

CHL LIMITED

ANNUAL REPORT
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SURYA NEW DELHI
NEW FRIENDS COLONY, NEW DELHI-110 065

CHL Limited**23rd Annual General Meeting**

Date	:	31st July, 2002
Day	:	Wednesday
Time	:	10.00 a.m.
Place	:	Registered Office Hotel Crowne Plaza Surya New Friends Colony New Delhi-110 065

BOARD OF DIRECTORS

Mr. L. K. Malhotra (Chairman & Managing Director)
 Mr. D. V. Malhotra
 Mr. A. K. Malhotra
 Mr. B. N. Malhotra
 Mr. O. P. Bajaj
 Mr. Subhash Ghai
 Mr. Kumud Malhotra
 Mr. Luv Malhotra (Executive Director)
 Mr. Harish C. Bhasin (Additional Director)

Company Secretary

Mr. Ravi Venkatesan

Auditors

G. Rai & Co.
 Chartered Accountants
 29A/1, Asaf Ali Road,
 New Delhi-110 002.

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Bankers

State Bank of India
 Standard Chartered Bank
 Lord Krishna Bank Ltd.
 Jammu & Kashmir Bank Ltd.

Registrar and Share Transfer Agents

RCMC Share Registry (P) Ltd.
 1515, (1st Floor), Bhisham Pitamah Marg,
 Kotla Mubarakpur, New Delhi-110003

Regd. Office

Hotel Crowne Plaza Surya
 Friends Colony
 New Delhi-110 065
 Phone : 91-11-6835070
 Fax : 91-11-6837758
 E-mail : cosmohtl@del2.vsnl.net.in



NOTICE:

NOTICE is hereby given that the 23rd Annual General Meeting of the members of CHL Limited will be held on Wednesday, the 31st July, 2002 at 10.00 a.m. at the Registered Office of the Company at Hotel Crowne Plaza Surya, Friends Colony, New Delhi 110 065, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. O P Bajaj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B N Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary Resolution:

"Resolved that Mr. Harish C. Bhasin be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement by rotation".

New Delhi
June 29, 2002

By order of the Board
Ravi Venkatesan
Company Secretary

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself. A proxy need not be a Member of the Company. Proxies must reach the Company's registered office atleast 48 hours before the time fixed for the meeting.
2. The Register of Members & Share Transfer Books of the Company will remain closed from 29th July, 2002 to 31st July, 2002 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto.
4. Members are requested to notify immediately changes, if any, in their respective addresses quoting their Folio Numbers to the Company's Share Transfer Agents - M/s RCMC Share Registry (P) Ltd., 1515, (1st Floor) Bhisham Pitamah Marg, Kotla Mubarakpur (Near South Extension) New Delhi -110003.
5. A member or his Proxy is requested to produce at the entrance of the Meeting Hall Attendance Slip forwarded to the Member duly completed and signed.
6. A Member or his proxy is requested to bring the copy of the Annual Report sent to the Member as extra copy thereof will not be supplied at the venue of the meeting.
7. As per the provisions of Section 205A & C of the Companies Act, 1956 for the financial year ended 31st March 1996 and thereafter, dividends which remain unpaid or unclaimed for a period of 7 years in the Unpaid Dividend Account for the respective financial year of the Company is to be transferred to the

CHL Limited

Investor Education and Protection Fund of the Central Government. Thereafter, shareholders would not be able to lodge claims for the unencashed dividends declared for F.Y 1995-96, 1996-97, 1997-98 and 1998-99.

8. Under the provisions of the Companies Act, 1956, members may file Nomination Forms in respect of their shareholdings. Any Member willing to avail of this facility may submit to the Company the prescribed Form 2B or write to/contact the Company Secretary of the Company in this respect.
9. Members wishing to seek further information on the Accounts or the operations of the Company at the meeting are requested to send their queries atleast a week in advance of the date of the meeting to the Company Secretary.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.5**

Mr. Harish C. Bhasin was appointed as an Additional Director on the Board w.e.f. 31st October, 2001 pursuant to Article 85(6) of the Company's Articles of Association read with Section 260 of the Act and holds office till this Annual General Meeting. The Company has received notice from a Member in pursuance of Section 257 of the Act proposing appointment of Mr. Bhasin as a Director of the Company.

Mr. Bhasin, (61 years), is a Promoter of HB Group and its present Chairman. Mr. Bhasin possesses expert knowledge in areas of Merchant Banking, Leasing, Investment Banking, Asset Management and Financing. He has over 36 years of experience in Financial Services and has been the President of the Delhi Stock Exchange Association from 1986 to 1991 and is a recognised authority on matters pertaining to Indian Capital Markets.

