

# VELAN HOTELS LTD

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



15th  
Annual Report  
2004 - 2005

**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. Karthikeyan Namasivayam

Chairman  
 Managing Director  
 Executive Director  
 Director  
 Director  
 Director  
 Director

**AUDITORS:**

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

**REGISTERED OFFICE:**

No.41, Kangayam Road  
 Tirupur 641 604.

**BANKERS:**

UTI Bank Ltd.  
 1095, Avinashi Road  
 Coimbatore.

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**  
 Avinashi Road  
 Tirupur 641 602.

**VELAN HOTEL LIMITED**  
 Ritz Road, Bedford  
 Coonoor 643 101.

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

The Stock Exchange Mumbai  
 Phiroze Jeejeebhoy Towers  
 25th Floor, Dalal Street,  
 Mumbai 400 001.



## VELAN HOTELS LTD

### NOTICE OF THE 15th ANNUAL GENERAL MEETING 2004-2005

Notice is hereby given that the 15th 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 Friday, the 1st day of July, 2005 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 31<sup>st</sup> March 2005 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.

#### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and 310 read with schedule XIII and all other applicable provisions, if any, of the companies Act, 1956 (including any statutory modifications or re-enactment thereof) for the time being in force, the company hereby accords its approval and consent to the re-appointment of Sri. E.V. Muthukumara Ramalingam as Managing Director of the Company for a period of 5 years with effect from 01.07.2005 on the terms and conditions as set out below:

- I.
  1. Salary - Rs. 40000/- per month in the scale of 40000 - 2000 - 50000. The annual increment will be effective from 1st July 2006 and additional increment(s) will be considered by the Board of Directors on merits at its absolute discretion.
  2. Perquisites - The benefit of the company's furnished accommodation, Gas, Electricity, Water and furnishings, use of Car and Telephone at residence medical reimbursement, personal accident insurance, leave and leave travel concession, education benefits, club fees, provident fund, superannuation fund and gratuity and any other perquisite, in accordance with the scheme(s) and rule(s) of the company or any modification(s) that may be made, in any scheme or rule, for the aforesaid benefits. The perquisites shall be valued as per income-tax rules, wherever applicable and actual cost of the company in other cases.
  3. Commission - An amount equal to 1 % of the Net profit of the company. The above is subject hereunder to the fact that the aggregate of the total remuneration payable shall not exceed 5% of the Net Profit of the company calculated in accordance with sections 198, 309, 269 and 350 of the Companies Act, 1956.
- II. In the event of the absence or inadequacy of net profit in any financial year, the remuneration payable to Sri E.V. Muthukumara Ramalingam shall be governed by section II of part II of schedule XIII of the companies Act, 1956 or any statutory modifications thereof as amended from time to time provided that the following perquisites shall not be included in the computation of total minimum remuneration.

**VELAN HOTELS LTD**

- a. Company's contribution to provident fund superannuation fund / annuity to the extent that either singly or put together are not taxable under the Income Tax Act 1962.
- b. Gratuity payable at a rate not exceeding half a month's salary per each completed year of service and
- c. Encashment of leave at the end of the tenure.

**III OTHERS**

- a. The Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the company's business.
  - b. The company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of car with driver for use of the company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purposes shall be billed by the company to the Managing Director.
  - c. Appointment may be terminated by either side at any time, by giving 3 months notice in writing provided that in case of termination is desired by the company on payment of 3 months salary in lieu of notice will be taken as sufficient.
6. To consider and if thought fit to pass with or without modifications the following Resolution as a Special Resolution.

**RESOLVED THAT** pursuant to Section 163 of the Companies Act, 1956, the Register of Members, Share Transfer Books, index of Members and other shares related records and registers required to be maintained at the Registered Office of the Company, be maintained at the Office of the Registrar and Share Transfer Agents M/s. S K D C Consultants Ltd, No.11, Seth Narayanadoss Layout, Street No.1, Coimbatore - 641 012.

Place: Tirupur  
Date : 07.05.2005

for and on behalf of the Board  
**R.V.E. Venkatachalam**  
Chairman

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

Sri E.V. Muthukumara Ramalingam has been the Managing Director of the company from the inception of the company and his tenure concludes on 30.06.2005. The Board of Directors feel that it would be in the best interest of the company to re-appoint him for a further period of five years.

As the remuneration payable to Sri. E.V. Muthukumara Ramalingam is within the ceiling laid down in section 198, 269 and 309 read with schedule XIII of the Companies Act, 1956, as modified by the circulars issued by the Company Law Board / Department of the Company Affairs from time to time, the approval of the Central Government is not necessary. The Board of Directors recommend the resolution to the members for their approval.

