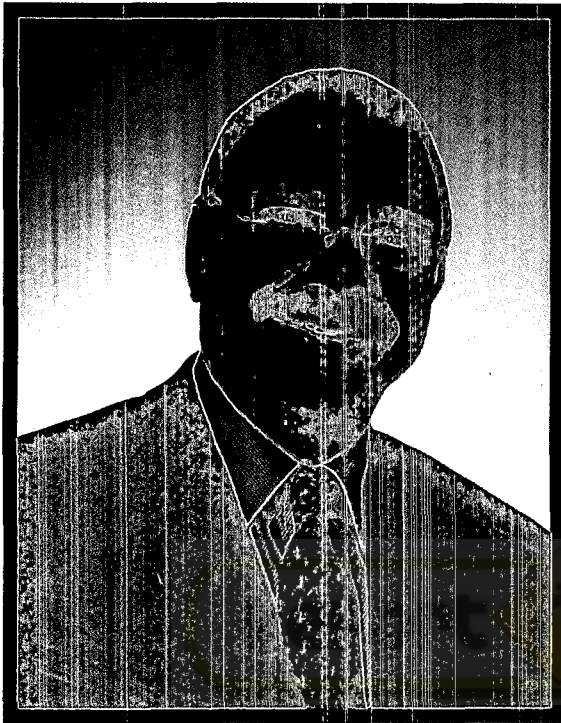


# ANNUAL REPORT

2006-2007



junction.com



BHARAT HOTELS LIMITED



**Lalit Suri**

(November 19, 1946 - October 10, 2006)

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**In us, you live.**

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## BHARAT HOTELS LIMITED

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### **CHAIRPERSON AND MANAGING DIRECTOR**

Ms. Jyotsna Suri

### **DIRECTORS**

Mr. Ramesh Suri

Mr. Hanuwant Singh

Mr. Dharam Veer Batra

Mr. Abhay Navalmal Firodia

Mr. Chakor Lalchand Doshi

Mr. Lalit Bhasin

Mr. Vinod Khanna

Dr. M.Y. Khan

Mr. V.N. Dhoot

### **VICE PRESIDENT & COMPANY SECRETARY**

Mr. Vijay K. Verma

### **SR. VICE PRESIDENT-FINANCE**

Mr. Arvind Sachdev

### **REGISTERED OFFICE**

Barakhamba Lane  
New Delhi - 110001

### **STATUTORY AUDITORS**

V. Sankar Aiyar & Co.  
Chartered Accountants  
Satyam Cinema Complex  
Ranjit Nagar Community Centre  
New Delhi-110008

### **BANKERS**

The Jammu & Kashmir Bank Ltd.  
Canara Bank

## BHARAT HOTELS LIMITED



## NOTICE

Notice is hereby given that the 26th Annual General Meeting of the members of Bharat Hotels Limited will be held on Friday the 24th August, 2007 at 3.00 P.M. at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110001 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the Financial Year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend for the financial year ended 31st March, 2007 .
3. To appoint a Director in place of Shri C.L. Doshi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri A.N. Firodia, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri D.V. Batra, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

**"RESOLVED** that consequent upon private placement of Equity Shares with Dubai Ventures Limited (Investor) and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company be altered in the manner following:

**A) In Article 1, the following definitions be inserted:**

"Affiliate" in relation to a body corporate, means any body corporate, partnership, association, foundation or other legal entity, which through ownership of voting stock or otherwise, directly or indirectly, is Controlled by, under common Control with, or in Control of such body corporate.

"Anti-Dilution Subscription Notice" shall have the meaning given to it in Article 181.6.

"Anti-Dilution Subscription Price" shall have the meaning given to it in Article 181.6.

"Anti-Dilution Subscription Shares" shall have the meaning given to it in Article 181.6.

"Anti-Dilution Valuation" on any day means an amount in Rupees equal to:

(i) the Subscription Amount; plus,

(ii) a compounded rate of return of LIBOR plus 100 basis points; minus

(iii) the aggregate of all dividends and other distributions paid or declared and payable by the Company to the Investor divided by the number of Subscription Shares, as adjusted for any stock splits and bonus issues.

"Articles" or "Articles of Association" shall mean these articles of the Company, as amended from time to time.

