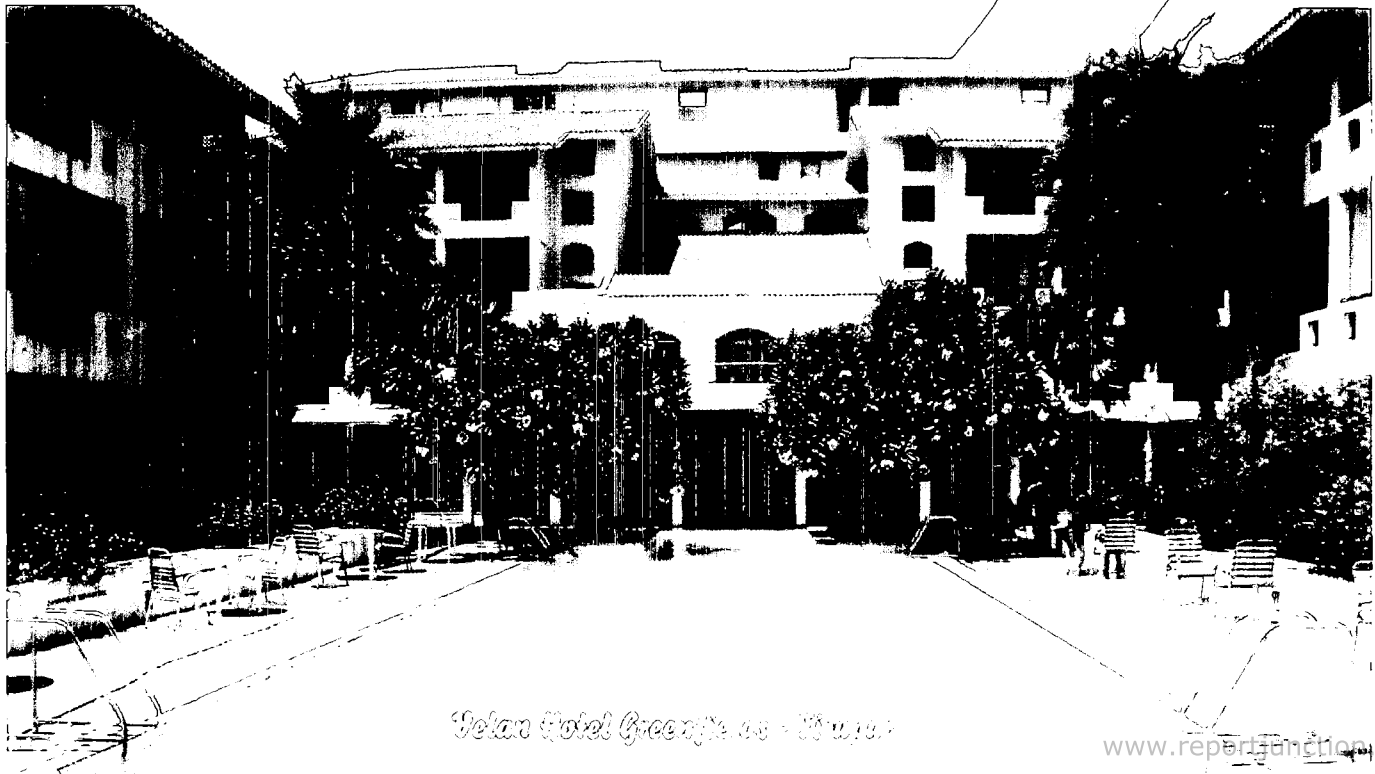
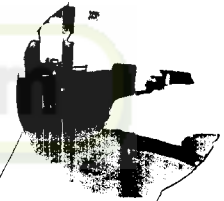
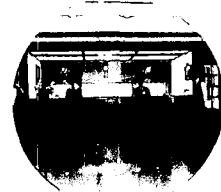
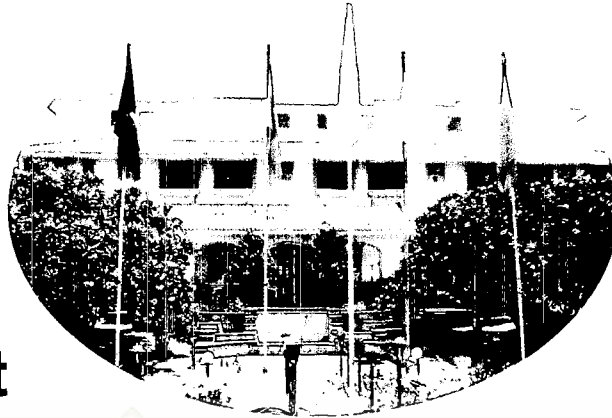




# VELAN HOTELS LTD

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

## 18<sup>th</sup> Annual Report 2007 - 2008



*Velan Hotel Greenfield - Tirupur*

www.reportjunction.com

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

Sri. R. V. E. Venkatachalam  
 Sri. E. V. Muthukumara Ramalingam  
 Sri. M. R. Gautham  
 Sri. K. A. Balasubramaniam (Upto 03.08.2007)  
 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:**

AXIS 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.

