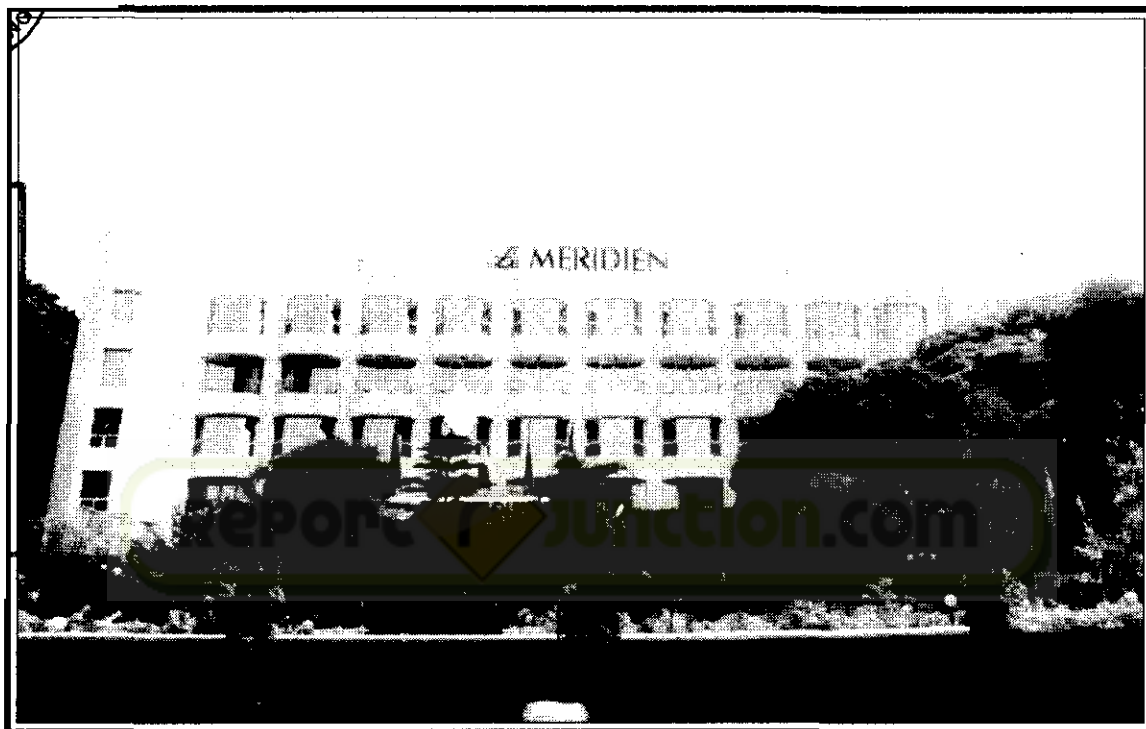


MAC CHARLES (INDIA) LIMITED

20th Annual Report 1999 - 2000



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
Mrs. Kavita C. Pardhanani	Director
Miss. Sangeeta C. Pardhanani	Director
Mr. P.B. Appiah	Director

SECRETARY & FINANCIAL CONTROLLER

Mr. M.S. Reddy *B.Com., I.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 / 2282828
Fax : 2267676 / 2262050
E-Mail : leme@giabg01.vsnl.net.in

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 20th Annual General Meeting of the Company will be held at Hotel Le Meridien, No.28, Sankey Road, Bangalore - 560 052, on Tuesday the 26th December, 2000 at 9:00 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 2000 together with the Directors' and Auditors' report thereon.
2. To appoint a Director in place of Mr. J. Matthan, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. K. R. Sampath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mrs. Kavita C Pardhanani, who retires by rotation and is eligible for re-appointment.
5. 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 20th 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 Board of Directors of the Company".

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. P B Appiah, be and is hereby appointed Director of the Company".

