

MAC CHARLES (INDIA) LIMITED

28th Annual Report 2007-08

Le MERIDIEN

BANGALORE

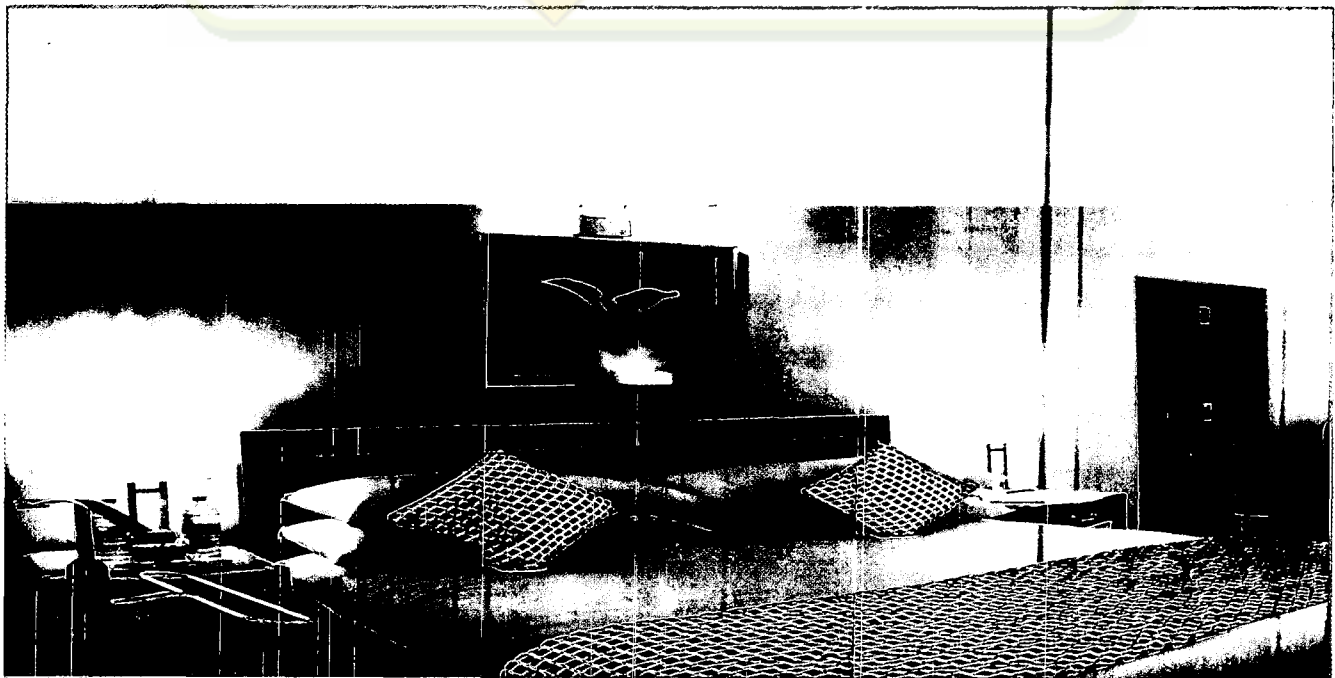
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MAC CHARLES (INDIA) LIMITED**Annual Report 2007 - 2008****BOARD OF DIRECTORS**

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
Ms. Sangeeta C. Pardhanani	Managing Director

VICE PRESIDENT FINANCE & COMPANY SECRETARYMr. M.S. Reddy *B.Com., L.L.B., MBIM, FCA, FCS***REGISTERED OFFICE****Le MERIDIEN - BANGALORE**

28, Sankey Road, Bangalore - 560 052

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Fax : 080-22267676 / 22262050

e-mail : leme.bangalore@lemeridien.com

Visit us at : www.lemeridien-bangalore.com

PRINCIPAL BANKERS

State Bank of India, Bangalore

State Bank of Mysore, Bangalore

AUDITORS

K. B. Nambiar & Associates

101, President Chambers

8, Richmond Road

Bangalore - 560 025

REGISTRARS &**SHARE TRANSFER AGENTS**

Canbank Computer Services Ltd

(A Subsidiary of Canara Bank)

R & T Centre, Naveen Complex

4th Floor, # 14, M. G. Road

Bangalore - 560 001.

Tel : 080-2532 0541 / 0542

Email : canbank_computer@dataone.in

INVESTORS' QUERIES

e-mail : secretarial.bangalore@lemeridien.com

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TWENTY EIGHTH Annual General Meeting of MAC CHARLES (INDIA) LTD. will be held on SATURDAY the 27 SEPTEMBER 2008 at HOTEL LE MERIDIEN, No. 28, Sankey Road, Bangalore - 560 052 at 3 p.m.

NOTE:

(a) As a measure of economy, copies of Annual Report will not be distributed at the Meeting. Members are requested to kindly bring their copies to the Meeting.

(b) Children accompanying a member/proxy will not be allowed inside the meeting hall.

