

**21st
ANNUAL
REPORT
2005-2006**

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Gujarat JHM Hotels Limited



Gujarat JHM Hotels Limited

BOARD OF DIRECTORS

Shri U. M. Patel

Shri D. C. Gami

Shri D. J. Patel

Shri H. P. Rama

Shri K. S. Gandhi

Alternate to Shri H. P. Rama

Shri Sanjiv Shah

Shri Jimmy Patalwala

Shri D. P. Rama

Managing Director

AUDITORS

Rajendra & Co.

Chartered Accountants, Member, Polaris International

1311, Dalamal Towers,

Free Press Journal Road,

Nariman Point,

MUMBAI - 400 021.

BANKERS

State Bank of Saurashtra

State Bank of India

21ST ANNUAL GENERAL MEETING

On Friday, the 14th July, 2006

Mahida Bhavan, Opp. SVR College,

Dumas Road, Piplod, Surat,

at 10.00 a.m.

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**Shareholders are requested to bring their copy of the Annual Report
alongwith them at the Annual General Meeting, as copies of the report
will not be distributed at the meeting.**



Gujarat JHM Hotels Limited

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the members of GUJARAT JHM HOTELS LIMITED will be held on Friday, the 14th day of July 2006, at 10.00 am. at Mahida Bhavan, Opp. SVR College, Dumas Road, Piplod, Surat - 395 007 to transact the following business.

ORDINARY BUSINESS :

01. To review, consider and adopt the Balance Sheet as at 31st March 2006 and Profit and Loss Account for the year ended on that date and the Reports of Auditors and Directors thereon.
02. To appoint a Director in place of Shri D. J. Patel who retires by rotation and being eligible offers himself for reappointment.
03. To appoint a Director in place of Shri H. P. Rama who retired by rotation and being eligible offers himself for reappointment.
04. To appoint auditors to hold office from the conclusion of the 21st Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration and in connection there with to pass the following resolution with or without modifications as an Ordinary Resolution.

"RESOLVED THAT the retiring Auditors M/s. Rajendra & Co., Chartered Accountants be and are hereby reappointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the company on such remuneration as may be determined by the Board of Directors of the Company."

By Order of the Board
For GUJARAT JHM HOTELS LIMITED

Registered Office :
Near Bharti Park, Ambica Niketan
SURAT - 395 007
Date : 31/05/2006
Place : Surat

DENU P RAMA
MANAGING DIRECTOR

NOTES :

01. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF THE MEMBER. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
02. Members/Proxies should bring the attendance slip duly filled in or attending the meeting and members may please bring their copies of the annual report to as no copies will be distributed again in the meeting.
03. Company is having In-house share transfer department. Hence, Members are requested to do all future correspondence at the registered office of the Company.
04. Members desiring any additional information concerning accounts are requested to write to Mr. Nayan Banker - Financial Controller, seven days in advance of the meeting.
05. The Register of Members and Share Transfer Books of the company will remain closed from, Saturday the 1st July 2006 till Friday the 14th July 2006 (both days inclusive).

By Order of the Board
For GUJARAT JHM HOTELS LIMITED

Registered Office :
Near Bharti Park, Ambica Niketan
SURAT - 395 007
Date : 31/05/2006
Place : Surat

DENU P RAMA
MANAGING DIRECTOR



Gujarat JHM Hotels Limited

DIRECTORS' REPORT

TO
THE MEMBERS
GUJARAT JHM HOTELS LTD.

Your directors have pleasure in presenting their report to the members of the company on this 21st Annual General Meeting of the company together with the audited statements of accounts and the reports of the auditors and the Board of Directors thereon.

FINANCIAL RESULTS :

Particulars	(Rs in lakhs)	
	Current year	Previous year
Turnover incl. other income	2217.55	2191.93
Operating Expenses	1423.29	1276.30
Interest & Financial Charges	42.66	57.78
Profit before Depreciation	751.60	857.85
Depreciation	345.89	333.55
Net Profit after Depreciation	405.71	524.30
Adjustment for Current tax	(70.20)	(42.00)
Adjustment for Fringe Benefit tax	(5.85)	0.00
Adjustment for deferred tax	(60.41)	(167.24)
Net Profit for the year	269.25	315.06
Add : Excess provision of bad debts of earlier years written back	1.26	0.00
Add/Less : Profit/ (Loss) Brought forward	193.59	(121.47)
Net Profit Carried to Balance Sheet	464.10	193.59

BUSINESS OUTLOOK

During the year under review the company achieved a turnover of Rs. 2217.55 lakhs as compared to Rs. 2191.93 in the previous year. The company generated net profit before tax of Rs. 405.71 lakhs against Rs. 524.30 lakhs last year and net profit after tax of Rs. 270.51 lakhs against the profit of Rs. 315.06 lakhs last year. Since your Company's hotel is almost 15 years old, it required substantial repairs and maintenance. Also as the Company was to enter into a new Operating and Management Contract during the year, large amounts were spent on repairs to building, plant, machinery and sundry repairs to enable the Company to get the most desirable Contract for Operating and Management with Indian Hotels Company Limited. In view of the renovation and expansion program, your directors would like to reserve the funds for the capital commitment required and therefore do not propose any dividend for the year under review.

