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THE GL HOTELS LIMITED
Report and Accounts 2000-2001

THE GL HOTELS LIMITED

BOARD OF DIRECTORS

Prithvi Bir Kaur — *Chairman Emeritus*
 Ravi Ghai — *Chairman / Managing Director*
 R. K. P. Shankardass
 Krishna Ghai
 Davendra Ahuja
 Gaurav Ghai
 Sunil Pardal
 Deepak Bassi

BANKERS

Bombay Mercantile Co-operative Bank Ltd.
 ABN – AMRO Bank

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AUDITORS

M/s. S. P. Chopra & Co.
Chartered Accountants

REGISTERED OFFICE

"Dairy Tops", Plot No. J-177,
 MIDC, Bhosari, Pune-411 026,
 Maharashtra.

ADMINISTRATIVE OFFICE

254-C, Dr. Annie Besant Road,
 Worli, Mumbai - 400 025.

UNIT

Hotel Nataraj, Mumbai.

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40TH ANNUAL REPORT

Notice

Notice is hereby given that the 40th Annual General Meeting of the Members of The GL Hotels Ltd., will be held as scheduled below:

Place : Dairy Tops, Plot No. J-177, M.I.D.C., Bhosari, Pune - 411 026,
Maharashtra
Date : 24th September, 2001
Day : Monday
Time : 10.00 a.m.

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001, the Profit and Loss Account for the period ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Prithvi Bir Kaur, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Mr. Devendra Ahuja, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. R.K.P. Shankardass, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company for the financial year 2001-2002 and fix their remuneration.

Special Business

6. Alteration to Resolution Already Passed :

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

RESOLVED THAT Resolution No. 2 passed at an Extraordinary General Meeting of the Company held on 7th August, 2000 be and is hereby altered and substituted as follows :

RESOLVED THAT the Board of the Company be and is hereby permitted to enhance the NRI's/OCB's/FII's/ Foreign Company's or any other person resident outside India, aggregate investment limit of 24% of the issued and paid-up capital of the Company to 40% of the issued and paid-up capital of the Company, whether by way of subscription, purchase through portfolio investment scheme or otherwise effective at present or from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things (including the approval of the transfer of shares of the Company in favour of or the issue of shares of the Company to NRI's/OCB's/FII's/Foreign Company's or any other person resident outside India) and to execute such documents and agreements as may be necessary.

7. Preferential Allotment of Equity Shares :

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

RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any of the Companies Act, 1956 and regulations/guidelines prescribed by the Securities & Exchange Board of India (SEBI), Reserve

THE GL HOTELS LTD.

Bank of India (RBI) or any other relevant authority and subject to approvals or consents of such authorities as may be necessary and subject to the modifications as may prescribed by any of them in granting such approval or consent which may be agreed by the Board of Directors (hereinafter referred as "Board"), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot 8,77,047 Equity Shares of the face value of Rs. 10/- each at such premium being not less than Rs. 147.50 whereby aggregate value of the shares allotted including premium shall be in Indian rupees equivalent to US\$ 30,00,000/- (US\$ 3 Million Only), on preferential basis in one or more offerings, to the Inter-Continental Hotels Corporation, a Company incorporated in accordance with the laws of Delaware, U.S.A., and or any of its subsidiaries, hereinafter collectively referred to as "IHC", and on such terms and conditions as the Board may deem fit in their sole discretion.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot the Equity Shares which equity shares will rank pari-passu in all respects with the then existing equity shares of the Company.

LASTLY RESOLVED THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters, and things as it may in its discretion deem necessary or desirable for such purpose, including payment of brokerage, placement fees, commission and entering into underwriting, marketing, depository and custodial arrangements and with power on behalf of the Company to enter into contracts therefor and to settle any question, difficulty or doubt that may arise in regard to any such issue or allotment as it may, in its absolute discretion deem fit."

8. Amendment of Articles of Association :

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

RESOLVED THAT subject to necessary approvals under Section 31 and any other applicable provisions of the Companies Act, 1956 the Articles of Association of the Company be altered in the following manner :

After Article (1) Clause (ii) Sub-clause (e) of the Articles of Association new Sub-clause (ea) be inserted as follows,

(ea) "IHC" means Inter-Continental Hotels Corporation, a Company incorporated in accordance with the laws of Delaware, U.S.A. and includes without limitation their respective successors, assigns, transferees, nominee or nominees."

After Article (3) of the Articles of Association new Articles 3-A and 3-B be inserted as follows,

3-A. Notwithstanding any other provision of these Articles of Association, for so long as Inter-Continental Hotels Corporation ("IHC") holds at least 877,047 equity shares of Rs. 10/- each in the Company, IHC shall have the right to nominate one representative on the Board of the Company and none of the following shall be implemented (Whether by the Board or by the shareholders) without the prior written consent of IHC (which consent in paragraph 7 below shall not be unreasonably withheld or delayed)

1. Removal of IHC's representative from the Board;
2. Amending articles [3-A] and [3-B];
3. The merger of the Company with another economic organization if the resultant entity is not in the hospitality business.
4. The dissolution of the Company or the suspension of it's operations.
5. The increase in the Company's authorized capital or issuance of any shares or securities, (including the issuance of any shares or securities to any executive or employee), other than by way of IHC having been given an opportunity, in order to prevent any diminution in its then current percentage

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shareholding in the Company, to participate, on the same terms and conditions, in such increase or issuance.

