

VELAN HOTELS LTD

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



13th
Annual Report
2002 - 2003

**BOARD OF DIRECTORS :**

Sri. R.V.E. Venkatachalam	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 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.

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

1. The Coimbatore Stock Exchange Limited
" Stock Exchange Building "
683-686, Trichy Road, Singanallur
Coimbatore 641 005.
2. The Madras Stock Exchange Ltd
" Stock Exchange Building "
Post Box No:183
11,2nd Line Beach
Chennai 600 001.
3. The Stock Exchange Mumbai.
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street, Mumbai 400 001.



NOTICE OF THE 13th ANNUAL GENERAL MEETING 2002-2003

Notice is hereby given that the 13th 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 Wednesday, the 27th day of August 2003 at 11.45 A.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 2003 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 Sri. R.V.E. Venkatachalam who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Dr. K.A. Balasubramaniam 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

for and on behalf of the Board

Date : 07.07.2003

(Sd) **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 SKDC 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 22nd August, 2003 to 27th August 2003. (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

for and on behalf of the Board.

Date : 07.07.2003

(Sd) **E V Muthukumara Ramalingam**
Managing Director.



DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY

Dear Share Holders,

The Directors of your Company take pleasure in presenting you the 13th Annual Report along with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	2002-2003	2001-2002
Gross Income	673.03	632.52
Profit before interest and depreciation	129.76	113.42
Interest	43.07	35.92
Profit before Depreciation	86.69	77.50
Depreciation	61.21	60.43
Profit after Depreciation	25.48	17.07
Provision for taxation	1.85	-
Profit after taxation	23.63	17.07

OPERATION :

The Company's turnover reached Rs. 673.03 lakhs for the year as compared to Rs. 632.52 lakhs during the previous year. The Profit before interest and depreciation has also gone up to Rs. 129.76 lakhs during 2002-2003 as compared to Rs. 113.42 lakhs during the previous year. Due to the adverse 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 and also the huge debit balance in the Profit & Loss appropriation account, 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.

OTHERS:

The balance amount in public issue refund a/c to the tune of Rs. 121288.56 has been duly transferred to the "Investor Education and Protection Fund" during the year.

The Company has been awarded a settlement by way of an OTS by the IDBI. The efforts are afoot for a better OTS settlement by which your company will be able to avail further concession by way of some waiver of interest. Your company is positive of arriving at an amicable settlement in the near future.

DIRECTORS:

In compliance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Sri. R.E.V. Venkatachalam and Dr. K.A. Balasubramaniam, Directors of the company are to retire by rotation at the ensuing Annual General Meeting and being eligible they are offering themselves for reappointment.

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. 193.71 lakhs during the current year, as compared to Rs. 238.85 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:

All applicable accounting standards have been followed in the preparation of annual accounts. Further consistent accounting policies have been applied and that the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31.03.2003 and of the profit of the company for the year as at that date. 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 other irregularities. Further, the Annual Accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE:**

As per the schedule of implementation suggested by the Stock Exchanges, your company is required to comply with the code of Corporate Governance not later than 31st March 2003. Pursuant to clause 49 of the listing agreement, a report on the Corporate Governance and a certificate from the Auditors of the company is given in Annexure-1.

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 Institution, 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 : 07.07.2003

for and on behalf of the Board

(Sd) **E V Muthukumara Ramalingam**

Managing Director

ADDENDUM TO DIRECTORS REPORT

Regarding the qualification in 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 contains self explanatory statement.

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.

**ANNEXURE - 1 TO DIRECTOR'S REPORT****REPORT ON CORPORATE GOVERNANCE****A. CORPORATE GOVERNANCE**Company's philosophy on code of Governance:

Velan Hotels believes that good Corporate Governance is essential to achieve long-term corporate goals, enhance Share Holders value, maintain transparency, accountability and comply statutory regulations.

The company believes that by adhering to its philosophy it can attain better growth in business.

B. BOARD OF DIRECTORS

1. The Composition of the Board is as follows:

Sl. No	Directors	Executive / Non-Executive / Independent	Directorship held Pub. / Pvt.	
1.	Sri. E.V. Muthukumara Ramalingam	Executive	1	3
2.	Sri. M.R. Gautham	Executive	--	1
3.	Sri. R.V.E. Venkatachalam	Non-Executive/independent	--	2
4.	Dr. K.A. Balasubramaniam	Non-Executive/independent	--	1
5.	Sri. P. Ganesan	Non-Executive/independent	1	1
6.	Sri. T. Gopalakrishnan	Non-Executive/independent	--	--
7.	Sri. P. S. Venkatachalam	Non-Executive/independent	--	--

2. Attendance of Directors at Board Meetings and Annual General Meeting.

Six Board meetings were held during the year on 30th April 2002, 29th July 2002, 28th August 2002, 2nd September 2002, 28th October 2002 and 30th January 2003.

