

BALAJI HOTELS AND ENTERPRISES LIMITED



18th
Annual Report
2006-2007



BALAJI HOTELS AND ENTERPRISES LIMITED

EIGHTEENTH ANNUAL REPORT 2006-2007

Board of Directors

M Sreenivasulu Reddy
Chairman cum Managing Director

M Dharmaraj
M Mashtan Reddy
D Balakoteswara Rao
N D Auddy, Nominee IFCI Limited

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

New No.17/1 (Old 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	18
Profit & Loss Account	19
Schedules to Accounts	20
Cash Flow Statement	31
Balance Sheet Abstract & Company'S General Business Profile	33
Statement Relating to Subsidiary	34
Annual Report of Atlas Hotels and Resorts Ltd.	35
Consolidated Financial Statements	45



BALAJI HOTELS AND ENTERPRISES LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of Balaji Hotels and Enterprises Limited will be held on **Saturday, September 29, 2007 at 11.00 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, 2007 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 authorize the Board / Audit committee to fix their remuneration.

SPECIAL BUSINESS

5. 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 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 01.12.2007 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."

Report Junction.com

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: September 4, 2007

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. 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 27.09.2007 to 29.09.2007 (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.



BALAJI HOTELS AND ENTERPRISES LIMITED

ANNEXURE TO NOTICE

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

Item No.4

Shri M Sreenivasulu Reddy, aged about 54 years is one of the main promoters of the group and has initiated all the expansion ventures of the group. He is an industrialist with over 33 years of experience.

Shri M Sreenivasulu Reddy was appointed as Managing Director without any remuneration by the shareholders at the 15th Annual General Meeting held on 27.09.2004, with effect from 01.12.2004 for three years. The appointment comes to an end on 30.11.2007. Hence it is proposed to appoint him as Managing Director for three years from 01.12.2007 subject to the Article 140A of the Articles of Association of the Company 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, and 3) 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.

Report



junction

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: September 4, 2007

M. SREENIVASULU REDDY
Chairman



BALAJI HOTELS AND ENTERPRISES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their **Eighteenth Annual Report** together with the Audited Accounts of the Company for the Financial Year ended **March 31, 2007**.

Management Discussion and Analysis Report

1. Summary of Financial Results (Rs. In Lacs)

S.No.	Particulars	2006-07	2005-06
1	Profit / (Loss) before depreciation	108.97	(6138.41)
2	Less: Depreciation	12.57	56.91
3	Profit / (Loss) before tax	96.40	(6081.50)
4	Exceptional Items	1394.67	(15018.40)
5	Income Tax for earlier years	(62.09)	0
6	Provisions for tax	(86.56)	0
7	Deferred Tax	0	0
8	Profit / (Loss) after tax	1342.42	(21099.90)
9	Prior year adjustments	(22.28)	0
10	Deficit from previous year	(27409.75)	(6309.85)
11	Loss carried to Profit and Loss Account	(26089.61)	(27409.75)

2. Performance / Operations

There were no operations during the year. The resultant Profit shown is due to consideration of capital gains of earlier and current years arising out of sale of land at Pondicherry after adjustment of provision made during earlier years.

3. Hotel Project

IFCI and TFCI are the lenders of Term Loans as against the Company's "Hotel Project" at Anna Salai, Teynampet, Chennai. IFCI and TFCI have issued Notice to the company under section 13(2) of Chapter III of "The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) towards recovery of their respective outstanding dues. After the expiry of 60 days of the said Notice, IFCI and TFCI have taken possession of our said Hotel Project on 29.06.2007, under SARFAESI proceedings. Subsequent to taking over of possession of the said property, IFCI and TFCI have issued sale certificate / certificate of sale and sold the said "Hotel Project" to M/s Robust Hotels Private Limited, under SARFAESI Act.

4. Dividend

As the operations in all the divisions of the company were suspended during the year, your directors do not recommend any dividend for the years.

5. Directors

During the year, TFCI Limited withdrew the nomination of Smt Sudesh Yadav from the Board of the company with effect from 13.11.2006.

