

VELAN HOTELS LTD

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



14th
Annual Report
2003 - 2004

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

Sri. R.V.E. Venkatachalam
 Sri. E.V. Muthukumara Ramalingam
 Sri. M R Gautham
 Dr. K.A. Balasubramaniam
 Sri. P. Ganesan
 Sri. T. Gopalakrishnan
 Sri. N. Karthikeyan

Chairman
 Managing Director
 Executive Director
 Director
 Director
 Director
 Director

AUDITORS:

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

REGISTERED OFFICE:

No.41, Kangayam Road
 Tirupur 641 604.

BANKERS:

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

Ing Vysya Bank Ltd.
 D.B. Road, R.S.Puram,
 Coimbatore 641 002.

The South Indian Bank Ltd.
 Mount Road, Coonoor.

PREMISES OF THE HOTELS:

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

VELAN UTHRA RESTAURANT
 Avanashi Road
 Tirupur 641 602.

VELAN HOTEL LIMITED
 Ritz Road, Bedford
 Coonoor 643 101.

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 Limited
 " 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.



VELAN HOTELS LTD

NOTICE OF THE 14th ANNUAL GENERAL MEETING 2003-2004

Notice is hereby given that the 14th Annual General Meeting of M/s. Velan Hotels Limited will be held at the Registered Office of the Company situated at 41, Kangayam Road, Tirupur 641 604 on Wednesday, the 7th day of July, 2004 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 2004 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. T. Gopalakrishnan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Sri. P. Ganesan 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.

SPECIAL BUSINESS

5. To consider and if though fit, to pass with or without modification, the following resolution as an ordinary Resolution:

"RESOLVED THAT Sri. N. Karthikeyan, who was co-opted as an Additional Director of the company on the Board as per the provisions of the Articles of Association of the company and who holds office till the conclusion of the ensuing Annual General Meeting be and is hereby appointed as a Director of the Company, whose period of office will be liable to retire by rotation."

6. To De-list the Securities from Chennai and Coimbatore Stock Exchanges.

To consider and if thought fit, to pass the following resolution as special resolution with or without modifications.

"RESOLVED THAT in terms of guidelines issued by the SEBI from time to time and subject to the provisions of the Companies Act 1956, and subject to such approvals, sanctions and conditions, if any, as may be necessary and subject to such conditions and approvals or modifications suggested or imposed or made as conditions for such delisting, which may be agreed upon by the Board of Directors of the company or its committee delegated or authorised by the Board on this behalf or for this purpose, consent is hereby accorded to delist the securities from 1. The Madras Stock Exchange Ltd, Chennai., 2. Coimbatore Stock Exchange Ltd., Coimbatore".

EXPLANATORY STATEMENT (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ITEM No. 5

Sri N. Karthikeyan was appointed as an Additional Director of the Company as per the provisions of the Articles of Association of the Company on 21.05.2004. Sri N. Karthikeyan holds a Doctorate in Organizational Behaviour and Human Resources.

He holds office till the conclusion of the ensuing Annual General Meeting and a resolution to appoint him as a Director of the company is proposed under item No: 5 of the Agenda

A notice together with the required deposit under Section 257 of the Companies Act, 1956 has been received from a member of the Company proposing him as a Director of the company. Sri. N. Karthikeyan has given his consent to act as a Director, if appointed.



VELAN HOTELS LTD

The Board of Directors recommend the resolution for the approval of shareholders.

Except Sri. N. Karthikeyan none of the other Directors is, in any way concerned or interested, in the resolution.

ITEM No.6

Members are aware of the fact that the company's equity shares are listed in the following Stock Exchanges.

1. Coimbatore Stock Exchange Ltd., Coimbatore.
2. The Madras Stock Exchange Ltd., Chennai.
3. The Stock Exchange of Mumbai, Mumbai.

Members are also aware of the fact that the Trading of Equity shares of the company in dematerialized form has been made compulsory for all category of investors. your company had already entered into an agreement with depository, M/s. Central Depository Services (India) Limited. Our Registrar is M/s. Sri Krishna Date Centre, Coimbatore.

In view of the fact that there is no trading of our securities in Chennai and Coimbatore Stock Exchanges, the Company voluntarily proposes to delist the securities from the above stock exchanges subject to the conditions as may be laid down by the SEBI and the said Stock Exchanges. The resolution is an enabling resolution to the Board to delist the securities from the above stock exchanges as may be approved, permitted and sanctioned.

Your directors recommend the special resolution for approval of members.

None of your directors is personally interested in the resolution.

Place: Tirupur
Date: 21.05.2004

for and on behalf of the Board
(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. S.K.D.C Consultants Ltd, No 11, SN 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 2nd July, 2004 to 07th July 2004. (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: 21.05.2004

for and on behalf of the Board.
(Sd) **E V Muthukumara Ramalingam**
Managing Director.



