

28th Annual Report

2007-2008

HOTEL HAVELI



GANDHINAGAR HOTELS LIMITED

GANDHINAGAR HOTELS LIMITED

BOARD OF DIRECTORS

Major Vinodchandra P Joshi (Retd.)	Chairman & Managing Director
Smt. Pragnaben V Joshi	Director
Shri Pritesh V Joshi	"
Shri Popatlal V Patel	"
Shri Kantilal S Trivedi	"
Shri Shantilal M Savla	"
Shri Kantilal V Savla	"
Shri Jasuji P Rana	"
Shri Tribhovandas I Amin	"
Shri Govindbhai N Shah	"
Shri Dilipkumar K Trivedi	"
Wg. Cdr Manik Anchalia	"

AUDITORS

M/s. Manoj Lekinwala & Co.,
Chartered Accountants

REGISTERED OFFICE

Plot No. 235, Sector 11
"Hotel Haveli"
CH - Road,
Gandhinagar - 382 011

BANKERS

Gandhinagar Nagarik Co-op. Bank Ltd.
HDFC Bank Ltd.
Bank of Baroda

NOTICE

NOTICE is hereby given that the **Twenty Eighth Annual General Meeting** of the members of the Company, will be held on **Tuesday, 30th September, 2008 at 11.00 a.m.** at Hotel Haveli, Plot No.235, Sector-11, Gandhinagar, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt audited accounts for the year ended on 31st March, 2008 together with the reports of the Directors and Auditors thereon for the year ended on that date.
2. To appoint a Director in place of Shri Pritesh V Joshi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Popatlal V Patel, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Kantilal V Savla, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Govindlal N Shah, who retires by rotation but who does not offer himself for reappointment.
6. To appoint Auditors and authorize Board 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 subject to the provisions of Section 198, 269, 309, 310, 311, Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby given to the re-appointment of Major Vinodchandra P Joshi (Retd) as a Chairman and Managing Director of the Company for a further period of five years w.e.f. 1st September, 2008 on a salary of Rs.1,00,000/- per month in the scale of Rs.1,00,000-25,000-2,00,000/- plus perquisites as per the fresh terms and conditions as mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER THAT In the event of Loss or Inadequacy of Profits, in any financial year, during the tenure of Major V P Joshi (Retd), consent of the Company be and is hereby given for payment of remuneration by way of salary, perquisites, bonus and allowances as stated above as minimum remuneration."

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorized to alter and/or amend the terms and conditions including remuneration payable to Major V P Joshi (Retd) as Chairman and Managing Director of the Company within the ceiling limits laid down in Schedule XIII to the Companies Act, 1956 and to do all such acts, deeds, incidental matters and things, as they may in their absolute discretion deem necessary, proper or desirable and to resolve any query or dispute for the purpose."

By order of the Board
For **GANDHINAGAR HOTELS LTD**

Major Vinochandra P Joshi (Retd)
Chairman & Mg. Director

Place : Gandhinagar
Date : 28.07.2008

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and Clause 49 of the Listing Agreement, in respect of item No. 2 to 5 and 7 are annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company shall remain closed from Wednesday, 24th September, 2008 to Tuesday, 30th September, 2008 (Both days inclusive).
4. Members desirous of any information or clarification on accounts, are requested to write to the Company atleast 10 days in advance of the meeting.
5. Members are requested to notify change in address, if any, immediately to the Registrar of the Company M/s. Intime Spectrum Registry Limited., Ahmedabad.

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956 and Pursuant to Clause 49 of the Listing Agreement)

Item No. 2

Shri Pritesh V Joshi is aged about 35 years and he is a MBA (Finance). He is a son of Major Vinodchandra P Joshi and Smt Pragnaben V Joshi. He has wide experience in hospitality and hotel industry. The Board recommends his re-appointment.

None of the Directors except Major V P Joshi (Retd.), Pragnaben V Joshi and Shri Pritesh V Joshi, is concerned or interested in the Resolution.

Item No. 3

Shri Popatlal V Patel is aged about 61 years and is graduate. He is a promoter Director of the Company and has wide experience in hotel and other business. He was an Ex-MLA of the Gujarat State Assembly. The Board recommends his re-appointment.

None of the Directors except Shri Popatlal V Patel, is concerned or interested in the Resolution.

