

# **BALAJI HOTELS AND ENTERPRISES LIMITED**



**19<sup>th</sup>**  
**Annual Report**  
**2007-2008**



# BALAJI HOTELS AND ENTERPRISES LIMITED\_\_\_\_\_

## NINETEENTH ANNUAL REPORT 2007-2008

### Board of Directors

M Sreenivasulu Reddy  
Chairman cum Managing Director

M Dharmaraj  
M Masthan Reddy  
D Balakoteswara Rao

### Statutory Auditors

M/s CNGSN & Associates  
Chartered Accountants

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

### Bankers

Indian Bank  
Bank of Baroda  
ICICI 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.



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# BALAJI HOTELS AND ENTERPRISES LIMITED

## NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of Balaji Hotels and Enterprises Limited will be held on **Tuesday, September 30, 2008 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, 2008 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 re-appointment.
3. To appoint a Director in the place of Shri M Dharmaraj, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956 the retiring Auditors, M/s CNGSN & Associates, Chartered Accountants and M/s P A Reddy & Co., Chartered Accountants, be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration as may be decided by the Board of Directors."



By Order of the Board  
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai  
Dated: July 30, 2008

**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 26.09.2008 to 30.09.2008 (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.



# BALAJI HOTELS AND ENTERPRISES LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their **Nineteenth Annual Report** together with the Audited Accounts of the Company for the Financial Year ended March 31, 2008.

### Management Discussion and Analysis Report

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

S.No.	Particulars	2007-08	2006-07
1	Profit / (Loss) before depreciation	539.09	688.85
2	Less: Depreciation	10.52	12.57
3	Profit / (Loss) before tax	528.57	676.28
4	Exceptional Items	(10116.49)	814.80
5	Income Tax for earlier years	(695.63)	(62.09)
6	Provisions for tax - FBT	(0.15)	(86.56)
7	Deferred Tax	0	0
8	Profit / (Loss) after tax	(10283.70)	1342.43
9	Prior year adjustments	0	(22.28)
10	Deficit from previous year	(26089.60)	(27409.75)
11	Profit / (Loss) carried to Profit and Loss Account	(36373.30)	(26089.60)

#### 2. Performance / Operations

There were no operations during the year. The resultant Profit is due to the doubtful advances written back during the year.

#### 3. Hotel Project, Commercial Project and Future Outlooks

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. IFCI and TFCI have taken possession of our said Hotel Project 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.

The possession of the Commercial Project has been taken by ARCIL under SARFAESI Act and the same was transferred to M/s. Ramani Hotels Private Limited.

The Management is also trying to tie up with strategic partner for infusion of funds and also looking at the restructuring of the company by way of reconstruction / merger. Considering the future plans your directors view the company as going concern.

#### 4. Dividend

As the operations in all the divisions of the company were suspended, it had resulted in a loss. Hence, your directors do not recommend any dividend for the year.

#### 5. Directors

During the year, IFCI Limited withdrew the nomination of Shri N D Auddy, Nominee Director from the Board of the company with effect from 25.03.2008.

Shri M Masthan Reddy and Shri M Dharmaraj, 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:

- that in the preparation of annual accounts for the year ended March 31, 2008, 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:

- |                              |   |     |
|------------------------------|---|-----|
| 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)



# BALAJI HOTELS AND ENTERPRISES LIMITED

The Hyderabad Stock Exchange Limited

Bombay Stock Exchange Limited, Mumbai

Your company's equity shares have been suspended from trading in Bombay Stock Exchange for non-payment of Listing Fee. The Company is taking steps for Revocation of suspension and paid the listing fee.

## 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, and M/s P A Reddy & Co., Chartered Accountants, 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, of the company and its consolidated report. The Board of Directors wish to express the following views:

- a. The operations have been discontinued for more than 5 years in other divisions; 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 off. (Refer sl.no.4(e) (i) of Auditors' Report).
- b. The company is negotiating with the 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.13.00 crores during the year. The same shall be accounted after it is finalized with the Banks / NBFCs. (Refer sl.no.4(f)(i) of Auditors' Report).
- c. The operations of other divisions have been discontinued for more than 6 years; the concerned bank accounts have become inoperative. Further the company has not done any transactions during the year with those banks accounts as mentioned. The management has decided to close down all inoperative accounts and necessary steps has already been taken. (Refer sl.no.4(f)(ii)(a&b) of Auditors' Report).
- d. The Company is of the opinion that the security given for availing working capital loan from Corporation Bank is adequate. (Refer sl.no.4(f)(iii) of Auditors' Report).