"Business" means the business of constructing, developing, marketing, managing and operating five star hotels being conducted by the Company and its Subsidiaries and includes all ancillary or allied businesses.

## BHARAT HOTELS LIMITED

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"Business Day" means a day other than Friday, Saturday or Sunday on which commercial banks are generally open for business in New Delhi and Dubai.

"Competitor" in relation to the Company means any person whose primary business is the Business.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities or by contract, and includes (a) ownership directly or indirectly of more than 50% of the voting power of such person, or (b) possession directly or indirectly of more than 50% of the voting power of such person. The expressions "Controls", "Controlling" and "Controlled" shall be construed accordingly.

"DHL" shall mean Deeksha Holding Limited, a limited liability company incorporated under the Companies Act, 1956 with the registration number 5515912 of 1983 and whose registered office is at 401 World Trade Towers, Barakhamba Avenue, Connaught Place, New Delhi 110 001, India.

"Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien (statutory or other), hypothecation, assignment, security interest or other encumbrances of any kind securing or conferring any priority of payment in respect of any obligation of any person and includes without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security in each case under any applicable law.

"Equity Shares" mean the equity shares issued by the Company with a par value of Rupees 10 each, with one vote per equity share.

"Financial Year" means each period of twelve (12) months commencing on April 1 and ending on March 31 of the next succeeding calendar year, which will be the fiscal year of the Company or such other period as the Board or the shareholders, as the case may be, determine in accordance with the provisions of the Act and these Articles of Association.

"Founders" shall mean, collectively, DHL and Jyotsna Suri, and individually any one of them.

"Founder Acceptance Notice" shall have the meaning given to it in Article 12B.2(c).

"Founder Right of First Refusal" shall have the meaning given to it in Article 12B.2(c).

"Founder Selling Shareholder" shall have the meaning given to it in Article 12B.1(c).

"Founder Transfer Notice" shall have the meaning given to it in Article 12B.1(c).

"Founder Transfer Price" shall have the meaning given to it in Article 12B.1(c).

"Founder Transfer Shares" shall have the meaning given to it in Article 12B.1(c).

"Further Securities" shall have the meaning given to it in Article 182.5.

"General Meeting" means any duly convened meeting of the equity shareholders of the Company in accordance with the Act, these Articles and/or relevant applicable law.

"Governmental Authority" means the government of any nation, state, city, locality or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Government Approvals" shall mean all approvals, as may be required, of the Government of India or any other Governmental Authority, including the approval of the Foreign Investment Promotion Board and the Reserve Bank of India.

"Investor" shall mean Dubai Ventures Limited, a limited liability company organized and existing under the laws of the Cayman Islands, with the Company Number PB148843 and with its principal place of business at Emirates Towers Offices, Level 38, Sheikh Zayed Road, PO Box 73311, Dubai, UAE.

"Investor Acceptance Notice" shall have the meaning given to it in Article 12B.1(d).



“Investor Anti-Dilution Subscription Shares” shall have the meaning given to it in Article 181.7.

“Investor Co-Sale Right” shall have the meaning given to it in Article 12B.1(b).

“Investor Issuance Shares” shall have the meaning given to it in Article 181.3.

“Investor Right of First Refusal” shall have the meaning given to it in Article 12B.1(b).

“Investor Transfer Date” shall have the meaning given to it in Article 12B.2(e).

“Investor Transfer Notice” shall have the meaning given to it in Article 12B.2(b).

“Investor Transfer Price” shall have the meaning given to it in Article 12B.2(b).

“Investor Transfer Shares” shall have the meaning given to it in Article 12B.1(b).

“Issuance Notice” shall have the meaning given to it in Article 181.2.

“Issuance Price” shall have the meaning given to it in Article 181.2.

“Issuance Shares” shall have the meaning given to it in Article 181.2.

“Party” means each of the Company, the Founders and the Investor.

“Put Notice” shall have the meaning given to it in Article 182.3.

“Put Option” shall have the meaning given to it in Article 182.3.