Mr. Bhasin holds Directorship and Membership of Committees of the Board in the following other companies:-

<u>Sl.No.</u>	<u>Name of Companies</u>	<u>Nature of office held</u>
1.	HB Leasing & Finance Company Ltd.	Chairman
2.	HB Stockholdings Ltd.	Chairman
3.	HB Portfolio Ltd.	Chairman
4.	HB Financial Consultants Private Ltd.	Chairman
5.	Creditcapital Investment Trust Company Ltd.	Director
6.	HB Securities Ltd.	Director
7.	HB Corporate Service Ltd.	Director
8.	Bhasin Investments Ltd.	Director
9.	Indo Swiss Time Ltd.	Director
10.	Indo Continental Hotels & Resorts Ltd.	Director
11.	Machino Plastics Ltd.	Director & Member, Audit Committee & Investor Grievance Committee
12.	Monnet Ispat Ltd.	Director
13.	Raja Ram Bhasin Share & Stock Brokers Ltd.	Director
14.	Bhasin Share & Stock Brokers Ltd.	Director
15.	HBB Properties Pvt. Ltd.	Director

The Board recommends the passing of the resolution. No Director of the Company except Mr. Bhasin is concerned or interested in the said resolution.

New Delhi
June 29, 2002

By order of the Board
Ravi Venkatesan
Company Secretary



**DIRECTORS' REPORT
TO THE MEMBERS OF
CHL LIMITED**

Your Directors have pleasure in presenting their 23rd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

	(Rs. in lacs) <u>2001-2002</u>	(Rs. in lacs) <u>2000-2001</u>
Sales	2141.70	2525.60
Other Income	<u>92.07</u>	<u>81.77</u>
Total Income	2233.77	2607.37
Total Expenses	<u>2310.88</u>	<u>2414.12</u>
Gross Profit/(Loss) before interest, Depreciation & Tax	(77.11)	193.25
Less : Finance Charges	166.40	113.02
Less : Depreciation	290.53	274.10
Less : Deferred Revenue Expenditure	<u>3.03</u>	<u>—</u>
Profit/(Loss) before Tax	(537.07)	(193.87)
Less : Provision for Taxes	<u>1.47</u>	<u>1.21</u>
Net Profit/(Loss) for the year	(538.54)	(195.08)
Add :		
Provision for Taxation written back	<u>—</u>	<u>9.01</u>
Net Profit/(Loss)	(538.54)	(186.07)
Add : Profit/(Loss) brought forward from previous year	379.93	566.00
Profit / (Loss)	<u>(158.61)</u>	<u>379.93</u>

Your Directors have not proposed any dividend in view of loss in the year under review.

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2. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development

The Business Confidence level of the hotel industry in India is low at the moment. The events following the terrorist attacks on the World Trade Centre in America on September 11, 2001 and subsequently the war in Afghanistan, terrorist attack on the Indian Parliament, probability of war in the Indian subcontinent have taken a heavy toll on the travel and tourism industry of India and foreign visitor arrivals are at a trickle. Foreign governments like US, UK, Japan, Australia, New Zealand, Canada, France etc. are advising their citizens to leave India and cancel their travel plans to this region due to the security fears, concern and welfare for their citizens. Apart from the terrorist attacks and security fears of the foreign countries, there is also an impact of recession in the America and United Kingdom.

The Indian economy too has been going through a slowdown during the last few months. This has affected the domestic occupancy levels in hotels. The Centre for Monitoring Indian Economy (CMIE) has projected a Gross Domestic Product (GDP) growth rate of 4.5% in fiscal 2002-2003 which is lower than the Central Bank's projection of 6.0 - 6.5% due to weakness in the Farm and Services sectors and moderate expansion in the Manufacturing Sector.

(b) Product wise performance, outlook, opportunities, threats, risks & concerns.

The total revenue of the Company was Rs. 21.42 crores of which revenue from Hotel Rooms was Rs. 9.05 crores and from Food and Beverages was Rs. 7.82 crores.

A Profile of the business unit:

Hotel Crowne Plaza Surya, a 5-Star Deluxe Hotel owned by CHL Limited, is in the heart of Friends Colony in South Delhi at a distance of 20 minutes drive from Delhi's prime commercial centre, Connaught Place and 40 minutes drive from the domestic airport. It is the most ideal base to explore the tourist and historical attractions of the city.

It has a host of in-house facilities, multi cuisine restaurants, spacious banquet facilities, discotheque and health club. Hotel Crowne Plaza Surya has 196 luxurious rooms and suites, with state of the art facilities like electronic digital safe, live satellite news and entertainment transmission, provision for hooking the lap-top computers to the net. The Hotel has been designed exclusively for the business travelers, keeping in mind the modern needs and comforts of the businessmen.

