

**22nd
ANNUAL
REPORT
2006-2007**



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

22ND ANNUAL GENERAL MEETING

On Thursday, the 26th July, 2007
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 22nd Annual General Meeting of the members of GUJARAT JHM HOTELS LIMITED will be held on Thursday, the 26th day of July 2007, at 10.00 am at the Mahida Bhavan, Opp: SVR College, Piplod, SURAT – 395 007 to transact the following business.

ORDINARY BUSINESS :

01. To review, consider and adopt the Balance Sheet as at 31st March 2007 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 Sanjiv Shah who retires by rotation and being eligible offers himself for reappointment.
03. To appoint a Director in place of Shri Jimmy Patalwala who retires by rotation and being eligible offers himself for reappointment.
04. To appoint auditors to hold office from the conclusion of the 22nd Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications as an Ordinary Resolution.
"RESOLVED THAT the retiring Auditors M/s. Rajendra & Co., Chartered Accounts 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."

SPECIAL BUSINESS:

05. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Section 257, 260 and other applicable provisions of the Companies Act, 1956 and subject to Central Government permission, Shri Vinay M Rama, be and is hereby appointed as Director of the company not liable to retire by rotation and be designated as Executive Director for a period of five years from the original date of appointment i.e. 1st April, 2007 as made by the Board of Directors of the company"
"RESOLVED FURTHER THAT pursuant to the provisions of Section 198, 269 and 309 read with schedule XIII and other applicable provisions, if any of the Companies Act, 1956 subject to the permission from the Central Government, the company hereby approves the terms of appointment and the remuneration payable to Shri Vinay M Rama, Executive Director of the company for a period of five years with effect from 1st April, 2007 as set out in the explanatory statement annexed to the notice converting this meeting and the draft agreement of the re-appointment, a copy where of is put on the table and for the purpose of identification, initialed by Shri D J Patel, Director of the company with the liberty to the Board of Directors to increase remuneration and / or alter and vary such terms and conditions in accordance with the requirements of Schedule XIII or any changes in the Government policy on managerial remuneration or any amendments made in the schedule XIII to the act hereafter as may be agreed by the Board of Directors and Shri Vinay M Rama."
"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year the salary (no commission shall be payable in case of loss) as mentioned in the explanatory statement plus all usual perquisites will be paid to him as minimum remuneration".
06. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 read with schedule XIII and other applicable provisions, if any of the Companies Act, 1956 subject to the approval from the Central Government, the company hereby approves the terms of appointment and the remuneration payable to Shri Denu P Rama, Managing Director of the company for a further period of five years with effect from 1st January, 2008 as set out in the explanatory statement annexed to the notice converting this meeting and the draft agreement of the re-appointment, a copy where of is put on the table and for the purpose of identification, initialed by Shri D J Patel, Director of the company with the liberty to the Board of Directors to increase remuneration and / or alter and vary such terms and conditions in accordance with the requirements of Schedule XIII or any changes in the Government policy on managerial remuneration or any amendments made in the schedule XIII to the act hereafter as may be agreed by the Board of Directors and Shri Denu P Rama."
"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year the salary (no commission shall be payable in case of loss) as mentioned in the explanatory statement plus all usual perquisites will be paid to him as minimum remuneration".

Registered Office :
Gateway Hotel at Athwa Lines
Near Bharti Park, Ambikaniketan
Surat 395007
Date : 29/06/2007
Place : Surat

By Order of the Board
For **GUJARAT JHM HOTELS LIMITED**

DENU P RAMA
MANAGING DIRECTOR



Gujarat JHM Hotels Limited

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. The explanatory statement pursuant to provisions of section 173 (2) of the Companies Act, 1956 in respect of Special Business is enclosed.
03. Members/Proxies should bring the attendance slip duly filled in for meeting and members may please bring their copies of the annual report to the meeting attending the as no copies will be distributed again in the meeting.
04. Company is having In-house share transfer department. Hence, Members are requested to do all future correspondence at the registered office of the Company.
05. Members desiring any additional information concerning accounts are requested to write to Mr. Nayan Banker – Financial Controller, seven days in advance of the meeting.
06. The Register of Members and Share Transfer Books of the company will remain closed from, **Monday the 30th July 2007 till Monday the 6th August 2007 (both days inclusive).**

Explanatory Statement pursuant to provisions at Section 173 (2) of the Companies Act, 1956 in respect of Special Business

Item No. 5

Your Board of Directors has appointed Shri Vinay M Rama as Executive Director of the Company from 1st April 07, pursuant to the provisions of Section 260 of Companies Act 1956.

