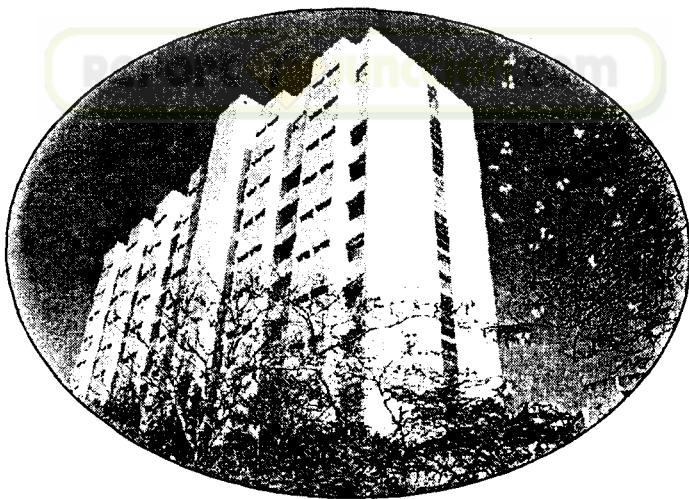


Surya Palace
HOTEL

**21st ANNUAL REPORT
2005 - 2006**



**JINDAL HOTELS LIMITED
BARODA**

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

Board of Directors	: Shri D. C. Gami (Chairman) Shri P. D. Shah (Managing Director) Shri N. D. Shah (Executive Director) Shri J. G. Patel Shri A. C. Patel Smt. C. P. Shah
Registered Office	: Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.
Name of the Hotel	: Surya Palace Hotel Sayajigunj, Baroda - 390 005.
Financial Institution	: Tourism Finance Corporation of India Ltd., 5th Floor, IFCI Bhavan, Nehru Place, New Delhi 110 019.
Banker	: Punjab National Bank, Raopura, Baroda - 390 001
Auditors	: M/s. V. Shah & Associates, Chartered Accountants, 4, Raj Bhavan Colony, B/H Baroda High School, Near Polo Ground, Baroda - 390 001.
Registrar & Share Transfer Agent	: MCS Limited. Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Baroda - 390 007.

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

TWENTY FIRST ANNUAL REPORT - 2005 - 2006

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty First Annual General Meeting of the members of M/s. Jindal Hotels Limited, will be held on Tuesday, the 26th day of September, 2006 at 12.00 noon, at the Company's Registered Office at Opp. Parsi Agiari, Sayajigunj, Baroda 390 005, to transact the following business :

☐ ORDINARY BUSINESS

01. To receive and adopt the Audited Statement of Accounts for the year ended 31st March, 2006, together with the Report of Directors and Auditors thereon.
02. To elect Director in place of Shri D.C.Gami who retires by rotation, being eligible offers himself for reappointment.
03. To declare Dividend on Equity Shares for the year ended 31st March, 2006.
04. To appoint Auditors to hold office till the conclusion of the next Annual Meeting and to authorize Board of Directors to fix their remunerations.

☐ SPECIAL BUSINESS

05. Issue of Further 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 and all other applicable provisions, if any of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association and of the listing agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed and subject to the approval of the Reserve Bank of India and all other concerned authorities and departments and if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such modifications as may be prescribed in granting such approvals, permissions and sanctions and subject to such conditions as may be imposed by the Securities and Exchange Board of India (SEBI), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof), at its sole discretion, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to offer, issue and allot 1761730 Nos. of New Equity Shares of Rs.10/- each upon the following terms and conditions :

- (i) 1761730 Nos. of new Equity shares shall be offered and issued for subscription in cash at such premium not below Rs10/- and not exceeding Rs. 20/- per share subject to the Memorandum and Articles of Association of the Company, ranking in all respects (including voting rights) pari passu with the existing equity shares except that such further equity shares shall entitle such holders to dividend, if any, declared in respect of the Company's financial years subsequent to the financial year, in proportion to the capital for the time being paid up during such financial years in respect of which the dividend is declared.
- (ii) 1761730 Nos. of new Equity shares be offered and issued in the first instance to the existing shareholders of the Company as Right Shares to those members of the Company whose names stand on the Register of Members of the Company on such record date or dates as may be fixed by the Board of Directors of the Company for the purpose in the ratio of 1(one) new Equity Shares of Rs.10/- each for every 2(two) fully paid up existing Equity Shares held.
- (iii) No fractional certificate or coupon shall be issued to a member in respect of any fraction of a new Equity Share to which he may be entitled and all such fraction shall be ignored.
- (iv) The offer aforesaid shall be made by notice specifying the number of shares offered and the time limit, not being less than 30 days, but not exceeding 60 days, from the date of offer within which the offer has to be accepted failing which, it will be deemed to have been declined and the Board shall