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

"RESOLVED THAT subject to necessary approvals as required under various statutes, the rights issue of equity shares of the Company be and is hereby approved to be issued to the existing shareholders of the Company in the ratio of one equity shares for every one equity shares held with face value of Rs.10/- each and at a premium of Rs.10/- per share and the Board of Directors be and are

hereby authorised to allot the unsubscribed portion of the rights issue to any one at the sole discretion of the Board of Directors".

8. To consider and if thought fit to pass with or without modification the following resolutions as special resolutions :

"RESOLVED THAT pursuant to the provisions of Section 81 (1-A) of the Companies Act, 1956 and other applicable provisions if any, and subject to such permissions, clearances and approvals, if any required, consent be and is hereby accorded to the Board of Directors of the Company to issue and allot in favour of promoter individually and/or, promoter's offshore company namely M/s. Kapi Investment Ink Limited, Mauritius, of 30,00,000 equity shares of Rs.10/- each of the Company on preferential basis at a premium of Rs.12/- per share OR at such premium in accordance with the applicable guidelines of the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI), whichever is higher".

"FURTHER RESOLVED THAT the equity shares proposed to be issued and allotted in favour of to promoter individually and/or M/s. Kapi Investment Ink Limited shall rank pari-passu with the existing shares of the Company in all respects and lock-in-period of 5 years shall be applicable on the same".

"RESOLVED FURTHER THAT for purpose of giving effect to the aforesaid issue and allotment of equity shares, the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable and to settle any questions, difficulty or doubt that may arise in regard to the offering, issue and allotment as it may in its absolute discretion, deem fit and proper".

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

"RESOLVED THAT the authorised capital of the Company be increased from Rs.800 lacs (rupees eight hundred lacs) to such an increase as may be determined by the Board of Directors of the Company from time to time but not exceeding of Rs.1500 lacs (rupees fifteen hundred lacs) comprising of 150 lacs equity shares of Rs.10/- each, ranking pari passu with the existing equity shares and that clause V of the Memorandum of Association and article 3 of the Articles of Association of the Company be altered accordingly".

MAC CHARLES (INDIA) LIMITED

10. To consider and if thought fit to pass with or without modification the following resolutions as ordinary resolutions :

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging of all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of the following, namely :

- i) State Bank of India (SBI)
- ii) State Bank of Mysore (SBM)
- iii) Bank of India (BOI)
- iv) HDFC

in connection with :

- i) Medium Term Loan not exceeding Rs.10 crores (rupees ten crores only) lent and advanced/agreed to be lent and advanced by SBI to the Company ;
- ii) Medium Term Loan not exceeding Rs.10 crores (rupees ten crores only) lent and advanced/agreed to be lent and advanced by SBM to the Company ;
- iii) Medium Term Loan not exceeding Rs.10 crores (rupees ten crores only) lent and advanced/agreed to be lent and advanced by BOI to the Company ; and
- iv) Medium Term Loan not exceeding Rs.10 crores (rupees ten crores only) lent and advanced/agreed to be lent and advanced by HDFC to the Company".

"RESOLVED FURTHER THAT the mortgage/charge created/ to be created and/or all agreements/ documents executed/to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded under the provisions of Section 293(j)(d) of the Companies Act, 1956, to the Board of Directors of the Company borrowing from time to time all such sums of money as they deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed (apart from temporary loans to be obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate

of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose provided that the total amount upto which money borrowed by the Board of Directors shall not exceed the sum of Rs.50 crores (rupees fifty crores only) at any one time".

12. To consider and if thought fit to pass with or without modification the following resolution as a ordinary 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 payment of remuneration to Mr. Suresh Kumar Badlaney, General Manager appointed as "Manager", at Rs.30,000/- 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
10 November 2000

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 less than forty-eight hours before the commencement of the Meeting. Blank proxy form is annexed hereto.
- c) In terms of the notice dated on 6th September, 2000 in pursuance of Section 154 of the Companies Act, The Register of Members and Share Transfer Books of the Company remaind closed from 10th November, 2000 to 17th November, 2000 (both days inclusive) in connection with this Annual General Meeting.
- d) An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in relation to the Special Business as set out in the notice is annexed hereto.
- e) 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.
- f) **CHILDREN ARE STRICTLY NOT ALLOWED INSIDE AGM MEETING.**

