



VELAN HOTELS LTD

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

19th

Annual Report 2008 - 2009



Velan Hotel - Coonoor



The Velan Food Park - Coimbatore



Velan Hotel Greenfields - Tirupur

**VELAN HOTELS LTD**
19th ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH 2009
BOARD OF DIRECTORS :

SRI.R.V.E.VENKATACHALAM
CHAIRMAN

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI. P.GANESAN
DIRECTOR

SRI. T.GOPALAKRISHNAN
DIRECTOR

DR. NAMASIVAYAM KARTHIKEYAN
DIRECTOR

AUDITORS :

M/S.P.S.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
55, UNIVERSAL ROAD
TIRUPUR 641 601

**REGISTRAR & SHARE TRANSFER AGENT :
(PHYSICAL & DEMAT)**

SKDC CONSULTANTS LTD.
NEW NO.7 (OLD NO 11), STREET NO.1
S.N. LAYOUT,
WEST POWER HOUSE ROAD, TATABAD
COIMBATORE 641 012
PHONE : 0422-6549995
E-mail : skdccbe@gmail.com

BANKERS :

STATE BANK OF INDIA
AXIS BANK LIMITED

REGD. & ADMINISTRATIVE OFFICE :

41 KANGAYAM ROAD
TIRUPUR 641 604
TAMIL NADU

LOCATION OF THE HOTELS :

VELAN HOTEL GREENFIELDS
41 KANGAYAM ROAD
TIRUPUR 641 604 - TAMIL NADU

VELAN HOTEL RITZ
RITZ ROAD, BEDFORD
COONOR 643 101
TAMIL NADU

LOCATION OF THE RESTAURANTS :

VELAN UTHARA RESTAURANT
AVANASHI ROAD,
BEHIND IDBI BANK LTD
TIRUPUR 641 602

THE VELAN FOOD PARK
RAM NAGAR
COIMBATORE 641 009



NOTICE OF THE 19th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 19th Annual General Meeting of the Company will be held at the Registered Office of the Company situate at 41, Kangayam Road, Tirupur - 641 604 on Thursday, the 24th day of September 2009 at 04.30 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the year ended as on that date and the Reports of the Auditors and Directors of the Company.
2. To declare a Dividend.
3. To appoint a Director in place of Sri.R.V.E.Venkatachalam who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri.T.Gopalakrishnan 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 authorise the Board to fix their remuneration.

Place : Tirupur.

Date : 21.08.2009

for and on behalf of the Board

R.V. E. Venkatachalam
Chairman

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL 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. THE PROXY FORM SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 19/09/2009 (Saturday) to 24/09/2009 (Thursday) (Both days inclusive)
3. Details in respect of appointment / reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements are annexed hitherto.
4. Members holding shares in physical form are requested to notify change in their address, if any, to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their address to their respective Depository Participants.

**VELAN HOTELS LTD**

5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. The equity shares of the Company are listed on Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the above said Exchange.
7. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the meeting so as to enable the management to keep the information ready.
9. Equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
10. The ISIN of the equity shares of your Company is **INE548D01014**

Place : Tirupur.
Date : 21.08.2009

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

Details of the Directors seeking appointment/reappointment at the forthcoming Annual General Meeting

Sri.R.V.E.Venkatachalam (Non-Executive Director). The Company's Board Chairman is Sri.R.V.E.Venkatachalam, a leading family head at Tirupur, owning extensive farmlands and large scale Coconut gardens. He is also a philanthropist helping many social organisations. He is well-known, respected senior citizen of Tirupur, a former Municipal Chairman of Tirupur. He is related to Sri.E.V.Muthukumara Ramalingam, Managing Director and Sri M.R.Gautham, Executive Director of the Company. He also holds Directorship in Shree Vallee Enterprises Pvt Ltd.

Sri.T.Gopalakrishnan (Independent-Non-Executive Director) Sri.T.Gopalakrishnan is a Chartered Accountant and a Management Consultant with more than 36 years experience in Corporate administration, banking and finance. He advises the Company on issues relating to General Management, Banking, Finance and stock market related operations.



DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 19th Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as on that date.

FINANCIAL RESULTS :

	(Rs. in Lakhs)	
	2008 - 2009	2007-2008
Profit before Interest, Depreciation and Taxation	311.78	346.92
Interest	87.39	107.63
Profit before Depreciation	224.39	239.29
Depreciation	68.63	65.92
Profit Before Tax (PBT)	155.76	173.37
Less : Provision for Taxation	19.00	21.60
Profit After Tax	136.76	151.77
Add : Balance b/f from previous year	1.12	(60.19)
Profit Available for appropriation	137.88	91.58
Add : Depreciation on revaluation recouped	6.99	6.99
Add : MAT Credit Reserve	18.40	21.00
Less: Deferred Tax Liability	55.45	76.70
Less: Short provision towards Taxation & Expenses	0.56	14.55
Less: Proposed dividend	38.75	23.25
Less: Tax on proposed Dividend	5.99	3.95
Balance to be carried over to Balance sheet	62.52	1.12

OPERATING RESULTS AND OVERVIEW

After boom in the previous years, the past year has been a difficult and challenging period for the Indian economy and business in tune with the global economic scenario.

