

ANNUAL REPORT
2002-2003

JAYPEE
HOTELS LIMITED



**JAYPEE HOTELS LIMITED****BOARD OF DIRECTORS****CHAIRMAN**

Jaiprakash Gaur

VICE CHAIRMAN CUM MANAGING DIRECTOR

S.G. Awasthi

WHOLE-TIME DIRECTORS

S.N. Endley

Suren Jain

Manju Sharma

DIRECTORS

Krishnaswamy Subramanian

Manoj Gaur

Pawan Kumar Jain

Ram Kumar Anand

Rita Dixit

Santosh Kumar Bansal

Satish Kumar Dheri

Shree Prakash

Sunil Kumar Sharma

Suresh Kumar

COMPANY SECRETARY

P.N. Kumar

AUDITORS

LCKailash & Associates,

Chartered Accountants,

NBR House, C-124 Preet Vihar,

DELHI-110 092

BANKERS

Indian Overseas Bank

Janpath, New Delhi

REGISTERED OFFICE

Jaypee Palace,

Near Tora Village,

Fatehabad Road,

AGRA -282 003 (U.P.)

HEAD OFFICE

Jaypee Vasant Continental,

Vasant Vihar,

NEW DELHI-110 057

ANNUAL REPORT - 2002-2003**CONTENTS**

Notice	1
Directors' Report	2
Auditors' Report	3
Balance Sheet	4
Profit & Loss Account	5
Schedules to the Accounts	6
Cash Flow Statement	7
Balance Sheet Abstract	8



JAYPEE HOTELS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Third Annual General Meeting of the members of JAYPEE HOTELS LIMITED will be held at 11.00 a.m. on Friday, the 26th day of September, 2003 at the premises of Jaypee Palace Hotel, Near Tora Village, Fatehabad Road, Agra-282 003 (U.P.) to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 and Profit & Loss Accounts for the year ended on that date and reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Sunil Kumar Sharma, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt. Rita Dixit, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Smt. Manju Sharma, who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fixing of their remuneration. M/s LCKailash & Associates, Chartered Accountants have offered themselves for reappointment.

AS SPECIAL BUSINESS

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

"RESOLVED THAT Shri Pawan Kumar Jain be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269,309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, and subject to such terms and conditions as the Central Government may determine, the consent of the Company be and is hereby accorded to the appointment of Shri S. G. Awasthi as Managing Director of the Company for a period of five years with effect from 1st November, 2002 on the following terms and conditions:

1. Salary:
Rs.1,20,000/- (Rupees One Lakh Twenty Thousand only) per month.

Pay Scale: Rs.1,00,000 – 10,000 – 1,50,000

2. Perquisites:

In addition to the salary as above, the following perquisites shall also be allowed to the Managing Director :

- (i) Housing:
 - (a) The expenditure by the Company on hiring furnished accommodation for the appointee will be subject to the following ceiling:-
60% of salary, over and above 10% payable by the appointee;
 - (b) In case the accommodation is owned by the Company, 10% of the salary of the appointee shall be deducted by the Company; and
 - (c) In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance @ 60% of the salary.
- (ii) Reimbursement of Expenses:
The Company shall reimburse the expenditure on gas, electricity, water and furnishings subject to a ceiling of 10% of the salary in a year.

- (iii) Medical Reimbursement:

Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

- (iv) Leave Travel Concession:

For the appointee and his family, once in a year incurred in accordance with the rules specified by the Company.

- (v) Personal Accident Insurance:

Premium not to exceed Rs.4,000/- per annum.

The ceiling on the total value in respect of the perquisites as per para 2 above shall be 90% of the annual salary.

3. The Managing Director shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on perquisites specified in paragraph 2 above:

- a) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service;
- c) encashment of leave at the end of tenure, and
- d) provision of car and telephone at residence for use on Company's business. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the appointee".

"RESOLVED FURTHER THAT, where in any financial year, during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be paid aforesaid remuneration by way of salary and perquisites as minimum remuneration".