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

thereafter be at liberty to extend the time for acceptance as aforesaid from time to time either generally or in respect of any particular holder or holders with a right exercisable by the shareholder concerned to renounce the shares offered to him in whole or in part in favour of nominee(s) approved by the Directors.

- (v) The offer of new Equity Shares as aforesaid shall include a right exercisable by the members concerned to renounce the new Equity Shares offered to him or any of them in favour of any other person, subject to the right of the Board of Directors to refuse allotment and registration of shares in favour of a person not being a shareholder of the Company.
- (vi) The offer aforesaid may be made with the option to the shareholders to apply for additional shares provided that a shareholder who has renounced his right in whole or in part shall not be entitled to an allotment of additional shares. The allotment of additional shares to the applicants will be made on equitable basis, in consultation with the Mumbai Stock Exchange, with reference to the equity shares held by them. If any further equity shares applied for are not allotted, the amount paid on application thereof shall be refunded in due course without interest.
- (vii) The Board be and is hereby authorised and empowered to dispose of and allot any of the aforesaid further equity shares entitled or remaining indisposed to such person or persons, whether shareholders of the Company or not, on such terms and at such price or prices or at the ruling market price of the issue price, which is higher and in such manner as the Board of Directors may think most beneficial to the Company.
- (viii) The allotment to Non-Resident Shareholders will be subject to the sanction of the Reserve Bank of India under the Foreign Exchange Management Act, 1999.
- (ix) For the purpose of giving effect to this resolution, the Board be and is hereby authorised to prescribe the letter of offer, forms of application and renunciation and other documents in respect of such further equity shares, to give such other directions as they may think fit and proper, including directions for setting any question or difficulty that may arise in regard to the issue and allotment of further equity shares and to do all acts, deeds, matters and things, as the Directors in their absolute discretion consider necessary, expedient, usual or proper for them to do."

06. Increase in Authorised Share Capital

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, Authorised share capital of the Company be increased from Rs.5,00,00,000/- (Rupees Five Crores) divided into 50,00,000 (Fifty lacs) equity shares of Rs. 10/- each to Rs. 6,00,00,000 (Rupees Six Crores) divided into 60,00,000 (sixty lacs) equity shares of Rs. 10/- each."

07. Amendment in Clause of Memorandum of Association :

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

"RESOLVED THAT the existing clause V of Memorandum of Association of the Company be deleted and in place thereof the following clause V of the Memorandum of Association of the Company be inserted, namely :

The Capital of the Company is Rs.600,00,000/- (Rupees Six crores only) divided into 60,00,000 (Sixty lacs) equity shares of Rs.10/- (Rupees ten only) each capable of being increased or decreased in accordance with Company's regulations and legislative provisions for the time being in forces in that behalf. The shares in the capital of the Company for the time being original or increased may be dividend into several classes with any preferential, qualified or other special rights privileges, conditions or restriction attached thereto whether in regard to dividend, voting rights, return of capital or otherwise.

The Company shall have power to issue redeemable preference shares.

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

The right of the holder of any class of shares forming part of the Capital for the time being of the Company may be modified, affected, varied, extended, surrendered or abrogated in such manner as is or may be provided by the Articles of the Company as originally registered or as altered from time to time"

08. Adoption of New Set of Articles

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

"RESOLVED THAT in pursuant of Section 31 of the Companies Act, 1956, the new set of Articles of Association of the Company be adopted in substitution of existing Set of Articles of Association."

