

# MAC CHARLES (INDIA) LIMITED

22nd Annual Report 2001-02

*Le* MERIDIEN



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*Le* MERIDIEN  
BANGALORE

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

**SECRETARY & FINANCIAL CONTROLLER**

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

**AUDITORS**

K.B. Nambiar & Associates  
Bangalore

**BANKS**

State Bank of India  
Bangalore

State Bank of Mysore  
Bangalore

**REGISTERED OFFICE**

Le Meridien Bangalore  
28, Sankey Road, Bangalore - 560 052  
Tel : 2262233 / 2282828  
Fax : 2267676 / 2262050  
E-Mail : leme@vsnl.com

## Annual Report 2001 - 2002

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 22nd Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Meridien, No.28, Sankey Road, Bangalore -560 052, on Monday the 30th September, 2002 at 10:00 a.m. to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31st March, 2002 together with the Directors' and Auditors' report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.J.Matthan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr.K.R.Sampath, who retires by rotation and is eligible for re-appointment.
5. To pass with or without modification the following resolution as an ordinary resolution:

"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 22nd Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the audit."

## SPECIAL BUSINESS

6. 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 372A and other applicable provisions, if any, of the Companies Act, 1956 and other statutory approvals if required, approval be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board"), for directly or indirectly making investments by way of subscription, purchase or otherwise Equity Share Capital of M/s. Vaswani Properties Private Limited and M/s. Vaswani Investments and Holdings Private Limited, upto Rs.20 crores, not with standing that the aggregate of such proposed investment together with the existing investments made and the loans/guarantees/security given by the Company may exceed the limits as prescribed under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual sum to be invested and time and manner of such investment and to do all or any of the matters arising out of and incidental thereto".

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

"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", a salary not exceeding Rs.50,000/- p.m.with effect from 1.4.2002 plus 0.40% of the net profit before income tax of the previous year 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  
6 August 2002

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) The Register of Members and Share Transfer Books of the Company remain closed from 26th September, 2002 to 30th September, 2002 (both days inclusive) in connection with this Annual General Meeting.
- d) The dividend on Equity Shares as recommended by the Board, if declared at the meeting will be payable to those shareholders whose names shall appear in the Company's Register of Members on 30th September, 2002.
- e) To avoid the possibility of the dividend warrant being stolen or illegally misappropriated, it is requested to indicate Bank Account Number, Bank Name and its Branch details for incorporation on the dividend

## MAC CHARLES (INDIA) LIMITED

warrants. The said Bank Mandate should reach the Registered Office of the Company on or before 30th September, 2002.

- f) An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in relation to the Special Business as set out in the notice is annexed hereto.
- g) 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.

### ANNEXURE TO NOTICE

**As required by Section 173 of the Companies Act, 1956.**

#### ITEM No. 6

The Company has considered an investment opportunity in the hotel and real estate related business by acquiring share capital of M/s. Vaswani Properties Private Limited and M/s. Vaswani Investments and Holdings Private Limited, owning an independent commercial building admeasuring 18,250 sq.ft., which is fetching rent of Rs.40/- sq.ft. The Company had entered into an agreement with the shareholders of M/s. Vaswani Properties Private Limited holding 90,000 fully paid equity share of Rs. 100/- each and M/s. Vaswani Investments and Holdings Private Limited holding 50,000 fully paid equity shares of Rs.100/- each, for acquiring in full, at a purchase price of Rs.385.93 per share. The aggregate of the existing investment together with proposed investment will exceed the percentages mentioned in Section 372A of the Companies Act, 1956.

With a view to comply with the provisions of Section 372A of the Companies Act, 1956, the Resolution under consideration has been proposed. Mr. C.B. Pardhanani, Mrs. Kavita C.Pardhanani, Miss.Sangeeta C.Pardhanani, and Mr. P.B.Appiah could be considered as having interest from the time they act as nominee Directors on behalf of the Company on the Board of M/s. Vaswani Properties Private Limited and M/s.Vaswani Investments and Holdings Private Limited. The Directors recommend the resolutions.

