

MAC CHARLES (INDIA) LIMITED

29th Annual Report 2008-09

Le MERIDIEN

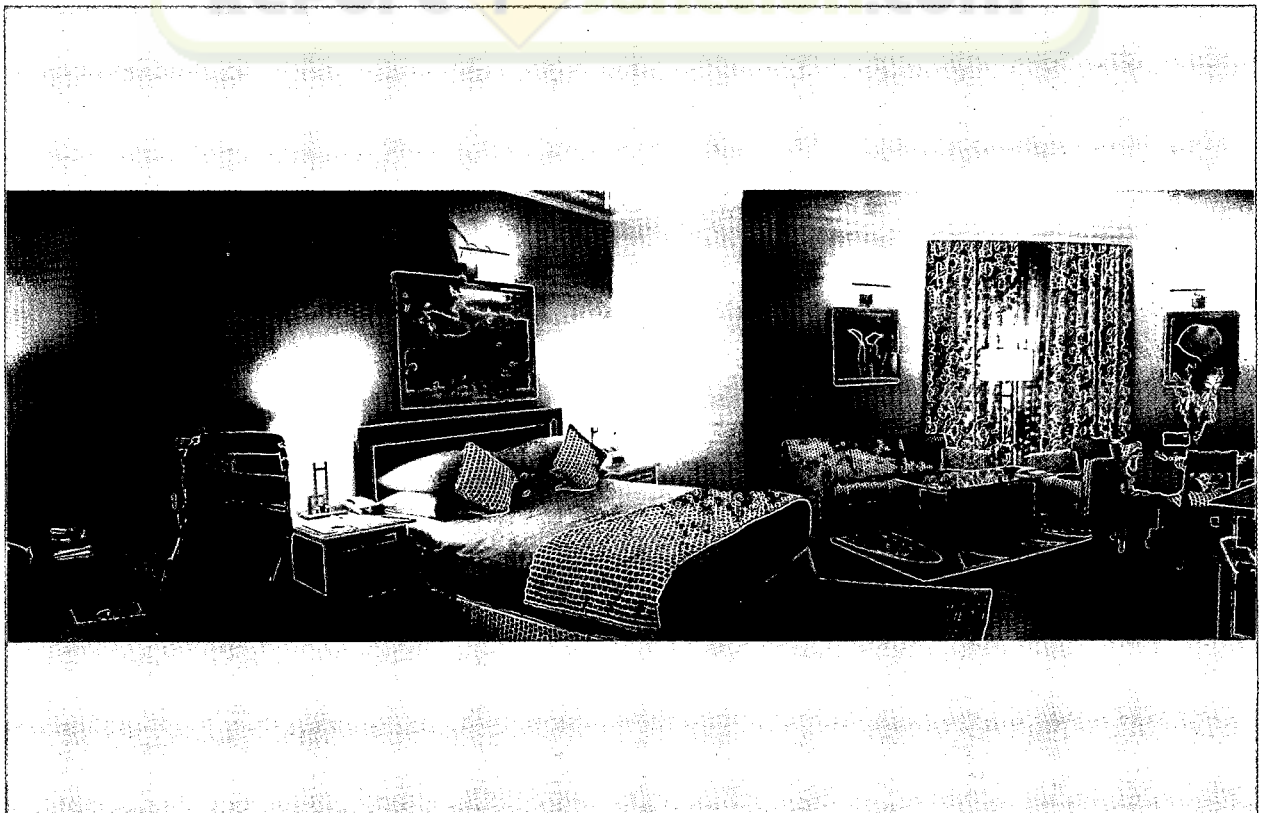
BANGALORE

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LOBBY ENTRANCE



EXECUTIVE SUIT

MAC CHARLES (INDIA) LIMITED**Annual Report 2008-09****BOARD OF DIRECTORS**

| | |
|-----------------------------------|--------------------------|
| Mr. C. B. Pardhanani | Chairman |
| Mr. J. Matthan | 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

Tel : 080-2226 2233 / 2228 2828

Fax : 080-2226 7676 / 2226 2050

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

BgSE Financials Limited
(Subsidiary of Bangalore Stock Exchange Ltd.,)
Registrar & Transfer Agent (RTA Division)
No. 51, 1st Cross, J.C. Road,
Bangalore - 560 027.