ANNEXURE TO NOTICE

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

ITEM No.6 :

The Board of Directors at its meeting held on 26th August, 2000 appointed Mr.P.B.Appiah as an additional Director of the Company and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. P.B.Appiah for the office of Director. The resolution under Special Business is placed before the General Meeting for approval. The Directors recommend that resolution be passed as reflected at Item No.6. None of the Directors except Mr. P.B.Appiah is interested or concerned in the said resolution.

ITEM Nos.7 & 8 :

RIGHTS ISSUE & PREFERENTIAL ISSUE OF EQUITY SHARES :

After expiry of 10 years of Technical Collaboration with M/s. Holiday Inn, USA, the Company has entered into Technical Collaboration with M/s. Le Meridien, Forte Group, France, in order to attract up-market business. At the time of signing technical collaboration agreement, an undertaking was given to Le Meridien Forte Group to renovate and upgrade the Hotel completely with approximate cost of Rs.33 crores. Some work towards renovation has been done out of internal accruals. For the balance work, the Hotel has to raise funds towards the renovation and upgradation both by way of issue of share capital and term loans from Banks. In this direction the Company is going in for rights issue in the ratio 1:1 with face value of Rs.10/- each and at a premium of Rs.10/- per share, the process of which will take some time. Meanwhile, for the immediate requirement of funds, the Company is proposing to issue equity shares on preferential basis to the promoter individually and/or his offshore Company namely, M/s.Kapi Investment Ink Limited, Mauritius, with face value of Rs.10/- each and at a premium of Rs.12/- per share, with a lock-in-period of 5 years, subject to necessary approvals from the appropriate authorities. This preferential allotment will not result in any change in control or management of the Company or any change in the composition of the Board of Directors of the Company. None of the Directors of your Company are interested or concerned in the above proposed Special Resolutions except Mr.C.B.Pardhanani directly and Mrs.Kavita C Pardhanani and Miss. Sangeeta C Pardhanani indirectly to the extent of their interest being in the promotor and his offshore Company namely M/s. Kapi Investment Ink Limited.

ITEM No. 9 :

INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY :

In order to accommodate Rights Issue and Preferential Issue of shares as mentioned under explanatory note No.7 & 8. It is necessary to increase Authorised Share Capital of our Company. This is an enabling Resolution giving authority to the Board of Directors to increase the Authorised Share Capital to such an amount as may be determined by the Board of Directors of the Company from time to time depending upon the actual requirements upto maximum ceiling of Rs.15 crores. None of the Directors of your Company are interested or concerned in the proposed Special Resolution except Mr. C.B.Pardhanani, Mrs. Kavita C. Pardhanani and Miss Sangeeta C. Pardhanani indirectly.

ITEM Nos. 10 & 11 :

CREATING CHARGE ON ALL PROPERTIES OF THE COMPANY IN FAVOUR OF BANKS :

As explained earlier the Company is borrowing term loans from the Banks to meet a part of renovation expenditure, for which the Company is obliged to create charge on all immovable & movable properties of the Company. Further the borrowing powers of the Board of Directors is proposed to be increased from Rs.25 crores to Rs.50 crores. Hence, the consent of the share holders is sought as per the provisions of the Companies Act and as such these resolutions are commended to the share holders for approval. None of the Directors of your Company are interested or concerned in the proposed ordinary resolutions.

ITEM No.12.

As per Section 269 of the Companies Act, 1956 a public company with a capital of Rs.5 crores or more should have managing/wholetime director or a manager. The Board has accordingly appointed Mr. Suresh Kumar Badlancy, General Manager as a "Manager" within the meaning of the Companies Act, 1956, which has been approved by the shareholders at the Annual General Meeting held on 23rd September, 1999. 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. None of the Directors are interested or concerned in this resolution.

MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 20th Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31 March 2000

FINANCIAL RESULTS :

	In Rupees
Sales Turnover	21,64,25,961
Other Income	3,68,29,388
Expenditure	17,99,88,890
Foreign Exchange Earnings Reserve	2,30,00,000
Provision for Taxation	1,30,00,000
Profit	3,72,66,459

HOTEL OPERATIONS

Despite severe competition and sluggish market conditions, your Company has achieved satisfactory sales turnover during the year under reference. The profit margins are under pressure due to around increase in input costs, salaries, power, fuel & water charges and substantial Hotel renovation expenses. Though the Hotel & Tourism has been declared as an Industry, the higher tariffs on power and water applicable to commercial establishments are being levied on Hotels. Further the high tax levies to the extent of 30 to 35% on sales turnover on 5 star hotels is seriously hurting the business.

FUTURE PROSPECTS

The Growth of the hospitality industry relies on economic activity within the country and on tourism. Since 1997 there has been a sluggish growth in general economic activity. Consequently, business travel both to India and within India has been inching up slowly. In so far as tourism is concerned, the visitor arrivals are not upto the expectation. It is unfortunate that the Central and State Governments have not appreciated the potential of tourism as an important economic activity. The main factors that inhibit the growth of tourism are inadequate airline seat capacity on international routes, lack of related infrastructure and high taxation imposed on travellers. Unless the Government has a more liberal airline policy, improved infrastructure and a reasonable tax structure, the growth of tourism will continue to suffer. The tourism industry has highlighted the above issues before the Central and State Governments on many occasions. It is hoped that some positive steps will be taken in this regard. All foreign travellers to India presently require visas. This is an irritant to tourists and businessmen wishing to visit India. The Government of India should seriously review the visa policy and travellers to India from certain selected countries should be issued visas on arrival at our International gateways.

DIVIDEND

The Board of Directors intend to present proposal for interim dividend of 15% for the financial year 2000-01 for shareholders approval.

PREFERENTIAL AND RIGHTS ISSUE

Towards Hotel renovation costs of Rs.33 crores, it is necessary to raise funds by way of equity and debt as well. In this endeavour, it is proposed to resort to preferential allotment of 30 lacs shares to the Promoters at Rs.22/- per share or such rate as per SEBI guidelines whichever is higher and 1:1 equity shares to all the existing shareholders by way of rights issue at Rs.20/- per share. We have approached our Banks to sanction medium term loan of Rs.20 Crores.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings including encashments during the year were Rs.1606.42 lacs constituting 63.43% of the Total Sales Turnover. The Foreign Exchange utilisation during the year was Rs.147.28 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) We are gradually switching over to PL lamps from conventional lamps with a view to save energy upto 70%.
- 3) We have installed solar panels which are feeding hot water required for the Guest Rooms.
- 4) We have imported three highly fuel efficient screw chillers for our AC plant. We have also imported two AC temperature control systems to save power.
- 5) We have replaced windows with double glazed reflective glass which will again save 20% AC consumption.
- 6) We are in the process of installing two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power upto 20% and prevent damages to electric motors and other installations.
- 7) Thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.

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EMPLOYEES

The relationship with employees has 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.

DIRECTORS

Out of the present Directors Mr. J Matthan, Mr. K R Sampath and Mrs. Kavita C Pardhanani will retire by rotation at the 20th Annual General Meeting and being eligible offer themselves for re-appointment. During the current year, Mr. P B Appiah, Advocate, has been co-opted as a Director of the Company upto the date of ensuing Annual General Meeting.

AUDITORS' REPORT

Auditor's observations are explained suitably in respective notes on 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 periodical audits of all operations of the Company and their findings have been viewed 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 for their support, patience and co-operation extended to the Company for the last several years. The Directors also appreciate 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 Department of Tourism, Government of India, State Government and Foreign Collaborators M/s. Le Meridien 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

Bagalore
10 November 2000

C. B. PARDHANANI
Chairman