Shri M Dharmaraj and Shri D Balakoteswara Rao, retires 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:

- that in the preparation of annual accounts for the year ended March 31, 2007, 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 profit/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:



BALAJI HOTELS AND ENTERPRISES LIMITED

- 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

Your company's equity shares have been suspended from trading in Mumbai Stock 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. 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 5 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 division is disposed of. **(Refer sl.no.4(e) (i) of Auditor's Report).**
- b. During the year, the Company has not received the lease rental aggregating to Rs.0.44 lakhs from

Rajasthan State Electricity Board (RSEB) pending resolution of certain disputes. Hence, as a conservative measure, the lease rentals of Rs.0.44 lacs were not recognized during the year **(Refer sl.no.4(e)(ii)(a) of Auditor's Report).**

- c. After the Balance Sheet date, IFCI / TFCL has taken possession of Hotel Project and got their loans settled by transferring the same to M/s Robust Hotels Private Limited through SARFAESI Act. Further the company is also negotiating with the other Banks / NBFCs for complete / partial waiver of interest charged by them. Hence, no provision has been made for interest charged by the financial institutions and NBFC's 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)(ii)(b) of Auditor's Report)**
- d. The Company is of the opinion that the security given for availing working capital loan from Corporation Bank is adequate considering the collateral security given. **(Refer sl.no.4(e)(ii)(c) of Auditor's Report).**
- e. The company has been incurring losses for over the 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)(ii)(d) of Auditor's Report).**
- f. The effect of Audit qualifications has been summarized. **(Refer sl.no.4(e)(ii)(e) of the Auditor's Report).**
- g. After the Balance Sheet date, IFCI and TFCL have issued Notice Under Section 13(2) of SARFAESI Act and taken possession of Hotel Project and the same was transferred to M/s Robust Hotels Private Limited. The commercial property has already been taken possession by the ARCIL under SARFAESI Act. Further the company is planning to pursue further businesses of the Company. **(Refer sl.no.4(e)(ii)(f) of the Auditor's Report).**
- h. In respect of the assets given on lease, even though the lease period has expired the issue is pending resolution of certain disputes. The Hon'ble Supreme Court of India vide Order dated 08.09.2006 has appointed Justice D P Wadhwa,



BALAJI HOTELS AND ENTERPRISES LIMITED

Judge of Supreme Court of India (Retd) as Arbitrator to resolve the entire disputes between the parties to these proceedings. Accordingly the company is confident of getting favourable final order. As the matter is before the court of law, the Company has not taken possession of the assets **(Refer sl.no.1(d) of Annexure to Auditor's Report).**

- i. As there were no activities in the distillery division during the year under review, no physical verification of stocks was conducted. However, the company has maintained proper records of inventory. **(Refer sl.no.ii (b) of Annexure to Auditor's Report).**
- j. As there were no activities in the distillery division during the year under review, no physical verification of stocks was conducted. As regards Hotel Project, the company has maintained proper records of inventory. **(Refer Sl No.ii (c) of Annexure to Auditor's Report).**
- k. The Company has temporarily dispensed with the existing internal audit system. The same shall be resumed once the company commences its business **(Refer sl.no.vii of Annexure to Auditor's Report).**
- l. The Sales Tax which has arisen during the year will be paid after the final assessment. **(Refer sl.no.ix (a) of Annexure to Auditor's Report).**

- m. As regards the disputed dues of Income Tax & Wealth Tax, the company has received favourable orders from the ITAT. However, as against the orders of ITAT the Department have gone on Appeal before the High Court, Chennai and the same is pending disposal. The Company is confident that the Appeal before High Court would be in its favour. Hence the disputed amount of income tax & wealth tax has not been provided. **(Refer sl.no.ix (b) of Annexure to Auditor's Report).**
- n. 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).**
- o. After the Balance Sheet date, IFCI / TFCI has taken possession of Hotel Project and got their loans settled by transferring the same to M/s Robust Hotels Private Limited through SARFAESI Act. Further the company is also negotiating with the other Banks / NBFCs for complete / partial waiver of interest charged by them. **(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
Dated: September 4, 2007

M. SREENIVASULU REDDY
Chairman



BALAJI HOTELS AND ENTERPRISES LIMITED

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 31.03.2007

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

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company firmly believes in and has been taking steps to implement and practice good Corporate 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.