“Qualified IPO” means the initial public offering of Equity Shares that the Company and the Founders undertake to make best efforts to conduct at the earliest feasible date within 36 months of 11<sup>th</sup> June, 2007, or such extended period as may be mutually agreed among the Company, the Founders and the Investor, that satisfies all the following conditions: (a) the initial public offering consists of an offer in accordance with any applicable Requirement of Law, (b) the initial public offering is managed by a reputable investment banking firm of recognized high standing in the markets in which such Equity Shares are to be offered, and (c) the initial public offering complies with all applicable legal, regulatory and listing requirements.

“Recognized Stock Exchange” means the National Stock Exchange of India Limited, the Bombay Stock Exchange Limited or any internationally recognized stock exchange on which the Company’s Equity Shares are listed or to be listed.

“Relative” of a natural person means any parent, spouse, spouse’s brother, child, child’s spouse, grandchild or grandchild’s spouse of such person.

“Requirement of Law” means, in relation to any person, any law, statute, treaty, rule, regulation, licence or franchise or determination of an arbitrator or a court or other Governmental Authority or stock exchange, in each case applicable or binding upon such person or any of its properties or to which such person or any of its properties is subject or pertaining to any or all of the transactions contemplated or referred to herein.

“Subscription and Shareholders Agreement” shall mean the Subscription and Shareholders Agreement entered into among the Parties on May 21, 2007.

“Subscription Amount” shall mean the consideration for the Subscription Price per Equity Share, aggregating to Rupees 1,640,000,000.

“Subscription Price” means Rupees 400 per Equity Share.

“Subscription Shares” shall mean 4,100,000 Equity Shares of the Company subscribed to by the Investor.

“Subsidiaries” mean, as of the date of the Subscription and Shareholders Agreement, Udaipur Hotels Limited, Apollo Zipper India Limited, Khajuraho Hotels Limited, Jyoti Limited, Prime Cellular Limited and Prima Buildwell Private Limited, and as of a future date, any subsidiaries of the Company on such date.



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"Third Party Purchaser" shall have the meaning given to it in Article 12B.1(a).

"Transfer" in relation to an Equity Share, means the direct or indirect transfer by way of sale, gift, assignment or other disposition of such Equity Share or the transfer of legal or beneficial ownership by any other means or the declaration of a trust or creation of an Encumbrance in or over such Equity Share.

"Transferor Affiliate" shall have the meaning given to it in 12B.1(h).

"Transfer Date" shall have the meaning given to it in Article 12B.1(e).

### **B) AFTER THE EXISTING ARTICLE 12A, THE FOLLOWING NEW ARTICLE BE INSERTED:**

#### **"12B Transfer of Shares**

##### **12B.1 Transfer by Founders**

(a) Subject to Article 12B.1(h):

- (i) each Founder undertakes that it shall not, prior to the completion of the Qualified IPO, directly or indirectly, Transfer any Equity Shares held by it to any third party purchaser (the "Third Party Purchaser") unless after such Transfer the Founders, collectively, will continue to hold at least 40% of the then paid up equity share capital of the Company free from all Encumbrances; and.
  - (ii) Jyotsna Suri represents and confirms that as on the date hereof, she and other bodies corporate Controlled by her, hold 81% of the issued and paid-up equity share capital of DHL. Jyotsna Suri undertakes that she shall not transfer any shares held by her, and shall procure that any body corporate Controlled by her does not transfer any shares held by it, in DHL to any Third Party Purchaser and shall procure that DHL does not make a preferential allotment of its shares or securities to any person without the prior written consent of the Investor unless after such Transfer or preferential allotment she, together with any body corporate Controlled by her, will continue to hold at least 51% of the then paid up equity share capital of DHL free from all Encumbrances.
- (b) If a Transfer of Equity Shares held by a Founder would result in the Founders, collectively, holding less than 40% of the then paid up equity share capital of the Company free from all Encumbrances (it being clarified that the rights of the Investor under this Article 12B.1(b) shall be available to the Investor for any and all Transfers by a Founder after the collective holding of the Founders is below 40% of the paid up equity share capital of the Company free from all Encumbrances at the time of such Transfer(s)), the Investor shall have, exercisable at its sole discretion:
- (i) a right of first refusal to purchase any or all of the Equity Shares being offered by such Founder to any Third Party Purchaser at the same price and on the same terms as those offered by the Third Party Purchaser (the "Investor Right of First Refusal"); or
  - (ii) a co-sale right to sell either (A) its pro-rated share or a part thereof, of the Equity Shares being offered by such Founder to any Third Party Purchaser if Jyotsna Suri, together with her Relatives and any body corporate Controlled by her, will following the proposed Transfer, continue to Control the Company; or (B) all of the Equity Shares held by it if Jyotsna Suri, together with her Relatives and any body corporate Controlled by her, will, following the proposed Transfer, cease to Control the Company (in each case, the "Investor Transfer Shares"), at the same price and on the same terms as those offered by the Third Party Purchaser (the "Investor Co-Sale Right").
- (c) Subject to Articles 12B.1(a) and 12B.1(h), if any Founder (the "Founder Selling Shareholder") proposes to Transfer any Equity Shares held by it (the "Founder Transfer Shares") to any Third





