

MAC CHARLES (INDIA) LIMITED

19th Annual Report 1998 - 99



Le
MERIDIEN
B A N G A L O R E

The International Businessman's Hotel

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

SECRETARY & FINANCIAL CONTROLLER

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

AUDITORS

K.B. Nambiar & Associates
Chartered Accountants
Bangalore

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@glasbg01.vsnl.net.in

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting of the Company will be held at Hotel Le Meridien, No.28, Sankey Road, Bangalore - 560 052, on Thursday the 23rd September, 1999 at 12 noon to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 1999 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 19th 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 a special resolution :

"RESOLVED THAT subject to the provisions of Section 77A and other applicable provisions of the Companies Act, 1956 as amended, the guidelines issued/to be issued by the Securities & Exchange Board of India ("SEBI") and other applicable statutes and the Articles of Association of the Company and subject to the approvals, if any, required from time to time, from the Government of India, SEBI or other concerned authorities, the consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") to purchase/buyback the Company's own Equity Shares, from the existing Shareholders of the Company, on a proportionate basis, subject to a maximum of 13,50,000 Equity Shares, at a price of Rs.20/- per share, on such terms and conditions as may be applicable, under the law/guidelines prevailing at the time of such purchase/ buyback and/or decided upon by the Board and to make payment therefor out of the free reserves, share/securities premium account or other approved sources that may be permitted to be used for such

purpose by the Government/SEBI or other appropriate authorities".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to cancel/extinguish the shares purchased/bought back and physically extinguish & destroy the share certificates converging such cancelled/ extinguished shares and to do such other acts as may be expressly required under the law consequent to such purchase/ buyback".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and to execute/authorise the execution of such documents or writings, as may be necessary, proper or expedient for the purposes of giving effect to the aforesaid resolutions and for matters connected therewith or incidental thereto".

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 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby amended in the manner following :

- i) By the inclusion of the following new article numbered as Article No.9A after existing Article No.9 to read as follows :

"9A. Subject to provisions of the Act and other applicable statutory regulations, the company may purchase its own shares or other specified securities from time to time".

- ii) By the addition of the following at the end of existing Article No.48A to read as follows :

"The Board may also decline to approve the register any transfer of shares which are not in marketable lots of one hundred shares".

- iii) By the deletion of the first sentence of existing Article No.115 and substituting in its place the following :

"The Directors of the company for the time being shall subject to provisions of the Companies Act, 1956 and the Rules framed thereunder be paid a sitting fee of such sum as may be determined by the Board from time to time for every meeting of the Board or of any Committee of the Board attended by them in addition to all travelling and halting expenses incurred by them in attending and returning from such meetings of the Board or of any Committee of the Board or of General Meeting of the Company."

MAC CHARLES (INDIA) LIMITED

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

"RESOLVED THAT subject to the provisions of Section 198, 269, 387, 388 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereto, approval of the shareholders be and is hereby accorded for the appointment of Mr. Suresh Kumar Badlaney as "Manager" of the company designated a General Manager with effect from 1.4.1999 and payment of the remuneration of Rs.26,250/- p.m. plus 0.30% of the net profit before income tax towards his management fees plus unfurnished housing and other usual perquisites available to other senior executives of the Company."

"FURTHER RESOLVED THAT in the absence or inadequacy of profits during any financial year the aforesaid remuneration shall be treated as minimum remuneration payable to Mr. Suresh Kumar Badlaney, General Manager."

By Order of the Board of Directors

Bangalore
17 August, 1999

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 12 noon on Tuesday the 21st September, 1999.
- (c) The register of members and share transfer books of the Company will be closed from 10.9.1999 to 17.9.1999 (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) **CHILDREN ARE STRICTLY NOT ALLOWED INSIDE AGM MEETING.**

EXPLANATORY STATEMENT

Special Resolution No.5

The shareholders must be aware that the Companies (Amendment) Act, 1956 which has come into force with effect from 31.10.1998 permits buy back of shares by a company. Since the company has not declared any dividend all these years and this year also it was not possible to declare dividend due to heavy expenses for renovation work, the company has decided to buy back shares at premium to help shareholders to make some profit. The company has adequate funds and the same could be deployed for buy back of 13,50,000 equity shares from the existing shareholders on pro rata basis at a price of Rs.20/- per share. The fact that the company has not declared any dividend all these years is another compelling factor for the proposed buy back, so that the shareholders have an opportunity to liquidate part of their holdings at a premium. The reduced capital consequent to the buy back will reduce the cost of servicing the shares and will result in economy. The sum of Rs.2.70 Crores proposed to be utilised for buy back of the equity shares forms 13% of the aggregate of the paid up equity share capital and free reserves. The buy back will be completed within a period of 12 months from the date of passing of the resolution. The directors may be deemed to be interested in the resolution to the extent they are entitled to offer the shares held by them for buy back.

