

## VELAN HOTELS LIMITED

20TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2010

### 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

SRI.T.GOPALAKRISHNAN

DR. NAMASIVAYAM KARTHIKEYAN

### COMPANY SECRETARY

SRI.M.SRINIVASAN

### AUDITORS

M/S.P.S.KRISHNAN & CO.,  
CHARTERED ACCOUNTANTS  
40 A APACHI NAGAR MAIN ROAD  
TIRUPUR 641 607

### REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.  
"KANAPATHY TOWERS"  
3<sup>RD</sup> FLOOR, 1391/A-1 SATHY ROAD  
GANAPATHY POST,  
COIMBATORE 641 008

PHONE : 0422-6549995  
E-mail : info@skdc-consultants.com

### BANKERS

BANK OF BAHRAIN & KUWAIT BSC  
AXIS BANK LIMITED  
STATE BANK OF INDIA  
UNION BANK OF INDIA

### REGD. & ADMINISTRATION OFFICE

41 KANGAYAM ROAD  
TIRUPUR 641 604  
TAMIL NADU

### LOCATION OF THE HOTELS

VELAN HOTEL GREENFIELDS  
41 KANGAYAM ROAD  
TIRUPUR 641 604 - TAMILNADU

VELAN HOTEL  
RITZ ROAD, BEDFORD  
COONOR 643 101  
TAMILNADU

### 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 20<sup>th</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20<sup>th</sup> 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 Monday, the 06<sup>th</sup> day of September 2010 at 04.45 p.m. to transact the following business :

### AGENDA

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 and Profit & Loss Account for the year ended as on that date, the Cash Flow Statement and the Reports of the Auditors and Directors of the Company
2. To declare dividend.
3. To appoint a Director in place of Sri.P.Ganesan who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr.Namasivayam Karthikeyan who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

#### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to provisions of Sections 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.E.V,Muthukumara Ramalingam as Managing Director of the Company for a period of 5 years with effect from 01<sup>st</sup> July, 2010 on the terms and conditions as set out below:

1. Salary: Rs.50000/- per month in the scale of Rs.50000- 2000-60000. The annual increment will be effective from 1<sup>st</sup> July 2011 and additional increment(s) will be considered by the Board of Directors on merits at its absolute discretion.
2. Perquisite: 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 travel concession, education benefits, club fees, provident fund, superannuation fund gratuity and any other perquisites 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, 349 and 350 of the Companies Act, 1956

II. Where in any financial year during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate, the remuneration payable to Sri.E.V.Muthukumara Ramalingam, Managing Director shall be governed by 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification 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 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 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 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 purpose 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, payment of 3 months' salary in lieu of notice will be taken as sufficient.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to Clause V of the Memorandum of Association read with Article 45 of the Articles of Association of the Company and subject to the provisions of Section 16 and 94(1) (a) of the Companies Act, 1956 and 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 Authorised Share Capital of the Company be and is hereby increased from the present level of Rs.15,50,00,000/- (Rupees Fifteen Crores and Fifty Lakhs only) comprising of 1,55,00,000 equity shares of Rs.10/- (Rupees Ten Only) each to Rs.35,00,00,000/- (Rupees Thirty Five Crores only) comprising of 3,50,00,000 equity shares of Rs. 10/- (Rupees Ten Only) each"

"RESOLVED FURTHER THAT existing Clause V of the Memorandum of Association of the Company be and is hereby deleted in-toto and the following clause be substituted as Clause V:

V. The Authorised Share Capital of the Company is Rs.35,00,00,000/-(Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crores and Fifty Lakhs only) equity shares of Rs.10/- (Rupees Ten only) each and the Company shall have power to increase or reduce the Capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions with voting rights or with differential rights as to dividend, voting or otherwise as permissible under law and as may be determined by the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and as the Company deems fit and necessary."