#### ITEM No.7:

As per Section 269 of the Companies Act, 1956 a public Company with a capital of Rs.5 Crores or more should have managing/wholtime director or a manager. The Board has accordingly appointed Mr.Suresh Kumar Badlaney, 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. In view of the revision of salary appreciated to all Senior Executives, the remuneration payable to Mr. Suresh Kumar Badlaney has also been revised. The salary of Rs. 50,000/- p.m. is the upper limit fixed by the Board with liberty to revise the same from time to time, wherever increments are given to other Senior Executives. The proposed remuneration has also been recommended by the Remuneration Committee Constituted by the Board. 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 remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956, and therefore requires no further permission or approval. The Board recommended adoption of the said resolution in the best interests of the Company. None of the Directors is concerned or interested in this resolution.



## Annual Report 2001 - 2002

### DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 22nd Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31 March 2002

#### FINANCIAL RESULTS

	In Rupees
Sales Turnover	22,79,82,112
Other Income	2,31,58,189
Expenditure	22,99,60,065
Foreign Exchange Earnings Reserve	78,00,000
Provision for Taxation	1,06,10,214
Profit	27,70,022
Transfer to General Reserve	12,00,000

#### HOTEL OPERATIONS

The results for the year under review have been disappointing. Travel to India has been severely impacted by the terrorist attacks in USA on the World Trade Centre and the Pentagon. It was hoped that the situation would improve in the last quarter of the financial year, but the attack on the Indian Parliament and the subsequent tensions on the India-Pakistan border saw a sharp drop in visitor arrivals. As a consequence, the Profit After Tax dropped from Rs. 3,13,91,509/- to Rs. 27,70,022/- as compared to the previous year.

#### FUTURE PROSPECTS

In the present Global grim economic situation compounded further in our country by severe drought and cross border terrorism, the scenario looks very grim. Three more star hotels have been opened in Bangalore adding further to the fierce competition and under cutting of tariffs.

#### DIVIDEND

The Board of Directors have recommended a dividend of Rs.3.00 per share on share capital of Rs.6.55 crores dividend into 65,50,526 equity shares of Rs.10/- each. The dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Register of Members as on 30th September, 2002.

#### DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our knowledge and according to the explanations given to us:

- Applicable accounting standards have been followed in the preparation of annual accounts. Material departures therefrom, if any, are properly explained in the notes on accounts.

- The Board of Directors have selected such accounting policies and applied them consistently and made judgements and estimates 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 or loss of the Company for the period.
- The Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the financial statements for the financial year ended 31 March, 2002 on a going concern basis.

#### FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.1239 lacs constituting 52% of the Total Sales Turnover. The Foreign Exchange utilisation during the year was Rs.71 lacs.

#### ADVANCE TOWARDS SHARE CAPITAL OF SUBSIDIARY COMPANIES

During the year under review, your Company has paid advances towards acquiring share capital in M/s. Vaswani Properties Private Limited and M/s. Vaswani Investments and Holdings Private Limited. The Directors of your Company have joined the Board of Directors of these two Companies on 28.1.2002 by which your Company controls the composition of the Board of Directors of these two Companies.

#### DUES TO SMALL SCALE UNDERTAKINGS

There are no dues payable to small scale undertakings.

#### CORPORATE GOVERNANCE

Members are aware that the Corporate Governance code has become a statutory requirement as per listing guidelines framed by the Stock Exchanges. Members will be happy to know that their Company is complying with the stipulations of the new code as on date. In line with this requirement of the code, a Corporate Governance Report and a Management Discussion and Analysis Report of the Company is furnished elsewhere in this Annual Report.

#### ENERGY CONSERVATION

Conservation of energy continues to be on top priority of the management. The following measures have been taken:

- An effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.

## MAC CHARLES (INDIA) LIMITED

- b. We have substantially switched over to PL lamps from conventional lamps with a view to saving energy upto 70% on lighting.
- c. We have installed solar panels which are feeding hot water required for the guest rooms.
- d. We have imported and installed three highly fuel efficient screw chillers for our AC plant.
- e. We have replaced windows with double glazed reflective glass which is supposed to save 10% power on AC consumption.
- f. We have installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damages to electric motors and other installations.
- g. Thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- h. We have imported and installed two temperature control systems to reduce power consumption.
- i. We have formed an energy conservation committee to monitor power consumption regularly.

### TECHNOLOGY ABSORPTION

In the opinion of the Board, the required particulars, pertaining to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as a hotel forms part of the service industry and the Company does not have any significant manufacturing operations. However, the management, has been adopting the latest technology like high speed internet installed in all the guest rooms, latest high speed computers, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video conferencing facility and various latest hotel operational equipments. Further the hotel has been conforming to the Le Meridien's International Standards.