Party Purchaser, it shall first deliver a written notice (the "Founder Transfer Notice") to the Investor, setting forth in detail the terms of the proposed Transfer, including identity of, and information about, the Third Party Purchaser, the purchase price per Founder Transfer Share (the "Founder Transfer Price") and the aggregate number of Founder Transfer Shares proposed to be Transferred to the Third Party Purchaser.

- (d) Upon receipt of the Founder Transfer Notice, the Investor shall have the right, exercisable at its sole discretion, to purchase any or all of the Founder Transfer Shares being offered by such Founder to the Third Party Purchaser from the Founder Selling Shareholder or to sell the Investor Transfer Shares to any Third Party Purchaser, at the Founder Transfer Price and on the terms and conditions mentioned in the Founder Transfer Notice, by serving upon the Founder Selling Shareholder a written notice (the "Investor Acceptance Notice") within twelve (12) Business Days of receipt of the Founder Transfer Notice by the Investor. If the Investor does not deliver an Investor Acceptance Notice within twelve (12) Business Days of receipt of the Founder Transfer Notice, it shall be deemed to have declined to exercise the Investor Right of First Refusal or the Investor Co-Sale Right.
- (e) If the Investor exercises the Investor Right of First Refusal, the Investor shall within twelve (12) Business Days of the date of the Investor Acceptance Notice (the "Transfer Date") transfer the aggregate Founder Transfer Price in respect of the Equity Shares specified by it in the Investor Acceptance Notice in immediately available funds as consideration for such Equity Shares to an account or accounts notified by the Founder Selling Shareholder to the Investor in writing prior to the Transfer Date.
- (f) If the Investor exercises the Investor Co-Sale Right, the Founder Selling Shareholder shall procure that Third Party Purchaser simultaneously acquires the Founder Transfer Shares and the Investor Transfer Shares from the Investor for the same consideration per Equity Share and upon the same terms and conditions as are to be given to the Founder Selling Shareholder.
- (g) If the Investor declines the offer set forth in the Founder Transfer Notice, or such offer is deemed to be declined pursuant to Article 12B.1(d), the Founder Selling Shareholder shall be entitled, at any time within forty eight (48) Business Days following the earlier of (i) receipt by the Founder Selling Shareholder of the refusal of the Investor to acquire any or all of the Founder Transfer Shares, and (ii) expiration of the twelve (12) Business Days period specified in Article 12B.2 (d), to Transfer any or all of the Founder Transfer Shares to the Third Party Purchaser at such price and on such terms and conditions as are no more favourable to the Third Party Purchaser than those indicated in the Founder Transfer Notice, provided that the Third Party Purchaser shall have executed a deed of adherence in the form set forth in Schedule 7 of the Subscription and Shareholders Agreement. If the Founder Selling Shareholder does not complete the sale of any or all of Founder Transfer Shares within such period of 48 Business Days, the right of the Founder Selling Shareholder to Transfer any Founder Transfer Shares to the Third Party Purchaser shall lapse and the provisions of this Article 12B.1 shall once again apply to the Founder Transfer Shares.
- (h) Notwithstanding anything to the contrary contained in the Subscription and Shareholders Agreement, the Founders shall be entitled to Transfer Equity Shares (i) inter se among themselves, (ii) to an Affiliate, provided such Affiliate executes a deed of adherence in a form as set out in Schedule 7 to the Subscription and Share Purchase Agreement before the registration of such Transfer. If an Affiliate to whom Equity Shares are transferred ceases to be an Affiliate of the transferring Shareholder (the "Transferor Affiliate"), then the transferring Shareholder shall buy back or otherwise require another Affiliate (which Affiliate shall execute a deed of adherence in a form as set out in Schedule 7 to the Subscription and Shareholders Agreement) to acquire the Equity Shares from such Transferor Affiliate, before such Transferor Affiliate ceases to be an Affiliate of the transferring Shareholder, or (iii) to a Relative, without having to comply with this