Item No. 4

Shri Kantilal V Salva is aged about 63 years. He has very wide experience in various industries. The Board recommends his re-appointment.

None of the Directors except Shri Kantilal V Salva, is concerned or interested in the Resolution.

Item No. 5

Shri Govindlal N Shah is aged about 75 years. He is retiring at the ensuing Annual General Meeting. However, he does not offer himself for re-appointment. The Board of Directors hereby appreciates his services rendered during his tenure. The resultant casual vacancy is not proposed to be filled in.

None of the Directors except Shri Govindlal N Shah, is concerned or interested in the Resolution.

Item No.6**Re-appointment of Major Vinodchandra P Joshi(Retd.) as Chairman and Managing Director**

The present tenure of **Major Vinodchandra P Joshi (Retd.)** as Chairman and Managing Director of the Company expires on 31st August, 2008. He is also a Chairman of the Gandhinagar Leasing and Finance Ltd, Pragna Finance Pvt Ltd, Gandhinagar. The Board of Directors of the Company at their meeting held on 28th July, 2008, considered the experience and expertise of Major Joshi and the contribution given by him for growth of the Company. The Board unanimously re-appointed him as Chairman and Managing Director of the Company for a further period of 5 (five) years with effect from 1st September, 2008 to 31st August, 2013, subject to the approval of the Shareholders in their next Annual General Meeting.

1. REMUNERATION :

A) **Salary** : Rs.1,00,000/- per month in the scale of Rs.1,00,000-Rs.25,000-Rs.2,00,000/-. The first increment will be from 1st April 2009 and thereafter from April 01, each year.

B) **Bonus/Ex-gratia**: Payment of Bonus or Ex-gratia, in lieu of Bonus subject to a ceiling of One Month's salary in a year.

2. Commission : Not exceeding 5% (Five) of the Net Profits of the Company for each financial year, as may be decided by the Board of Directors and subject to the overall limits as stipulated under Sections 198, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956 and computed in the manner prescribed under Section 349 and 350 of the Companies Act, 1956.

3. Perquisites:

The Managing Director shall be entitled to all the perquisites (Restricted to an amount equal to 125% of annual salary) listed herein below in addition to the salary and commission mentioned above:

- a. **Housing** : The Company shall provide furnished accommodation, which includes electricity, gas, water, furniture, fixtures, security personal and other related items. The Managing Director shall be reimbursed all such expenses for his residence on actual basis.
- b. **Medical Reimbursement** : Actual expenses incurred by **Major Vinodchandra P Joshi (Retd.)** and his family.
- c. **Leave Travel Concession** : For self and family once in a year incurred in accordance with any rules specified by the Company.

Explanation: For the purpose of (b) and (c) above, family means the spouse, dependent children and dependent parent of **Major Vinodchandra P Joshi (Retd.)**.
- d. **Club Fees** : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e. **Personal Accident/Medical Insurance** : Premium not to exceed Rs.1,00,000/- per annum.
- f. **Company's Contribution towards Provident Fund** : Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent not taxable under the Income Tax Act 1961.
- g. **Gratuity** : Gratuity payable will not exceed half a month's salary for each completed year of service.

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- h. **Provision of Car** : Provision of car for use on Company's business will not be considered as perquisites.
- i. **Provision of Telephone** : Provision of telephone at residence will not be considered perquisites.
- j. Such other perquisites, benefits, amenities and facilities not specified above as opted by Major Vinodchandra P Joshi (Retd.), the annual value of which shall not exceed one month's salary.

Explanation: For the purposes of the foregoing perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Other terms and conditions:

- a. No sitting fees shall be paid to the Managing Director for attending the meetings of the Board or of any Committee thereof.
- b. In the event of Loss or Inadequacy of Profits, in any financial year, during the tenure of Major V P Joshi (Retd) the Company will pay to Major V P Joshi (Retd) remuneration by way of consolidated salary , Bonus, Exgratia, perquisites and all other allowances, as stated above, subject however to overall limit specified in Para 1 of Section II of part II of Schedule XII to the Companies Act, 1956 or any amendment thereto, as may be applicable at the relevant time.
- c. The Managing Director shall not be liable to retire by rotation.
- d. The terms and condition of the aforesaid re-appointment may be varied/amended/enhanced from time to time by the Board of Directors as it may in its discretion deem fit within the maximum amounts payable to Managing Director as per Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in this regards by the Central Government.

