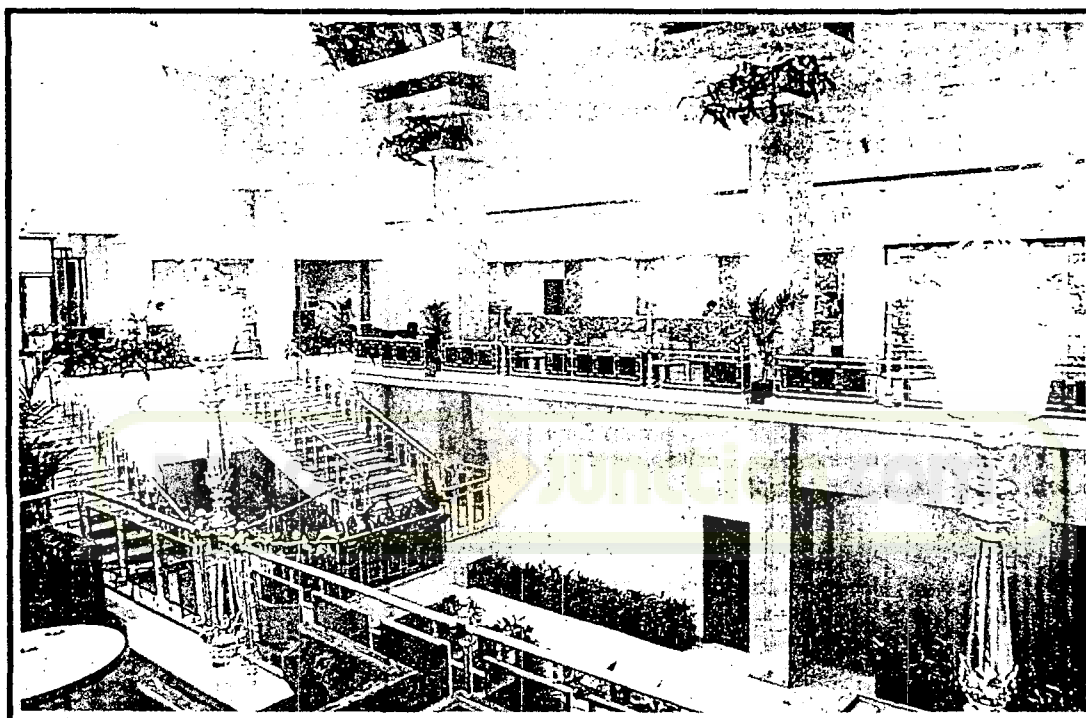


MAC CHARLES (INDIA) LIMITED

17th Annual Report 1996-97



Le
MERIDIEN
B A N G A L O R E

MD	✓		BKC	✓
CS	✓		DPY	ND
RG	✓		DIV	ND
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓

The International Businessman's Hotel

MAC CHARLES (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. C.B. Pardhanani	Chairman
Mr. J. Matthan	Director
Mr. B.N. Garudachar	Director
Mr. K.R. Sampath	Director
Miss. Sangeeta C. Pardhanani	Director
Mrs. Kavita C. Pardhanani	Director
Mr. K.P. Jyothindran	Director
Mr. M.B. Pardhanani	Director

SECRETARY & FINANCIAL CONTROLLER

Mr. M.S. Reddy B.Com., L.L.B., MBIM, FCA, FCS

AUDITORS

K.B. Nambiar & Associates
Chartered Accountants
Bangalore

FINANCIAL INSTITUTIONS

Industrial Finance Corporation of India Ltd.
Industrial Development Bank of India
Industrial Credit & Investment Corporation of India Ltd.

BANKS

State Bank of India
Industrial Finance Branch
Residency Road
Bangalore

State Bank of Mysore
Cunningham Road
Bangalore

FOREIGN COLLABORATORS

LE MERIDIEN FORTE HOTELS
Paris,
FRANCE

REGISTERED OFFICE

Le Meridien Bangalore
28 Sankey Road, Bangalore-560 052
Tel : 2262233
Fax : 2267676/2262050
E-Mail : leme@giabg01.vsnl.net.in

MAC CHARLES (INDIA) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of the Company will be held at Hotel Le Meridien No.28, Sankey Road, Bangalore - 560 052, on Monday the 8th September 1997 at 9.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 1997 together with the Directors' and Auditors' report thereon.
2. To appoint a Director in place of Mr. B.N. Garudachar, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Miss. Sangeeta C Pardhanani, who retires by rotation and is eligible for re-appointment.
4. To pass with or without modification the following resolutions as ordinary resolutions:

"RESOLVED THAT M/s. K.B. Nambiar & Associates, Chartered Accountants, the retiring Auditors of the Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this 17th Annual General Meeting until the conclusion of the next Annual General Meeting of the Company".

"FURTHER RESOLVED THAT the remuneration payable to the said Auditors be such as may be determined by the Board of Directors of the Company".

