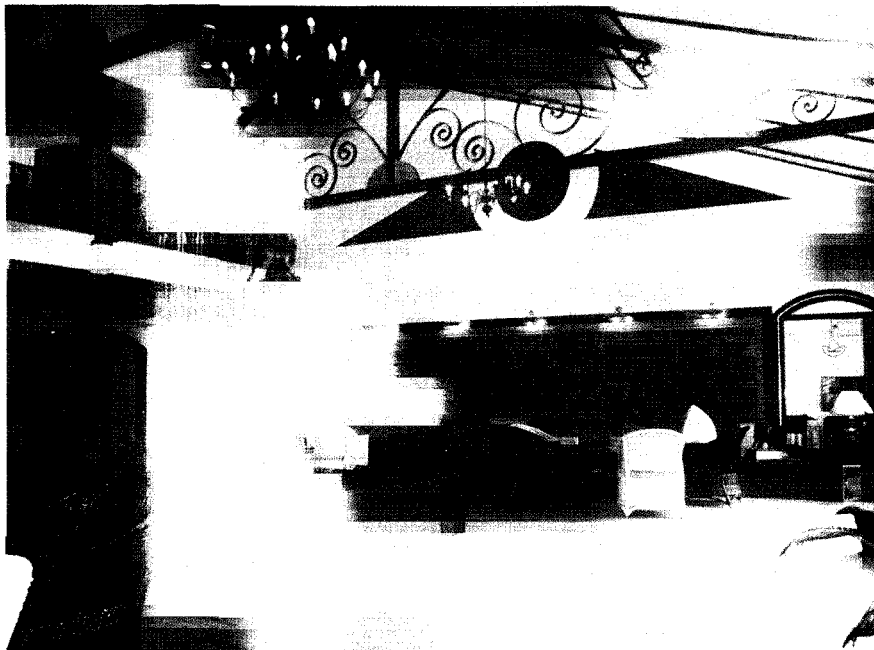


# VELAN HOTELS LTD

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



**16<sup>th</sup>**  
**Annual Report**  
**2005 - 2006**



**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. Karthik Namasivayam

Chairman  
 Managing Director  
 Executive Director  
 Director  
 Director  
 Director  
 Director

**AUDITORS:**

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

**REGISTERED OFFICE:**

41, Kangayam Road,  
 Tirupur 641 604.

**BANKERS:**

UTI BANK LTD,  
 Coimbatore, Tirupur  
 & Ooty Branch

THE VYSYA BANK LTD  
 Coimbatore &  
 Tirupur Branch

UNION BANK OF INDIA  
 Coonoor.

**PREMISES OF THE HOTELS:**

**VELAN HOTELS GREENFIELDS**  
 41, Kangayam Road,  
 Tirupur 641 604.

**VELAN UTHARA RESTAURANT**  
 Avinashi Road,  
 Tirupur 641 602.

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

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

**BOMBAY STOCK EXCHANGE LIMITED**  
 Phiroze Jeejeebhoy Towers,  
 25<sup>th</sup> Floor, Dalal Street,  
 Mumbai 400 001.

**VELAN HOTELS LTD****NOTICE OF THE 16<sup>th</sup> ANNUAL GENERAL MEETING - 2005 - 2006**

Notice is hereby given that the 16<sup>th</sup> Annual General Meeting of M/s. Velan Hotels Limited will be held at the Registered Office of the Company situate at 41, Kangayam Road, Tirupur 641 604 on Friday the 30<sup>th</sup> day of June, 2006 at 12:15-PM 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, 2006 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. P. Ganesan who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. T. Gopalakrishnan 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.

**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. Layout, Street No.1, West Power House Road, Coimbatore 641 012.
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 relatives/guests.
5. The Register of Members and Share Transfer Books of the company will remain closed from 23<sup>rd</sup> June 2006 to 30<sup>th</sup> June 2006 (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 : 19.05.2006

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 16<sup>th</sup> Annual Report along with the Audited Accounts for the year ended 31<sup>st</sup> March , 2006.

### FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	2005-2006	2004-2005
<b>Gross Income</b>	<b>1008.92</b>	<b>927.42</b>
Profit before Interest, Depreciation and Taxation	282.31	225.36
Interest	107.52	82.12
Profit before Depreciation	174.79	143.24
Depreciation	74.66	64.24
<b>Profit after Depreciation</b>	<b>100.13</b>	<b>79.00</b>
Depreciation from withdrawal of revaluation reserve	6.99	6.99
Provision for Taxation	8.75	6.20
<b>Profit after Taxation</b>	<b>98.37</b>	<b>79.79</b>

### OPERATION:

The company's Turnover for the year 2005-2006 amounts to Rs. 1008.92 lakhs as compared to Rs. 927.42 lakhs during the previous year resulting in an increase of 8.79%. Likewise, the Profit After Tax has also gone up to Rs.98.37 lakhs as compared to Rs.79.79 lakhs during the previous year resulting in a Bottom Line increase of 23.29%. As has been the case over the past years, the management has continued in its efforts to maintain the "Velan Hotel" image as an up-market hotel brand.

### DIVIDEND :

The performance of the company has been highly satisfactory during the year under review. The accumulated losses have come down to around Rs.127.00 lakhs net of deferred tax liability. In this continued optimism, dividend can be anticipated in the forthcoming years.

