

BALAJI HOTELS AND ENTERPRISES LIMITED

21st
Annual Report
2009-2010



BALAJI HOTELS AND ENTERPRISES LIMITED

TWENTY FIRST ANNUAL REPORT 2009-2010

Board of Directors

M Sreenivasulu Reddy
Chairman cum Managing Director

M Dharmaraj
M Masthan Reddy
D Balakoteswara Rao

Statutory Auditors

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

M/s CNGSN & Associates
Chartered Accountants

Bankers

Indian Bank
Bank of Baroda Ltd.

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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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of Balaji Hotels and Enterprises Limited will be held on **Wednesday, September 29, 2010 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, 2010 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 re-appointment.
3. To appoint a Director in the place of Shri D Balakoteswara Rao, 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 P A Reddy & Co., Chartered Accountants and M/s CNGSN & Associates, 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 31, 2010

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 27.09.2010 to 29.09.2010 (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.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their **Twenty First Annual Report** together with the Audited Accounts of the Company for the Financial Year ended March 31, 2010.

Management Discussion and Analysis Report

1. Summary of Financial Results (in ₹)

S.No.	Particulars	2009-10	2008-09
1	Profit / (Loss) before depreciation	14525835	87932979
2	Less: Depreciation	2183	4074
3	Profit/(Loss) before tax & Exceptional Items	14523652	87928905
4	Exceptional Items	2078517	326514574
5	Income Tax for earlier years	33241	516798
6	Provisions for tax - FBT	0	1592
7	Deferred Tax	0	0
8	Profit/(Loss) after tax	16568928	413925089
9	Prior year adjustments	0	0
10	Surplus/(Deficit) from previous year	(3223406950)	(3637332039)
11	Loss carried to Profit and Loss Account	(3206838022)	(3223406950)

2. Operations / Future Outlook

There were no operations during the year. The resultant Profit shown is due to Exceptional item.

The company is exploring the possibility of tying up with strategic partners or infusion of funds by investors into the company to take up distillery operations in which it has experience. The company is also looking at the option of getting back into liquor trading operations subject to obtaining necessary government approvals. The Company is also looking at possibilities of merger and restructuring which will result in synergies.

3. Dividend

The operations of your company during the year ended 31.03.2010 have resulted in a profit, which has accrued mainly on account of provisions written back. Hence, your directors do not recommend any dividend for the year.

4. Directors

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

5. Corporate Governance

A detailed Report on the Corporate Governance is separately annexed.

6. 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, 2010, 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 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.

7. 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

8. Particulars of Employees

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

9. 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 Limited, Mumbai



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Your company's equity shares have been suspended from trading in Mumbai Stock Exchange. The Company is taking steps for Revocation of suspension.

10. Subsidiary

M/s Atlas Hotels & Resorts Ltd ceases to be a Subsidiary, as the entire investment in the Subsidiary has been sold by the Company.

11. Auditors

M/s P A Reddy & Co., Chartered Accountants and M/s CNGSN & Associates, Chartered Accountants, Joint Statutory 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 over the years hence the company was not in a position to redeem the preference shares on the due dates and

is looking at negotiating with the bankers. **(Refer sl.no.4(d) of Auditors' Report)**

- b. The unquoted investments in preference shares held by the company are long term in nature and hence the valuation is not done. **(Refer sl.no.4(e)(i) and 4(f)(ii) of Auditors' Report)**
- c. The company is negotiating with the lender for complete / partial waiver of interest. Hence, no provision has been made for interest payable to them to the tune of ₹1.81 crores during the year. The same shall be accounted after the terms are finalized with the lender. **(Refer sl.no.4(f)(i) of Auditors' Report)**
- d. The effect of Audit qualifications has been summarized and quantified by the Auditors against the company's accounts **(Refer sl.no.4(f)(iii) of Auditors' Report)**.

12. Acknowledgement

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

By Order of the Board
For BALAJI HOTELS AND ENTERPRISES LIMITED

Place : Chennai
Dated: July 31, 2010

M. SREENIVASULU REDDY
Chairman



REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 31.03.2010

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

1) 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.

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

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 25.04.2009; 25.07.2009; 31.10.2009 and 30.01.2010.

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	-	2	1	-
2	M Dharmaraj	4	Yes	6	-	-
3	M Masthan Reddy	4	Yes	2	-	-
4	D Balakoteswara Rao	4	Yes	-	-	-

d) PARTICULARS OF RETIRING DIRECTORS

i) Shri M Dharmaraj is a Director since the Incorporation of the Company. He has about 38 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

ii) Shri D Balakoteswara Rao is a Director since 29.06.2001. He has about 14 years of experience and he is a Chartered Accountant. He is not a Director in any other company.

3) COMMITTEES OF THE BOARD

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



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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 3 members viz., M Dharmaraj, D Balakoteswara Rao and Shri M Masthan Reddy. D Balakoteswara Rao acts as Chairman of the Committee.

During the year, the committee met four times on 25.04.2009; 25.07.2009; 31.10.2009 and 30.01.2010. 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	4

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 11 times and attendance of each member at the Committee Meeting was as follows:

Committee Members	No. of Meetings attended
M Sreenivasulu Reddy	11
M Dharmaraj	11
D Balakoteswara Rao	11

As on 31.03.2010, there were no pending share transfers and there are no investor grievance complaints pending against the company.

4) ANNUAL GENERAL MEETINGS

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

Year	Location	Date	Time	No. of Special Resolutions
2006-07	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	29.09.2007	11.00 a.m.	-
2007-08	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	30.09.2008	11.00 a.m.	-
2008-09	Balamandir German Hall No.17, Prakasam Street, T Nagar Chennai 600 017.	29.09.2009	11.00 a.m.	-

None of the Special Resolutions were passed through postal ballot. No Special Resolutions on matters requiring postal ballot are placed before the shareholders at the forthcoming 21st Annual General Meeting.

5) DISCLOSURE

- a) During the year ended 31.03.2010, 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 viz., non-submission of Unaudited Quarterly Financial Results to the Stock Exchanges.
- c) Company's equity shares have been suspended from trading in Mumbai 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).

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.

7) GENERAL SHAREHOLDERS INFORMATION

- 1) Date, time and venue of 21st AGM : Wednesday, September 29, 2010 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 : 27.09.2010 to 29.09.2010 (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
3-6-275, Himayat Nagar, Hyderabad 500 029.
Tel: 91-40-23371701 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 not paid
- 7) ISIN No. : INE454A01011
- 8) Stock Code : 530471
- 9) Market Price Data

The company's securities have been suspended from Trading in Mumbai 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 (6 lines) Fax:91-44-28460129
E Mail: cameo@cameoindia.com
Website: www.cameoindia.com