

VELAN HOTELS LTD

No.41,Kangayam Road, Tirupur - 641 604.



12th
Annual Report
2001 - 2002

**VELAN HOTELS LTD****BOARD OF DIRECTORS :**

Sri. R.V.E. Venkatachalm	Chairman
Sri. E.V. Muthukumara Ramalingam	Managing Director
Sri M R Gautham	Executive Director
Dr. K.A. Balasubramaniam	Director
Sri. P. Ganesan	Director
Sri. T. Gopalakrishnan	Director
Sri. P.S. Venkatachalam	Director

AUDITORS:

M/s.P.S. KRISHNAN & ASSOCIATES
Chartered Accountants
55, 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 GREENFILEDS
No.41, Kangayam Road
Tirupur 641 604.

VELAN UTHARA
RESTAURANT
Avanashi Road
Tirupur 641 601.

VELAN HOTEL RITZ
Ritz Road, Bedford
Coonoor 643 101.

REGISTERED OFFICE:

No.41, Kangayam Road
Tirupur 641 604.

STOCK EXCHANGES IN WHICH THE COMPANY'S SHARES ARE LISTED:

- | | |
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| <p>1. The Coimbatore Stock Exchange Limited
" Stock Exchange Building "
683-686, Trichy Road, Singanallur
Coimbatore 641 005.</p> <p>3. The Stock Exchange Mumbai.
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street, Mumbai 400 001.</p> | <p>2. The Madras Stock Exchange Ltd
" Stock Exchange Building "
Post Box No:183
11, Second Line Beach
Chennai 600 001.</p> |
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**VELAN HOTELS LTD****NOTICE OF THE 12TH ANNUAL GENERAL MEETING 2001-2002**

Notice is hereby given that the 12th Annual General Meeting of Velan Hotels Limited will be held at the Registered Office of the Company situated at 41, Kangayam Road, Tirupur 641 604 on Friday, the 27th day of September 2002 at 12.15 P.M to transact the following business.

ORDINARY BUSINESS

1. To adopt the Profit and Loss Account of the Company for the year ended 31st March 2002 and the Balance Sheet as at that date together with the reports of the Directors and the Auditors of the Company.
2. To appoint a Director in the place of Shri T. Gopalakrishnan 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 Auditors to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

Place: Tirupur
Date: 2.9.2002

for and on behalf of the Board
E V Muthukumara Ramalingam
Managing Director

NOTES

1. 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.
2. The instrument of proxy to be effective must be lodged at the Registered Office of the company not later than 48 hours before the time fixed for the meeting.
3. Members are requested to notify any change in their address to the company's share transfer agents M/s S K D C Consultants Ltd, No 11, S N Lay Out, Coimbatore 641012.
4. Members/Proxies should bring their Annual Report copy and attendance slip sent herewith duly filled in for attending the meeting. Members/Proxies are requested not to bring their children or their relatives/guests.
5. The Register of Members and Share Transfer Books of the company will remain closed from 24th September 2002 to 27th September 2002. (both days inclusive)
6. Members desiring any information as regards accounts are requested to write to the company at least 7 days before the date of the meeting to enable the company to keep the information ready.

Place: Tirupur
Date : 2.9.2002

for and on behalf of the Board.
E V Muthukumara Ramalingam
Managing Director.

**VELAN HOTELS LTD****DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY**

Dear Share Holders,

The Directors of your Company take pleasure in presenting you the 12th Annual Report along with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	2001-2002	2000-2001
Gross Income	632.52	626.55
Profit before interest and depreciation	113.42	87.87
Interest	35.91	25.12
Profit before Depreciation	77.51	62.75
Depreciation	60.43	58.45
Profit after Depreciation	17.08	4.30
Extra Ordinary income	-	252.88
Profit after extra ordinary income	17.08	257.18

OPERATION :

The Company's turnover reached Rs. 632.52 lakhs for the year as compared to Rs. 626.55 lakhs during the previous year. The Profit before interest and depreciation has also gone up to Rs. 113.42 lakhs during 2001-2002 as compared to Rs. 87.87 lakhs during the previous year. Due to the business climate, the Company continues to face acute difficulties. However, since maintenance of the property is the main support for survival, the company continues to maintain the property in good shape and is retaining the customer good will. This has become essential in view of the new hotels that have come up at Tirupur. The business from Velan Hotel Ritz at Coonoor continues to be very low in line with the poor tourist arrivals in the Nilgiris area.