Your Directors are pleased to inform you that Company has entered into Operating and Management Agreement with Indian Hotels Company Ltd. whereby w.e.f 1st April 2006. Now your hotel will be operated by the Indian Hotels Company Ltd. and will be branded appropriately under the Taj banner. Your Directors are confident that with enormous experience, prestige, sales and marketing network and the business expertise enjoyed by the Indian Hotels Company in the hotel industry, your company's hotel will benefit and will be able to grow further.

Your Directors are also pleased to inform that the Ministry of Environment and Forest has accorded host country approval to company's 2.5 MW windmill project at Sodamada, Jaisalmer, Rajasthan. Accordingly, your company will be eligible for carbon credit and efforts are on to complete the other formalities and find buyers for carbon credits available with the company.

CORPORATE GOVERNANCE

Management Discussion and Analysis of Financial Condition and Results of Operations of the company for the year under review as stipulated in clause 49 of the Listing Agreement with the Stock Exchange is given as a part of Annexure "A" to this report along with a Certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under the said clause 49.



Gujarat JHM Hotels Limited

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed.
2. 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 the affairs of the company as on 31st March, 2006 and of the Profit & Loss Account for the year ended on that date.
3. 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 frauds and other irregularities.
4. the directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

Since there are no employees drawing a remuneration equal to or more than Rs. 2,00,000 per month or Rs. 24,00,000 per annum prescribed under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder, the company has no particulars to offer.

DIRECTORS

Pursuant to provisions of Section 255 of the Companies Act, 1956 Shri D.J. Patel and Shri H. P. Rama retire by rotation and being eligible offer themselves for reappointment. As required by Clause 49 of the Listing Agreement, particulars about the retiring directors seeking re-appointment are given in the Corporate Governance Report.

AUDITORS

M/s. Rajendra & Company, Chartered Accountants, auditors of the company retire at the forthcoming Annual General Meeting and being eligible for re-appointment, they offer themselves for re-appointment. The company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

In terms of section 217(1)(e) of the Companies Act, 1956 (as amended) and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, your Directors furnish here under the additional information as required.

A. Conservation of Energy

The Company has placed an order for gas fired generator set. This investment is expected to reduce the heat, light and power cost. Since the provisions of Form A under Rule 2 of the said Rules are not applicable, the details under the same are not given.

B. Technology Absorption

The project of your company has no foreign collaboration hence, no particulars are offered for the same, as Rule 2 of the said Rules does not apply.

C. Total Foreign Exchange Earning And Outgo

	2005-06	(Rupees) 2004-05
Total foreign exchange earning used and earned		
a. Total Foreign Exchange used	51,81,334	62,60,316
b. Total Foreign Exchange earned	3,20,88,562	2,79,40,183

(As per RLM-1 Submitted to RBI, including earning through credit cards)



Gujarat JHM Hotels Limited

INDUSTRIAL RELATIONS

During the period under review, the relations with the most valuable human resources of the company remained cordial and peaceful. Your Directors wish to place on record their appreciation for the devoted services rendered by the staff of the company. Your company has continued the tradition of training programmes, refresher courses for its human resources and multi-tasking of its man-power.

ACKNOWLEDGMENT

Your Directors wish to place on record their sincere thanks to State Bank of Saurashtra and State Bank of India and other banks for their financial assistance and support, M/s JHM Hotels Inc. USA, Government of Gujarat, franchiser M/s Six Continent Hotels and M/s Sun-N-Sand Hotels Private Limited, for their support over the tenure of their agreement which have expired during the current financial year and appreciate the support of all the staff members for smooth functioning of your hotel. Your directors also wish to record their recognition of the customer support and patronage by the corporate houses in and around Surat.

On behalf of the Board

Place : Surat
Date : 31/05/2006

D J Patel
Director

Denu P Rama
Managing Director

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Gujarat JHM Hotels Limited

ANNEXURE "A"

A. MANDATORY REQUIREMENTS

1. BOARD OF DIRECTORS

(a) Composition

The Board of directors made up of 7 members, comprising of one Executive (Managing) Director and 6 non-executive directors. M/s JHM Hotels Inc, USA has nominated two directors. The rest of the Board comprises of independent directors.