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. K P Jyothindran be and is hereby appointed as a Director of the Company".

6. To consider and if thought fit to pass with or without modification the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 309(4) and other applicable provisions if any of the Companies Act, 1956, the Board of Directors be and is hereby authorised to pay Mr. C B Pardhanani, Chairman of the Company, commission equivalent to 1% of the net profits of the Company for each financial year for a period of 5 years with effect from 1.4.1997".

By Order of the Board of Directors

Bangalore
11 July 1997

M.S. REDDY
Company Secretary

NOTES

- (a) A Member entitled to attend and vote is entitled to appoint a Proxy [whether a member or not] to attend and vote instead of himself, but a Proxy so appointed has no right to speak at the meeting. **Children accompanying a Member/Proxy will not be allowed inside the meeting hall.**
- (b) Proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 9:30 a.m. on 6th September, 1997.
- (c) The register of members and share transfer books of the Company will be closed from 5.9.1997 to 8.9.1997 (both days inclusive).
- (d) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the meeting.
- (e) An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, in respect of the special business set out in the notice is annexed hereto.

MAC CHARLES (INDIA) LIMITED

NOTICE OF ANNUAL GENERAL MEETING *(Contd.)*

ANNEXURE TO THE NOTICE

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

ITEM No.5

Mr. K P Jyothindran was appointed as an alternate Director to Mrs. Kavita C Pardhanani in June 1994. The Company has received a notice in writing from a member proposing the candidature of Mr. K P Jyothindran for the office of Director under the provisions of Section 257 of the Companies Act, 1956. Except Mr. C B Pardhanani, Mrs. Kavita C Pardhanani, Miss Sangeeta C Pardhanani and Mr. K P Jyothindran, no other director is interested in the resolution.

ITEM No.6

The shareholders are aware that Mr. C B Pardhanani, Chairman of the Company, although not a wholetime director has been devoting considerable time towards the affairs of the Company. Mr. C B Pardhanani has been the guiding force of the Company and he sacrificed his business abroad and devoted substantial

time for the last 10 years to complete the project and turn around the Company. The Company is on date repaid all institutional liabilities, reached a blue balance in the profit and successfully negotiated an international upmarket deluxe hotel group viz., Le Meridien. He has been largely instrumental in the Company making a steady progress over the years. In view of the rich experience he has gained in the hotel industry, the Board of Directors feel that his continued involvement should be most beneficial to the Company. In recognition of his contribution made to the Company and the continued support and guidance required of him, the Board is of the opinion that Mr. C B Pardhanani should be given a token payment and hence the proposal to pay a commission based on the net profits of the Company. Such payment of commission on net profits requires the authority of the shareholders in general meeting. Hence, the special resolution is placed before you, which the Board commends adoption in the best interest of the Company. Except Mr. C B Pardhanani, Mrs. Kavita C Pardhanani, Miss Sangeeta C Pardhanani and Mr. K P Jyothindran, no other director is interested in the resolution.

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MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors hereby present the 17th Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31 March 1997

FINANCIAL RESULTS

In Rupees

Sales Turnover	20,20,49,407
Expenditure	14,69,17,110
Foreign Exchange Earnings Reserve	85,00,000
Provision for Taxation	1,30,00,000
Profit	3,36,32,297

HOTEL OPERATIONS

Your Company recorded a turnover of Rs.20.20 crores, registering a marginal increase of 8% over last year as the year started with a very low occupancy, initially due to uncertainty of Parliament elections and thereafter instability at the Central Government with the impending situation of an hung parliament which is affecting the trade, business and foreign investment adversely pushing down the business activity in general which in turn has reduced travel and tourism resulting in low occupancy. Further the power and water shortages are severe forcing the industry to invest heavy amounts in deisel generators and generating power at a very high cost. The poor infrastructure like hopeless roads, ailing airlines, ineffective telecommunication and lack of co-ordinated effort are affecting tourist inflow and the result is poor Hotel business. Further in Bangalore, competition from three star Hotels has been increasing apart from competition from the established chains of Hotels. On the expenditure side, the costs on all fronts are galloping. The Karnataka Government has announced further steep increase in power and water charges. The costs of inputs have gone up steeply. The increase in salaries, maintenance cost, renovation of the Hotel interiors and replacement cost of machinery and equipment are pushing the costs high and narrowing down the Hotel margins. Further the high tax levies by the Government to the extent of over 30% to 40% of sales turnover is badly hurting the Hotel business.

LE MERIDIEN - BANGALORE

When the Company had initially decided for Holiday Inn franchise, the clientele target was middle income segment and the franchise agreement with Holiday Inn group has expired on 30th June, 1997. After the Hotel acquainting thoroughly with the American hospitality system, it was time to learn the European system and by blending both the systems, maximum benefit in terms of guest satisfaction and at the same time enhancing the Hotel profile can be achieved. It was therefore imperative to look for an upmarket brand and after having discussions with several other reputed international brands, the Company has finally signed the franchise agreement with "Le Meridien" for the next 10 years with effect from 1st July, 1997. In order to upgrade the property as required by Le Meridien Forte Hotels Group, it is essential to spend about Rs.18 crores in the next 3 years out of internal accruals.