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

**“RESOLVED THAT** in accordance with the provisions of the Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and the provisions in the Memorandum and Articles of Association of the Company, the guidelines issued by the Securities and Exchange Board of India (“SEBI”), the listing agreement entered into by the Company with Bombay Stock Exchange Limited and subject to the approval, permissions and sanctions of the lenders of the Company, SEBI, Stock Exchange, Reserve Bank of India (“RBI”), Government of India and other concerned authorities, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any committee thereof) the consent of the shareholders be and is hereby accorded to create, offer and issue to the equity shareholders of the Company as on the record date (to be fixed for the purpose) equity shares of Rs.10/- each of the Company for a sum upto Rs.65 Crores, in the ratio and premium to be determined by the Board (“the Rights Issue”) and on such terms and conditions as may be mentioned in the draft Letter of Offer to be issued by the Company in respect of the Rights Issue.

The issue of above referred Equity Shares of Rs. 10/- each shall be made subject to following conditions:-

- (i) The payment against the Equity Shares shall be made in full.
- (ii) The Equity Shares offered to the Shareholders of the Company on Rights Basis shall also carry the rights exercisable by the shareholders concerned to renounce the Equity Shares offered to them in whole or in part in favour of any other person (s), provided, such renunciation is made on or before the closure of the Rights offer.
- (iii) The Existing shareholders as also the renouncees are entitled to apply for additional Equity Shares provided that the shareholders who has renounced his right in full or in part will not be entitled to apply for additional Equity Shares.
- (iv) The issue of Equity Shares in favour of Non-Resident Indian Shareholders shall be subject to the approval of the Reserve Bank and FEMA, 1999.
- (v) The Board shall be entitled to vary, modify or alter any of the terms and conditions as it may deem fit and expedient in the interest of the Company.
- (vi) Unsubscribed portion, if any, shall be disposed off in such manner as the Board may deem fit and proper at its absolute discretion.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue the Letters of Offer /Notice/Renunciation/ Split Form and Application Form and to make the necessary arrangement in connection thereof.”

**“RESOLVED FURTHER THAT** the said New Equity Shares issued shall rank *pari passu* in all respects with the existing fully paid-up Equity Shares in the capital of the Company including dividend to be declared, if any, for the concerned financial year.”

**“RESOLVED FURTHER THAT** in case of any over subscription of the issue, the Company be and is hereby authorized to retain such of the amount and issue and allot securities as may be permitted in accordance with the applicable laws, rules and provisions in consultation with the Designated Stock Exchange”.

**“RESOLVED FURTHER THAT** for the purposes of giving effect to these Resolutions, the Board of Directors be and is hereby authorized to settle any question or point of reference that may arise in regard to the issue and allotment of Equity Shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution and/or to appoint Lead Managers/ Managers to the Issue, Registrars to the Issue, Bankers to the Issue, and if considered necessary to carry out enter into stand-by-arrangement with Brokers/Bankers/Merchant Bankers for the whole or the part of the Issue and on such terms and conditions within the broad framework of parameters as prescribed by the concerned Authorities and also to do all act, matters and things of whatever nature and to give such directions as may be considered necessary or desirable.”

“Notwithstanding the above and more particularly with regard to the change in guidelines in respect of issue of Shares, the Board shall be entitled to increase or decrease the size of the issue, No. of Equity Shares. Face value thereof, and vary, modify and alter ratio of rights offer and other terms and conditions, including timing and premium on conversion, as it may deem fit and expedient in the interest of the Company.”

For and on behalf of the Board

**R.V.E.Venkatachalam**  
Chairman

Place : Tirupur  
Date : 23.07.2010

**EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956****SPECIAL BUSINESS****Item No.6**

Sri.E.V.Muthukumara Ramalingam has been the Managing Director of the Company since inception of the Company and his tenure concluded on 30/06/2010. Considering that his rich industry experience would be immense advantage to the Company, the Board of Directors of your Company has thought it fit to re-appoint Sri E.V.Muthukumara Ramalingam as the Managing Director of your Company with effect from 1<sup>st</sup> July 2010 for a further period of 5 (five) years on the terms and conditions mentioned in the resolution under this item. The same was approved by the Remuneration Committee at its meeting held on 30/06/2010.

The same resolution is placed before you for your approval.

None of the Directors other than Sri.R.V.E.Venkatachalam, Chairman and Sri.M.R.Gautham, Executive Director is interested in this resolution

**Item No.7**

The Company at Extra-ordinary General Meeting held on 12<sup>th</sup> June, 2010 enhanced its Authorised Share Capital to Rs.15.50 Crores. The Board of Directors feels that considering the future prospects of the Company, there may need more funds for the growth of the business.