Registered Office :

**Opp. Parsi Agiari,
Sayajigunj,
Vadodara-390 005.**

**By Order of the Board of Directors
of JINDAL HOTELS LIMITED**

Place : Baroda

Date : 10.08.2006

**P.D. Shah
Managing Director**

NOTES :

01. THE MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, CAN APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE, INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. The proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
02. Share Transfer Book and the Register of Members of the Company will remain closed from 17.09.06 to 26.09.06 (both days inclusive) for effecting transfer of shares, payment of Dividend and other allied Matters.
03. Members are requested
 - (a) To notify immediately, changes in their address, if any, to the Company.
 - (b) To bring their copy of the Annual Report, as no copy will be distributed in the Annual General Meeting.
 - (c) To DEMATERIALIZE their Shares Certificates through your Depository participants (DP)
04. In order to maintain decorum amidst the proceedings, Members are requested to attend the Meeting without accompanying guests or children.
05. Consequent upon amendment to section 205 A of the Companies Act, 1956 and introduction of Section 205 C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period Seven years from the date of transfer to Unpaid dividend Account of the Company, shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made, in respect of any such claims by the Company. Members who have not yet availed dividend for the Financial year ended 31.3.2005, are requested to make their claims to the Company accordingly, without further delay.

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

EXPLANATORY STATEMENT

Pursuant to section 173 of the Companies Act, 1956. Accompanying Notice dated 10th August, 2006.

Item No. 5

You are aware that your Company is engaged in the business of hospitality and related service.

Encouraged by the present economic scenario as well as the buoyancy witnessed in the hotel industry (as validated by industry reports of leading research agencies) in particular, your company has embarked upon a long term plan to augment current operation and enhance facilities and infrastructure. These initiatives are proposed to be created by direct investment or associate concerns or special purpose vehicles (SPVs). The additional funds generated will be employed to meet requirements of asset building as well as increase working capital.

With a view to provide finance to the proposed activities, it is intended to issue Right Shares to the members of the Company in the proportion of one equity shares for every two shares held. It is also proposed to authorise the Board of Directors of the Company to dispose of the equity shares remaining un-subscribed and the fractional shareholding arising out of the said issue. As required under Section 81 (1A) of the Companies Act, 1956, the resolution as set out in the accompanying notice in this regard is recommended for the approval of the members.

The Directors of the Company are interested in the resolution proposed to be passed to the extent of their holding in the Company and entitlement of right thereto.

Item No. 6 & 7

Present Authorised Share Capital of the Company is Rs. 500 lacs. The Company intend to increase the limit of Authorised Shares Capital to the extent of Rs.600 lacs in view proposed further issue of shares. Therefore proposed resolution is for increase in limit of Authorised Share Capital of the Company to the extent of Rs. 600 lacs.

Further as provided in Section 94 of the Companies Act, 1956, it is necessary to have approval of members in General Meeting to amend the Clause V of Memorandum of Association of the Company, which will be consequential resolution on increase in Authorised share capital.

Therefore both the Resolutions are recommended for your approval.

None of the Directors are interested in the said resolution.

Item No. 8

The existing set of Articles of Association was adopted when the Company's status was changed from 'Private Limited' Company to 'Public Limited Company' in the year 1985. Then after in view of public issue of shares made in the year 1986, The Right Issue of Shares made in the year. 1995, various amendments in the Companies Act, 1956 and to meet with the Stock Exchange/SEBI guidelines from time to time, Articles of Association of the Company was amended several times. Again to meet with listing requirement of proposed Right Issue of Shares, Certain new clauses are required to be inserted. Therefore, Board of Directors thought it advisable, instead of insertion of various clauses, to adopt new set of Articles of Association.

Hence proposed resolution at item No.8 placed before you for your accord in respect of adoption of new set of Articles of Association. New Set of proposed Articles of Association is available for inspection by Members on any working day between 11.00 a.m. to 1.00 p.m. at the Registered office of the Company. None of the Directors are interested in the said resolution.

Registered Office :

Opp. Parsi Agiari,
Sayajigunj,
Vadodara 390-005.

By Order of the Board of Directors
of JINDAL HOTELS LIMITED

Place : Baroda
Date : 10.08.2006

P. D. Shah
Managing Director

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

**Report of the Directors &
Management Discussion and Analysis**

Your Directors have pleasure in presenting the Twenty First Annual Report and the Audited Accounts for the year ended 31st March, 2006.