MAC CHARLES (INDIA) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 28th Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore – 560 052, on Saturday the **27 September 2008** at **3 p.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 2008 together with the Directors' and Auditors' report thereon.
2. To declare a dividend on Equity Shares for the year ended 31 March 2008.
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 appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Bangalore
19 August 2008

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. A proxy need not be a member of the Company. **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) Members having specific queries regarding accounts are requested to deposit their queries in writing at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the meeting, so as to make the management to furnish the clarification.
- d) **Members desirous of changing from physical form to demat form may apply with their respective Depository Participants having registered with CDSL.**
- e) Pursuant to the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended on 31st March, 2001 which remain unclaimed is due for transfer to the Investor Education & Protection Fund (IEPF) on 13.11.2008. Members who have so far not encashed the Dividend Warrants for the above year are advised to submit their claim to the Company's R&T Agents at their aforesaid address immediately quoting their folio number/ DP ID & Client ID. It may be noted that once the unclaimed dividend is transferred to IEPF as aforesaid, no claim shall lie on the company in respect of such unclaimed dividend.

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 28th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2008.

FINANCIAL RESULTS

Rs. in Lakhs

	2007-08	2006-07
Sales Turnover	7391.80	8467.34
Other Income	2853.22	1254.85
Expenditure	4785.69	3310.60
Provision for Taxation	1398.07	1919.75
Profit for the year	4061.26	4491.84
Profit brought forward from previous year	256.54	511.63
Interim / Final Dividend including Corporate Dividend Tax	766.38	746.92
Transfer to General Reserve	3000.00	4000.00
Profit transfer to Balance Sheet	551.43	256.54
Earning Per Share	61.99	68.57

HOTEL OPERATIONS

During the year under report, the economy witnessed a global slowdown mainly on account of very high crude oil prices coupled with unprecedented turmoil in the banking and financial sector in the developed countries. The Indian economy is also affected resulting in lower Hotel room occupancy and lesser average room rate. Hence, sales turn over has decreased from Rs.8467 lakhs to Rs.7392 lakhs.

FUTURE PROSPECTS

During the current financial year 2008-09, the hotel business is not bright and hence, better working results are not likely to be achieved.

FINANCE

During the year under report, the financial position of the Company has further been consolidated with significantly increased reserves and surplus.

DIVIDEND

The Board of Directors have recommended a dividend of Rs.10/- per share on share capital of Rs.6.55 crores divided into 65,50,526 equity shares of Rs.10/- each. The said dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on 17 September 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- 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 has 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 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 the Companies Act for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and

- The Annual Accounts have been prepared for the financial year ended March 31' 2008 on a going concern basis.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.5023.99 lacs which is 68% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.477.05 lacs.

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 energy conservation measures have been taken:

- Installed two numbers of 1.50 MW each environment friendly Wind Turbine Generators which generate electricity of about 80 lacs units p.a. of green power which will be utilized partially for captive consumption of the Hotel, pending necessary Govt. approval.
- an effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.
- substantially switched over to PL lamps from conventional lamps with a view to saving energy upto 60% on lighting.
- installed solar panels which are feeding hot water required for the guest rooms.
- imported and installed three highly fuel efficient screw chillers for our AC plant.
- replaced windows with double glazed reflective glass with a view to save power on AC consumption.
- installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damage to electric motors and other installations.
- thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- imported and installed two temperature control systems to reduce power consumption.
- constituted an energy conservation committee to monitor power consumption regularly.

MAC CHARLES (INDIA) LIMITED

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 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 LCD TV systems, high speed internet installed in all the guest rooms, latest high speed computers, modern guest amenities, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video

Employed throughout the year :

Name	Ms.Sangeeta C. Pardhanani	Mr. M.S. Reddy	Mr. G. Vijay
Age	39 Years	54 Years	46 years
Remuneration	Rs.1,99,36,440/-	Rs.47,84,421/-	Rs.32,51,998/-
Qualification	B.Com., DBM	B.Com.,L.L.B., MBIM., from London, UK, FCA, FCS	B.com.,Diploma in Hotel Mgmt.from Florida, USA, Advance Mgmt. from Cornell University, USA
Experience	6 Years	28 years	22 years
Date of commencement of employment	01.10.2002	13.08.1983	01.10.2005
Last Employment held	Executive Director – Mac Charles (India) Ltd.	Company Secretary & Chief Accounts Officer, Sri Krishna Rajendra Mills Ltd., Mysore	Director of Operation, Harsha Hospitality Management, USA
Designation	Managing Director	Vice President Finance and Company Secretary	Vice President Operations and Director of Development

EMPLOYEES

The settlement agreements individually and in groups have been signed by majority of workmen for three years from 01.04.2008 to 31.03.2011. The relationship with employees has been cordial. The total number of persons employed by the Company is 437 as at 31 March 2008.