Tel : 080 - 4132 9661 / 4157 5234

Fax : 080 - 2227 6674

Email : manager_rta@bfsi.co.in

INVESTORS' QUERIES

e-mail : secretarial.bangalore@lemeridien.com

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TWENTY NINTH Annual General Meeting of MAC CHARLES (INDIA) LTD. will be held on THURSDAY the 30 JULY 2009 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 29th Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Méridien, No. 28, Sankey Road, Bangalore – 560-052, on Thursday the **30 July 2009** 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 2009 together with the Directors' and Auditors' report thereon.
2. To declare a dividend on Equity Shares for the year ended 31 March 2009.

3. To appoint a Director in place of Mr. P.B. Appiah, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. J. Matthan, 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
23 June 2009

M.S. REDDY
Company Secretary

NOTES:

- a) The Register of Members and Share Transfer Book will remain closed from **Saturday, the 25th July 2009** to **Thursday, the 30th July 2009 (both days inclusive)** for the purpose of payment of dividend, if any, to be declared at this meeting.
- b) Members holding shares in multiple folios in **Physical mode** are requested to apply for consolidation to the Registrar and Transfer Agent (R&T Agent)/Company along with relevant Share Certificates.
- c) Members desirous of changing from physical form to dematerialization (electronic form) may apply with their respective Depository Participants (DP's). The Company's shares are already demated with CDSL and NSDL.
- d) The dividend, if any, in respect of Equity Shares held in **electronic mode** will be paid on basis of beneficial ownership, details of which are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the said purpose.
- e) For effecting change of Address/Bank details/Electronic Clearing Services (ECS) Mandate, if any, Members are requested to notify the same to the following :
 - (i) If shares are held in **Physical mode**, to the Company/R&T Agent of the Company, i.e., BgSE Financials Limited, RTA Division, No.51, 1st Cross, J.C. Road, Bangalore – 560 027.
 - (ii) If shares are held in **electronic mode**, to their Depository Participant (DP). The Company/R&T Agent will not entertain request for noting change of Address/Bank details/ECS Mandate, if any.
- f) Members holding shares in **electronic mode** may kindly note that their Bank Account details and 9 digit MICR code of their Bankers, as noted in the records of their DP, shall be used for the purpose of overprinting on Dividend Warrants, or remittance of dividend through Electronic Clearing Service (ECS), wherever applicable. It is, therefore, necessary that the members should ensure that their correct Bank details, and 9 digit MICR Code number are noted in the records on the DP.

Reserve Bank of India (RBI) is providing ECS facility for payment of dividend in select cities. Members holding shares in **physical mode** and desirous of availing this facility may give the details of their Bank account, with 9 digit MICR Code, along with photocopy of a cheque or a blank cancelled cheque relating to the designated Bank account, to the R&T Agent/Company.

As per the ECS Mandate noted in the records of DP, the amount of dividend will be credited directly to bank account through RBI's Electronic Clearing Service (ECS). The credit of dividend amount can also be confirmed from pass book / bank statement. **Kindly ensure that the ECS mandate is correctly recorded with DP so that no ECS rejection takes place.**

- g) Pursuant to the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended on 31 March 2002 which remain unclaimed is due for transfer to the Investor Education & Protection Fund (IEPF) on 30.10.2009. 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 namely BgSE Financials Limited, Bangalore, by 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.
- h) Members are requested to :-
 - (i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.
 - (ii) Quote their folio/DP & Client Id No. in all correspondence with the R&T Agent/Company.
 - (iii) Note that briefcase, mobile phone, bag, eatables and other belongings will not be allowed to be taken inside the venue of the meeting for security purpose and shareholders will be required to take care of their belongings.
 - (iv) 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.** Proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Meeting. Blank proxy form is annexed hereto.
 - (v) 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.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 29th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2009.