None of the Directors other than Dr. K.A. Balasubramaniam, Director, Sri. R.V.E. Venkatachalam, Chairman and Sri. M.R. Gautham, Executive Director being relatives of Sri. E.V. Muthukumara Ramalingam are interested in the resolution. The above statement may be considered as an abstract of the terms of appointment of the Managing Director under section 302 of the Companies Act, 1956.

**VELAN HOTELS LTD****Item No. 6**

It relates to transfer of records relating to Register of Members and Share Transfer Books and other shares related records and registers from the Registered Office of the Company to the Office of the Registrar and Share Transfer Agent.

As per section 163 of the Companies Act, 1956 the Register of Members, Register of Debenture holders, index of members and debenture holders and copies of all Annual Returns under section 159 and 160 together with copies of certificates and documents required to be annexed thereto under section 160 and 161 of the Companies Act, 1956 are to be kept at the Registered Office of the Company. The SEBI circular No. : D&CC / FITTC / CIR-15 / 2002 dated 27th December, 2002 required all listed Companies to maintain share registry functions in terms of both physical and electronic segment at a single point either in-house or with SEBI registered R & T Agent. Accordingly, the Company appointed M/s. S K D C Consultants Ltd., No. 11, S.N. Layout, Coimbatore - 641 012, who are SEBI registered R & T Agent, as its Registrar and Share Transfer Agent for both physical and electronic shares. Therefore, in order to facilitate servicing of shareholders, it is desirable to keep Register of Members, index of Members and other shares related records and documents at the said Registrar's Office.

In order to transfer the aforesaid registers, records etc., from the Registered Office, a special Resolution is required to be passed in terms of provisions of section 163 of the Companies Act, 1956.

As statutorily required by clause (iii) of Proviso to section 163(1) of the Companies Act, 1956, a copy of the draft of the resolution has been submitted to the Registrar of Companies, Coimbatore, Tamilnadu.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Place: Tirupur  
Date : 07.05.2005

for and on behalf of the Board  
**R.V.E. Venkatachalam**  
Chairman

**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 25th June, 2005 to 01st July 2005 (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 : 07.05.2005

for and on behalf of the Board.  
**R.V.E. Venkatachalam**  
Chairman

**VELAN HOTELS LTD****DIRECTORS' REPORT & MANAGEMENT ANALYSIS**

Dear Share Holders,

The Directors of your Company take pleasure in presenting you the 15th Annual Report along with the Audited Accounts for the year ended 31st March, 2005.

**FINANCIAL RESULTS:**

	(Rs. in Lakhs)	
	2004-2005	2003-2004
Gross Income	927.42	766.47
Profit before Interest, Depreciation and Taxation	225.36	168.72
Interest	82.12	41.76
Profit before Depreciation	143.24	126.96
Depreciation	64.24	69.65
Profit after Depreciation	79.00	57.31
Depreciation from withdrawal of revaluation reserve	6.99	6.99
Provision for Taxation	6.20	5.25
Profit after Taxation	79.79	59.05

**OPERATION :**

The Company's turnover reached Rs. 927.42 lakhs for the year as compared to Rs. 766.47 lakhs during the previous year. The Profit before interest and depreciation has also gone up to Rs. 225.36 lakhs during 2004-2005 as compared to Rs. 168.72 lakhs during the previous year. This represents a 21% increase in turnover resulting in a 33.50% increase in Profit before Depreciation, Interest and Taxation. The company, apart from maintaining its current rooms and revenue earning outlets in its hotel properties, is looking for ways and means to expand its operations and add more sources to multiply its revenues. Velan Hotels will strive to further its goodwill and image in its current markets and further its brand image to other markets also. The fortune of the Coonoor hotel has turned around with its business having increased by about 12% and the company is continuing in its efforts to market this hotel further.

**DIVIDEND :**

The company has become a "performing" entity. The accumulated losses have come down to around Rs. 225 lakhs. In this continued optimism, dividend can be anticipated in the forthcoming years.

**BUSINESS ENVIRONMENT AND FUTURE OUT LOOK :**

The business at both the hotels have grown to an extent that achieving an annual turnover of Rs. 1000 lakhs is our immediate target. To meet the increasing demand, more rooms and outlets may have to be added to maintain and further Velan's customer base.

**OPPORTUNITIES AND THREATS :**

In the past year, "Quotas" have been removed in the hosiery industry. As a result, Tirupur's backbone, the hosiery industry, has benefitted thereby directly enhancing the performance of our hotel there. Even with the increased competition, the company is confident of furthering its customer base apart from maintaining its current clientele. To achieve this objective, modernization of existing facilities and adding new state-of-the-art facilities has been planned.