Hence, it is proposed to increase the Authorised Share Capital to Rs.35,00,00,000/- consisting of 3,50,00,000 equity shares of Rs.10/- each to accommodate issue of further shares.

Consequent to the decision for issue of further shares, amendments are necessary for increase of the Authorised Share Capital of the Company. To accommodate increase in the Authorised Share Capital, Capital clause V of the Memorandum of Association relating to Authorised Share Capital have to be suitably altered and hence the resolutions.

The same resolution is placed before you for your approval.

None of the Directors of the Company is any way concerned or interested in the aforesaid Ordinary Resolution.

**Item No.8**

The Company proposes to raise Capital through Rights Issue.

In terms of provisions of Section 81(1), the Company proposes to raise funds by issue of shares to the existing shareholders of the Company upto Rs.65 Crores or such sum inclusive of premium as may be determined by the Board of Directors to meet various business requirements of the Company.

None the Directors is interested or concerned in the proposed resolution except to the extent of their shareholding held in the Company.

For and on behalf of the Board

Place : Tirupur  
Date : 23.07.2010

**R.V.E.Venkatachalam**  
Chairman

**NOTES FOR MEMBERS' ATTENTION:**

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 AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. CORPORATE MEMBERS ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORIZING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING.
2. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 01/09/2010 (Wednesday) to 06/09/2010 (Monday) ( 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.
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 abovesaid 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. Members are requested to provide
  - Permanent Account Number (PAN)
  - Opt for Electronic Clearance Service (ECS) facility for receiving dividend direct to their bank account
  - Latest Bank account details, wherever ECS facility is not available, for prompt credit and for avoiding fraudulent encashment / loss in postal transit of dividend warrant.
10. 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.
11. The ISIN of the equity shares of your Company is **INE548D01014**

For and on behalf of the Board

Place : Tirupur  
Date : 23.07.2010

**R..V.E.Venkatachalam**  
Chairman

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

**Sri.P.Ganesan** (Independent-Non-Executive Director) has completed his Diploma in Textile Technology from the United Kingdom and has an experience of over 35 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. He holds Directorship in Velan Textiles Private Limited.

**Dr.Namasivayam Karthikeyan** (Independent-Non-Executive Director) holds a Doctorate in Organisational Behavior and Human Resources. His contacts and experience in the field are of great help to the Company. He joined the Board during year 2004.



**DIRECTORS' REPORT**

To

The Shareholders,  
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 20<sup>th</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010 and the Balance Sheet as on that date.

**FINANCIAL RESULTS**

<b>PARTICULARS</b>	<b>2009-10</b>	<b>2008-09</b>
Profit Before Interest, Depreciation and Tax	<b>329.49</b>	295.34
Less : Interest	<b>83.51</b>	70.95
Profit Before Depreciation & Tax	<b>245.97</b>	224.39
Less : Depreciation	<b>70.54</b>	61.64
Profit Before Tax [PBT]	<b>175.44</b>	162.75
Less : Tax Liability	<b>63.07</b>	56.61
<b>Profit After Tax</b>	<b>112.36</b>	<b>106.14</b>
Balance b/f from previous years	<b>62.52</b>	1.12
<b>Profit Available for appropriation</b>	<b>174.88</b>	<b>107.26</b>
Less : Proposed Dividend	<b>58.13</b>	38.75
Less : Tax on proposed Dividend	<b>9.65</b>	5.99
Balance to be carried over to Balance sheet	<b>107.11</b>	62.52

**OPERATING RESULTS AND OVERVIEW**

2009 has gone into the history books as one of the worst for all sectors in general, the hotel industry in particular. Revenue per average room (RevPAR) practically collapsed as travelers stayed away. Companies reined in travel expenditure and potential tourists stayed at home. With the global economic machinery almost shuttering to a halt, the corporate world has engaged in cost cutting via drastic cutbacks on non-essential expenses. The resultant drop in corporate travel, coupled with travel advisories issued following the November, 2008 terror attacks, led to an adverse effect on the industry performance.