This may be treated as an abstract under Section 302 of the Companies Act, 1956. The Resolution passed by the Board of Directors in respect of the above said re-appointment of Major Vinodchandra P Joshi (Retd.) will be available for inspection at the registered office of the Company on any working day between 11:00 a.m. and 1:00 p.m.

Major Vinodchandra P Joshi (Retd.) – Self , Mrs. Pragna V. Joshi, wife of Major Vinodchandra P Joshi(Retd.) and Pritesh V. Joshi son of Major Vinodchandra P Joshi(Retd.) are interested Directors. None of the other directors of the Company is interested or deemed to be concerned or interested in the said special Resolution.

By order of the Board
For **GANDHINAGAR HOTELS LTD**

Place : Gandhinagar
Date : 28.07.2008

Major Vinodchandra P. Joshi (Retd)
Chairman & Mg. Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting this 28th Annual Report together with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULT

	Rs. in Lacs	
	<u>2007-2008</u>	<u>2006-2007</u>
(1) Gross Revenue of the Company	482.98	350.52
(2) Profit before Financial Charges and Non cash expenses	236.10	156.87
(-) Financial Charges	3.00	2.53
(-) Non cash expenses	34.56	33.07
(3) Provision for Income Tax	12.91	13.86
Profit for the year	185.62	107.41

REVIEW OF OPERATIONS

Your Directors are pleased to report that the performance of the Company was excellent during the year under review. The Company has secured gross receipts of **Rs.4,82,97,654/-** i.e.37.78% increase over the previous year's income of Rs.3,50,52,437/-. The overall market conditions is recovering and the consequent possible business opportunities. The Company has earned a Profit of **Rs.185.62 lacs** as against profit of Rs.107.41 lacs for the previous year.

Your Director are further pleased to inform that the Company has entered into agreement for technical audit, pre-operating, operating and marketing services with world renowned Welcome Group Company namely M/s Fortune Park Hotels Ltd, New Delhi. This will boost marketing and operational activities of the Company.

The Government of Gujarat has initiated the steps towards development of Tourism which may improve number of visitor and clientele in the City in the years to come and the resultant income. Your Directors are hopeful for better prospects in the years to come.

PARTICULARS OF EMPLOYEES

There were no employees covered under the provisions of Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder except Managing Director. Hence, particular are not given.

SHARE CAPITAL

The Company has increased its authorized share capital upto Rs.8 Crores divided into 74 lacs Equity Shares of Rs.10/- each and 6 lacs Cumulative Redeemable Preference Shares of Rs.10/- each. The Company has also allotted 16 lacs convertible warrants of Rs.28/- per warrant pursuant to the resolutions passed by the members of the Company in their Extra Ordinary General Meeting held on 10th October, 2007, out of which 5,25,000 warrants have also been converted into 5,25,000 Equity Shares on 21.1.2008.

FINANCE

The Company's expansion cum up-gradation project with a total outlay of Rs.18 Crores is partly financed by way of term loans from the State Bank of India and partly by way of raising funds through issue of further share capital and internal accruals.

PREFERENCE SHARES

The Company has allotted 1,30,000 Redeemable Preference Shares of Rs.10/- each to M/s Gandhinagar Leasing And Finance Ltd, on 15.9.2007 as required by the Financial Institution (HUDCO). The Preference Shares allotted pursuant to the stipulations of the HUDCO are redeemable within a period of eight years.

DIRECTORATE

Shri Pritesh V Joshi, Shri Popatlal V Patel, Shri Kantilal V Salva and Shri Govindlal N Shah are due to retire at the ensuing Annual General Meeting and are eligible for re-appointments. However, Shri Govindlal N Shah does not offer for re-appointment. The Board of Directors hereby appreciates his services rendered during his tenure.

Major Vinod P Joshi (Retd) was re-appointed as a Chairman and Managing Director of the Company for a further period of five years with effect from 1st September, 2008. You are requested to consider the same.