FUTURE PROSPECTS

The future prospects for the tourism and Hotel industry is not bright in the State of Karnataka. The power crisis is severe and no major power projects are in sight. The much needed international airport in Bangalore has been in the news for a long time without any visible work on the scheduled site in Devanahalli and at this rate it will take minimum 5 years for the airport to take off. The Airlines in the country which are much needed to boost travel are in deep trouble, the Indian Airlines always bogged down with one crisis or the other and the Private Airlines are in deep red incurring heavy losses and a couple of private airlines are under closure which will in turn affect travel & consequent effect will be on Hotel business. Le Meridien has got a good track record of enhancing hotel business in the range of 17% to 70% in similar situation of brand changing to Le Meridien group. This chain has strong reservation system all over Europe. It is therefore hoped that our hotel business is likely to go up by 25%.

FINANCE

Your Company has since prepaid loans repayment instalments to the financial institutions namely, IFCL, IDBI and ICICI with a view to save financial cost.

MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS (Contd.)

FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings including encashments during the year were Rs.812.17 lacs constituting 40.20% of the Turnover. The foreign exchange utilisation during the year was Rs.137 lacs.

ENERGY CONSERVATION

Conservation of energy continues to be a priority area and receives serious attention of your Company. An effective key-tag system is in vogue to switch off lights & power connections automatically.

The following measures have been taken :

- 1) Wherever possible we are using PL Lamps instead of conventional lamps though the initial investment in such lamps is over 50 times.
- 2) We have installed solar panels which is feeding hot water required for the Guest Rooms.
- 3) We have imported most fuel efficient screw chillers for our AC plant and we are really satisfied with these chillers.
- 4) We have replaced windows with double glazed reflective glass which will again save 20% AC consumption.

EMPLOYEES

The relationship with employees are excellent throughout the year. Your Directors wish to record their sincere appreciation of the co-operation and support given by the employees of the Company.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975, is not applicable to the Company.

DIRECTORS

Out of the present Directors, Mr. B N Garudachar and Miss. Sangeeta C Pardhanani will retire by rotation at the 17th Annual General Meeting and being eligible offer themselves for re-appointment. IFCI has withdrawn its nominee Director, Mr. R.K. Chavali with effect from 03-07-1997.

AUDITORS REPORT

Auditors' observations are explained suitably in respective notes on the accounts. In respect of change in the method of depreciation on the Furniture, Fixtures & Interiors, Sanitary Fittings and Vehicles, higher rates of depreciation have been applied as against minimum rates prescribed under the Companies Act, based on a technical report.

AUDITORS

M/s. K B Nambiar & Associates, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENTS

The Directors are grateful to the Financial Institutions namely, IFCI, IDBI and ICICI and the Banks namely SBI and SBM for their co-operation, support and valuable assistance extended to the Company. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, State Government and Foreign Collaborators M/s. Holiday Inn Inc and M/s. Le Merdien Forte Hotels. The Directors also acknowledge the dedicated services rendered by the officers and the staff of the Company.

On behalf of the Board

Bangalore
11 July 1997

C.B. PARDHANANI
Chairman

MAC CHARLES (INDIA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **MAC CHARLES (INDIA) LIMITED** as at 31 March 1997 and the Profit and Loss Account annexed thereto for the year ended on that date.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, and on the basis of such checks of the books and records produced to us as we considered appropriate in the normal course of our audit and according to the information and explanations given to us and to the best of our knowledge and belief, we report that :-

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed in comparison to the previous year. However, in respect of those furniture, fixtures and interiors which were made in-house and capitalised during the preceding financial years, total costs as per the books of account have been allocated in aggregate to the group of such assets. The details of original quantities of assets manufactured in house are not separately available with the Company.
- (ii) The fixed assets have not been revalued during the year.
- (iii) The management of the Company has conducted physical verification of stores, operational supplies, stock of food and beverages at reasonable intervals.
- (iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) On physical verification of stocks and

comparison with book records, material discrepancies were not noticed.

- (vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) The Company has not taken any loans, secured or unsecured from Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from Companies under the same management as defined under subsection (1B) of section 370 of the Companies Act, 1956, except a deposit, the rate of interest and the terms and conditions of which are not prima facie prejudicial to the interests of the Company.
- (viii) The Company has not granted any loans, secured or unsecured, to Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or to the Companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
- (ix) The parties to whom loans or advances in the nature of loans given by the Company are repaying the principal amounts as stipulated and are also regular in payment of the interest wherever stipulated except in a case where the party defaulted in repayment of the principal amount for which the Company has initiated legal action and the same has been written off during the year.
- (x) There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.