Name of Director	No. of Board Meetings held	Attended	Last AGM Attended
Sri. R. V. E. Venkatachalam	6	6	Yes
Sri. E.V. Muthukumara Ramalingam	6	6	Yes
Sri. M. R. Gautham	6	6	Yes
Dr. K. A. Balasubramaniam	6	2	No
Sri. P. Ganesan	6	6	Yes
Sri. T. Gopalakrishnan	6	6	Yes
Sri. P. S. Venkatachalam	6	6	No



C. AUDIT COMMITTEE

The company has constituted an audit committee comprising of three Non- Executive Directors under the Chairmanship of Sri. R. V. E. Venkatachalam. The other members in the committee are Sri. P. Ganesan and Sri. T. Gopalakrishnan.

The Broad terms of reference are as follows:

- Ø Review of company's Financial reporting process and its financial statements
- Ø Review of accounting and financial polices and practices.
- Ø Review of internal control systems
- Ø Review of risk management polices and practices.

Four audit committee meetings were held during the year on 30th April 2002, 27th July 2002, 28th October 2002 and 28th January 2003.

The attendance record of Audit Committee members is given below: -

Name of the Audit Committee member	No. of meetings held	No. of meetings attended
Sri. R.V.E. Venkatachalam	4	4
Sri. P. Ganesan	4	4
Sri. T. Gopalakrishnan	4	4

The constitution of the audit committee meets the requirements of clause 49 of the listing agreement with Stock Exchange(s).

D. REMUNERATION COMMITTEE

The company has only two whole time Directors on the Board and the remuneration paid to the Executive Director is fixed by the Board in terms of resolution passed by the members. In view of this, no Remuneration Committee is constituted.

E. SHARE TRANSFER COMMITTEE

The committee reviews and approves transfers and transmission of equity shares and other related work.

F. SHARE HOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Board has constituted the Shareholders / Investors Grievance Committee comprising of the following Directors:

1. Sri. R.V.E. Venkatachalam
2. Sri. E.V. Muthukumara Ramalingam
3. Sri. M.R. Gautham

The Board has designated the Accounts Manager as the Compliance Officer.

The Committee looks into the redressal of Shareholders complaints like transfer of Shares, Non-receipt of balance sheet and other investors grievances. The Committee also overseas the performance of the Registrars and Share Transfer Agents.

The total number of complaints received from Shareholders during 2002-2003 was 18 and all of them were attended to.

The total pending shares to be transferred as at 31. 03. 2003 was Nil.

The committee has met on 12.02.2003 and all the members were present at the meeting.



G. GENERAL BODY MEETINGS

Location and time for the last three Annual General Meetings: -

YEAR	AGM	LOCATION	DATE	TIME
1999-2000	AGM	The Registered Office	26. 09. 2000	4.30 P.M
2000-2001	AGM	- Do -	30. 11. 2001	4.45 P.M
2001-2002	AGM	- Do -	27. 09. 2002	12.15 P.M

No special resolutions were put through postal ballot last year and nor is any proposed for this year.

H. DISCLOSURES

There are no materially significant related party transactions that would have potential conflict with the interests of the company at large.

No penalty or strictures have been imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

I. MEANS OF COMMUNICATION

The company is publishing quarterly unaudited financial results in Trinity Mirror (English) and Makkal Kural (Tamil) regularly.

J. THE PROFILE OF DIRECTORS RETIRING BY ROTATION ELIGIBLE FOR RE-APPOINTMENT

1. Sri. R.V.E. Venkatachalam

Sri. R. V. E. Venkatachalam is the Chairman of the Board. He is a well known respected senior citizen of Tirupur, a former Municipal Chairman and a Philanthropic. His wide contacts with people of different walks of life is a great boon to the company.

Directorships held in other companies as follows:

1. M/s. Velan Health Resorts (P) Ltd.,
2. M/s. R. V. E. Textiles (P) Ltd.,

2. Dr. K. A. Balasubramaniam

Dr. K. A. Balasubramaniam has completed double MA, Ph.D., from university of Waterloo, Canada. He was a lecturer in the same university in the mid 60's for a decade. He returned in the mid 70's and subsequently started a Chemical Factory by the name and style M/s. Calac (P) Ltd., at Cuddalore in 1981. He is a highly respected individual with experience in marketing, accounts and overall administration.

Directorships held in other companies as follows:

1. M/s. Calac Private Limited

**K. GENERAL SHARE HOLDER INFORMATION**

1. Annual General Meeting

Date :	27 th August 2003.
Time :	11: 45 AM
Venue :	The Registered Office 41, Kangayam Road, Tirupur 641 604.

2. Financial Calendar 2002- 2003

a. First Quarterly results	July 2002
b. Second Quarterly results	October 2002
c. Third Quarterly results	January 2003
d. Fourth Quarterly results	April 2003

3. Book Closure Date 22nd August, 2003 to 27th August, 2003

4. Dividend Payment date Not Applicable

5. Listing on Stock Exchange(s) Coimbatore, Chennai, and Mumbai.
Listing fees for the Stock Exchange(s)
have been paid for the year under
consideration.

6. Market Price Data During the year, the shares were quoted
only in the month of January 2003. The
value was Rs. 2.05

L. Registrar & Share Transfer / Demat Agents :

Company's share transfer work is handled by **M/s. SKDC Consultants Ltd**, No. 11, S.N. Layout, Street No-1 (West Power House Road), Coimbatore 641 012.

M. Share Transfer System :

The share transfers are registered and returned within a period of 20 days from the date of receipt, if the documents are in order. The share transfers are approved by Share Transfer Committee.