Accordingly, Shri Vinay M Rama shall hold office of Executive Director for a term of five years with effect from 1st April 07. The Company has received a notice under Section 257 of Companies Act 1956 from a member specifying his intention to propose the name of Shri Vinay M Rama as Director of the Company at the Annual General Meeting.

Shri Vinay M Rama passed out from Cornell University : School of Hotel Administration, Ithaca N.Y. - Bachelor of Science, May 2004 with focus in Real Estate Finance. Shri Vinay worked as an Associate for Hodges Ward Elliott one of USA's most reputed hotel brokerage/investment banking firm and brings with him in-depth understanding of the hotel industry and its associated capital markets.

Your Directors recommend the appointment of Shri Vinay M Rama as Executive Director of the company for a term of five years commencing from 1st April 2007 and the necessary board resolution has been passed as aforesaid subject to the approval of the members of the company on the following terms and conditions:

1. SALARY:

Rs.100,000 / - per month in the scale of Rs. 100,000-1,25,000-1,50,000

2. COMMISSION:

At the rate of 1 % of the net profit of the Company, payable annually, subject to a ceiling of Rs.50,00,000/- per annum. (Rupees Fifty Lacs per annum) and further subject to the condition that overall remuneration payable among the Managing Director and other whole time or executive directors shall not exceed 5% of the net profit of the company computed in the manner laid down in Sections 349 and 350 and other applicable provisions of the Companies Act, 1956.

3. PERQUISITES:

Will be allowed in addition to salary as under:

- a.
 - (i) The Company shall provide fully furnished accommodation.
 - (ii) The Company shall provide Equipment and Appliances, Furniture and Fixtures and Furnishing at his residence and expenses on account of gas, electricity and water on actuals.
 - (iii) Reimbursement of medical expenses for self and family on actuals including hospitalization and expenses which are not claimable from insurance companies
 - (iv) Medical insurance for self and family as per Company rules.
The Company shall pay personal accident insurance premium upto Rs. 20,000 per annum.
 - (v) The Company shall reimburse Annual Fees for two clubs.
 - (vi) Leave Travel Concession for self, wife and two dependant children once in a year on actuals, for inbound and outboard travel.
 - (vi) Fees for two dependant children of the Executive Director for studies in India or abroad subject to the ceiling of Rs. 100,000 (One Lac) per annum for two children.



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- b. (i) The Company shall provide a car with driver at the entire cost of the Company for personal use and office work. The Company shall bill use of car for private purpose.
- (ii) The Company shall provide telephone at his residence at the entire cost of the Company.
- c. In addition to above, Mr. Vinay M Rama will also be eligible to:
 - (i) Contribution to the provident fund @ 12% of salary.
 - (ii) Gratuity at a rate not exceeding half a month's salary for each completed year of service, and

4. OTHER TERMS

- (i) He shall be entitled to one Month's privilege leave for every eleven months service. The encashment of leave, if any, shall be at the end of the tenure of service.
- (ii) He shall also be entitled for reimbursement of entertainment expenses incurred in the course of business.
- (iii) He shall not be entitled to receive sitting fees for attending meetings of the Board of Directors or of a committee thereof.
- (iv) In the event of loss or inadequacy of profit in any financial year, the Company shall pay him in respect of such financial year, remuneration by way of salary, allowances, perquisites and other benefits as the Board of Directors may deem fit to the extent of the limits prescribed in Section 2 of part II of Schedule XIII of the Companies Act, 1956, as modified or re-enacted from time to time by the Government of India or as may be approved by the competent authority including the Board of Directors of the company.
- (v) The terms and conditions of appointment may be altered and varied from time to time by the Board of Directors, as it may, in its discretion deem fit within the limit specified in Schedule XIII to the Companies Act, 1956 as modified or re-enacted from time to time by the Government of India.
- (vi) The appointment may be terminated by either party giving to the other party a notice of three months in writing of such termination

Except Shri H P Rama, Shri D.P. Rama and Shri Vinay M Rama, no other Director of the Company is interested or concerned in the said resolution. The Notice received from the member of the company can be inspected at the registered office of the company on any working day between 11.00 am to 2.00 pm. As required by Article IX B of Articles of Association read with the provision of Companies Act 1956, this resolution does not required to be passed by the postal ballot as on date.