The global economic crisis has dented the corporate margins and business confidence all over the world and in India as well. The performance of the service sector and industrial sector slowed down significantly including the hotel industry. India too experienced a fall in tourist arrivals in the past year. The local tourism travel and business travel had also seen a significant down turn. The spiraling inflation during most part of last year, bomb blast in various parts of the country (including the Mumbai Blast) and the start of the Swine Flu threat added to the difficulties.

In this situation, despite these unfavourable occurrences, your company managed to get satisfactory results for the year 2008-09. The total income for the year ended March 31, 2009 at Rs.1185.55 lakhs was marginally higher as against Rs.1147.43 lakhs recorded in the previous year. The Profit After Tax (PAT) for the year under review was lower to Rs.136.76 lakhs as against Rs.151.77 lakhs recorded in the previous year mainly on account of increase in Power & Fuel cost, Employee cost and General Administrative expenses.



VELAN HOTELS LTD

ESTABLISHING OF THE VELAN FOOD PARK AND VELAN UTHARA RESTAURANT

Your company has added a Premium Multilevel Multi Cuisine Restaurant "The Velan Food Park" at Ram Nagar, Coimbatore which commissioned its operations during the month of April, 2009.

With a view to offer better facility to customers, Velan Uthara has been relocated to a more spacious and better premises.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.0.50 per equity share for the year ended 31st March, 2009 higher than Rs.0.30 per share distributed as dividend in the previous year.

FUTURE PROSPECTS

The business scenario in Tiruppur is reported to be improving. Accordingly the hotel also expects to better its performance during the current operational year. The newly opened The Velan Food Park at Coimbatore and the relocated Uthara restaurant is expected to contribute for the betterment of business.

CORPORATE GOVERNANCE

Pursuant to the requirements of Listing Agreement with the Stock Exchange, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report
2. A Report on Corporate Governance
3. Auditors' certificate regarding compliance of conditions of Corporate Governance.

INFORMATION REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.

The information required under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is furnished hereunder:

I. CONSERVATION OF ENERGY

- a. The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power. As a step towards energy conservation, the Company had installed solar water heating systems at Hotel Premises to reduce power consumption and also initiated several other measures such as wood-fired boilers has been installed in stead of diesel-fired boilers, the former being environment friendly and cost effective. These measures are to derive maximum benefit in terms of reduction in the consumption of energy and reduce the power cost in the long run.
- b. Since the activity of the Company is not covered under the list of specified Industries under the Schedule to the said Rules, the information to be reported in Form-A, the form for Disclosure of Particulars with respect to Conservation of Energy is not furnished.

**II. TECHNOLOGY ABSORPTION**

The Company has no technical collaboration arrangement with any organization.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings And Outgo	Current Year 2008-09 [Rs.in lakhs]	Previous Year 2007-08 [Rs.in lakhs]
1. Earnings	501.38	482.23
2. Expenditure in Foreign Currency	NIL	NIL

INFORMATION REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

None of employee of the Company was in receipt of remuneration, which in the aggregate exceeded the limits prescribed under sub-section (2A) of Section 217 of the Companies Act, 1956, during the year.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT ACT) 2000**The Board of Directors Report that:**

- (i) Your Directors have followed the applicable accounting standards, in the preparation of annual accounts.
- (ii) Your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2009 and of the Profit of the Company for that period.
- (iii) Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- (iv) Your Directors have prepared the annual accounts on a 'going concern' basis.

DEPOSITS

Your Company has neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act, 1956 during the year.

DIRECTORS

Sri.R.V.E.Venkatachalam and Sri.T.Gopalakrishnan are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. P.S.Krishnan & Co., Company's existing Auditors are to retire at the ensuing Annual General Meeting and being eligible for reappointment, they have consented to continue to be the Auditors of the Company.



BANKERS

State Bank of India, Tirupur and AXIS Bank, Coimbatore & Tirupur Branches continue to be the bankers to the Company and your Directors place on record their appreciation for their co-operation and services.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation and gratitude for the cooperation and assistance from its shareholders, bankers, regulatory bodies and other business constituents during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the contribution and commitments displayed by Executives, Staff and Employees of the Company.

Place : Tirupur.
Date : 21.08.2009

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

1. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

i. An overview of Global Tourism / Hotel Industry:

After tremendous boom in the previous years, the past year has been a difficult and challenging period for the Hotel industry. High oil prices, diminished tourism due to the global financial crisis and concerns about terrorism are factors that have laid many challenges for the Industry. The Hotel industry faced significant challenges stemming from the economic recession as both business and consumers have cut back on travel expenditure. Lack of consumer confidence and reduced money spending has also impacted leisure travel as well. As Hotel industry is inextricably linked to the Tourism industry, the growth of the Hotel industry is in tandem with the performance of Tourism industry. During the year 2008, International tourist arrivals constituted @2% growth recorded as compared with previous year 2007. Tourism demand slowed significantly through the year due to global economic crisis. According to UNWTO, the international tourism in 2009 to be in the range of flat to 2% decline.