DIRECTORS

Out of the present Directors, Mr. K.R. Sampath and Mrs. Kavita C. Pardhanani will retire by rotation at the 28th 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, discharged its duties and functions in consultation with the Internal and Statutory Auditors: (a) To review the adequacy of the internal control system 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.

conferencing facility, latest models of soundfree fridges in guest rooms and various latest hotel operational equipments. Further the Hotel has been conforming to the stringent Le Meridien's International Standards.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act, 1956, read with Companies (particulars of employees) Rules, 1975, is appended below :

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 :

AUDITORS' REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to Directors 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.

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors have been conducting quarterly 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.

SECRETARIAL AUDIT

As per SEBI Regulations, secretarial audit is being carried out at the specified periods by a practicing Company Secretary. The findings of the secretarial audit are satisfactory.

BSE LISTING AND DEMATERIALIZATION

The trading of Company's shares with Bombay Stock Exchange (BSE) has been restored on 28.01.2008 and the dematerialisation of shares has since been activated with CDSL. The dematerialisation of shares with NSDL will be activated shortly.

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FUND

Investors Education & Protection Fund in terms of Section 205C of the Companies Act, 1956 – There is no amount to be credited to the fund as on date. As such the question of remitting any amount to the Investors Education & Protection Fund does not arise.

ACKNOWLEDGEMENTS

Your Directors are grateful to the Shareholders for their support and co-operation extended to the Company for many years. The Directors also thank the Banks namely State Bank of India and State Bank of

Mysore 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 all the staff of the Company.

For and on behalf of the Board

Bangalore
19 August 2008

C.B. Pardhanani
Chairman



MAC CHARLES (INDIA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of **MESSRS.MAC CHARLES (INDIA) LIMITED** as at 31 March 2008 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, subject to Note No.19 of Schedule – 19 – Notes on Accounts – regarding non-confirmation of balances;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ;
- (v) On the basis of written representation received from the Directors, as on 31 March 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at **31 March 2008**;
 - (b) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date ; and
 - (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **K. B. Nambiar & Associates**
Chartered Accountants

Bangalore
19 August 2008

K. B. Nambiar
Partner (M.No.7211)

ANNEXURE TO THE AUDITORS' REPORT DATED 19 AUGUST 2008

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed during such verification.
- (c) Fixed Assets disposed off during the year were not substantial.
- (ii) (a) Physical verification has been conducted by the management at reasonable intervals in respect of provisions, food supplies and beverages, crockery, cutlery, glassware, other stores and operational supplies.
- (b) In our opinion, 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.
- (c) The company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of stocks as compared to book records are not material and have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loan, secured or unsecured to or from Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. No major weakness in internal control was noticed during the year.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, during the year there was no transaction that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted deposits to which the directives issued by Reserve Bank of India and provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company has an internal audit system commensurate with its size and the nature of its business.

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(viii) As informed to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the Company.

(ix) (a) According to the records of the company and the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth

Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year.

(b) To the best of our knowledge and belief and according to the information and explanations given to us, details of disputed statutory dues which has not been deposited in the case of Income Tax and Excise Duty are given in the table below:-

Sl. No.	Nature of Dues	Period to Which the Dispute relates	Amount in Rupees	Forum where the Dispute is Pending	Remarks
1	Income Tax	A.Y.1997-98	9,55,691	Honourable High Court of Karnataka	The amount in dispute is adjusted by the Income Tax Dept., out of refund due to the Company
2	Income Tax	A.Y.2001-02	1,62,10,958	Commissioner of Income Tax (Appeals) vide his Order dated 14.03.2008 which was received by the Company on 03.04.2008 has disposed off the appeal filed by the Company and thereafter the Company has preferred an appeal before the Income Tax Appellate Tribunal.	The amount in dispute is adjusted by the Income Tax Department out of refund due to the Company
3	Excise Duty (Penalty)	April 2003 to February 2007	3,89,276	Commissioner of Central Excise (Appeals) vide his Order dated 27.03.2008 which was received by the Company on 05.04.2008 has disposed off the appeal filed by the Company and thereafter the Company has preferred an appeal before the Customs, Excise and Service Tax Appellate Tribunal.	

(x) The Company has neither accumulated loss as at 31 March 2008 nor has it incurred any cash loss during the financial year ended on that date or in the immediately preceding financial year.

(xi) The Company has not defaulted in repayment of dues to financial institution or bank.

(xii) According to the information and explanations given to us, and records examined by us, during the year the company has not granted loan or advance on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute as specified under clause (xiii) of paragraph 4 of the Order are not applicable to the Company.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the company has not obtained any term loan during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment by the Company.

(xviii) The Company has not made any preferential allotment of shares during the year.

(xix) The Company has not issued any debenture during the year.

(xx) The Company has not raised money by public issue during the year.

(xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **K. B. Nambiar & Associates**
Chartered Accountants

Bangalore
19 August 2008

K. B. Nambiar
Partner (M.No.7211)