DIVIDEND :

Considering the low profitability, no dividend could be recommended for the year.

BUSINESS ENVIRONMENT AND FUTURE OUT LOOK :

Due to the continuing sluggish business environment, your company has been able to post only a marginal growth in business but it continues to maintain customer goodwill. With the reputation and name the Company has established in the market, the Company can look to the future with optimism, once the business economy revives and the company posts operational economy.

PUBLIC DEPOSITS:

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

**DIRECTORS:**

In compliance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Sri.T. Gopalakrishnan and Sri P.S. Venkatachalam, Directors of the company are to retire by rotation on the date of the ensuing Annual General Meeting and being eligible they are offering themselves for reappointment.

Sri M. Sivasubramaniam, Director has resigned from office. The Board appreciates his services during his tenure.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

The company is making continuous efforts to conserve and optimise energy wherever practicable by economising on Fuel and Power. Solar energy cells have been installed to pre heat water, which in turn result in saving in fuel cost.

The company has no technical Collaboration arrangement with any organisation.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The foreign exchange income from guest collection was Rs. 238.85 lakhs during the current year, as compared to Rs. 241.68 lakhs during the last accounting year. The Foreign Exchange outgo is Rs.Nil.

DIRECTORS RESPONSIBILITY STATEMENT

The Responsibility Statement as required under section 217 (2AA) of the Companies Act. 1956, is as follows:

The applicable accounting standard has been followed in the preparation of annual accounts. Further consistent accounting policies have been applied and that the judgements and estimates are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at the end of the financial year 2001-2002. Adequate accounting records have been maintained as required under the companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and the irregularities. Further, the Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

The Code of Corporate Governance is applicable to the company from financial year 2002-2003. Your Board is pleased to inform that your company has already implemented the major requirements of the code like formation of Audit Committee, Disclosures etc. The company shall implement prior to March 2003 all applicable elements of the Code of Corporate Governance.

**VELAN HOTELS LTD****REVALUATION OF FIXED ASSETS:**

The company had revalued its land and building at Velan Hotels Green Fields, Tirupur as of 28.1.2002. The revaluation was done with a view to reflect the current value of its land and building which has appreciated substantially in the last ten years. The impact of this revaluation is that the gross value of land and building have gone up from Rs.876.53 to Rs.1593.37 lakhs as of 28.1.2002. An increase of Rs.716.84 lakhs and appropriate depreciation thereon have been considered. The revaluation has been done by qualified Professional valuers.

AUDITORS:

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

PARTICULARS OF EMPLOYEES:

There are no employees who are in receipt of remuneration of more than Rs.24,00,000/- per annum when employed throughout the year and Rs.2,00,000/- per month when employed for a part of the year. The Gratuity payable will be dealt with on cash basis.

ACKNOWLEDGEMENTS:

We acknowledge, with thanks the continued co-operation and support extended by the Financial Institutions, Banks, the Central and State Governments, Quasi Government Authorities, the Department of Tourism and Development, the suppliers, the customers and the Share Holders of the Company. Your Directors express their sincere appreciation for the co-operation and support rendered by the Executives and Employees of the Company. Peace and harmony were the hallmark of the Company.

Place : Tirupur
Date : 2.9.2002

for and on behalf of the Board
S/d (E V Muthukumara Ramalingam)
Managing Director

ADDENDUM TO DIRECTORS REPORT

Regarding the qualification of the Auditors Report regarding non provision of interest on loan from IDBI, the note No. 14 of Schedule 24 which forms part of the accounts is self explanatory.

Regarding Auditors qualification in the matter of non provision of Bonus, Gratuity and Leave wages, your directors wish to state that the same will be dealt with on cash basis.