AUDIT COMMITTEE

The Company has already implemented the steps towards code of corporate governance and constituted an Audit Committee comprising of Shri Kantilal S Trivedi, Shri Popatlal V Patel and Shri Jasuji P Rana, Non- Executive Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state,

1. that in the preparation of the annual accounts, the applicable accounting standards has been followed, along with proper explanation read with the notes to the accounts relating to material departures;
2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs at the end of the financial year and of the profits of the Company for that year.
3. that the Directors had taken proper and sufficient care for the 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.
4. that the Directors had prepared the Annual Accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE ERNINGS AND OUTGO

Your Company has been engaged in hotel industry. The source of energy for the Company are Electricity and Gas. The Electricity charges contributes major portion of expenses of the Company. In view of this, your Board is striving for the conservation of Electricity under the supervision of one senior Executive on a continuous basis, to achieve optimum consumption of electricity and other fuels.

The other information as required under the Companies (Disclosure of particular in the report of the Board of Directors) Rules, 1988, is not applicable to the Company and hence disclosure is not made regarding technology absorption.

DEPOSITS

The Company has not accepted deposits from the public within the meaning of provisions of Section 58-A of the Companies Act, 1956 and the Rules made thereunder.

AUDITORS

M/s Manoj Lakinwala & Co., Chartered Accountants of Gandhinagar, Statutory Auditors of the Company retire at the ensuing Annual General Meeting. They are eligible for re-appointment and you are requested to consider their re-appointment.

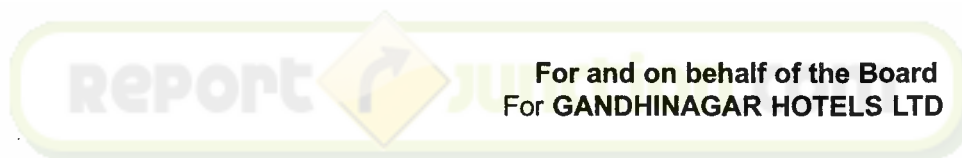
The Auditors' observations read with the Notes to the accounts are self explanatory.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreements, your Company has already implemented Corporate Governance for the year 2007-2008. A Management Discussion and Analysis Report along with detailed report on Corporate Governance attached with this Report forms part of the Annual Report.

ACKNOWLEDGMENTS

Your Directors places on record their sincere appreciation for the service and co-operation extended by the Government Departments, State Bank of India, Financial Institutions, Housing & Urban Development Corporation Ltd (HUDCO). Your Directors also take this opportunity to express their appreciation for the sincere and dedicated services of the employees of the Company at all levels.



Place: Gandhinagar
Date : 28.07.2008

Maj Vinodchandra P Joshi (Retd)
Chairman & Mg. Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

Gandhinagar Hotels Limited was promoted by Major Vinodchandra P Joshi (Retd.), a technocrate having very rich experience of over three decades in the Industry. The Company is engaged in rendering hotels services.

Industry structure

During the year under review, the Country witnessed overall industrial slackness in addition to the general recessionary market conditions all over the world and number of foreign tourist are extremely reduced which ultimately affected the hotel Industry.

Prospects

The hotel Industry is largely dependent on the overall growth of the other industries, which are under revival stage. The hotel business is likely to get good business in the years to come, if the quality of the service and hospitality is maintained upto satisfaction of the customers. The Company is quality conscious about the quality of the services. The Company has entered into agreement for technical audit, pre-operating, operating and marketing services with world renowned Welcome Group Company namely M/s Fortune Park Hotels Ltd, New Delhi. This will boost marketing and operational activities of the Company.

Opportunities, Threats, Risks and concerns

The Company has a fair name in the hotel industry in Gujarat and has strategic plans to economise its activities. With the working capital facilities availed from bankers, the Company is set to achieve the higher productivity to meet with the demand. With the removal of import restrictions in the year 2004, international market is open for all industries, which will further boost up the hotel industry. However, the Government is vigilant on the global competition. Further, the Company believes satisfaction of the customers and maintaining long term relationship with them, which will ultimately provide better opportunity to grow.

Internal Control Systems

The Company has adequate internal control systems in respect of efficiency of operation, financial reporting, compliance with laws etc. Exercises for safeguarding assets and protection against unauthorized use are undertaken. The Management review internal control system from time to time.

Review of Financial Performance

The Financial performance during the year ended 31st March, 2008 was satisfactory in spite of general depressionary market. The Company expects better performance in the years to come.

Human Resources

The relations between the employees and the Management have remained cordial.

Cautionary Statement

Statement in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statement within the meaning of applicable security laws or regulations. These statements are based on certain assumption and expectations of further events. Actual results could however differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.