Despite the current difficulties, the Travel & Tourism sector remains a critical economic sector worldwide and provides significant potential for economic growth and development internationally.

ii. An overview of India Tourism / Hotel Industry:

The global recessionary trend has negatively impacted the Indian Tourism industry too. Tourist arrivals in the country slowed throughout the year 2008 after rising 13 percent y-o-y from 2005-06 mainly on account of slowdown in the main source markets for India such as U.S., U.K. and Euro zone.



The recent terror attacks in Mumbai have added to the woes of Hotel industry which is already reeling under the impact of the global financial meltdown. The terror attacks at Mumbai hotels negatively impacted in other parts of the country also especially leisure tourist destinations. The global financial crisis and rising terrorist activities have brought the Indian Hotel industry growth under a cloud. Due to terror attacks in Mumbai, Indian Hotel industry has seen huge cancellation of room bookings by many foreign tourists as many countries advising their citizens to not to visit India. It is expected that the negative impact to continue to stay for a longer period of time. The slowing Tourism industry has had direct influence on the Hotel sector with a decrease in the occupancy rate and average room rates.

Despite the India is facing challenges with regard to economic slowdown and terror attacks, the tourism industry in India is sustaining and developments in the sector is taking place at a faster pace and there are good prospects in the long run. Once the normalcy in business conditions resume, the foreign tourist arrivals can reach 10 million while domestic tourists will soar 500 million in the medium term.

iii. An overview of your Hotel business:

Tirupur City has gained universal recognition as the leading source of Hosiery, Knitted Garments, Casual Wear and Sportswear and is also known as the Knitwear city of India which has a major source of foreign exchange for the country because of its exports. Business visitors from all over the country as well as from abroad visit Tirupur daily. The revenue from foreign visitors constituted over 45% of total revenues of the Hotel.

B. OPPORTUNITIES AND THREATS:

i. OPPORTUNITIES:

To overcome the impact of slowdown, the Hotel industry joined in an initiative – 'Visit India-2009' with airlines and the Union Government to attract overseas leisure tourists with discount schemes and road shows. The positive impact of that drive would begin to yield results from October, 2009.

According to IMF forecast growth of 4.7 % next year and 1.5% this year, for the emerging economics is expected. Developed economies will grow 0.6% in 2010 after shrinking 3.8% this year which will help stabilization in consumer spending, which accounts for about 70% of GDP of the developed economies. The consumer spending will be a positive impact of business prosperity of Tirupur indirectly.

The various stimulus packages announced by many governments all over the world including India alongwith eased monetary measurements provided by many central banks of various countries to mitigate recession in their countries. These measurements would drive the world economy into growth path and spurt in economic activities.

The 2 percent interest subvention extended to employment-intensive sectors including textiles up to March 2010 which may have a positive influence to the garment business growth at Tirupur.

Therefore, your company is confident of good business potential in view of above factors which would drive the company to overcome cyclical nature of the industry in near term.



ii. THREATS:

The increasing number of swine flu cases in the country is putting the Hotel industry in trouble. The global economic slow down, infusion of additional inventory and price correction in the average room rentals have also made tough for the Hotel industry in general.

While operating expenses remain stable, decline in room rates as well as occupancy levels on account of reduced travels due to economic crisis, the bottom line of the Company will be impacted negatively.

Your Hotel performance is inextricably linked to performance of export business at Tirupur which totally depends on the level of economic activity of developed economies and growth in domestic economy as well.

C. SEGMENTWISE PERFORMANCE:

The company is presently engaged in only one segment of business i.e. Hotelier. Hence the report on segment wise performance is not applicable.

D. RISKS AND CONCERNS:

i. Industry's Risks and Concerns:

This industry in general is highly susceptible to the changes in socio-political and economic environment of the domestic and abroad. The Hotel sector is likely to suffer in terms of changes in local market environment, excess hotel room supply, reduced international or local demand for hotel rooms and associated services, changes in interest rate, the availability of finance and other natural and social factors.

In addition, Hotel industry faces risk from social-political environment, conflict between nations, threat of terrorist activities, spread of infectious diseases etc.

ii. Risks and Concerns for your Hotel:

A large part of earnings of the Company is in foreign exchange and any adverse movement in the exchange rate will affect its earnings.

The prices of most essential food items are still showing double digit increase in prices. Besides, delayed and deficient monsoon is a cause for concern. Food inflation already at elevated levels has the potential to rise further due to erratic monsoon. This would have significant pressure on profit margin to Food & Beverage front of your Hotel.

According to experts in economics and business, all developed economies after shrinking large in GDP this year will be slow in recovering as unemployment continues to be a drag on consumer spending. This may affect negatively the export business of Tirupur which is totally dependent, and leisure travel as well.