Item no. 06

Your Directors have re-appointed Shri Denu P Rama as Managing Director of the company subject to approval from Central Government, for another term of five years commencing from 1st January 2008 at the Board Meeting held on 30th April 2007. Previous appointment of Shri Denu P Rama was confirmed at the 17th Annual General Meeting of the company held on 12th September 2002.

Shri Denu P Rama has been proposed as Managing Director of your company for another term of five years commencing from 1st January 2008 and the necessary board resolution has been passed as aforesaid subject to the approval of the members of the company and further subject to the approval from the Central Government on the following terms and conditions:

1. SALARY:

Rs.200,000 / - per month in the scale of Rs. 200,000-225,000-250,000

2. COMMISSION:

At the rate of 2 % of the net profit of the Company, payable annually, subject to a ceiling of (Rs.50,00,000/- per annum. (Rupees Fifty Lacs per annum) and further subject to the condition that overall remuneration payable among the Managing Director and other whole time or executive directors shall not exceed 5% of the net profit of the company computed in the manner laid down in Sections 349 and 350 and other applicable provisions of the Companies Act, 1956.

3. PERQUISITES:

Will be allowed in addition to salary as under:

- a. (i) The Company shall provide fully furnished accommodation.
- (ii) The Company shall provide Equipment and Appliances, Furniture and Fixtures and Furnishing at his residence and expenses on account of gas, electricity and water on actuals.
- (iii) Reimbursement of medical expenses for self and family on actuals including hospitalization and expenses which are not claimable from insurance companies.



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- (iv) Medical insurance for self and family as per company rules.
The Company shall pay personal accident insurance premium upto Rs. 20,000 per annum.
- (v) The Company shall reimburse Annual Fees for two clubs.
- (vi) Leave Travel Concession for self, wife and two dependant children once in a year on actuals, for inbound and outboard travel.
- (vii) Fees for two dependant children of the Managing Director for studies in India or abroad subject to the ceiling of Rs. 200,000 (Two Lacs) per annum for two children.
- b. (i) The Company shall provide a car with driver at the entire cost of the Company for personal use and office work. The Company shall bill use of car for private purpose.
- (ii) The Company shall provide telephone at his residence at the entire cost of the Company.
- c. In addition to above, Mr. Denu P Rama will also be eligible to:
 - (i) Contribution to the provident fund @ 12% of salary.
 - (ii) Gratuity at a rate not exceeding half a month's salary for each completed year of service, and

4. OTHER TERMS

- (i) He shall be entitled to one Month's privilege leave for every eleven months service. The encashment of leave, if any, shall be at the end of the tenure of service.
- (ii) He shall also be entitled for reimbursement of entertainment expenses incurred in the course of business.
- (iii) He shall not be entitled to receive sitting fees for attending meetings of the Board of Directors or of a committee thereof.
- (iv) In the event of loss or inadequacy of profit in any financial year, the Company shall pay him in respect of such financial year, remuneration by way of salary, allowances, perquisites and other benefits as the Board of Directors may deem fit to the extent of the limits prescribed in Section 2 of part II of Schedule XIII of the Companies Act, 1956, as modified or re-enacted from time to time by the Government of India or as may be approved by the competent authority including the Board of Directors of the company.
- (v) The terms and conditions of appointment may be altered and varied from time to time by the Board of Directors, as it may, in its discretion deem fit within the limit specified in Schedule XIII to the Companies Act, 1956 as modified or re-enacted from time to time by the Government of India.
- (vi) The appointment may be terminated by either party giving to the other party a notice of three months in writing of such termination

Wherein financial year during the currency of the tenure of Managing Director if the company has no profits or its profits are inadequate, Managing Director shall be paid the remuneration as specified hereinabove and there shall be no cut in his perquisites.

This may be considered and treated as an abstract to the members of the company as required by Section 302 of the Companies Act 1956.

No other Directors except Shri Denu P Rama, Shri H.P. Rama and Shri Vinay M Rama may be deemed as concerned or interested in the above Resolution.

As required by Articles 9D of the Articles of Association read with provisions of the Companies Act, 1956, this resolution does not require to be passed by the Postal Ballot as on date.

By Order of the Board
For GUJARAT JHM HOTELS LIMITED

Registered Office :
Gateway Hotel at Athwa Lines
Near Bharti Park, Ambikaniketan
Surat 395007
Date : 29/06/2007
Place : Surat

DENU P RAMA
MANAGING DIRECTOR



Gujarat JHM Hotels Limited

DIRECTORS' REPORT

To,
The Members
Gujarat JHM Hotels Limited

Your directors have pleasure in presenting their report to the members of the company on this 22nd 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 for the year ended 31st March 2007.