Special Resolution No.6

The proposed amendments to the Articles of Association are with an intention to be in tune with recent changes in law and the general economic scenario.

- i) Buy back of shares by a company is now permitted, provided the Articles of Association permit the same. Accordingly, the proposed Article No.9A is an enabling provision.
- ii) The Company already has over 15000 members as on date and serving a large number of members has an impact on over all corp. As a measure of economy and to secure efficiency it has been decided to approve the transfer of shares only if they are presented in the market lots of one hundred shares. Hence, the proposal is now placed before the members seeking their approval for the proposed amendment to Article No.48A of the Articles of Association.
- iii) The sitting fee of Rs.1000/- permitted to be payable to Directors for attending Board Meetings is an insignificant amount in the light of the present economic conditions and the fall in value of the currency. The proposed amendment to Article 115 is to provide greater flexibility to the Board to fix the sitting fee payable within the permissible limits under law. The directors may be deemed to be interested in this amendment.

Special Resolution No.7

As per Section 269 of the Companies Act, 1956 a public company with a capital of Rs.1 crore or more should have managing/wholtime director or a manager. The Board has accordingly appointed Mr. Suresh Kumar Badlaney, General Manger as a "Manager" within the meaning of the Companies Act, 1956. The remuneration payable to him is what he would otherwise have been entitled to as General Manager of the company, which is commensurate with his qualifications and experience. The Board recommended adoption of the said resolution in the best interests of the company.

Annual Report 1998-99

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 19th Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31 March 1999

FINANCIAL RESULTS :

	In Rupees
Sales Turnover	17,06,94,661
Other Income	2,69,25,127
Expenditure	14,94,03,559
Foreign Exchange Earning Reserve	1,35,00,000
Provision for Taxation	85,00,000
Profit	2,62,16,229

HOTEL OPERATIONS

The softening of demand, which was strongly present last year, continued during the year under review, not only for the hospitality industry which is one of the first industries to bear the impact of an economic down turn, but also for the economy as a whole. There appear to be some signs of revival, particularly in the South East Asian region, but considering general uncertainties in India, the travel & hospitality business has been affected for the second successive year. The Company's total income for the year remained in line with the last year at Rs.19.7 Crores, inspite of the economic downturn. Room Occupancies were under pressure, particularly in the luxury segment, whereas food and beverage income remained stagnant. Further in Bangalore, there is a stiff competition from three star hotels apart from tough competition from the established chains of five star hotels. On the expenditure side, the cost on all fronts has recorded steep hike especially power and water charges. The increase in costs of inputs, salaries, maintenance cost, renovation of the hotel interiors and replacement cost of machinery and equipment is substantially narrowing down the hotel margins. Further the high tax levies by the Government to the extent of over 35% to 40% of sales turnover is severely hurting the hotel business.

FUTURE PROSPECTS

The fortunes of the tourism industry are critically dependent on the state of the country's economy. The recent Union Budget, which has been well received, attempts to restore confidence levels in the business and industrial sectors and thereby reverse the long standing economic recession. We hope these measures will also have a buoyant effect on the fortunes of the tourism industry. In the long run however, tourism will flourish only if substantial additions and improvements to the country's infrastructure are made in terms of raising domestic air capacity, international airports and upgrading roads and railway networks to international standards. This requires enunciation of a new integrated tourism policy which considers tourism promotion as core economic activity rather than as a leisure activity.

FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings including encashments during the year were Rs.1017.81 lacs constituting 52% of the Turnover. The foreign exchange utilisation during the year was Rs.103.44 lacs.

ENERGY CONSERVATION :

Conservation of energy continues to be a top priority of the management.

The following measures have been taken :

- 1) An effective key-tag system is in vogue to switch off lights & power connections automatically.

- 2) Wherever possible we are fixing PL Lamps instead of conventional lamps with a view to save energy.
- 3) We have installed solar panels which is feeding hot water required for the Guest Rooms.
- 4) We have imported most fuel efficient three screw chillers for our AC plant. We are also importing AC temperature control system to save power.
- 5) We have replaced windows with double glazed reflective glass which will again save 20% AC consumption.

EMPLOYEES

The relationship with employees have been 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.

Y2K COMPLIANCE

The Directors have taken effective steps to deal with the year 2000 (Y2K) related issues. Most of the Information Technology Systems and other equipment in the Company's offices and operating units are Y2K compliant. The additional cost that may have to be incurred is not significant.

DIRECTORS

Out of the present Directors Mr. B N Garudachar and Miss. Sangeeta C Pardhanani will retire by rotation at the 19th Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

Auditors' observations are explained suitably in respective notes on the accounts.

AUDITORS

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

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors, have been conducting periodic audits of all operations of the Company and their findings have been reviewed regularly by the management. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

ACKNOWLEDGEMENTS

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

for and on behalf of the Board

Bangalore
23 August 1999

C B PARDHANANI
Chairman