**VELAN HOTELS LTD****NOTICE OF THE 18<sup>th</sup> ANNUAL GENERAL MEETING - 2007 - 2008**

Notice is hereby given that the 18th 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 Monday, the 1st day of September, 2008 at 4.45 PM to transact the following business.

**ORDINARY BUSINESS**

1. To adopt the Profit and Loss Account of the Company for the year ended 31st March, 2008 and the Balance Sheet as at that date together with the reports of the Directors and the Auditors of the company.
2. To declare a Dividend.
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 a Director in the place of Sri. Karthik Namasivayam who retires by rotation and being eligible offers himself for reappointment.
5. 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.  
Date : 15.07.2008

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. Brief resume of the directors seeking appointment/reappointment and other details as stipulated under clause 49 of the listing agreement are provided in the Report on Corporate Governance forming part of the Annual Report 2008.
4. Members who are holding shares in physical form are requested to notify immediately 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.



5. Members who are holding shares in Electronic Form are requested to intimate immediately their change of address to their respective Depository Participant.
6. 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.
7. The Register of Members and Share Transfer Books of the company will remain closed from 23.08.2008 to 01.09.2008 (both days inclusive)
8. Dividend on approval, will be paid within the stipulated time to the members whose names appear in the Register of Members as on 23 August, 2008. In respect of shares held in Demat Form, the Dividend will be paid to the Beneficial owners as on the closing hours of 22nd August, 2008 as per the details forwarded by the RTA for this purpose.
9. There will not be any distribution of dividend warrants at the AGM Hall. Company's Share Transfer Agent M/S. S.K.D.C. Consultants Ltd., Coimbatore will despatch the dividend warrants to the shareholders.
10. *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.*
11. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest after your life time. Interested members may write to the Registrar & Share Transfer Agent for the prescribed form.
12. Please encash your dividend warrants immediately on their receipt by you, as dividends remaining unclaimed for seven years are now required to be transferred to "Investor Education and Protection Fund" established by the Central Government and you shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.

Place : Tirupur.  
Date : 15.07.2008

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



## VELAN HOTELS LTD

## DIRECTORS' REPORT &amp; MANAGEMENT ANALYSIS

Dear Share Holders,

The Directors of your company take pleasure in presenting you the 18th Annual Report along with the Audited Accounts for the year ended 31st March, 2008.

## FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	2007 - 2008	2006-2007
<b>Gross Income</b>	<b>1147.43</b>	<b>1074.04</b>
Profit before Interest, Depreciation and Taxation	346.92	292.85
Interest	107.63	109.83
Profit before Depreciation	239.29	183.02
Depreciation	65.92	60.86
<b>Profit after Depreciation</b>	<b>173.37</b>	<b>122.16</b>
Depreciation from withdrawal of revaluation reserve	6.99	6.99
Provision for Taxation	21.60	16.50
<b>Profit after Taxation</b>	<b>158.76</b>	<b>112.65</b>
Add : Extra ordinary Income	-	-
Add : Short provision towards Taxation & Expenses	-14.55	0.78
Loss: Brought forward	60.18	150.75
Appropriations :		
Proposed dividend		
Previous year	-	-
Current year	23.25	-
Tax on dividend		
Previous year	-	-
Current year	3.95	-
General Reserve	-	-
Surplus in Profit & Loss a/c	1.12	60.18

## OPERATION:

The company's turnover for the year 2007 – 2008 was Rs.1147.43 lakhs as compared to Rs.1074.04 lakhs during the previous year, an increase of 6.83%. The Profit after tax has also gone up to Rs. 158.76 lakhs as compared to Rs.112.65 lakhs during the previous year, an increase of 40.93%.

## DIVIDEND :

The performance of the company has kept its momentum during the current year also. Your directors aim to balance the dual objective of payment of cash dividends and retaining capital to support future growth and to add further value to the shareholders. In consonance with the disposable income available as per law, your directors recommend a dividend of 3% for the year under review. In the future, your directors are sure that this percentage will increase keeping in view the business potential.