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269,309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and also subject to the approval of the Central Government, the Company do hereby re-appoint Smt. Manju Sharma as Whole-time Director of the Company for a further period of five years on the following terms and conditions:

Tenure of Appointment : 5 years w.e.f. 01.04.2003

Salary : Rs.52,000/-

(Pay Scale Rs.40,000-4,000-60,000)

Besides the basic salary, the Whole-time Director will also be entitled, as per the Company's policies, to the perquisites by way of accommodation/HRA, reimbursement of expenses of gas, electricity and water & furnishings, medical reimbursement, LTC, personal accident insurance, use of car and telephone (for official use) etc. with a monetary ceiling not to exceed the basic salary.

Besides, the aforesaid limits, the Whole-time Director is also eligible for the following benefits not considered as perquisites:

- a) Contribution to Provident Fund
- b) Gratuity
- c) Encashment of leave at the end of the tenure".

"RESOLVED FURTHER THAT wherein any financial year during the currency of the tenure of the appointee the Company has no profits or profits are inadequate, the appointee shall be paid the aforesaid remuneration by way of salary and perquisites as minimum remuneration."



JAYPEE HOTELS LIMITED

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

"RESOLVED THAT pursuant to the provisions of the Securities & Exchange Board of India (De-listing of Securities) Guidelines, 2003 and other applicable provisions of the Companies Act, 1956 if any, and subject to such approvals, permissions and sanctions of Securities & Exchange Board of India or Stock Exchange(s) as may be necessary, the consent of the Company be and is hereby accorded to de-list the Equity Shares of the Company from The Delhi Stock Exchange Association Ltd., The Uttar Pradesh Stock Exchange Association Ltd. and The Stock Exchange, Mumbai."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all such steps and actions as may be necessary to get the Equity shares of the Company De-listed as per the above resolution."

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to Annual Report.**
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday the 16th September, 2003 to Friday the 26th September, 2003 (both days inclusive).
4. Those members who have so far not encashed their dividend warrants for the year ended March 31, 1996 and March 31, 1998 may immediately approach the Company with their dividend warrants for revalidation.
5. Pursuant to the provisions of Section 205A of the Companies (Amendment) Act, 1999, the amount of dividend which remains

unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account, would be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government and the shareholders would not be able to claim any amount of dividend so transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants for the financial year ended 31st March, 1996, are requested to make their claim to the Company before 15th October, 2003 failing which the unclaimed amount will be transferred to IEPF. In respect of the unclaimed dividends for the periods prior to the year 1996, already transferred by the Company to the General Revenue Account of the Central Government, shareholders may claim the same by writing to the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi-110003 by quoting the Company's Registration No. 11175.

6. Members who are holding shares in identical names in more than one folio are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
7. Members are requested to quote their Folio Nos./Client ID No. & DP ID No. while corresponding with the Company and also notify the change in registered address/residential status, if any.
8. Shareholders may please bring their copies of the Annual Report to the meeting.
9. Shareholders having any question on accounts are requested to send the same at least 10 days in advance to the Company to enable it to collect the relevant informations.
10. Members/Proxies should bring their attendance slip sent alongwith the Annual Report, duly filled in, for attending the meeting.

By Order of the Board

P.N. Kumar

Company Secretary &

Sr. Vice President (Comm.)

Place: New Delhi

Dated: 30th July, 2003

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Shri Pawan Kumar Jain was appointed as Director on 09.01.2003 to fill the casual vacancy, caused by the resignation of Dr. R.C. Vaish, and by virtue of Section 262(2) of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company, Shri Pawan Kumar Jain holds office up to the date of this Annual General Meeting. The Company has received a notice in writing alongwith a deposit of Rs.500/- from one of the members of the Company in terms of Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Pawan Kumar Jain for the office of Director. Shri Pawan Kumar Jain has long experience in General Administration and can be very useful to the Company. A brief resume of Shri Pawan Kumar Jain forms part of the Corporate Governance Report attached to the Directors' Report.

None of the Directors of the Company except Shri Pawan Kumar Jain himself is in any way interested or concerned with the resolution.