The tourism inflow into the Nilgris has increased tremendously and thereby the fortune of the company's hotel at Coonoor has increased. It may be necessitated to add further rooms there to strategically improve its clientele. Added to the tourism inflow, the tea industry at the Nilgris is also showing healthy development.

The Government at the Centre and State levels with its policies relating to tourism, textiles and finance will have an effect on our company's performance in the ensuing years. We are confident that though the new means may differ, the reforms would continue, ultimately achieving the ends that all investors are striving for.



## VELAN HOTELS LTD

### 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. R.V.E. Venkatachalam and Dr. K.A. Balsubramaniam, Directors of the company are to retire by rotation at the ensuing Annual General Meeting and being eligible they are offering themselves for reappointment.

### DELISTING :

The members in the 14th Annual General Meeting held on 7th day of July 2004 had consented for voluntary delisting of equity shares from the Coimbatore Stock Exchange and the Madras Stock Exchange by way of a special resolution.

Accordingly the Board of Directors has submitted the required application with the said stock exchanges. On being satisfied that the prescribed procedures have been adopted by the company, the said stock exchanges have allowed the voluntary delisting (vide The Madras Stock Exchange letter No:MSE/LD/PSK/731/090/05, dt 9.2.2005 and Coimbatore Stock Exchange Ltd. letter No. CSE; Listing - 2004 -05/973 dt 28.2.2005).

### 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. 398.46 lakhs during the current year, as compared to Rs. 314.96 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 31.03.2005 and of the profit of the company for the year ended 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. PS. 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 the 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 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 : 07.05.2005

for and on behalf of the Board

**R.V.E. Venkatachalam**

Chairman

**E.V. Muthukumara Ramalingam**

Managing Director

**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 : 07.05.2005

for and on behalf of the Board

**R.V.E. Venkatachalam**

Chairman

**E.V. Muthukumara Ramalingam**

Managing Director

**M.R. Gautham**

Executive Director





## VELAN HOTELS LTD

### ANNEXURE - 1 TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

#### A. CORPORATE GOVERNANCE

##### Company's philosophy on code of Governance:

M/s. 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. Karthikeyan Namasivayam	Non-Executive/independent	--	--

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

Nine Board meetings were held during the year on 12<sup>th</sup> April 2004, 21<sup>st</sup> May 2004, 29<sup>th</sup> June 2004, 30<sup>th</sup> July 2004, 17<sup>th</sup> September 2004, 27<sup>th</sup> October 2004, 15<sup>th</sup> December 2004, 05<sup>th</sup> January 2005 and 29<sup>th</sup> January 2005.

Name of Director	No. of Board Meetings held	Attended	Last AGM Attended
Sri. R. V. E. Venkatachalam	9	9	Yes
Sri. E.V. Muthukumara Ramalingam	9	9	Yes
Sri. M. R. Gautham	9	9	Yes
Dr. K. A. Balasubramaniam	9	9	No
Sri. P. Ganesan	9	9	Yes
Sri. T. Gopalakrishnan	9	9	Yes
Sri. Karthikeyan Namasivayam	6	2	No

#### C. AUDIT COMMITTEE

The company has constituted an audit committee comprising 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.

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The attendance record of Audit Committee members :

Four audit committee meetings were held during the year on 28<sup>th</sup> June 2004, 29<sup>th</sup> July 2004, 26<sup>th</sup> October 2004 and 24<sup>th</sup> January 2005.

Name of the Audit Committee member	No. of meetings held	No. of meetings attended
Sri. P. Ganesan	4	4
Sri. R.V.E. Venkatachalam	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 committee has been formed specifically to determine the Company's policy on remuneration package to the Executive Directors and any compensation payments. The committee consists of the following Directors.

1. Sri. R.V.E. Venkatachalam
2. Sri. T. Gopalakrishnan
3. Sri. P. Ganesan

**E. REMUNERATION TO DIRECTORS**

The company paid remuneration only to the Executive Director by way of salary of Rs. 2,07,000/- 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.

The total number of complaints received from Shareholders during 2004-2005 was 1 and the same was attended to.

The total pending shares to be transferred as as 31.03.2005 was Nil.

**H. GENERAL BODY MEETINGS**

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

YEAR	AGM	LOCATION	DATE	TIME
2001-2002	AGM	The Registered Office	27. 09. 2002	12.15 P.M
2002-2003	AGM	- Do -	27. 08. 2003	11.45 A.M
2003-2004	AGM	- Do -	07. 07. 2004	11.45 A.M

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