### BUSINESS ENVIRONMENT AND FUTURE OUTLOOK :

The Company has achieved its target of crossing the landmark turnover of Rs. 100.00 million. The aim in the current year is to wipe out the accumulated losses entirely and cutting costs, mainly energy cost, is the way to achieve it.

### OPPORTUNITES AND THREATS

The Tirupur town has grown considerably in the past year and so has the foreign exchange earned by this town. The hotel has seen new clientele, both domestic & international during the year apart from maintaining the strong base of existing clientele. The hotel property at Tirupur has maintained its ambience and service even after completing 15 years of operation mainly due to its resort-like design and committed experienced staff. However, the supporting equipments



## VELAN HOTELS LTD

in the maintenance department have deteriorated in performance mainly due to ageing factors. Replacing these to ensure continued guest satisfaction is the primary concern in the year 2006-2007. In doing so, new cost effective equipments would be put in place to REDUCE OPERATING COSTS.

The hotel property at Coonoor has shown a 14% growth with increased tourism inflow, being the primary contributory factor. This hotel property too has been maintained beautifully with a considerable market value.

### **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. P. Ganesan, and Sri. T. Gopalakrishnan 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 is also considering the installation of wood-fired boilers in place of diesel-fired boilers. If implemented, considerable cost savings can be achieved. The company has no technical collaboration arrangement with any organisation.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The foreign exchange income from guest collection was Rs. 436.15 lakhs during the year under review, as compared to Rs. 398.46 lakhs during the last accounting year. The Foreign Exchange outgo towards capital goods is Rs.10.21 lakhs and others Rs. 2.07 lakhs. The foreign exchange outgo for the previous year was 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 31.03.2006 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).



**VELAN HOTELS LTD****AUDITORS :**

M/s. P. S. KRISHNAN & Co., 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.

**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 Exchange 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 and adverse effect in the tea market at 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 shareholders 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 : 19.05.2006

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 : 19.05.2006

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 Limited believes that good Corporate Governance is essential to achieve long-term corporate goals, enhance shareholders' value, maintain transparency, accountability and comply with 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 (No. of Shares held : 372700)	Non-Executive	---	1
4.	Dr. K. A. Balasubramaniam (No. of Shares held : Nil)	Non-Executive	1	---
5.	Sri. P. Ganesan (No. of Shares held : 33050)	Non-Executive & Independent	---	1
6.	Sri. T. Gopalakrishnan (No. of Shares held : 2500)	Non Executive & Independent	---	---
7.	Sri. Karthik Namasivayam (No. of Shares held : Nil)	Non Executive & Independent	---	---

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

Nine Board meetings were held during the year on 27<sup>th</sup> April 2005, 10<sup>th</sup> May 2005, 05<sup>th</sup> July 2005, 29<sup>th</sup> July 2005, 26<sup>th</sup> October 2005, 15<sup>th</sup> December 2005, 28<sup>th</sup> December 2005, 27<sup>th</sup> January 2006 and 29<sup>th</sup> March 2006.

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. Karthik Namasivayam	9	2	No





### C. CODE OF CONDUCT

The company has adopted the Code of Conduct for the Board of Directors and the Senior Management of the company and the same has been posted on the website of the company.

### D. 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: -

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

The attendance record of Audit Committee members: -

Four Audit committee meetings were held during the year on 26<sup>th</sup> April 2005, 27<sup>th</sup> July 2005, 25<sup>th</sup> October 2005 and 25<sup>th</sup> January 2006.

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).

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

### F. REMUNERATION TO DIRECTORS

The details of the remuneration paid to the directors during the year 2005-2006 are given below:

Name of the Director	Designation	Salary (in Rs.)
Sri. E. V. Muthukumara Ramalingam	Managing Director	4,35,000
Sri. M. R. Gautham	Executive Director	2,19,000

No non-executive director is paid any remuneration during the year under review.



## VELAN HOTELS LTD

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

#### 1. Sri. P. Ganesan

Sri. P. Ganesan has completed his Diploma in Textile Technology from the United Kingdom (UK) 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. He holds 33050 shares in the company.

Directorship held in other companies as follows:

**M/s. Velan Textiles Private Limited.**

#### 2. Sri. T. Gopalakrishnan

Sri. T. Gopalakrishnan is a Chartered Accountant with experience of over 25-years in loan syndication, IPOs 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. He holds 2500 shares in the company.

### M. GENERAL SHARE HOLDER INFORMATION

#### 1. Annual General Meeting

Date	:	June 30, 2006
Time	:	12:15 PM
Venue	:	The Registered Office, 41, Kangayam Road, Tirupur 641 604.

#### 2. Financial Calendar 2005 - 2006

a. First quarterly results	:	Before the end of July 2005
b. Second quarterly results	:	Before the end of October 2005
c. Third quarterly results	:	Before the end of January 2006
d. Fourth quarterly results	:	Before the end of April 2006

3. Book closure date	:	23 <sup>rd</sup> June 2006 30 <sup>th</sup> June 2006 (Both days inclusive)
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4. Dividend Payment date	:	Not Applicable
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5. Listing on Stock Exchanges	:	Mumbai
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6. Stock Code	:	BSE 526755
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7. Demat ISIN No for CDSL	:	INE / 548D01014
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