regard (**Refer sl.no.ix (b) of Annexure to Auditor's Report**).
- u. The accumulated losses of the company after adjusting for the audit qualifications are more than 50% of the networth. This has been mentioned (**Refer sl.no.x of Annexure to Auditor's Report**).
- v. As mentioned earlier, the company has been incurring continuous losses for the past five 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 (**Refer sl.no.xi of Annexure to Auditor's Report**).

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

Place : Chennai
Date : July 22, 2005

M SREENIVASULU REDDY
CHAIRMAN



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	4	Yes	6	-
3	M Masthan Reddy	Independent - Non Executive Director	-	-	2	-
4	D Balakoteswara Rao	Independent - Non Executive Director	4	Yes	-	-
5	Sudesh Yadav Nominee TFCI Ltd.	Independent - Non Executive Director	-	-	3	-
6	G J Prasad # Nominee IFCI Ltd.	Independent - Non Executive Director	1	-	3	-

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

Induction of Nominee Director on the Board by IFCI Limited with effect from 28.01.2005.

Four Board Meetings were held during the year from 01.04.2004 to 31.03.2005. The dates on which the meetings were held are as follows: 28.04.2004, 30.08.2004, 27.11.2004 and 28.01.2005.

PARTICULARS OF RETIRING DIRECTORS

M Dharmaraj is a Director since the Incorporation of the Company. He has about 32 years of experience in the field of Management and General Administration. He is also a 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

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 Audit Committee comprises of Three members. M Dharmaraj; D Balakoteswara Rao and M Masthan Reddy are its members. D Balakoteswara Rao acts as Chairman of the Committee.



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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
D Balakoteswara Rao	3
M Masthan Reddy	-

SHARE TRANSFER/INVESTORS' GRIEVANCE COMMITTEE

The Share Transfer Committee comprises of 3 members.

20 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	20
M Dharmaraj	20
D Balakoteswara Rao	19

During the year company has not received complaint from the shareholders. As on March 31, 2005 no share transfers were pending for approval.

ANNUAL GENERAL MEETINGS

Locations and time for the last three AGM's

Financial Year ended	Date	Venue	Time
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
31.03.2004	27.09.2004	Balamandir German Hall No.17, Prakasam Street T.Nagar, Chennai 600 017.	11.30 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 16th Annual General Meeting.

DISCLOSURE

During the year ended 31.03.2005, 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.

Currently our 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.

MEANS OF COMMUNICATION

As per the Listing Agreement, the company has registered under EDIFAR System with Bombay Stock Exchange to facilitate submission of Statements / Documents electronically. However, the company has not yet started using EDIFAR.

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.