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VELAN HOTELS LIMITED

41, KANGAYAM ROAD, TIRUPUR 641 604



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7th

Annual Report

1996 - 97





VELAN HOTELS LIMITED

BOARD OF DIRECTORS :

Sri. R.V.E. Venkatachalam	Chairman
Sri. E.V. Muthukumara Ramalingam	Managing Director
Dr. K.A. Balasubramaniam	Director
Sri. P. Ganesan	Director
Sri. T. Gopalakrishnan	Director
Sri. P.S. Shanmugam	Director
Sri. M. Sivasubramaniam	Director
Sri. P.S. Venkatachalam	Director
Sri. P.B. Venkatraman	Director
Sri. K. Ravindran	Nominee Director

AUDITORS :

M/s.P.S. KRISHNAN & ASSOCIATES
Chartered Accountants
22, Universal Road
Tirupur 641 601.

BANKERS :

The Catholic Syrian Bank Ltd.
Kumaran Road
Tirupur 641 601.

The Vysya Bank Ltd.

R.S.Puram

Coimbatore 641 002.

The South Indian Bank Ltd.
Coonoor.

PREMISES OF THE HOTELS :

VELAN HOTEL GREENFIELDS
No.41, Kangayam Road
Tirupur 641 604.

VELAN UTHRA RESTAURANT
Avanashi Road
Tirupur 641 601.

VELAN HOTEL RITZ
Ritz Road, Bedford
Coonoor 643 101.

REGISTERED OFFICE :

No.41, Kangayam Road
Tirupur 641 604.



VELAN HOTELS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of VELAN HOTELS LTD will be held at the Registered Office of the Company, 41, Kangayam Road, Tirupur 641 604 on Friday, the 26th day of December 1997 at 12.30 P.M. to transact the following business :

ORDINARY BUSINESS

1. To adopt the Profit and Loss Account of the company for the year ended 30.06.1997, the Balance Sheet as at that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri R.V.E. Venkatachalam who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri P.S. Venkatachalam who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri M. Sivasubramaniam who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

To pass with or without modification, the following resolution as an Ordinary Resolution.

Resolved that, Shri T. Gopalakrishnan who was appointed as an Additional Director in the Board as per Article 66C of the Articles of Association and who holds office till the ensuing Annual General Meeting be and is hereby appointed as a Director of the Company.

By order of the Board
for VELAN HOTELS LTD.
(E.V. Muthukumara Ramalingam)
Managing Director

Place : Tirupur
Date : 12.11.97

NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
3. The instrument of proxy must be lodged at the Registered Office of the company by not later than 48 hours before the time fixed for the meeting.
4. Members are requested to notify any change in their address to the company's share transfer agents M/s. Trident Investment and Portfolio Services (P) Ltd. 4, Fourth main Road, United India Colony, Kodambakkam, Chennai 600 024.

**VELAN HOTELS LIMITED**

5. Members/Proxies should bring their Annual Report copy and attendance slip sent herewith duly filled in for attending the meeting.
6. The Register of members and Share Transfer books of the company will remain closed from 22nd December 1997 to 26th December 1997 (both days inclusive).
7. Members desiring any information as regards accounts are requested to write to the company at least 7 days before the date of the meeting so as to enable the company to keep the information ready.

EXPLANATORY STATEMENT (Pursuant to section 173(2) of the Companies Act, 1956)

A notice proposing Shri T. Gopalakrishnan as a Director has been received from a shareholder along with a Deposit Rs.500 as required under section 257 of the Companies Act 1956.

Shri T. Gopalakrishnan has given his consent to act as a Director if so appointed. The necessary resolution is placed before you for your approval.

Shri T. Gopalakrishnan and Shri R.B. Venkatraman are interested in this resolution. None of the other Directors are interested in this Resolution.

Place : Tirupur
Date : 12.11.97

By order of the Board
for VELAN HOTELS LTD.
(E.V. Muthukumara Ramalingam)
Managing Director

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VELAN HOTELS LIMITED

DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY

Your Directors are pleased to present the 7th Annual Report along with the Audited Accounts for the year ended 30th June, 1997.

FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	1996-97	1995-96
Gross Income	511.58	492.96
Profit / (Loss) (before interest and depreciation)	115.24	113.86
Interest	216.30	147.23
Profit / (Loss) (before Depreciation)	(101.06)	(33.37)
Depreciation	51.08	40.00
Profit / (Loss) after depreciation	(152.14)	(73.37)

DIVIDEND :

Considering the financial position and the financial results of the company, your Directors do not recommend any dividend to the Shareholders for the year under consideration.