6. The creation, for the purposes of financing any future project, of any lien over the hotel located at 135, Netaji Subhash Road, Mumbai - 400 020, if such lien secures an amount in excess of the aggregate of (i) three times the gross operating profit of such hotel and (ii) the projected cash flows and assets of such future project.
7. The entering into of any contract exceeding a liability of the Indian Rupee equivalent of United State dollars fifty thousand between the Company of the one part and either of Kwaliti Frozen Foods Private Limited or Amphitrites Investments Company Private Limited of the other part or their affiliates or any of their directors or directors of their affiliates or relatives (including relatives of their directors or directors of their affiliates).
8. The commencement of any new business or diversification of the Company's business beyond the (a) establishment, development, investment and management of hotels, (b) all other hospitality activities as may be in the best interest of the Company and (c) all things reasonably necessary or incidental to the foregoing.
- 3-B The rights of veto set out in 3-A above shall automatically devolve upon the transfer by IHC of its entire shareholding in the Company, to any of its affiliates or pursuant to sale by the parent company of IHC of a majority stake in such parent company's hotel division.
- Article 94 of the Articles of Association be deleted and in its place the following new article shall be substituted.
94. A director shall not be required to hold any shares of the Company by way of qualification.

By Order of the Board of Directors

The GL Hotels Ltd.

Ravi Ghai

Chairman & Managing Director

Dated: 31st August, 2001.

Registered Office :

"Dairy Tops", Plot No. J-177,
M.I.D.C., Bhosari, Pune - 411 026,
Maharashtra.

NOTES :

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- (b) **THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (c) The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 setting out the material facts concerning the aforesaid business stated in the notice is annexed hereto.
- (d) **Members are requested to quote their folio number in all correspondence with the Company and to notify change in their address, if any.**

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Annexure to Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 6 :

By passing of unanimous Resolution at an Extraordinary General Meeting of the Company held on 7th August, 2000, FIIs/NRIs/OCBs were allowed to acquire up to 40% of the issued and paid-up equity capital of the Company at any period of time. However inadvertently Foreign Company was not included in the said resolution. To rectify this error and to strengthen the resolution Directors recommend resolution at item No. 6 for your approval.

None of the Directors of the Company are concerned or interested in the Resolution.

Item No. 7 :

The Board of Directors in its report to the members dated 2nd September, 1999, had informed that the building of Hotel Nataraj at Mumbai is being demolished to enable reconstruction of a new Hotel on the same premises. The Board of Directors of your company have been exploring collaboration opportunities with leading international corporations operating in the field of hoteliering. The company has entered into the following agreements :

1. An equity subscription and shareholders agreement, and a license agreement, with Inter Continental Hotels Corporation ("IHC"), of Delaware, U.S.A.
2. Management and marketing agreements with Bass Hotels & Resorts (India) Private Limited ("BHRIPL") an affiliate of IHC for the management in relation to the hotel located at 135, Netaji Subhash Road, Mumbai.

Pursuant to the above agreements IHC and BHRIPL will be providing financial support and managerial and technical expertise to the company, subject to certain conditions precedent being met. IHC is a foreign corporate having a presence in several countries and being amongst the leading chain of luxury business hotels in the world. The above is expected to culminate in the offer, issue and allotment of shares detailed below which will achieve the objectives of improving your company's strengths in hoteliering.

A part of the cost of reconstruction of the hotel will be met out of consideration received by the company pursuant to the proposed preferential allotment of equity shares to IHC.

The Equity shares of the company are listed on two Stock Exchanges, Mumbai and Delhi and hence these new shares will be listed on the same Stock Exchanges. Section 81 of the Companies Act, 1956, provides inter alia that when it is proposed to increase the issued capital of a Company by allotment of further shares, such shares, shall be offered to the existing members of the Company in the manner laid down in Section 81 unless the shareholders in a General meeting decide otherwise. The Listing agreement also provides that the Company in the first instance should offer all the shares and Debentures to be issued by the Company for subscription pro-rata to the shareholders unless shareholders decide otherwise in a General Meeting.

In view of the foregoing, consent of the Members is being sought pursuant to the provision of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges in India.

The following disclosures are made in compliance of Regulation 3(I)(c) of the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in respect of the proposed offer, issue and allotment of shares.

1. Identity of the class of proposed acquirers/allottees and number of shares to be acquired/allotted.

It is proposed to offer, issue and allot 8,77,047 (Eight lac seventy seven thousand and forty seven) equity shares of Rs. 10 each to Inter Continental Hotels Corporation ("IHC") of Delaware, USA, a foreign company and/or to any of its subsidiaries.