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Article 12B.1, provided such Relative executes a deed of adherence in a form as set out in Schedule 7 to the Subscription and Shareholders Agreement before the registration of such Transfer.

### 12B.2 TRANSFER BY INVESTOR

- (a) Notwithstanding anything to the contrary contained in the Subscription and Shareholders Agreement, and provided that Jyotsna Suri, together with her Relatives and any body corporate Controlled by her, Controls the Company, the Investor shall not, without the prior written consent of the Founders, Transfer any Equity Shares held by it to any Competitor.
- (b) If the Investor proposes to Transfer the Investor Transfer Shares to any Third Party Purchaser, it shall first deliver a written notice (the "Investor Transfer Notice") to the Founders, setting forth in detail the terms of the proposed Transfer, including identity of, and information about, the Third Party Purchaser, the purchase price per Investor Transfer Share (the "Investor Transfer Price") and the aggregate number of Investor Transfer Shares proposed to be Transferred to the Third Party Purchaser.
- (c) Upon receipt of the Investor Transfer Notice, the Founders shall have the right (the "Founder Right of First Refusal"), exercisable at their sole discretion, to purchase all of the Investor Transfer Shares from the Investor, at the Investor Transfer Price and on the terms and conditions mentioned in the Investor Transfer Notice, by serving upon the Investor a written notice (the "Founder Acceptance Notice") within twelve (12) Business Days of receipt of the Investor Transfer Notice by the Founders. If the Founders do not deliver a Founder Acceptance Notice within twelve (12) Business Days of receipt of the Investor Transfer Notice, they shall be deemed to have declined to exercise the Founder Right of First Refusal.
- (d) The Founders shall have a right to purchase all of the Investor Transfer Shares offered in the Investor Transfer Notice either by themselves and/or through their Affiliates or Relatives, subject to the execution of a deed of adherence by such Affiliate or Relative in a form set out in Schedule 7 to the Subscription and Share Purchase Agreement, who acquires any of the Investor Transfer Shares.
- (e) If the Founders exercise their Founder Right of First Refusal, the Founders shall, within forty five (45) calendar days of the date of the Founder Acceptance Notice (the "Investor Transfer Date") transfer the aggregate Investor Transfer Price in respect of the Equity Shares specified in the Investor Transfer Notice in immediately available funds as consideration for such Equity Shares to an account or accounts notified by the Investor to the Founders in writing prior to the Investor Transfer Date.
- (f) If the Founders decline the offer set forth in the Investor Transfer Notice, or such offer is deemed to be declined pursuant to Article 12B.2(c), the Investor shall be entitled, at any time within forty eight (48) Business Days following the earlier of (i) receipt by the Investor of the refusal of the Founders to acquire all of the Investor Transfer Shares, and (ii) expiration of the twelve (12) Business Day period specified in Article 12B.2 (c), to Transfer all such Equity Shares to the Third Party Purchaser at such price and on such terms and conditions as are no more favourable to the Third Party Purchaser than those indicated in the Investor Transfer Notice, provided that (i) as long as Jyotsna Suri, together with her Relatives and any body corporate Controlled by her, Controls the Company, such third parties are not Competitors and (ii) the Third Party Purchaser shall have executed a deed of adherence in the form set forth in Schedule 7 of the Subscription and Shareholders Agreement. If the Investor does not complete the sale of all of the Investor Transfer Shares within such period of forty eight (48) Business Days, the Investor's right to sell the Investor Transfer Shares shall lapse and the provisions of this Article 12B.2 shall once again apply to the Investor Transfer Shares.

12B.3 The Parties agree that they shall require their Affiliates or any person to whom any shares are Transferred to be bound by the terms and conditions of the Transfer and for this purpose require