### PARTICULARS OF EMPLOYEES

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

### EMPLOYEES

The wage settlement agreement entered in 1999 expired on 31.3.2002. Negotiations on the charter of demands have been completed and a fresh wage settlement agreement will be signed shortly. The relationship with employees has been cordial. The total number of people employed by the Company is 349.

### DIRECTORS

Out of the present Directors, Mr.J.Matthan and Mr.K.R.Sampath will retire by rotation at the 22nd Annual General Meeting and being eligible offer themselves for re-appointment.

### AUDIT COMMITTEE

The Audit Committee comprising of Mr.C.B.Pardhanani, Mr.J.Matthan, Mr.B.N.Garudachar and Mr.P.B.Appiah all Directors of the Company with Mr.J.Matthan as the Chairman, undertook in consultation with the Internal and Statutory Auditors: (a) To review the adequacy of the internal control systems and Internal Audit Reports and their compliance thereof; (b) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; and (c) To review with the management, the financial statements before submission to the Board.

### AUDITORS' REPORT

The Auditors' observations are explained suitably in the 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 reviewed regularly by the Audit Committee. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

### LISTING

Your Company's securities are listed with two Stock Exchanges. The Company is regular in paying the listing fees to the said Stock Exchanges and their addresses are as follows:

#### The Bangalore Stock Exchange

No.51, Stock Exchange Towers,  
J.C.Road, Bangalore - 560 027.

#### The Stock Exchange,

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.

### ACKNOWLEDGEMENTS

The Directors are grateful to the Shareholders for their support, patience and co-operation extended to the Company for many years. The Directors also thank the Banks namely SBI and SBM for their co-operation and support. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, Karnataka State Government and Foreign collaborators M/s. Le Meridien. 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  
6 August 2002

**C.B.PARDHANANI**  
Chairman



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## CORPORATE GOVERNANCE REPORT

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is the social, legal and economic process by which Companies function and are held accountable. Mac Charles (India) Limited is committed in implementing Corporate Governance in true letter and spirit, maximizing shareholder value and paving way for good partnership and alliances. The Company believes in having a long term partnership with investors by having transparency and fairness in the dealings and placing an uncompromising emphasis on integrity and regularity of compliance.

The functions of the Board of Directors and the executive management are well defined and are distinct from one another. The Chairman of the company is an independent and Non-Executive Director. More than 1/3rd strength of the Board of Directors is independent. Various (presently three) Committees of the Board of Directors, mainly consist of non-Executive Directors and have been formed to oversee the functions of the

executive management and impart professionalism to the Board.

## BOARD OF DIRECTORS :

The Company has an appropriate mix of executive and independent Directors to maintain the independence of the Board and to separate the Board functions of governance and the executive management. During the year the Board comprised of Chairman and six Non-Executive Directors of whom four were independent Directors.

Board Meetings are scheduled well in advance. Agenda papers along with explanatory notes are distributed in a timely manner to Board members. The Board meets at least once in every quarter to review the quarterly financial results and discuss issues of import. During the year under review four Board Meetings have taken place on 22nd June 2001, 14th September 2001, 31st December 2001 and 31st March 2002.

Details of attendance of each Director at various meetings of the Company and their Directorship held at other corporate bodies are as follows :

Sl. No.	Name of Director	Category	No. of Board Meetings attended	Last AGM attended	No. of Other Directorships (Public Ltd Companies)	No. of Other Directorships (Pvt Ltd., Companies)	No. of Committee	No. of Chairmanship In Board / Committee
01.	Mr. C.B. Pardhanani	Non-Executive	4	YES	NONE	2	3	2
02.	Mr. J. Matthan	Independent Non-Executive	4	YES	1	1	3	1
03.	Mr. B.N. Garudachar	Independent Non-Executive	4	YES	NONE	NONE	1	NONE
04.	Mr. K. R. Sampath	Independent Non-Executive	1	YES	NONE	4	NONE	NONE
05.	Mr. P. B. Appiah	Independent Non-Executive	4	YES	NONE	3	2	NONE
06.	Mrs. Kavita C Pardhanani	Non-Executive	NIL	NO	NONE	1	NONE	NONE
07.	Miss. Sangeeta C. Pardhanani	Non-Executive	NIL	NO	NONE	1	NONE	NONE

## COMMITTEE OF DIRECTORS :

The following sub - committees of the Board of Directors of the Company have been constituted :-