2. Price at which offer, issue and allotment is proposed.

The shares to be allotted to IHC and/or any of its subsidiaries will be of a face value of Rs. 10/- to be issued at such premium being not less than Rs. 147.50 per equity share whereby the aggregate value of the shares allotted shall be in Indian Rupees equivalent to US \$ 3,000,000 (US \$ 3 million) in one or more offerings and on such terms and conditions as the Board may deem fit in their sole discretion. The exact issue price will

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be determined on the date of remittance into India by IHC of the said US\$3 million since the credit to the company's account in Indian Rupees will be dependent on the foreign exchange rate prevailing on such date of remittance.

3. The purpose of and reasons for the preferential allotment.

The purpose of the preferential allotment is to seek equity share capital for funding the project cost of reconstruction of the new Hotel at the same site where the building of Hotel Nataraj at Marine Lines, Mumbai has been demolished. The preferential allotment is in terms of the equity subscription and shareholders agreement entered into by the company with IHC.

4. Consequential changes in the Board of Directors and in voting rights

Upon allotment, IHC will have certain rights and privileges including the right to nominate one representative on the Board of the company so long as it holds 8,77,047 equity shares of Rs. 10/- each in the company and as further detailed in clauses 3A and 3B in resolution 8 above.

Consequential changes in the voting rights of the Company are stated in the table at para 5 below.

5. Shareholding pattern of the Company.

The shareholding pattern of the company, pre-allotment of Equity shares and post-allotment of Equity shares is described below :

Shareholders	Pre-Allotment		Proposed Allotment of Equity Shares	Post-Allotment of Equity Shares	
	Number of shares	% of shareholding and of voting rights		Number of shares	% of shareholding and of voting rights
1. Promoter Group	49,05,924	79.91	Nil	49,05,924	69.92
2. MF's/FII's/FI's Banks	5,750	0.09	Nil	5,750	0.08
3. NRI's/OCB's/Foreign Companies					
a. Acquirer Inter Continental Hotels Corporation	Nil	Nil	8,77,047	8,77,047	12.50
b. Others	8,50,000	13.85	Nil	8,50,000	12.11
4. Public	3,77,658	6.15	Nil	3,77,658	5.39
Total	61,39,332	100.00	8,77,047	70,16,379	100.00

6. Change in control over the company.

The issue of these shares will not result in any change in control over the Company.

Further in accordance with requirements of Guidelines for Preferential Allotment stated at Chapter XIII of RMB Compendium Series Circular No. 1 dated 19th January, 2001 issued by SEBI, the necessary disclosures are given below :

- (i) **Object of the issue** : Same as stated above at item 3 - "The purpose of and reason for the preferential allotment".
- (ii) **Intention of promoters/directors/key management persons to subscribe to the offer** : This preferential offer is being made only to IHC and/or any of its subsidiaries. No promoter/director/key management person is being offered these shares.
- (iii) **Shareholding pattern before and after the offer** : Kindly refer to para 5 above.

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- (iv) **Proposed time within which the allotment shall be completed :** The allotment shall be completed within the time prescribed under the above guidelines, which at present is three months from the date of the ensuing Annual General Meeting scheduled to be held on 24th September, 2001.
- (v) **The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them :** The proposed allotment is to Inter Continental Hotel Corporation ("IHC") Delaware, USA and/or any of its subsidiaries. They shall hold 8,77,047 equity share of Rs. 10/- each in the company, aggregating to 12.5% of the post preferential issue capital.

The price at which the shares will be issued and allotted is computed in accordance with the prevailing Guidelines for Preferential Allotment stated at Chapter XIII of RMB Compendium Series Circular No. 1 dated 19th January, 2000 issued by SEBI. The issue price is above the minimum price calculated as per the provisions of these guidelines. The "relevant date" in terms of the said Guidelines on the basis of which the price is calculated is 24th August, 2001 being 30 days prior to the date on which the shareholders at this meeting are required to consider and approve the proposed issue. The Equity shares allotted as per the terms of this Resolution will be subject to lock-in-provisions as stated in the above said guidelines. Accordingly, the said shares shall be locked in for a period of one year after the date of allotment.

The board of Directors recommends the Special Resolution for your approval. None of the Directors are deemed to be concerned or interested in the above resolution.

Item No. 8 :

Pursuant to Section 31 of the Companies Act, 1956, the Company can alter it's Articles of Association by passing Special Resolution in the General Meeting.

The Board of Directors in its report to the members dated 2nd September, 1999, had informed that Hotel Nataraj building at Mumbai is being demolished to enable reconstruction of a new Hotel on the same premises. To avail international technology and expertise, the Company has entered into various agreements as described in the Explanatory Statement to Resolution Number 7 above. As a part of these agreements, the Company has to amend it's articles to provide certain minimal rights to the Inter-Continental Hotels Corporation. The rights are in the nature of obtaining their prior approval on certain extra-ordinary events so as to protect their interests.

The Directors recommend the resolution for your approval. None of the Directors are deemed to be concerned or interested in the above resolution.

By Order of the Board of Directors
The GL Hotels Ltd.

Ravi Ghai

Chairman & Managing Director

Dated: 31st August, 2001.

Registered Office :

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M.I.D.C., Bhosari, Pune - 411 026,
Maharashtra.