

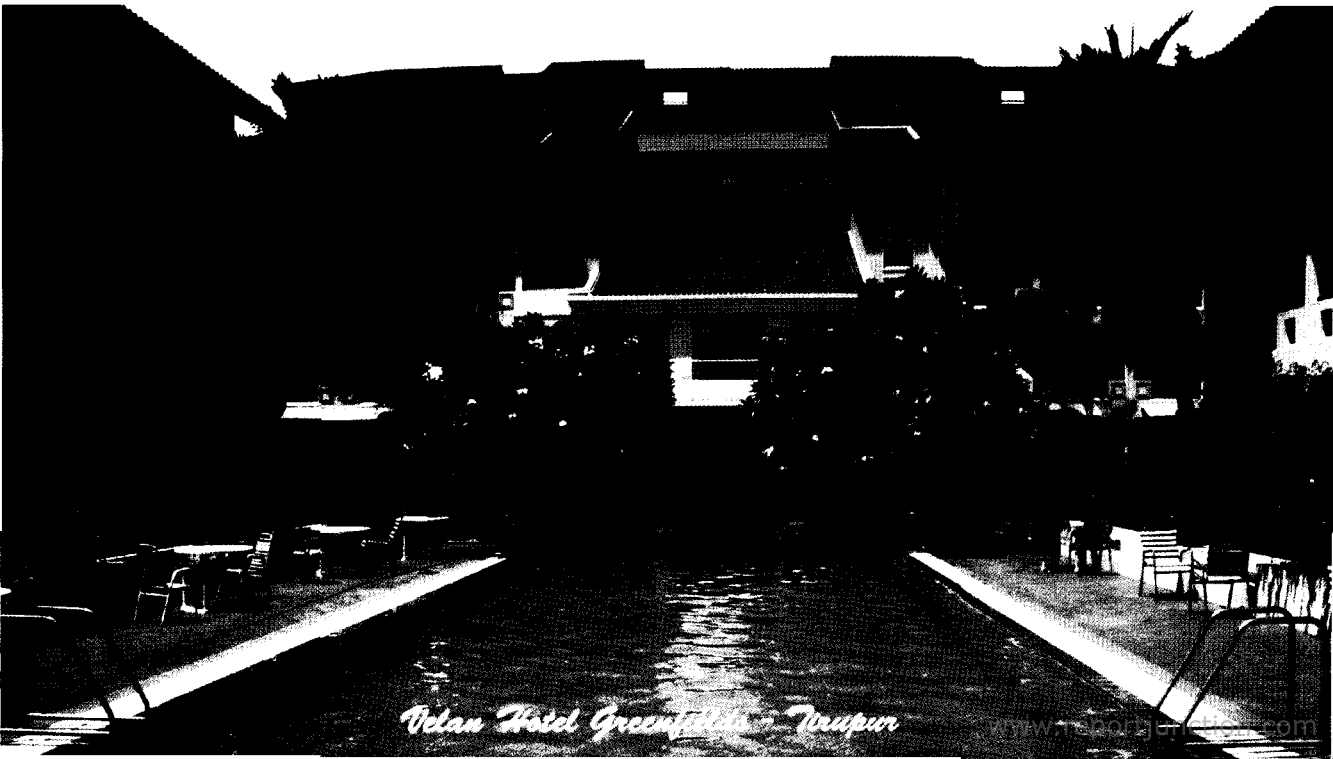


# VELAN HOTELS LTD

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

## 17<sup>th</sup> Annual Report 2006 - 2007

Report  Junction.com



*Velan Hotel Greenfield - Tirupur*

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**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 branch  
 Tirupur Branch

UNION BANK OF INDIA  
 Coonoor.

**PREMISES OF THE HOTELS:**

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

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

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

**STOCK EXCHANGE 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.

**NOTICE OF THE 17<sup>th</sup> ANNUAL GENERAL MEETING - 2006 - 2007**

Notice is hereby given that the 17<sup>th</sup> 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 29<sup>th</sup> day of June, 2007 at 5.00 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, 2007 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 modification or re-enactment thereof) for the time being in force, the Company hereby accords its approval and consent to the re-appointment of Sri. M R Gautham as Executive Director of the company for a period of 5 years with effect from 01.12.2006 on the terms and condition as set out below:

- I. 1. Salary - Rs. 20000/- per month in the scale of 20000 - 1000 25000. The annual increment will be effective from 1<sup>st</sup> January 2008 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.



## VELAN HOTELS LTD

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, 349 and 350 of the Companies Act, 1956.
- II. In the event of absence or inadequacy of net profit in any financial year, the remuneration payable to Sri M R Gautham shall be governed by section II of Part II of Schedule XIII to 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.
  - 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 the rate not exceeding half a months salary per each completed year of service and
  - c. Encashment of leave at the end of the tenure.

### III. OTHERS

- a) The Executive Director shall be entitled to reimbursement of all actual expenses including on entertainment and traveling 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 Executive 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 distances call on telephone and use of car for private purpose shall be billed by the company to the Executive 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, payment of 3-months salary in lieu of notice will be taken as sufficient.

### 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, 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 children or their relatives/guests.



5. The Register of Members and Share Transfer Books of the company will remain closed from 22<sup>nd</sup> June 2007 to 29<sup>th</sup> June 2007 (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 : 26.05.2007

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 5**

Sri. M R Gautham is a Commerce graduate from university of Western Australia. He also has to his credit, Diploma in financial management.