Financial Performance

	Year ended 31.03.2006 (Rs. in lacs)	Year ended 31.03.2005 (Rs. in lacs)
Turnover	974.00	849.03
Less : Expenditure	693.02	580.03
Profit before Depreciation, Interest and Taxation	280.98	269.00
Interest	47.61	60.92
Depreciation	116.34	107.87
Profit before Taxation	117.03	100.21
Provision for Taxation		
a) Income Tax	41.50	35.00
b) Fringe benefit Tax	3.33	Nil
c) Deferred Tax (Income) / Expense	(1.81)	(12.19)
Net Profit after Taxation	74.01	77.41
Profit Brought Forward	9.09	14.14
Income Tax of earlier period	Nil	0.32
Disposable Surplus	83.10	91.23
Transfer to General Reserve	35.00	50.00
Proposed Equity Dividend	28.19	28.19
Tax on Dividend	3.95	3.95
Balance Profit C/F	15.96	9.09

Operations

During the year under review, your Company has performed commendably despite certain challenges prevalent in the market and overall economy. The total sales and other income of the Company during the year under review has increased to Rs.974.00 lacs, as compared to Rs.849.03 lacs for the year ended 31.03.2005, there by recording a growth of 14.72%.

However, the Net Profit of the Company was under pressure as compared to the previous year, mainly on account of increase in cost of key inputs such as raw material, salaries & wages, fuel etc and provisions made for Fringe Benefit Tax and Income Tax.

Dividend

Your Director have pleasure in recommending Dividend @ 8% on Equity Share Capital for the Financial year ended March 31, 2006, which if approved at the ensuing Annual General Meeting, will be paid to those Share Holders whose name appear in the Register of Members as on 26th September 2006 and also to those whose names furnished by Central Depositories Services Ltd and National Depositories Services Ltd as beneficial owner.

Prospects

The Company is planning to expand upon its current activity of accommodation as well as banquets and conferences, which have been its successful frontline businesses. Anticipating growth in this sector, the Company is constructing new rooms, halls and spaces in a property adjacent to the hotel building. This adjoining premises admeasuring 10,000 sq.ft. has already been identified. Additionally, the Company is planning to commence full-fledged activities in Hospitality Education so as to impart world class

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

training to the youths. This will be done in affiliation with leading colleges in Switzerland, the haven for training in hotel management. The initial response has been encouraging. All these initiatives, along with bright future prospects that are accelerated by a buoyant economy, will help the Company scale greater heights of performance in the years to come.

Concerns

The frequent changes in Government Policy in respect to its Taxation Policy (Service Tax, VAT, Fringe Benefit Tax) as well as consistent increase in price of petroleum products are the main concerns impairing development of hotel industry and thus, our Company may stand adversely affected by their impact.

Directors

Shri D.C. Gami, who retires by rotation, and being eligible, offers himself for reappointment.

Insurance

All the properties including buildings, plant, machinery and stocks have been adequately insured against all possible risks and hazards.

Statutory Disclosures

The Company has no employee during the year covered under Section 217(2A) of the Companies Act, 1956.

The provision under Section 217(i) (e) of the Companies Act, 1956 are not applicable to the Company since the Company belongs to the hospitality industry.

During the year under review, your Company earned foreign exchange of Rs. 58.34 lacs (Previous year Rs. 33.79 lacs), whereas outflow of foreign exchange of Rs. 29.12 lacs (Previous year Rs.29.00 lacs).

Auditors

M/s. V. Shah & Associates, Chartered Accountants, Baroda, hold office as Auditors of the Company till the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. Members are requested to reappoint M/s. V. Shah & Associates, Chartered Accountants, Baroda, as Auditors of the Company for the Current Year to hold office from the conclusion of ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

Alteration of Object Clause

Company has already proposed a Special Resolution to be approved by Members through Postal Ballot vide Notice dated 04.07.2006 in respect of alteration of object clause. The results of Postal Ballot resolution will be intimated to Members through Public Notice / WEB site.