**BUSINESS ENVIRONMENT AND FUTURE GROWTH :**

The basic strength of Velan as a whole is in its sustained upkeep of the property, planned upgradation of facilities, top grade continuance of customer service, top quality food and beverage service. The hotels at Tirupur and Coonoor enjoy the patronage of repeat national/international business class visitors and tourists and the list continues to grow.

One single identifiable weakness could be the short fall in the number of rooms at Coonoor Hotel where the block booking by corporate business is growing. To get over this the Company has taken up proposed expansion at Coonoor by adding 5 to 10 more rooms.

**OPPORTUNITES AND THREATS:**

The opportunities are substantial. With an excellent name the hotel has gained in maintaining a very high standard of service and identifying an opportunity to expand its Food and Beverage operation at Coimbatore, your hotel is now establishing premium grade multi-floor Restaurant and out door catering facility at a rented premises in Ram Nagar, Coimbatore. This will be the fourth out let for your hotel after Velan Greenfields at Tirupur, Velan Uthra premium restaurant at Tirupur and Hotel Velan at Coonoor. This new out fit, it is hoped will open new opportunities at Coimbatore.

Threats are of course are in the form of new competition, the pressure on expenses due to the very high level of inflation and the pressure on general business due to the crisis in the garments to which the Tirupur is totally linked into. However your hotel has the advantage in attracting and retaining good business through setting up highly principled level of working standards with a competitive pricing rooms in view of its entry level advantage. The hotel has taken conscious steps to reduce cost through energy saving measures by use of alternative energy sources such as solar energy, installation of modern multi-fuel in the place of furnace oil guzzling boilers etc.

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

During the financial year under consideration Sri. K.A. Balasubramanian, Director passed away on 03.08.2007. The management records here its deep gratitude for the active participation and guidance given by him and the interest he had evinced all through his tenure as a Director of the company. His services will ever be in the green memory of the history of the company.



### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :**

The company is making continuous efforts to conserve and optimize energy wherever practicable by economizing 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. 482.23 lakhs during the year under review, as compared to Rs. 449.83 lakhs during the last accounting year. The Foreign Exchange outgo towards capital goods is Rs. NIL. The Foreign Exchange outgo for the previous year towards capital goods is Rs. 52.62 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 judgments 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 31.03.2008 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.

### **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





## VELAN HOTELS LTD

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 : 25.07.2008

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.	Sri. K. A. Balasubramaniam (Upto 03.08.2007)	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	—	—



**VELAN HOTELS LTD****2. Attendance of Directors at Board Meetings and Annual General Meeting**

Ten Board meetings were held during the year on 6th April, 2007, 27th April 2007, 26th May 2007, 18th July 2007, 30th July 2007, 14th August 2007, 30th October 2007, 26th December, 2007 21st January 2008, and 25th March 2008 ✓

<b>Name of Director</b>	<b>No. of Board Meetings held</b>	<b>Attended</b>	<b>Last AGM Attended</b>
Sri. R. V. E. Venkatachalam	10	10	Yes
Sri. E.V. Muthukumara Ramalingam	10	10	Yes
Sri. M. R. Gautham	10	10	Yes
Sri. K. A. Balasubramaniam (Upto 3.8.2007)	10	04	Yes
Sri. P. Ganesan	10	10	Yes
Sri. T. Gopalakrishnan	10	10	Yes
Sri. Karthik Namasivayam	10	1	No

There is no inter se relationship between directors other than Sri. R.V.E.Venkatachalam, Sri.E.V.Muthukumara Ramalingam and Sri.M.R.Gautham. Sri.R.V.E.Venkatachalam and Sri.E.V.Muthukumara Ramalingam are related to each other as father and son respectively. Similarly, Sri.E.V.Muthukumara Ramalingam and Sri.M.R.Gautham are related to each other as father and son respectively.

**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 26th April 2007 29th July 2007, 29th October 2007 and 20th January 2008.

<b>Name of the Audit Committee member</b>	<b>No. of meetings held</b>	<b>No. of meetings attended</b>
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 2007- 2008 is given below

Name of the Director	Designation	Salary (in Rs.)
Sri. E. V. Muthukumara Ramalingam	Managing Director	5,22,000
Sri. M. R. Gautham	Executive Director	2,43,000

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 2007-2008 was 4 and all of which were attended to.

The total pending shares to be transferred as at 31.03.2008 was Nil.

### I. GENERAL BODY MEETINGS

a) Location and time for the last three years Annual General Meeting (AGM): -

YEAR	AGM	LOCATION	DATE	TIME
2004- 2005	AGM	The Registered Office	01.07.2005	12.15 PM
2005 - 2006	AGM	The Registered Office	30.06.2006	12.15 PM
2006 - 2007	AGM	The Registered Office	29.06.2007	5.00 PM