FINANCIAL RESULTS*Rs. in Lakhs*

| | 2008-09 | 2007-08 |
|---|---------|---------|
| Sales Turnover | 6306.72 | 7391.80 |
| Other Income | 960.34 | 2853.22 |
| Expenditure | 4080.02 | 4785.69 |
| Provision for Taxation | 1216.56 | 1398.07 |
| Profit for the year | 1970.48 | 4061.26 |
| Profit brought forward from previous year | 551.43 | 256.54 |
| Dividend including Corporate Dividend Tax | 766.38 | 766.38 |
| Transfer to General Reserve | 1200.00 | 3000.00 |
| Profit transfer to Balance Sheet | 555.52 | 551.43 |
| Earning Per Share | 30.08 | 61.99 |

HOTEL OPERATIONS

During the year under report, the economy witnessed 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.7392 lakhs to Rs.6307 lakhs.

FUTURE PROSPECTS

During the current financial year 2009-10, the hotel business is poor and hence, working results are likely to be poor.

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 24th July, 2009.

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' 2009 on a going concern basis.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.4454 lacs which is 71% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.568 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 75 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.

MAC CHARLES (INDIA) LIMITED

- i) imported and installed two temperature control systems to reduce power consumption.
- j). constituted 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 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 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 :

Employed throughout the year :

| Name | Ms.Sangeeta C. Pardhanani | Mr. M.S. Reddy | Mr. G. Vijay |
|------------------------------------|---|---|--|
| Age | 40 Years | 55 Years | 47 years |
| Remuneration | Rs.1,41,84,000/- | Rs.41,65,451/- | Rs.31,13,654/- |
| 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 | 7 Years | 29 years | 23 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 relationship with employees has been cordial. The total number of persons employed by the Company is 389 as at 31 March 2009.

DIRECTORS

Mr. B.N.Garudachar, resigned from the Board of Directors during the year.

Your Directors place on record their appreciation for the services rendered by Mr. B.N.Garudachar during his tenure as Director of your Company.

Out of the present Directors, Mr. P. B. Appiah and Mr. J. Matthan will retire by rotation at the 29th 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.

AUDITORS' REPORT

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

AUDITORS' REPORT ON CORPORATE GOVERNANCE

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

Annual Report 2008-09**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.

DEMATERIALISATION

The dematerialisation of shares has been done with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL).

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
23 June 2009

C.B. Pardhanani
Chairman

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To,

THE MEMBERS OF MAC CHARLES (INDIA) LIMITED

We have examined the compliance of conditions of corporate governance by Mac Charles (India) Limited for the year ended on 31 March 2009, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that the time gap between two Audit Committee Meetings in one instance is more than four months.

We state that no investor grievance is pending for a period exceeding one month as at 31 March 2009 except in one case as per the records maintained by the Company and as taken on record by the Share Transfer cum Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K. B. NAMBIAR & ASSOCIATES**
Chartered Accountants

Bangalore
23 June 2009

V. V. GABRIEL
Partner

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 2009 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 misstatements. 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 subsection (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. 20 of Schedule 19 – Notes on Accounts – regarding non-confirmation of balance;
- (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 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2009 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 2009;

(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
23 June 2009

V. V. Gabriel
Partner (M.No.213936)

ANNEXURE TO THE AUDITORS' REPORT DATED 23 JUNE 2009

- (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.
- (b) In our opinion, the procedures, of physical verification of inventories 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.
- (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 | 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 | Customs, Excise and Service Tax Appellate Tribunal. | |

- (x) The Company has neither accumulated loss as at 31 March 2009 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 explanation 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
23 June 2009

V. V. Gabriel
Partner (M.No.213936)