Gratuity Provision

In respect of Auditors remark for non provision of gratuity liability, your directors state that Company has adopted policy to charge gratuity expenses on payment basis, as also allowable under the provision of the Income Tax Act, 1961. In addition, Company do earn sufficient cash generation to discharge gratuity claim as and when received. Therefore, your Directors do not feel necessary to provide gratuity liability in the books of accounts.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

Internal Control Systems & their adequacy

The Company has proper and adequate system of Internal Control Procedures to ensure that all transactions are authorized, recorded and reported correctly. This ensures prompt financial reporting, optimum utilization of various resources and quick reporting of deviations. Compliance with laws and regulations is also ensured and confirmed and is also checked by the Internal Auditor of the Company.

Reports of Internal Auditor are reviewed in the meetings of the Audit Committee of the Board. Audit Committee also reviews adequacy of internal controls, system and procedures, insurance coverage of

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

assets from various risks and steps taken to manage foreign currency exposures. Audit Committee also interacts with Internal Auditors and Statutory Auditors of the Company to ensure compliance of various observations made during the conduct of audits and adequacy of various controls.

Annual Capital Budget and updates, if any, are placed before the Board for its approval from time to time.

Management of Human Resources.

The Company acknowledges its relationship with employees as a crucial factor for its success and future growth. Its human relations program focuses on making employees participative and involved at every level, so that they can act responsibly and contribute constructively. HRD activities are geared to maximize employees' potential and performance and special incentives are provided to increase productivity and reward efficiency.

The Company is committed to providing the necessary development and training opportunities to equip our people hone the skills they will need in preparation of the future. Our approach integrates development and training with business objectives, job performance and individual needs.

The Company arranges for specialist work training, safety/emergency/handling training and "on the job" training.

By the end of March 2006, the Company employed 132 permanent employees.

Listing of Security

The shares of the Company are listed with The Stock Exchange, Mumbai. The listing fees for Financial Year 2006-07 has already been paid.

Directors responsibility statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same ;
- (ii) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for that period ;
- (iii) Proper and Sufficient care has been taken 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 fraud and other irregularities ;
- (iv) The Annual Accounts have been prepared on a going concern basis ;

Fixed Deposits

The Company has accepted deposit during the year under review.

Acknowledgement

The Directors acknowledge the continued cooperation and support received from Financial Institution, Banks, Central and State Governments, and Vadodara Municipal Corporation.

The Directors wishes to place on record its sincere appreciation of the contribution made by employees at all levels as also by its valued customers.

**By Order of the Board of Directors
For JINDAL HOTELS LTD.**

**Place : Baroda
Date : 10.08.2006**

**P. D. Shah
Managing Director**

JINDAL HOTELS LIMITED, BARODA

Opp. Parsi Agiari, Sayajigunj, Baroda - 390 005.

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's report on Corporate Governance for the financial year ended 31.03.06.

The Company's Philosophy on Corporate Governance :

The management philosophy on Corporate Governance envisages the attainment of highest level of transparency, accountability and equity, in all stages of its operations and in all its interactions with shareholders, employees, Suppliers, Customers, Government and Bankers. The Company believes that all its operations and action must serve the interest of all the stake holders, while enhancing shareholder value.

The Company has complied with almost all the Mandatory requirements on Corporate Governance laid down by the Stock Exchanges as detailed hereunder:

1. BOARD OF DIRECTORS**(a) Composition :**

Name of the Director	Category of Directorship	No of Meetings attended	% of Total Meetings Attended	Attendance At Last AGM
Shri D. C. Gami	NED & IND	6	100%	Yes
Shri P. D. Shah	MD	5	83%	No
Smt C. P. Shah	NED	6	100%	Yes
Shri N. D. Shah	ED	5	85%	Yes
Shri D. R. Shah	NED	1	16%	No
(Retired on 27.09.2005)				
Shri J. G. Patel	NED & IND	6	100%	Yes
Shri A. C. Patel	NED & IND	6	100%	Yes

(NED – Non Executive Director, IND – Independent, MD – Managing Director, ED – Executive Director)

Shri D. C. Gami is a Chairman of Board of Directors.

(b) Number of Board Meeting held and the dates thereof

6 Board Meetings were held during the Financial Year. The dates are as under :

1. 26 th April 2005	4. 27 th September 2005
2. 26 th July 2005	5. 25 th October 2005
3. 19 th September 2005	6. 25 th January 2006

(c) Number of other Companies or Committees the Director is a Director/Member/Chairman of