- e. The effect of Audit qualifications has been summarized and quantified by the Auditors against the company's accounts (Refer sl.no.4(f) (iv) of the Auditors' Report).
- f. We draw your attention to note no.1b of the Notes on Accounts (Schedule S) of the Accounts. Your directors are exploring the possibility of recommencing the IMFL manufacturing and Trading Operations subject to obtaining necessary government approvals. The management is also trying to tie up with strategic partner for infusion of funds and also looking at the restructuring of the company by reconstruction/merger. Considering the future plans your directors view the company as a going concern. (Refer sl.no.4(f)(v) of the Auditors' Report).
- g. In respect of the assets given on lease, even though the lease period has expired. The company has got a favorable Order from Hon'ble Supreme Court of India after the balance sheet date. Your company is confident that the entire matter regarding leased assets shall be resolved in the current year (Refer sl.no.1(d) of Annexure to Auditors' Report).
- h. 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).
- i. 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(c) of Annexure to Auditors' Report).
- j. 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 Auditors' Report).
- k. The company is negotiating with the other Banks / NBFCs for complete / partial waiver of interest charged by them. (Refer Sl.no.xi of Annexure to Auditors' Report).

## 13. Acknowledgement

The Directors wish to express their sincere thanks for valuable assistance extended by Government of Tamil Nadu, ICICI Bank Ltd, Indian Bank and other bankers to the Company.

By Order of the Board  
For BALAJI HOTELS AND ENTERPRISES LIMITED

**M SREENIVASULU REDDY**  
Chairman

Place : Chennai  
Dated: July 30, 2008



# BALAJI HOTELS AND ENTERPRISES LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 31.03.2008

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 D Auddy – Nominee of IFCI Ltd*

\* Withdrawal of Nominee Director on the Board by IFCI Ltd with effect from 25.03.2008

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

Five Board Meetings were held during the last financial year. The dates on which the meetings were held are 25.04.2007; 22.06.2007; 04.09.2007; 22.10.2007 and 31.01.2008.

#### 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	MSreenivasulu Reddy	3	-	3	2	-
2	M Dharmaraj	5	Yes	5	-	-
3	M Masthan Reddy	3	Yes	-	-	-
4	D Balakoteswara Rao	5	Yes	-	-	-
5	N D Auddy	2	-	2	-	-

#### d) PARTICULARS OF RETIRING DIRECTORS

- Shri M Masthan Reddy is a Director since 26.05.1999. He has about 27 years of experience in General Administration and he is Commerce Graduate. He is also a Director of 1) Sambhu Prasad and sons Pvt Ltd. and 2) Nageswara Rao Estates Limited .
- Shri M Dharmaraj is a Director since the Incorporation of the Company. He has about 36 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 Rana Traders Private Limited
  - Balaji Ship Management Private Limited
  - Taurus and Taurus (India) Enterprises Private Limited
  - Balaji Enterprises (Pondy) Private Limited
  - Prime Distilleries Limited



# 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, Shri M Masthan Reddy and Shri N D Auddy - Nominee of IFCI Limited. D Balakoteswara Rao acts as Chairman of the Committee.

During the year, the committee met four times on 25.04.2007; 04.09.2007; 22.10.2007 and 31.01.2008. 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 D Auddy, 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. Shri 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 31.03.2008, 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
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.	-
2006-07	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	29.09.2007	11.00 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 19th Annual General Meeting.





# BALAJI HOTELS AND ENTERPRISES LIMITED

## 5) DISCLOSURE

- a) During the year ended 31.03.2008, the Company had no materially significant related party transactions other than those mentioned in the Notes on Accounts as is envisaged under the Corporate Governance Code, that may have potential conflict with the interest of the Company at large.
- b) 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-Compliance of Clause 41 of the Listing Agreements and Non-submission of Unaudited Quarterly Financial Results to the Stock Exchanges.
- c) Currently our company's equity shares have been suspended from trading in Bombay Stock Exchange. The company has taken steps for Revocation of suspension.
- d) The company has laid down procedures to be followed by the members of the Board and Senior management Personnel for ethical professional conduct. A declaration signed by the Director to this effect is annexed thereto.