VELAN HOTELS LTD

DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Dear Share Holders,

The Directors of your Company take pleasure in presenting you the 14th Annual Report along with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

	(Rs. in Lakhs)	
	2003-2004	2002-2003
Gross Income	766.47	673.03
Profit before Interest, Depreciation and Taxation	168.72	129.76
Interest	41.76	43.07
Profit before Depreciation	126.96	86.69
Depreciation	69.65	68.20
Profit after Depreciation	57.31	18.49
Depreciation from withdrawal of revaluation reserve	6.99	6.99
Provision for Taxation	5.25	1.85
Profit after Taxation	59.05	25.48

OPERATION :

The Company's turnover reached Rs. 766.47 lakhs for the year as compared to Rs. 673.03 lakhs during the previous year. The Profit before interest and depreciation has also gone up to Rs. 168.72 lakhs during 2003-2004 as compared to Rs. 129.76 lakhs during the previous year. This represents a 13.88% increase in turnover resulting in a 30.02% increase in Profit before Depreciation, Interest and Taxation. The company continues to maintain its hotel properties at Coonoor and Tirupur, which is very essential to retain and further its customer base and goodwill. Though new hotels have been and will continue to be established at Tirupur, Velan Hotels will strive to further its 'numero uno' status in its current markets and further its brand image to other markets also. The business at the Coonoor hotel alone had increased by 7.00% and we are continuing in our efforts to market this hotel further. In comparison to the previous years, the tourism inflow at the Nilgiris is increasing and we hope that this trend will continue in the years to come which will offset the losses that had resulted from this property in the mid to late 1990s.

The company has successfully revalidated its one-time settlement (OTS) of its dues with the Industrial Development Bank of India (IDBI) on its term loan. We are confident that as per the commitment in the OTS revalidation, the company would honour the dues on time.

DIVIDEND :

We are happy to announce a 149.89% increase in profitability, which has resulted in reducing the accumulated loss by 15.83%. However, until IDBI's OTS dues as per revalidation are paid in full combined with the remaining debit balance in the profit and loss appropriation account implies that no dividend could be recommended for the year.

BUSINESS ENVIRONMENT AND FUTURE OUT LOOK :

The business at both the hotel properties are increasing at a higher rate than in the previous years. We are hoping that this trend will continue in the years to come. With the reputation and the brand name that the company has established, Velan Hotels can look to the future more confidently and optimistically.

OPPORTUNITIES AND THREATS :

In the 2004-2005, the "quota-regime" applicable in the hosiery industry is being scrapped off and this will have a positive influence on the performance of our Tirupur hotel. The planned addition (through management contract and not asset creation) of the 800-seater multi-purpose hall at Tirupur will also have a very positive effect on the banquet sales at our Tirupur hotel. The tourism inflow in the year 2003-2004 at the Nilgiris had been good and we are also witnessing a greater inflow in the year 2004-2005. The tea market had also witnessed better performance figures at the Nilgiris and the hopeful continuation of this will have an effect on the performance of our Coonoor hotel.



VELAN HOTELS LTD

The new government at the centre and their policies in relation to tourism, textiles, and finance will have an effect on our company's performance in the year 2004-2005. We are confident that though the new means may differ, the reforms would continue, ultimately achieving the ends that all investors are striving for.

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. Ganesan, Directors of the company are to retire by rotation at the ensuing Annual General Meeting and being eligible they are offering themselves for reappointment.

Sri. N. Karthikeyan has joined the Board of Directors on 21st May 2004 as an Additional Director under Section 260 of the Companies Act, 1956. He vacates the office on the date of the ensuing Annual General Meeting and is eligible for appointment.

All the above Directors have given a declaration in Form DDA pursuant to the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, to the effect that they are not disqualified under the said Section 274(1)(g) to act as directors of the Company.

Sri. P.S. Venkatachalam, Director has resigned from office during the financial year under consideration. The Board appreciates his services during the 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. 314.96 lakhs during the current year, as compared to Rs.193.71 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 31.03.2004 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:

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.



VELAN HOTELS LTD

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.

CAUTIONARY STATEMENT :

Management discussion and analysis forming part of this report is in compliance with the Corporate Governance standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward - looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to be company's operations include economic conditions adverse effect in the tea market in Coonoor.

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 : 21.05.2004

for and on behalf of the Board
(Sd) E V Muthukumara Ramalingam
Managing Director
(Sd) R.V.E. Venkatachalam
Chairman
(Sd) M.R. Gautham
Executive Director

ADDENDUM TO DIRECTORS REPORT

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.