## a) AUDIT COMMITTEE :

The Audit Committee comprises of independent and Non-Executive Directors namely, Mr. J. Matthan - Chairman, Mr. C.B. Pardhanani, Mr. B.N. Garudachar and Mr. P.B. Appiah. Mr. J. Matthan, Chairman of Audit Committee is a former

Chairman of LIC with a wide experience in finance and administration. The Committee regularly keeps a watch on the adequacy of internal control systems. It reviews the Company's financial reporting systems, the quarterly Financial results, Half yearly results and ensures that the financial statements prepared by the Company give a true and fair view of the affairs of the Company. Three meetings of the Committee were held on 22 June 2001, 31 December 2001 and 6 August 2002.

NAME OF THE DIRECTOR	CATEGORY	NO. OF MEETINGS	
		HELD	ATTENDED
Mr. J. Matthan	Independent - Non-Executive	3	3
Mr. B. N. Garudachar	Independent - Non-Executive	3	3
Mr. P. B. Appiah	Independent - Non-Executive	3	3

**MAC CHARLES (INDIA) LIMITED****b) SHARE TRANSFER & SHAREHOLDERS GRIEVANCES COMMITTEE :**

This committee comprises of Mr. C. B. Pardhanani – Chairman and Mr. J. Matthan who is an independent and Non-Executive Director. The committee approves and monitors transfers, transmissions of shares, transposition of name and change of name and investigates and directs redressal of shareholders' grievances. Share transfers are processed in not more than a month's time. The Committee endeavors to attend to the investors' grievances/ correspondences within a period of fifteen days from the

date of receipt of the same, except in cases which are constraint by disputes or legal impediments.

COMPLIANCE OFFICER : - MR. M.S. REDDY,  
COMPANY SECRETARY

COMMUNICATION  
ADDRESS : -

#28, SANKEY ROAD,  
P.B. NO. 174,  
BANGALORE -560 052

Details as to the shareholders complaints received and handled during the year is given under :

NATURE OF COMPLAINT	NO. OF COMPLAINTS RECEIVED	NO. OF COMPLAINTS REPLIED	NO. OF PENDING COMPLAINTS
With regard to Share Transfer Transmission/Transposition/Dividend/ Annual Reports, etc.	11	11	Nil

**c) REMUNERATION COMMITTEE :**

The Company has set up a Remuneration Committee of the Board. The Committee determines on behalf of Board and on behalf of the shareholders as per agreed terms of reference, the Company's policy of remuneration package. The committee comprises of independent and Non-Executive Directors viz., Mr. C.B.Pardhanani Mr. J. Matthan and Mr. P.B. Appiah. No remuneration other than the sitting fees (which is finalised in Meetings

of Board of Directors) is paid to the Non-Executive Directors. No stock option has been offered to the Directors or Executives of the Company.

The 'Manager' under the Companies Act 1956, is appointed / re-appointed for a period of five years and his service contract has no notice period clause. The current appointment of Mr. S.K. Badlaney, the Manager will expire on 31st March, 2004.

Details of remuneration disbursed to Directors, during the Financial Year 2001-2002 are as under:

(in Rupees)

NAME OF THE DIRECTOR	SITTING FEES	COMMISSION
Shri C.B. Pardhanani	—	9,97,717
Shri J. Mattan	22,000	—
Shri B.N. Garudachar	12,000	—
Shri K.R. Sampath	2,000	—
Shri P.B. Appiah	12,000	—

**SHAREHOLDER INFORMATION****ANNUAL GENERAL MEETING**

Date : Monday, 30 September 2002  
Time : 10 a.m.  
Venue : Hotel Le Meridien  
No. 28, Sankey Road,  
Bangalore - 560 052.

**MEANS OF COMMUNICATION**

The Company is publishing unaudited quarterly results in the newspaper namely, Financial Express.

**FINANCIAL CALENDAR (Tentative and subject to change)**

Financial Reporting for the Quarter ending 30th June, 2002	End July, 2002
Financial Reporting for the Quarter ending 30th September, 2002	End October, 2002
Financial Reporting for the Quarter ending 31st December, 2002	End January, 2003
Financial Reporting for the Quarter ending 31st March, 2003	End May, 2003

<b>Book Closure</b>	<b>26th September, 2002 to 30th September, 2002 (both days inclusive)</b>
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DIVIDEND PAYMENT DATE : 4th Week of October, 2002