Headline wholesale price index inflation accelerated from 1.5 % in October, 2009 to 9.9% by March, 2010 whereas food articles inflation accelerated to 16.65 % on y-o-y basis mainly on account of deficient monsoon, cost of imports went up due to weakening rupee, mismatch in demand / supply situation of agricultural products in India and unstable international crude oil prices. The profit margin of Food & Beverage of your hotel business was affected due to higher inflation in food articles. The F & B revenue accounts over 35% of the total revenue of the Hotel.

Despite these unfavourable happenings, your Company did reasonably well during the year under review. Your company's total income grew by 12.49% from Rs.1184.64 lakhs to Rs.1333.63 lakhs in 2009-10. Profit Before Taxes (PBT) increased by 7.79% from Rs.162.75 lakhs to Rs.175.44 lakhs in 2009-10 and Profit After Tax (PAT) increased by 5.86% from Rs.106.14 to Rs.112.36 lakhs in 2009-10. The increase in expenses of consumption of provision and supplies due to higher inflation, Employee cost, Interest Cost and general administrative expenses led to a severe squeeze in operating margins.

Therefore, the Company's overall performance has to be viewed from the above perspective.

**DIVIDEND:**

Your Directors are pleased to recommend a dividend of Rs.0.75 per equity share for the year ended 31<sup>st</sup> March, 2010 higher than Rs.0.50 per share distributed as dividend in the previous year.

**FUTURE OUTLOOK**

In the year 2008, the company started work on a multi-tier food outlet at the centrally located area of Ram Nagar in Coimbatore. This four format restaurants outlet was commenced in 2009.

In 2009, the company has relocated Velan Uthara to a larger space to cope with the increase in footfalls.

In the year 2009, 6 new deluxe rooms were added to Velan Hotel, Coonoor to meet the increased seasonal demand at this tourist destination which has also been adopted by national level athletes for high-altitude training.

The company has identified an opportunity in the entertainment business at Tirupur. Hence, 'The Velan Esplanade' has been planned as a mall and multiplex complex. The 300,000 sq ft development is planned to be leased out with large corporates in the retail industry signing up for spaces. The superstructure work at the velan esplanade site is near completion. Within this development, your company plans to add 20 serviced apartments to add to the 60 luxury rooms and 10 suites that are already available at your Tirupur Hotel Property.

The Velan Hotel Greenfields at Tirupur attracts a large number of overseas guests and hence contributes to the foreign exchange earnings of the country. To add variety to the existing facilities offered at your Tirupur hotel, a new barbecue restaurant and a new sports bar is being added and should be operational in the current year. The luxury rooms at the Tirupur hotel has been maintained very well and, in the current year also, 18 more rooms will be modernised to meet the ever-growing demands of the business travellers at Tirupur.

The Velan Hotel, Coonoor has attracted the Sports Authority of India (SAI) to set up their high altitude training facilities there. The athletes with their coaching staff and their support team have been staying on and off at your Coonoor hotel property. To meet the growing demands of the SAI and the tourists at Coonoor, few more rooms / cottages are planned to be added this year. Further, 10 existing deluxe rooms will be modernised in the current year to maintain the quality standards expected of the 'Velan' brand.

Also, the Velan Hotels, having a strong food & beverage base and convention facilities in the US\$6 Billion export district headquarters of Tirupur is facing strong demand for space in the fair and convention market. Hence, a larger air-conditioned hall to house even larger sized machinery is required to meet the demands of the exhibitors.

The planned development of the mall / multiplex / convention centre added to the existing hotel implies a large requirement of energy in the form of electricity and chilling. To meet the energy requirement of the company, a BioMass plant is underway to ensure the electricity needs and the chilling requirement, with the excess produce of electricity being planned to be supplied to the TNEB grid.

**SHARE CAPITAL**

Your company is in need of money primarily for its projects and working capital requirement. In this regard, the Company has enhanced its Authorised Share Capital from Rs.8.50 crores to Rs.15.50 crores for which the Extra-ordinary General Meeting has been conducted on 12<sup>th</sup> June, 2010 for enhancing its authorized share capital. In addition to the above, your Company proposes to enhance its Authorised Share Capital from Rs.15.50 Crores to Rs.35 Crores. Your company is in process of raising share capital through various options subject to all applicable laws, rules, regulations and guidelines.