Place : Tirupur
Date : 21.05.2004

for and on behalf of the Board
(Sd) E V Muthukumara Ramalingam
Managing Director
(Sd) R.V.E. Venkatachalam
Chairman
(Sd) M.R. Gautham
Executive Director



ANNEXURE - 1 TO DIRECTOR'S REPORT

REPORT ON CORPORATE GOVERNANCE

A. CORPORATE GOVERNANCE

Company's philosophy on code of Governance:

Velan Hotels Ltd., 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
2.	Sri. M.R. Gautham	Executive	--	1
3.	Sri. R.V.E. Venkatachalam	Non-Executive	--	1
4.	Dr. K.A. Balasubramaniam	Non-Executive/independent	--	1
5.	Sri. P. Ganesan	Non-Executive/independent	--	1
6.	Sri. T. Gopalakrishnan	Non-Executive/independent	--	--
7.	Sri. N. Karthikeyan	Non-Executive/independent	--	--

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

Five Board meetings were held during the year on 28th April 2003, 7th July 2003, 30th July 2003, 30th October 2003 and 30th January 2004.

Name of Director	No. of Board Meetings held	Attended	Last AGM Attended
Sri. R. V. E. Venkatachalam	5	5	Yes
Sri. E.V. Muthukumara Ramalingam	5	5	Yes
Sri. M. R. Gautham	5	5	Yes
Dr. K. A. Balasubramaniam	5	4	No
Sri. P. Ganesan	5	4	Yes
Sri. T. Gopalakrishnan	5	4	Yes
Sri. N. Karthikeyan	Co-opted as Addl. Director with effect from 21st May 2004		

C. AUDIT COMMITTEE

The constitution of the audit committee comprises of three Non- Executive Directors under the Chairmanship of Sri. P. Ganesan. The other members in the committee are Sri. R.V.E. Venkatachalam 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 policies and practices.
- Ø Review of internal control systems
- Ø Review of risk management policies and practices.



VELAN HOTELS LTD

The attendance record of Audit Committee members :

Four audit committee meetings were held during the year on 28th April 2003, 29th July 2003, 29th October 2003 and 29th January 2004.

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. REMUNERATION TO DIRECTORS

The company paid remuneration only to the Executive Director by way of salary of Rs. 195000/- for the year under review.

F. SHARE TRANSFER COMMITTEE

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

G. 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 oversees the performance of the Registrars and Share Transfer Agents.

During the year 2 letters were received from the investors regarding change of address etc., and were replied / resolved to their satisfaction. No transfer / dematerialisation of shares is kept pending.

H. GENERAL BODY MEETINGS

Location and time for the last three-years Annual General Meeting: -

YEAR	AGM	LOCATION	DATE	TIME
2000-2001	AGM	The Registered Office	30. 11. 2001	4.45 PM
2001-2002	AGM	- Do -	27. 09. 2002	12.15 PM
2002-2003	AGM	- Do -	27. 08. 2003	11.45 A.M

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



VELAN HOTELS LTD

I. 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 :.

J. MEANS OF COMMUNICATION

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

K. BRIEF NOTE ON DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE ENSUING AGM

1. Sri. P. Ganesan

Sri. P. Ganesan has completed Diploma in Textile Technology from the United Kingdom and has an experience of over 30 years in the field of Hosiery Garments. He has also promoted a Textile Mill in 1994 and is aiding in the overall administration of the company.

Directorship held in other companies as follows:

1. M/s. Velan Textiles Private Limited,

2. Sri. T. Gopalakrishnan

Sri. T. Gopalakrishnan is having Chartered Accountant with experience 25 years in loan syndication, IOPs and in dealing with Banks and Financial Institutions. He advises the Company on issues relating to Banks and Financial Institutions and other Stock market related activities.

3. Sri. N. Karthikeyan

Sri. N. Karthikeyan has over 25 years of experience in the hospitality industry in many countries including India, Switzerland, Maldives and the USA. After obtaining a PhD (Organizational Behaviour and Human Resources) from the School of Hotel Administration, Cornell University, he is currently a member of the faculty at the Pennsylvania State University. He continues to work with Velan Hotels in planning the day-to-day operations as well as assisting in strategic planning.

L. GENERAL SHARE HOLDER INFORMATION

1. Annual General Meeting

Date : 7th July 2004.
Time : 11: 45 AM
Venue : The Registered Office
41, Kangayam Road,
Tirupur 641 604.

2. Financial Calendar 2003- 2004

a. First Quarterly results	Before end of July 2003
b. Second Quarterly results	Before end of October 2003
c. Third Quarterly results	Before end of January 2004
d. Fourth Quarterly Audited results	Before end of June 2004

3. Book Closure Date

2nd July 2004 to 7th July 2004

4. Dividend Payment date

Not Applicable