FINANCIAL RESULTS :

| Particulars | Current year | (Rs in lakhs) |
|--|--------------|---------------|
| | | Previous year |
| Turnover incl. other income | 2362.13 | 2217.55 |
| Operating Expenses | 1567.72 | 1423.29 |
| Interest & Financial Charges | 65.20 | 42.66 |
| Profit before Depreciation | 729.21 | 751.60 |
| Depreciation | 601.32 | 345.89 |
| Net Profit after Depreciation | 127.89 | 405.71 |
| Adjustment for Current tax | (14.50) | (70.20) |
| Adjustment for Fringe Benefit tax | (10.00) | (5.85) |
| Adjustment for deferred tax | 157.84 | (60.41) |
| Short Provision of Income Tax of previous years | 46.95 | 0.00 |
| Net Profit / (Loss) for the year | (101.41) | 269.25 |
| Add : Excess Provision for Bad Debts of earlier years written back | --- | 1.26 |
| Add : Excess Provision for Depreciation earlier year | 0.08 | --- |
| Add : Profit Brought forward | 464.11 | 193.59 |
| Net Profit / (Loss) Carried to Balance Sheet | 362.78 | 464.11 |

During the year under review the company achieved a turnover of Rs.2362.13 lakhs as compared to Rs. 2217.55 in the previous year. The company generated net profit before tax of Rs. 127.89 lakhs against Rs. 405.71 lakhs last year and net loss after tax of Rs. 101.41 lakhs against the net profit of Rs. 269.25 lakhs last year. 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.

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.

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, 2007 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.



Gujarat JHM Hotels Limited

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

Shri Vinay Rama was appointed as Additional Director of your company from 1st April, 2007 pursuant to provisions of Section 260 of the Companies Act, 1956. Shri Vinay Rama is also appointed as Executive Director. The detailed particulars are provided in the Corporate Governance it is expected that with his rich and varied experience and knowledge the company will benefit. Your directors recommend the appointment of Shri Vinay Rama as director of the company.

The terms of appointment of Shri Denu P Rama, Managing Director of the company would end on 31st December 2007. Shri Denu P Rama has been very instrumental in bringing the company back to the tracks of the profit and seek his re-appointment for a term of five years. Your directors recommend him as such. Details of the both said Executive Directors are set out in the explanatory statement and the Corporate Governance Report.

Pursuant to provisions of Section 255 of the Companies Act, 1956 Shri Sanjiv Shah and Shri J S Patalwala retire by rotation and being eligible offer themselves for re-appointment. 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 installed gas fired steam and hot water boilers as part of its continuous efforts to save energy. This investment is expected to save the consumption of diesel. 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

| | 2006-07 | (Rupees) 2005-06 |
|---|-------------|---------------------|
| Total foreign exchange earning used and earned | | |
| a. Total Foreign Exchange used | 13,76,845 | 33,61,893 |
| b. Total Foreign Exchange earned | 4,50,58,932 | 3,20,88,562 |
| (As per RLM-1 and including earning through credit cards) | | |

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 Indian Hotels Limited the owners of TAJ and GATEWAY brands of Hotels for their continued and full-fledged support 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 : 29/06/2007

D J Patel
Director

Denu P Rama
Managing Director



Gujarat JHM Hotels Limited

ANNEXURE "A"

A. MANDATORY REQUIREMENTS

1. BOARD OF DIRECTORS

(a) Composition

As on date, the Board of directors made up of 8 members, comprising of one Managing Director, One Executive Director and 6 non-executive directors. M/s JHM Hotels Inc, USA has nominated three directors rest are independent directors.

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

Four Board Meetings were held during the financial year ended on 31st March, 2007. 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 | 4 | Y | 0 | 0 | 0 |
| H. P. Rama | NED | 1 | Y | 1 | 0 | 0 |
| U. M. Patel | NED | 1 | Y | 3 | 0 | 0 |
| D. C. Gami | NED | 4 | Y | 5 | 3 | 4 |
| Sanjiv Shah | NED | 3 | Y | 2 | 0 | 0 |
| Jimmy Patalwala | NED | 4 | Y | 2 | 0 | 0 |
| K. S. Gandhi (Alternate to Shri H P Rama) | NED | 3 | N | 3 | 0 | 5 |

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

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

4 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 31/05/2006, 14/07/2006, 30/10/2006 and 05/01/2007. 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) To discuss with the internal auditors any significant findings and follow-up thereon.

(b) Composition, names of members and chairperson

The Audit Committee 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.