Chinese cuisine in the city never reaches the heights as it does in the Hotel's 94 cover Sampan Restaurant with a 6 member Live Band. Besides, Sampan Restaurant there are other restaurants like Sikandra which serves Mughlai cuisine and Le Café which serves Continental cuisine. Mirage, the discotheque is synonymous with sheer entertainment and the very latest of gizmos like laser lights, color changers, projected effects on a hydraulic operated moving structure, making the light effects seem different with each movement of the light rig.

The Fitness Center; CLUB ONE is everything you could ask for with sauna, steam, chilled / impulse baths, Jacuzzi, Swedish massages, aerobics, yoga counseling and a fully equipped gymnasium with the latest in electronic fitness equipment.

In the coming years, outlook is expected to be better as the Centre and State Governments are more aware now that travel and tourism is an important economic activity. In the Finance Budget 2002, the plan outlay for tourism development has been increased by 50 per cent to Rs.225 crores.

The Budget overall has been favourable for the Hotel Industry. Initiatives are to be taken by the Government to streamline the approvals process for construction of buildings, development of tourist spots, highway, airport, infrastructure development. Henceforth, Expenditure tax will be applicable to room charges only



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and will be payable only where such charges are Rs.3000 or more per room night as against the existing threshold of Rs.2000 per room night. The deduction available to Hotels under Section 80 HHD of the Income Tax Act in respect of Foreign Exchange earnings of Hotel has been enhanced. Additionally, the Basic Customs duty on imported liquor has been brought in line with WTO bound rates (from 210 per cent to 182 percent). Countervailing duty rates applicable to liquor and wine stand rationalised at 75 percent for value upto \$25 per case and 50 percent for others. Service Tax exemption for services provided by Hotels has been extended till March 31, 2003.

(c) Internal Control System and their adequacy

In the opinion of the management, the internal control systems are adequate. Internal checks, interdependence of jobs responsibilities ensures joint discussions and approvals before any financial commitment is made. Further, periodic audits by internal and statutory audits and regular meetings of the Audit Committee of Board of Directors wherein financial matters are discussed reinforce the impact of Internal Controls.

(d) Financial and Operational Performance:

The present scenario in the Hotel Industry is one of cut throat competition. The income spread is becoming marginal. Due to various political uncertainties and terrorist activities all over the globe in the latter half of the year under review tourism worldwide was at its lowest ebb and this country was no exception to the general scenario. The second half of the previous year witnessed unprecedented cancellation of bookings and business was generally dull. Thus in the financial year 2001-2002, an unprecedented situation of operational losses never before faced by the company in its history was seen.

The Company's financial performance has been in line with the general down trend in Hotel Industry. The total revenue was Rs. 22.34 crores and the total expenses was Rs. 24.77 crores.

The net loss for the year under review is Rs. 5.39 crores as against a net loss of Rs.1.86 crores for the previous financial year. There has been a decrease in the operational & general expenses by 1.62 crores.

(e) Human Resources and Industrial Relations

The HRD Department of the hotel looks after the training requirements for general management, kitchens and housekeeping. The company has paid attention to recruitment and development of all categories of staff. The total regular employees of the Company are 517 (Executives - 64 and Staff - 453) and contractual employees are 79. The industrial relations between the employees and the Company continue to be cordial and your Directors wish to place on record their appreciation for the contribution made by the employees at all levels.

3. HOTEL PROJECT IN TAJIKISTAN

Negotiations are at a progressive stage with Govt. of India, European Bank for Reconstruction & Development and International Finance Corporation for financing the Hotel construction in Tajikistan. The project architecture has been approved by the Govt. of Tajikistan and their permission order to start construction of the Hotel as well as Land Lease Certificate for 100 years is awaited.

4. DIRECTORS

The Board approved the cooption of Mr. Harish C. Bhasin, as an Additional Director, in their meeting of October 31, 2001. He holds office upto the date of the ensuing AGM of the Company and is eligible for election by the Company as a Director at this meeting. A notice has been received from a shareholder under Section 257 of the Companies Act, 1956 signifying his intention to propose the election of Mr. Harish C. Bhasin as a Director of the Company. Mr. O P Bajaj and Mr. B N Malhotra being eligible for re-election on retirement by rotation, offer themselves for reappointment.

CHL Limited**5. DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) of the Companies Act, 1956 (Act) , the Directors confirm as under:

- (i) that in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- (ii) that the accounting policies have been applied consistently, judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the accounting year and of the loss of the company for that period;
- (iii) that proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been made.
- (iv) that the annual accounts have been prepared on a going concern basis.

6. Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules 1975, as amended) is given below:

Name of the Employee	-	Mr. L K Malhotra
Designation	-	Chairman & Managing Director
Remuneration	-	Rs. 19.44 lacs per annum
Qualification	-	B.A.
Experience	-	37 years
Date of joining	-	15.7.1985
Age	-	58 years
Last Employment	-	Managing Partner, Ashraf & Malhotra, Kuwait

Notes: The appointment is contractual and Gross remuneration comprises of salary, allowances, medical expenses, leave travel assistance and Company's contribution to Provident Fund and is subject to the provisions of Income Tax Act & Rules. Mr. L K Malhotra is related to Mr. D V Malhotra, Mr. A K Malhotra, Mr. B N Malhotra, Mr. Kumud Malhotra and Mr. Luv Malhotra, directors of the Company.

7. AUDITORS' REPORT

As regards Auditor's observations, the notes on accounts are self-explanatory.

8. AUDITORS

M/s G Rai & Co., Chartered Accountants, Auditors of the Company, are retiring at the ensuing Annual General Meeting of the Company, Members are requested to approve their reappointment as Statutory Auditors.

9. PARTICULARS AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988

**CONSERVATION OF ENERGY**

Your Company has been continuously creating general awareness amongst staff members of the need to conserve energy. The AHUs are being replaced wherever necessary for saving energy. The thermostat motorised valves are being replaced in the guest rooms along with renovation to achieve better energy conservation. The old electrical fittings are being replaced with new fittings like halogens, compact fluorescent lamps in the guest rooms. As a measure of pollution control and energy saving device your Company has resorted to the use of CNG through pipeline gas for boiler and kitchen and old cooling towers have been replaced with better energy efficient ones. Your Company, being engaged in the operation of a Hotel, details as per Form 'A' are not applicable.

TECHNOLOGY ABSORPTION

Particulars in regard to technological absorption are not applicable. The Hotel operations are environmentally safe and healthy.

FOREIGN EXCHANGE EARNING & OUTGO

During the year under review, your Company earned Foreign Exchange equivalent to Rs. 812.76 lacs (previous year Rs. 775.53 lacs) and used foreign exchange to the extent of Rs 218.70 lacs (previous year Rs. 248.54 lacs).

10. ACKNOWLEDGEMENTS

The Directors acknowledge the continued cooperation and help received from the Financial Institutions, Banks and Central & State Government Departments, especially Department of Tourism. The Directors also wish to place on record the support and confidence reposed in the Management by the employees, shareholders and customers.

For & on behalf of the
Board of Directors

NEW DELHI
June 29, 2002

(L. K. MALHOTRA)
CHAIRMAN



CHL Limited**CORPORATE GOVERNANCE****1. THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:**

The guiding philosophy of your Company is transparency & accountability in business operations, maximisation of revenues, minimisation of production costs & general overheads and achieving customer satisfaction without compromising on integrity.

2. BOARD OF DIRECTORS COMPOSITION

Name of the Director	Category	No. of Directorships held in other Companies*	No. of Board Committee Membership held in other Companies*
Mr. L K Malhotra	Chairman & Managing Director (Interested)	4	Nil
Mr. D V Malhotra	Director (Interested)	Nil	Nil
Mr. B N Malhotra	Director (Interested)	1	Nil
Mr. A K Malhotra	Director (Interested)	1	Nil
Mr. O P Bajaj	Director (Independent)	Nil	Nil
Mr. Kumud Malhotra	Director (Interested)	Nil	Nil
Mr. Subhash Ghai	Director (Independent)	2	Nil
Mr. Luv Malhotra	Executive Director (Interested)	Nil	Nil
Mr. Harish C. Bhasin	Director (Independent)	13	2

* Excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956.

The Company is taking necessary steps to comply with the guideline that at least half the Board should comprise of Non-executive Independent Directors in the current financial year.

Meetings and Attendance : During the year ended March 31, 2002 five Board Meetings were held on 26.04.2001, 28.7.2001, 21.9.2001, 31.10.2001 and 31.01.2002. Attendance of Directors at Board Meetings and at the 22nd Annual General Meeting held on 21.09.2001 is as under:

Name of the Director	No. of Board Meetings attended	Whether attended the AGM
Mr. L K Malhotra	4	No
Mr. D V Malhotra	3	Yes
Mr. A K Malhotra	4	Yes
Mr. B N Malhotra	3	No
Mr. O P Bajaj	4	Yes
Mr. Kumud Malhotra	3	Yes
Mr. Subhash Ghai	1	No
Mr. Luv Malhotra	5	Yes
Mr. Harish C. Bhasin*	2	N.A.

* Appointed w.e.f. 31.10.2001

3. COMMITTEES OF THE BOARD**(i) Audit Committee**

Terms of Reference of the Audit Committee are as per Section 292 A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the Delhi Stock Exchange that inter-alia, include overseeing financial reporting processes, reviewing half yearly and annual financial results, adequacy of internal control systems, internal audit function, discussions with the auditors about the scope of audit including the observations of the auditors and discussion with internal auditors on any significant findings.