ITEM NO. 7

Shri S. G. Awasthi joined the Board of the Company on 29th January, 2001 and was elected as Chairman of the Board on 29th June, 2001. He is a qualified Engineer and has long experience in General Administration and Company Affairs. Shri S. G. Awasthi has held important posts in different business houses in the past and it was felt that his co-option as Managing Director would be beneficial for the Company. Considering his abilities and knowledge, and other factors as explained in the Directors' Report, the Board appointed him as Managing Director of the Company, in its meeting held on 30th September 2002, effective from 1st November 2002. His remuneration

has already been approved by the Remuneration Committee.

In terms of the provisions of Section 269 read with Proviso (ii) to Clause 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956 and due to sudden inadequacy/dip of profits arising in the hotel industry after incident of 11th September, 2001, his appointment needs to be approved by the Central Government and by the Shareholders in their General Meeting. Hence, the resolution for the appointment of Shri S. G. Awasthi is placed for consideration and approval by the members. An application for approval of his appointment has already been made to the Central Government.

None of the Directors of the Company except Shri S. G. Awasthi himself is in any way interested or concerned with the said resolution.

ITEM NO. 8

Smt. Manju Sharma has been working in the Company as Whole-time Director since 01.04.1998 and has been very effective. Considering her performance, the Board of Directors re-appointed her for a further period of 5 years w.e.f. 01.04.2003. Her remuneration has already been approved by the Remuneration Committee.

In terms of the provisions of Section 269 read with Proviso (ii) to Clause 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956 and due to sudden inadequacy/dip of profits arising in the hotel industry after incident of 11th September, 2001, her appointment needs to be approved by the Central Government and by the Shareholders in their General Meeting. Hence, the resolution for the appointment of Smt. Manju Sharma as Whole-time Director is placed for consideration and approval by the members. An application for approval of her

**JAYPEE HOTELS LIMITED**

appointment has already been made to the Central Government.

None of the Directors of the Company except herself and Director Shri Sunil Kumar Sharma (her brother), is in any way interested or concerned with the said resolution.

ITEM NO. 9

The members are aware that at present the Equity Shares of the Company are listed on the following Stock Exchanges:

1. The Delhi Stock Exchange Association Ltd.
2. The Uttar Pradesh Stock Exchange Association Ltd.
3. The Stock Exchange, Mumbai

SEBI has vide its 'SEBI (De-listing of Securities) Guidelines, 2003' allowed Companies to de-list its securities from small Stock Exchanges or Stock Exchanges which are not normally being used for trading by public provided, the shares of the Company remain listed at National Stock Exchange or The Stock Exchange, Mumbai. Hence, the Board of Directors have decided to de-list the Equity Shares from all the three Stock Exchanges where the trading during the last Financial Year has been nil or very small. The number of shares traded at Delhi Stock Exchange was Nil, UP Stock Exchange

was Nil and The Stock Exchange, Mumbai was 5,67,133. Whereas from 1st April, 2002 to 30th September, 2002 the trading at NSE was 8,84,384 shares. This move of de-listing from the Stock Exchanges would not affect the interest of the Shareholders as the Company intends to apply to NSE for listing of its shares.

As per the SEBI (De-listing of Securities) Guidelines, 2003, a Company needs to pass a Special Resolution in its General Meeting in order to get its shares de-listed at any Stock Exchange. Hence, this resolution is placed for approval of the members.

None of the Directors is in any way interested or concerned with the resolution.

By Order of the Board

Place: New Delhi
Dated 30th July, 2003

P.N. Kumar
Company Secretary &
Sr. Vice President (Comm.)

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JAYPEE HOTELS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present herewith the Twenty Third Annual Report and the Audited Accounts of the Company for the financial year ended March 31, 2003.