He has got wide experience in handling Accounts, Financial and Operational side of a Star Hotel of this magnitude. He has been associated with this company for long. His term of office concluded on 30<sup>th</sup> November, 2006. The Board in its meeting held on 30<sup>th</sup> November, 2006 appointed him for a further period of five years from 1<sup>st</sup> December 2006.

As the remuneration payable to Sri M R Gautham 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 / The Ministry of Corporate Affairs from time to time, the approval of the Central Government is not necessary. The Board of Directors recommended the resolution to the members for their approval.

None of the Directors other than Sri R.V.E Venkatachalam, Chairman, Sri E.V Muthukumara Ramalingam, Managing Director and Dr. K A Balasubramaniam, Director is interested in this resolution.

The above statement may be considered as an abstract of the terms of appointment of the Executive Director under section 302 of the Companies Act, 1956.

Place : Tirupur.  
Date : 26.05.2007

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



## DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Dear Share Holders,

The Directors of your company take pleasure in presenting you the 17<sup>th</sup> Annual Report along with the Audited Accounts for the year ended 31<sup>st</sup> March , 2007.

### FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	2006 - 2007	2005-2006
<b>Gross Income</b>	<b>1074.04</b>	<b>1008.92</b>
Profit before Interest, Depreciation and Taxation	292.85	282.31
Interest	109.83	107.52
Profit before Depreciation	183.02	174.79
Depreciation	60.86	74.66
<b>Profit after Depreciation</b>	<b>122.16</b>	<b>100.13</b>
Depreciation from withdrawal of revaluation reserve	6.99	6.99
Provision for Taxation	16.50	8.75
<b>Profit after Taxation</b>	<b>112.65</b>	<b>98.37</b>

### OPERATION:

The company's turnover for the year 2006-2007 was Rs. 1074.04 lakhs as compared to Rs.1008.92 lakhs during the previous year, an increase of 6.45%. The Profit after tax has also gone up to Rs. 112.66 lakhs as compared to Rs. 98.37 lakhs during the previous year, an increase of 14.53%.

### DIVIDEND :

The performance has kept its momentum during the current year also. However, as substantial amount had to be spent on the essential up-gradation and modernization of the old facilities in order to provide better facilities and to optimize on operational costs, there is no sufficient dispersible surplus for declaring a dividend. However, the management feels confident that with the current business trend and the up-gradations carried out yielding the desired results, **a reasonable dividend could be declared from the current financial year.**

### BUSINESS ENVIRONMENT AND FUTURE GROWTH :

The general business climate has been improving and the infrastructure development now undertaken in and around Tirupur will further strengthen the productive activities. This would translate into further demand for quality hotel rooms. The company on its part has been constantly upgrading the facilities at the Tirupur Hotel. Similarly the facilities at Coonoor Hotel have also been upgraded and necessary permissions are being obtained for additional rooms. The business of the hotel at both centers has been growing consistently and the management is confident that all the accumulated losses would be completely wiped off during the year.

### OPPORTUNITES AND THREATS:

Our hotels at Tirupur and Coonoor continue to enjoy the patronage of national/ international business and tourists guests. The company always takes proactive steps to maintain the patronage and have taken effective steps to upgrade/replace various items in the air-conditioning, steam generation, electrical, plumbing and room & public area related facilities. Similar developments have been carried



out at Coonoor also. The service standards are maintained at the highest levels. These strengths turn out to be a great opportunity for sustaining our growth. The threats any competition would be countered by our competitive pricing and provision of highest standard of guest related service.

#### **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. 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 results in saving fuel cost. The company has also installed wood-fired boilers in place of diesel-fired boilers, which are environment friendly and cost effective. The company has no technical collaboration arrangement with any organization.

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

The foreign exchange income from guest collection was Rs. 449.83 lakhs during the year under review, as compared to Rs. 436.15 lakhs during the last accounting year. The Foreign Exchange outgo towards capital goods is Rs. 52.62 lakhs. The Foreign Exchange outgo for the previous year towards capital goods is Rs. 12.28 Lakhs.

#### **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 31.03.2007 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. 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.





## VELAN HOTELS LTD

### 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" with in 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 weather and 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 : 26.05.2007

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 are dealt with on cash basis, as has been done since the commencement of operation.

Place : Tirupur.  
Date : 26.05.2007

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

### **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 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	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 : 5200)	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

Six Board meetings were held during the year on 26<sup>th</sup> April 2006, 28<sup>th</sup> July 2006, 28<sup>th</sup> October 2006, 30<sup>th</sup> November 2006, 27<sup>th</sup> December, 2006 and 27<sup>th</sup> January 2007

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	6	No
Sri. P. Ganesan	6	6	Yes
Sri. T. Gopalakrishnan	6	6	Yes
Sri. Karthik Namasivayam	6	1	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 25<sup>th</sup> April 2006, 27<sup>th</sup> July 2006, 27<sup>th</sup> October 2006 and 26<sup>th</sup> January 2007.

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 2006-2007 is given below

Name of the Director	Designation	Salary (in Rs.)
Sri. E. V. Muthukumara Ramalingam	Managing Director	4,98,000
Sri. M. R. Gautham	Executive Director	2,31,000

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

### **G. SHARE TRANSFER COMMITTEE**

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

### **H. 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 2006-2007 was 2 and all of which were attended to.

The total pending shares to be transferred as at 31.03.2007 was Nil.