**VELAN HOTELS LTD****AUDITOR'S REPORT**

To
The Members of Velan Hotels Limited
Tirupur

We have audited the attached Balance Sheet of M/s. **VELAN HOTELS LIMITED, TIRUPUR** as at 31st March 2002 and also the Profit & Loss Account 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 statement 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 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 Manufacturing and Other Companies (Auditor's Report) order, 1988 issued by the Central Government of India 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 and subject to remarks contained in note no. 14 regarding non provision of interest amounting to Rs 18781553/- on IDBI Loan and Note Nos. 16 & 17 regarding non provision of Bonus, leave wages and gratuity amounting to Rs 1321534/- on accrual basis which are not in accordance with the Accounting Standard, we report that:

- i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 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 and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion and subject to our remarks as contained above, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956
- v. On the basis of the written representation received from the directors, as on 31.3.2002 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of clause (g) of sub section (I) 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 31st March, 2002; and
 - b. In the case of Profit & Loss Account, of the Profit for the year ended on that date.

Place : Tirupur
Date : 2.9.2002

For **P.S.KRISHNAN & ASSOCIATES**
Sd/ (S.SUBRAMNAIAN)
Partner
Chartered Accountants



ANNEXURE

Referred to in paragraph No.3 of our report of even date:

1. The Company has maintained proper records of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals and we are informed that no material discrepancies have been noticed on such verification.
2. The fixed assets of the company i.e Land and Building at Tirupur were got revalued from approved valuers as per their report of dated 28.01.2002 and the resultant appreciation in the net value of these assets amounting to Rs. 71683901/- have been transferred to Revaluation Reserve account in the Balance Sheet.
3. The stock of stores, Provisions, crockery, beverage etc. have been physically verified by the management at reasonable intervals during the year.
4. In our opinion and according to the information and explanation given to us, the procedure 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.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper and is in accordance with the normally accepted accounting principles.
7. The company has taken loans from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 and the rate of interest and other terms and conditions are not prime facie pre-judicial to the interest of the company.
8. The Company has not granted any loans to companies, firms or other parties under the same management.
9. The Parties to whom loans and advances in the nature of loans have been given by the company are repaying the principal amount as stipulated which are non interest bearing.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of stores, raw materials including components, plant & machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of purchase of goods and materials and sale of goods, materials and services made in pursuance of contract or arrangement entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year Rs.50000/- or more in value in respect of each party, have been made at prices at which transactions for similar goods, materials or service have been made with other parties.
12. As explained to us the company has regular procedure for the determination of unserviceable or damaged stores, provisions, beverages, crockery etc. Adequate provision has been made in the accounts for the loss arising on the item so determined.

**VELAN HOTELS LTD**

13. The Company has not accepted any deposit from the public. Hence the provisions of section 58A of the Companies Act, 1956 do not apply to the company.
14. As explained to us, being a service industry, the company has no realisable scraps and the company has no by products.
15. The Company has an internal audit system commensurate with the size and nature of its business.
16. The Central Government has not prescribed the maintenance of cost records for the products of the Company under Section 209(1)(d) of the Companies Act, 1956.
17. *Subject to small delay in the remittances, the Company is regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.*
18. There are no undisputed amounts payable by the company in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at 31st March 2002 for a period of more than six months from the date they became payable.
19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations in accordance with the generally accepted business practices nor we have been informed of any such case by the management.
20. As explained to us, the provision of Sick Industrial Companies (special provisions) Act, 1985 are not applicable to the Company.
21. In our opinion, the company has a reasonable system of recording receipts, issues and consumption of materials and stores and reasonable allocation of the materials consumed to the operating departments commensurate with the size and nature of its business.
22. Clause 4b (III) of the above order is not applicable to the Company.
23. There is a reasonable system of authorisation at proper levels with necessary control on the issue of stores and allocation of the same and labour to operating departments. There is, in our opinion, a proper system of internal control, commensurate with the size of the company and nature of its business.

Place : Tirupur
Date : 2.9.2002

For **P S KRISHNAN & ASSOCIATES**
Sd/ (**S SUBRAMNAIAN**)
Partner
Chartered Accountants