FINANCIAL RESULTS

Particulars	2002-2003 Rs. In lacs	2001-2002 Rs. In lacs
Gross Revenue	10178.30	11616.54
Gross operating profits	2176.49	2072.32
Less:		
a) Interest & Financial Charges	958.42	1081.06
b) Depreciation	691.80	654.04
Profit before tax	526.27	292.22
a) Preliminary Expenses written off	24.80	24.80
b) Deferred Revenue expenses written off	130.23	130.23
c) Provision for tax/deferred tax	167.38	32.14
Profit after tax	203.86	105.05
Add/(Less)		
Other adjustments from earlier years	(94.93)	0.39
Profits available for appropriation	108.93	105.44
Less:		
Debt redemption reserve	—	83.34
Balance carried to Balance Sheet	108.93	22.10

DIVIDEND

In order to plough back the profits into the business to meet the requirement of the funds, which would be beneficial for the Company in the long run, the Directors feel it prudent not to recommend any dividend for the financial year 2002-2003.

OPERATING RESULTS

During the year, all possible efforts were made to overcome the impact of the terrorist activities on hotel business and there has been some improvement in the situation. The occupancy of your hotels increased during the last year. Total revenue from the Company's Hotel business was Rs.51.40 crores as compared to Rs.46.22 crores in the previous year. However, due to completion of some contract works, the turnover of Construction Division has come down to Rs.46.29 crores from Rs.66.40 crores in the previous year.

FUTURE PLANS

During the year the Tourism Industry has shown signs of improvement and it is expected that the turnover during the current year will be better. Further, Jaypee Vasant Continental is under renovation and is expected to show better performance after the said renovation.

DIRECTORATE

During the period since last report, Shri Jaiprakash Gaur was elected as Chairman of the Board of Directors, on 30th September, 2002. Shri S.G. Awasthi, Director was appointed by the Board of Directors as Vice Chairman cum Managing Director of the Company w.e.f. 1st November, 2002. He is a qualified and experienced Engineer having rich experience of managing big companies. Further, Smt. Manju Sharma, Whole-time Director was re-appointed as Whole-time Director for a further period of 5 years w.e.f. 1st April, 2003. Besides this, Shri Pawan Kumar Jain & Shri Ram Kumar Anand joined the Board of Directors of the Company on 9th January, 2003 to fill the casual vacancies caused by the resignations of Dr. R. C. Vaish and Shri. Shailendra Swarup respectively. The Board expresses its appreciation for the services rendered by them

during their tenure as Directors.

Shri Pawan Kumar Jain appointed in place of Dr. R. C. Vaish is liable to retire by rotation this year. Shri Sunil Kumar Sharma, Smt. Rita Dixit and Smt. Manju Sharma, Directors liable to retire by rotation and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

The brief particulars of the appointed/reappointed Directors are given in the Corporate Governance Report annexed hereto.

LISTING OF SHARES

The shares of the Company are listed on UP, Delhi and Mumbai Stock Exchanges and the annual listing fee of all the Stock Exchanges have been paid. Further, the Board would like to bring to your notice that there is hardly any trading on UP Stock Exchange & Delhi Stock Exchange and a very low trading volume at The Stock Exchange, Mumbai. Hence the Company proposes to de-list its shares from UP, Delhi & Mumbai Stock Exchanges, subject to your approval and also intends to get its shares listed at National Stock Exchange in order to provide liquidity to the Shares.

PARTICULARS OF EMPLOYEES & DISCLOSURE OF INFORMATION

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed herewith as Annexure-I. The information as per Section 217(1)(e) of the Act read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is annexed to this report as Annexure-II.

AUDITORS

M/s LCKailash & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Detailed Note on 'Management Discussion and Analysis', pursuant to Clause 49 of the Listing Agreement is annexed as Annexure III.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement pursuant to Section 217(2AA) of the Companies Act, 1956 is annexed as Annexure-IV.

CORPORATE GOVERNANCE

The report on Corporate Governance along with the Auditors' Report on its compliance as per Clause 49 of the Listing Agreement is attached herewith as Annexure-V.

DISCLOSURES

The related party transactions as required under AS-18, the Segmentwise information as required under AS-17 and Deferred Tax Liability disclosures as required under AS-22 have been given in the Notes to the Accounts in compliance with the requirements of the Companies Act, 1956, Listing Agreement and Accounting Standards. The Quarterly, Half Yearly, and the Annual Financial Results are published with necessary disclosures within the specified time.

NOTES ON ACCOUNT

The observations of the Auditors and Notes on Accounts are self-explanatory.