2) BOARD OF DIRECTORS

a) Composition and Category of Directors are as follows:

Category	Name of the Directors
Promoter / Executive Director	Shri M Sreenivasulu Reddy
Promoter / Non Executive Director	Shri M Dharmaraj
Non-Executive and Independent Directors	Shri M Masthan Reddy
	Shri D Balakoteswara Rao
	Shri N DAuddy – Nominee of IFCI Ltd

b) Number and the dates on which the Board Meetings were held

Four Board Meetings were held during the last financial year. The dates on which the meetings were held are 24.06.2006; 28.08.2006; 13.11.2006 and 31.01.2007.

c) Attendance of each Director at the Board Meetings, Last Annual General Meeting and Number of other Boards / Board Committees in which he is a Member or Chairperson.

Sl No	Name of the Director	Attendance Particulars		No. of other Directorships and Committee Membership / Chairmanships		
		Board Meetings	Last AGM	Other Directorship	Other Committee Membership	Other Committee Chairmanship
1	M Sreenivasulu Reddy	2	-	3	2	-
2	M Dharmaraj	4	Yes	5	-	-
3	M Masthan Reddy	2	Yes	-	-	-
4	D Balakoteswara Rao	4	Yes	-	-	-
5	N DAuddy	2	-	2	-	-
6	Sudesh Yadav	-	-	-	-	-

d) PARTICULARS OF RETIRING DIRECTORS

i) Shri M Dharmaraj is a Director since the Incorporation of the Company. He has about 34 years of experience in the field of Management and General Administration. He is also a Director in the following Companies:

- Seven Seas Distillery Private Limited
- Sri Rama Traders Private Limited
- Balaji Ship Management Private Limited
- Taurus and Taurus (India) Enterprises Private Limited
- Balaji Enterprises (Pondy) Private Limited
- Prime Distilleries Limited

ii) Shri D Balakoteswara Rao is a Director since 29.06.2001. He has about 11 years of experience and he is a Chartered Accountant. He is not a Director in any other company.



BALAJI HOTELS AND ENTERPRISES LIMITED

3) COMMITTEES OF THE BOARD

The Company has two Board level committees viz., Audit Committee and Shareholders / Investors Grievance and Share Transfer Committee.

a) 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 4 members viz., M Dharmaraj, D Balakoteswara Rao, M Masthan Reddy and N DAuddy - Nominee of IFCI Limited. D Balakoteswara Rao acts as Chairman of the Committee.

During the year, the committee met four times on 24.06.2006; 28.08.2006; 13.11.2006 and 31.01.2007. Attendance of each member at the committee meeting was as follows:

Committee Members	No. of Meetings attended
M Dharmaraj	4
D Balakoteswara Rao	4
M Masthan Reddy	2
N DAuddy, Nominee IFCI Ltd	2

b) Remuneration Committee

None of the Directors get any remuneration. No remuneration committee was constituted, as the same was not required. The Remuneration Committee shall be formed as and when felt necessary.

c) Share Transfer/Investors Grievance Committee

The Share Transfer / Investor's Grievance Committee comprises of 3 members. M Sreenivasulu Reddy, M Dharmaraj and D Balakoteswara Rao. M Dharmaraj acts as a Chairman of the Committee.

During the year, the Committee met 17 times and attendance of each member at the Committee Meeting was as follows:

Committee Members	No. of Meetings attended
M Sreenivasulu Reddy	17
M Dharmaraj	17
D Balakoteswara Rao	17

As on 31.03.2007, there were no pending share transfers. During the year the company has not received any complaints or grievance from the shareholders.

4) ANNUAL GENERAL MEETINGS

Locations and time for the last three Annual General Meetings held:

Year	Location	Date	Time	No. of Special Resolutions
2003-04	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	27.09.2004	11.30 a.m	-
2004-05	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	28.09.2005	11.30 a.m	-
2005-06	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	29.09.2006	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 18th Annual General Meeting.