OPERATIONS :

The gross income earned during the year was Rs.512 lakhs as compared to Rs.493 lakhs during the last year. Though this was higher than last year marginally due to higher cost of inputs, interest and depreciation the unit has posted a higher loss. The dull business climate in Tirupur due to the difficult export market and the delay in commissioning of Coonoor unit, combined with the bad business climate in Coonoor added to this difficult positive.

All the units are now fully in operation and there are no new capital investment programme. The routine refurbishment programme for the rooms have been carried in Tirupur.

PROJECTIONS Vs PERFORMANCE FOR THE YEAR ENDED JUNE 30, 1997 :

Details as required under clause 42 and 43 of the listing agreement with the Stock Exchanges are given below.



VELAN HOTELS LIMITED

Statement showing the particulars as required under the listing agreement and forming part of the report of the Board of Directors for the year ended 30th June 1997.

(Rs. in lakhs)

	Projected in the Prospectus dated 23.11.1994	Actuals
Gross sales	658	512
Profit before depreciation/interest	295	115
Interest	83	216
Depreciation	55	51
Preliminary Exp. W/off	4	3
Profit / (Loss) before tax	152	(152)

Coonoor project has been delayed due to adverse weather conditions and unforeseen circumstances. The work is nearing completion. Due to the delays there has been a cost overrun.

BUSINESS OUTLOOK :

After three years of dull business climate, there are signs of marginal recovery. As the prospects of Tirupur and Coonoor Hotels are closely linked to that, we look forward to the current year with hope.

The Gross income for the first 4 months of the current year is Rs.163.93 lakhs as compared to Rs.137.22 lakhs during the corresponding previous year.

PUBLIC DEPOSITS :

Your company has not accepted any deposit from the public during the year.

DIRECTOR :

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the company, Sri R.V.E. Venkatachalam, Sri M. Sivasubramaniam and P.S. Venkatachalam Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Sri T. Gopalakrishnan, B.Sc., F.C.A., a Management Consultant with 24 years managerial experience has been co-opted as an Additional Director on 12th November 1997.

PARTICULARS OF EMPLOYEES :

There are no employees who are in receipt of remuneration of more than Rs.300000 per annum when employed throughout the year or Rs.25000 per month when employed for a part of the year.



VELAN HOTELS LIMITED

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

Conservation of energy continues to receive serious attention by your company during year under review from time to time. Several innovative measures were adopted in this area resulting in savings to the company. Being a hotel industry, it does not lend itself to any technology absorption.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The foreign exchange income from guest collections was Rs.150.54 lakhs during the current year, as compared to Rs.184.22 lakhs during last year.

AUDITORS :

M/s.P.S. KRISHNAN & ASSOCIATES, Chartered Accountants, Tirupur retire at the ensuing Annual General Meeting and are eligible for reappointment.

EMPLOYEES :

Your Directors express their sincere appreciations of the diligence, co-operations and support rendered by the executives and employees of the company. Peace and harmony were the hall mark of the company.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their appreciation for the wholehearted and sincere co-operation, the company has received from its guests, IDBI, ICICI, Bankers and investors.

Your directors also wish to place on record their sincere thanks to Dept.of Tourism and various other departments, agencies of Central and State Governments, suppliers and valued clients for their continued support and patronage.

Place : Tirupur
Date : November 12, 1997

by order of the Board
for VELAN HOTELS LIMITED

(E V Muthukumara Ramalingam)
Managing Director



VELAN HOTELS LIMITED

AUDITORS' REPORT

To
The Members of Velan Hotels Limited
Tirupur

We have audited the attached Balance Sheet of VELAN HOTELS LIMITED, TIRUPUR as at 30th June 1997 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) 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.
2. Further to our comments in the annexure referred to in paragraph 1 above we report that :
 - a) 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.
 - b) 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 such books.
 - c) The Balance Sheet and the Profit & Loss Account referred to in this Report are in agreement with books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes and schedules appearing thereon give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 30th June 1997 and
 - ii) In the case of Profit & Loss Account, of the Loss for the year ended 30.06.1997.

for P S KRISHNAN & ASSOCIATES

(S SUBRAMANIAN)
Partner
Chartered Accountants

Place : Tirupur
Date : November 12, 1997