## 6) MEANS OF COMMUNICATION

Quarterly results are published in the Trinity Mirror (National Daily) and Makkal Kural (Regional Newspaper).

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.

The company has adopted the mandatory requirements of the Listing Agreement.

## 7) GENERAL SHAREHOLDERS INFORMATION

- 1) Date, time and venue of 19th AGM : Tuesday, September 30, 2008 at 11.00 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 : 26.09.2008 to 30.09.2008 (Both days inclusive)
- 4) Dividend payment date : No dividend is being recommended
- 5) Listing on Stock Exchanges
  - (i) Madras Stock Exchange Limited  
Exchange Building, Post Box NO.183  
11, Second Line Beach Road, Chennai 600 001  
Tel:91-44-25224382, 25224392 Fax:91-44-25244897
  - (ii) The Hyderabad Stock Exchange Ltd  
6-3-654, Somaji Guda, Hyderabad 500 082  
Tel: 91-40-23371701 / 23435444/455  
Fax : 91-40-23371696
  - (iii) Bomay Stock Exchange Limited  
Phiroze Jheejheebhoy Towers,  
Dalal Street, Mumbai 400 001  
Tel:91-22-22721233/4 Fax:91-22-22721919
- 6) Listing fees : Listing Fee paid.
- 7) ISIN No. : INE454401011
- 8) Stock Code : 530471



# BALAJI HOTELS AND ENTERPRISES LIMITED

## 9) Market Price Data

The company's securities have been suspended from Trading in Bombay Stock Exchange.

## 10) Registrar and Transfer Agents (for both physical & electronic transfers)

: Cameo Corporate Services Limited  
Subramanian Building, No.1, Club House Road  
Chennai 600 002  
Tel:91-44-28460390 Fax:91-44-28460129  
E Mail: cameosys@cameoindia.com  
Website: www.cameoindia.com

## 11) Share Transfer System

: Presently the share transfers which are received in physical form are processed and the share certificates are returned within the stipulated period from the date of receipt, if the documents are clear in all respects.

## 12) Dematerialisation of shares and liquidity

: As on 31.03.2008, 78.15% of the Company's shares representing 25397831 shares were held in the dematerialised form. The Company's shares are available for trading in the depository systems of both the National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL).

## 13) Compliance Officer

: M Dharmaraj, Director  
Balaji Hotels and Enterprises Limited  
New No.17/1, Old No.9, Bazullah Road, T.Nagar  
Chennai 600 017. Tamil Nadu

## 14) Outstanding GDR/ADR/Warrants or any convertible instruments

: The Company has not issued any GDRs/ADRs/Warrants.

## 15) Address for Correspondance

: Balaji Hotels and Enterprises Limited  
New No.17/1, Old No9, Bazullah Road, T.Nagar  
Chennai 600 017. Tamil Nadu

## 16) Distribution of shareholding as on 31st March 2008:

Nominal value of		Share holders		Share Amount	
Rs.	Rs.	Number	% to Total	Rs.	% to Total
(1)		(2)	(3)	(4)	(5)
Upto 5,000		10991	92.80	14016130	4.31
5,001	10,000	444	3.75	3748580	1.15
10,001	20,000	170	1.43	2531000	0.78
20,001	30,000	57	0.48	1425560	0.44
30,001	40,000	26	0.22	970000	0.29
40,001	50,000	26	0.22	1225010	0.37
50,001	1,00,000	39	0.33	2849610	0.87
1,00,001 and above		91	0.77	298234110	91.76
Total		11844	100.00	325000000	100.00

## 17) Categories of Shareholders as on 31st March 2008:

Sl. No	Category	No. of Shares	% to Total Holdings
1	Promoters / Directors / Relatives	12,198,250	37.53
2	Financial Institutions & Banks	1,534,300	4.72
3	Mutual Funds & UTI	6,900	0.02
4	FII's / OCB / NRI	977,620	3.01
5	Public and Private Bodies Corporate	17,782,930	54.72
Total		32,500,000	100.00

The Board of Directors at its meeting held on 30.07.2008 adopted the above report.