INVESTMENT

During the financial year under report the Company made a profit of Rs.1,37,84,269/- from purchase/sale of equity shares of Punjab National Bank and Canara Bank.



JAYPEE HOTELS LIMITED

APPRECIATION

The Directors wish to place on record their appreciation of Banks, Central and State Government for their continued cooperation and support to the Company. The Directors also thank the shareholders for their support and confidence in the management of the Company. The Board also thanks the staff of the Company for their cooperation, hardwork and dedication.

By order of the Board

Place: New Delhi
Date: 30th July, 2003

Jaiprakash Gaur
Chairman

ANNEXURE-I

Statement under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employee's) Rules, 1975 for the year ended 31st March, 2003.

Name of the Employee	: S. G. Awasthi
Age	: 60 years
Designation	: Vice Chairman cum Managing Director
Nature of Duties	: Overall management of the affairs of the Company.
Gross Remuneration	: Rs.10,89,327/-
Qualification	: B.Sc., B.E. (Mech.), M.B.A.
Experience	: 37 years
Date of Commencement of Employment	: 1.11.2002
Particulars of previous employment	: Managing Director of M/s Jaypee Greens Ltd.

Notes:

- The appointee was appointed for part of the year.
- Gross Remuneration includes salary, accommodation & other perquisites. This is, however, pending for approval of Central Government.

ANNEXURE-II

Information as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

The Company is making continuous efforts for reducing energy consumption at all levels. Various measures taken by the Company include:

- Improvement of the Power factor; evidencing the efficient use of power.
- Replacement of old machines and equipment by new machines and equipment of improved technology.
- Installation of human presence sensor in guest rooms to automatically switch off the lights when the guest leaves the room.
- Use of PL-9 light fixtures instead of ordinary bulbs.
- Strict compliance of preventive maintenance schedule of plant and equipment to optimize efficiency.
- Energy Audit by a recognized and approved agency.
- Introducing PNG in place of LPG.

B. TECHNOLOGY ABSORPTION

The Company is not involved in manufacturing activity but is basically involved in the Hotel and Construction business. As such the required particulars in terms of Rule 2 are not applicable.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars of Foreign Exchange outgo and earnings have been given in Schedule 23 Notes to the Accounts under Note Nos. 22(d) & (e).

ANNEXURE-III

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

JAYPEE HOTELS LIMITED, a subsidiary of Jaiprakash Industries Limited is a Company of Jaypee Group of Industries. This group entered in the hotel business in the year 1981 with its hotel Jaypee Siddharth, Rajendra Place, New Delhi. Jaypee Vasant Continental was set up at Vasant Vihar, New Delhi in the year 1982. Company set up Jaypee Palace, Agra in the year 1998 and is presently operating the aforesaid 3 hotels and also Jaypee Residency Manor, Mussoorie owned by Jaiprakash Industries Limited.

The Company keeps on upgrading and modernizing the existing hotels to match the changing international standards and the expectations of the guests. Beside the hotel business, the Company has a Construction Division and is doing good business of construction and contributing to the profit of the Company as reflected in the Segment-wise reporting given in the Notes to the Accounts.

After the incident of 11th September, 2001, the tourism industry had a big dip but now the tourism is picking up and it is expected that with the introduction of the new tourism policies of Government of India and the steps the Hon'ble Union Minister of Tourism is taking, the hotel industry will get a fillip and push.

The Company has established its internal control system and is assisted by a team of internal auditors. These measures help the Company in proper and timely compliance of the various obligations. The Company has taken various steps to improve the efficiency of the cost control systems.

The employees at all levels are imparted regular training by in-house as well as external faculty. The Company has developed channels of two-way communication between the staff & management. At present there are around 900 regular employees working in the hotels of the Company. The numbers of employees at the Construction sites keep on varying depending on the season and the construction works in hand.

Company's hotels Jaypee Vasant Continental & Jaypee Siddharth, New Delhi have been awarded certificates of ISO 9001:2000 (confirming to the Quality Management System Standard) & ISO 14001:1996 (confirming to the Environmental Management System Standard) accredited by RVA.

ANNEXURE-IV

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.