

Annual Report 2005 - 2006



AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of **KAMAT HOTELS (INDIA) LIMITED**, as at 31st March, 2006 and also the Profit & Loss Account and the Cash Flow Statement of the Company 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 the 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 of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, 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:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. 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.
3. The Balance Sheet, Profit & Loss Account, and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report, comply with the applicable Accounting Standards referred to in sub-section (3-C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the Directors of the Company, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2006 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and the other notes appearing thereon, 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:
 - (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2006;
 - (ii) in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **J.G.VERMA & CO.**
Chartered Accountants

J.G.VERMA
Partner

Membership No. 5005
Mumbai: 26th July, 2006

For **ANAY GOGTE & CO.,**
Chartered Accountants

A. R. GOGTE
Proprietor

Membership No. 37046

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets installed at its various units.
(b) According to the information and explanations given to us, the fixed assets have been physically verified during the year by the management in accordance with a phased programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
(c) There has not been any significant disposal of fixed assets during the year affecting going concern.
2. (a) In our opinion, physical verification of inventories has been conducted by the management at reasonable intervals;
(b) 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) On the basis of our examination of the inventory records of the Company, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies, which were noticed on physical verification of inventory as compared to book records, were not material and have been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956 except interest free trade deposits aggregating to Rs. 73.71 crores (maximum balance Rs. 73.71 crores) to four such parties. In respect of deposit of Rs. 3.20 Crores (maximum balance Rs. 3.20 crores) given to erstwhile Himco, the same stands discharged on giving effect to the Scheme of Amalgamation during the year.
(b) The rate of interest wherever applicable and other terms and conditions of above deposits given are *prima facie* not prejudicial to the interest of the Company.
(c) The receipt of the principal amount of these deposits given, and interest thereon wherever applicable was regular.
(d) There was no overdue amount of such deposit given by the Company during the year.
(e) According to the information and explanations given to us, the Company has taken loans by way of secured debentures and interest free unsecured trade deposit aggregating to Rs. 9.24 crores (maximum balance – Rs.9.24 Crores) from such parties numbering five.
(f) The rates of interest wherever applicable and other terms and conditions of above unsecured loans, debentures and deposits taken are *prima facie* not prejudicial to the interest of the Company.
(g) The payment of the principal amount of these loans, debentures and deposits taken, and interest thereon wherever applicable was regular.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory

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- and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. To the best of our knowledge and belief and according to the information and explanations given to us, (a) the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section; and (b) such transactions exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
 6. The Company has not accepted any deposits from the public within the meaning of Section 58A 58AA and other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Hence the clause (vi) of the Order is not applicable to the Company.
 7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 8. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
 9. (a) According to the records of the Company and the information and explanations given to us, the Company has been generally regular, (*albeit with minor delays in some cases*), in depositing undisputed statutory dues, including provident fund, investor education & protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other applicable statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, there are no undisputed amounts payable in respect of undisputed statutory dues as at 31st March, 2006 which were outstanding for a period of more than six months from the date they became payable;
 - (b) According to the information and explanations given to us and on the basis of our examination of the documents and records, there are no cases of non-deposit with appropriate authorities of disputed dues of sales-tax, wealth tax, service tax, customs duty, excise duty, cess.
- The details of disputed income-tax and property tax are as under:

Name of the Statute / Nature of the dues and period	Amount (Rupees in lacs)	Forum where dispute is pending
Income tax Act, 1961 – Disputed demand determined on giving effect to the order of Commissioner (Appeals) for A. Y. 1995-96 & 1996-97 (disputed but recovered by the Department) and on completion of regular assessment for A.Y. 2003-04	29.80	Income-tax Appellate Tribunal and Commissioner of Income-tax (Appeals)
Property tax under BMC Act – Demand raised on revision of ratable value for the period from August 1997 to March, 2006.	293.27	Small Causes Court

10. The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses either during the financial year or immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, *there were delays in repayment of dues relating to the erstwhile Himco aggregating to Rs. 6.26 Crores to financial institutions and banks ranging from one day to eighty-nine days during the year*. There was no default in repayment of dues to debenture holders.
12. In respect of Loans and Advances in the nature of loans of Rs. 200.00 lakhs given by the Company in earlier year (considered doubtful by the management and fully provided for) inter alia on the basis of pledge of certain shares, the Company has maintained adequate documents and records. Except the above, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures, and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us, the term loans raised by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that funds raised on short term basis have prima facie, not been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 except issue of 24,54,545 equity shares to the shareholders of erstwhile Himco in accordance with the Scheme of Amalgamation approved by the High Court.
19. During the year, the Company has not issued any debenture.
20. The Company has not raised money by public issue during the year,
21. To the best of our knowledge and belief, and according to the information given to us, no fraud on or by the Company was noticed or reported during the year.

For J.G.VERMA & CO.
Chartered Accountants

J.G.VERMA
Partner
Membership No. 5005
Mumbai: 26th July, 2006

For ANAY GOGTE & CO.,
Chartered Accountants

A. R. GOGTE
Proprietor
Membership No. 37046