(b) and (c) Attendance of each director at the Board Meetings and Last AGM

Five Board Meetings were held during the financial year ended on 31st March, 2006. The attendance of each of the directors is given below:

Name of the Director	Category Directorship	Attendance Particulars		No. of Directorships and Committee memberships/chairmanship		
		Board Meetings	Last AGM	Other Director- ships	Committee Member- ships	Committee Chairman- ships
Denu P. Rama	MD	2	N	0	0	0
D. J. Patel	NED	5	Y	0	0	0
H. P. Rama	NED	1	Y	1	0	0
U. M. Patel	NED	3	Y	3	0	0
D. C. Gami	NED	4	N	5	3	4
Sanjiv Shah	NED	3	Y	2	0	0
Jimmy Patalwala	NED	5	Y	2	0	0
K. S. Gandhi (Alternate to Shri H P Rama)	NED	Nil	N	5	0	0

(MD - Managing Director NED - Non-executive Director)

(d) Number of Board Meetings held and the dates thereof

5 Board Meetings were held during the year in compliance with the minimum requirements of 4 Board Meetings. The dates on which the meetings were held are 31/05/2005, 16/07/2005, 28/10/2005, 28/12/2005, 12/01/2006. None of the directors of the company was a member of more than ten committees or the Chairman of more than five committees across all companies in which he was a director.

2. AUDIT COMMITTEE

(a) Terms of Reference

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:

- (i) To investigate any activity within the company
- (ii) To seek information from the employees
- (iii) To obtain outside legal or professional advice
- (iv) To review adequacy of internal audit functions
- (v) To secure attendance of outsider/professional with relevant expertise, it considers necessary
- (vi) Review the adequacy of the internal audit function and the adequacy of the internal control systems.
- (vii) To discuss with the internal auditors any significant findings and follow-up thereon.
- (viii) Recommendation of the appointment of statutory auditors, fixation of fees.
- (ix) Discussion with the statutory auditors of the nature and scope of audit, and post-audit discussion to ascertain any area of concern.
- (x) Recommend to the Board of Directors the financial statements of the Company.
- (xi) Discuss the Company financial and risk management policies

(b) Composition, names of members and chairperson

The Audit Committee comprising of 3 non-executive director -members namely Shri D J Patel, Shri U M Patel and Shri D C Gami was formed on 13th February, 2001 in compliance with the amendments made to the Companies Act, 1956 by recent Companies Amendment Act, 2000. Mr. D C Gami is the Chairperson of the said audit committee.

There has been no change in the constitution of the members of the Audit Committee during the period under review.



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(c) Meetings and attendance during the period

Name of member of Audit Committee	Attendance Particulars
Shri D C Gami	31/05/2005, 28/10/2005, 12/01/2006
Shri D J Patel	31/05/2005, 16/07/2005, 28/10/2005, 12/01/2006
Shri U M Patel	31/05/2005, 16/07/2005, 28/10/2005

The committee has approved the final accounts, as at 31st March 2006 at its meeting held on 31st May 2006 after discussions with the Internal and Statutory Auditors of the company.

3. SHARE TRANSFER COMMITTEE

(a) Terms of Reference

- (i) To approve share transfer/transmission of shares
- (ii) To approve sub-division/consolidation other than the market lot of shares
- (iii) To issue duplicate share certificates
- (iv) To secure attendance of outsider/professional with relevant expertise, it considers necessary
- (v) To look into and attend to the shareholders' grievances

(b) Composition, names of members and chairperson

The Share Transfer Committee comprised of 2 director-members namely Shri D. J. Patel, non-executive director and Shri D P Rama, Managing Director. Shri D J Patel is the Chairperson of the Share Transfer Committee.

There has been no change among the members during the period under review.

(c) Meetings and attendance during the period

13 meetings of the Share Transfer Committee were held during the financial year ended on 31st March, 2006.

Name of member of Share Transfer Committee	Attendance Particulars
Shri D J Patel, NED	30/04/2005, 30/05/2005, 15/06/2005, 15/07/2005, 15/08/2005, 15/09/2005, 15/10/2005, 30/11/2005, 21/12/2005, 16/01/2006, 16/02/2006, 28/02/2006, 14/03/2006
Shri D P Rama, MD	21/12/2005, 16/01/2006

4. DETAILS OF REMUNERATION PAID TO DIRECTORS

(I) WHOLE TIME DIRECTOR

All elements of remuneration including the perquisites and commission paid to Shri D P Rama, Managing Director is Rs. 18,00,000/-

(II) NON-WHOLE TIME DIRECTORS

The company has paid the following amounts as sitting fees to all the non-executive directors for attending each meeting of the Board of Directors as well as audit sub-committee meetings during the year ended on 31st March, 2006.

Sr. No.	Name of Director	Sitting Fees for Board Meetings	Sitting Fees for Audit committee meetings
1.	D. C. Gami	10,000	7,500
2.	D. J. Patel	12,500	10,000
3.	U. M. Patel	7,500	7,500
4.	Sanjeev Shah	7,500	0
5.	Jimmy Patalwala	12500	0
	TOTAL Rs.	50,000	25,000

5. SHARE HOLDERS' GRIEVANCES

Shri Nayan Banker, Financial Controller of the company is appointed as Compliance Officer. Complaints received from the Shareholders/Stock Exchanges/ SEBI/ Department of Company Affairs in terms of SEBI circular number 1.(96.97) dated 25/07/1996, were dealt with satisfactorily.

There are no pending complaints or share transfers/transmission except where the transfers are involved in litigation/forfeiture etc.