

## VELAN HOTELS LIMITED

### 21ST ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2011

#### 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

#### 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

ALLAHABAD BANK  
ANDHRA BANK  
AXIS BANK LIMITED  
STATE BANK OF INDIA  
UNION BANK OF INDIA

#### REGD. & ADMINISTRATIVE OFFICE

41 KANGAYAM ROAD  
TIRUPUR 641 604  
TAMIL NADU

#### LOCATION OF HOTELS

VELAN HOTEL GREENFIELDS  
41 KANGAYAM ROAD  
TIRUPUR 641 604 - TAMILNADU

VELAN HOTEL  
RITZ ROAD, BEDFORD  
COONOR 643 101  
TAMILNADU

#### LOCATION OF RESTAURANTS

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

THE VELAN FOOD PARK  
RAM NAGAR  
COIMBATORE 641 009

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### NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st 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 18th day of August, 2011 at 12.30 p.m. to transact the following business :

#### AGENDA

##### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year ended as on that date, the Reports of the Auditors and Directors of the Company and Cash Flow statement
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 Annual General Meeting to 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 in modification of the resolution passed at the Extra-Ordinary General Meeting of the Shareholders of the Company held on 12th June, 2010, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to borrow such sums of money as may be considered fit for the purpose of the business of the company notwithstanding that the monies to be so borrowed together with the monies already borrowed by the Company ( apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital and free reserves of the Company, provided however, that the total borrowings at any one time and outstanding shall not exceed Rs.250 Crores."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper, desirable and to settle any question, difficulty or doubt that may arise in this regard."

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

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company(hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such Charges, Mortgages and Hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit,

together with power to take over the management and concern of the Company in certain events in favour of Banks/Financial Institutions and other investing agencies to secure Rupee/Foreign Currency Loans and Working capital facilities availed or proposed to be availed by the Company, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, shall not, at any time exceed the limit of Rs.250 Crores".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order to give effect to the above resolution".

8. 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 94(1)(a) and 97(1) 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 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 to Rs.50,00,00,000/- (Rupees Fifty Crores only) comprising of 5,00,00,000 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.50,00,00,000/- (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores only) equity shares of Rs.10/- (Rupees Ten) 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."

For and on behalf of the Board

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

Place : Tirupur  
Date : 28.06.2011

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

Earlier, the Company at Extra-ordinary General Meeting held on 12th June, 2010 enhanced its borrowing limit upto Rs.75 Crores. Your company may need funds from time to time for investment in on-going projects. In order to accommodate borrowings, the permission of the shareholders is sought to enable the Company to borrow a sum not exceeding Rs.250 Crores.

As per Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Public company shall not except with the consent of the Company in general meeting, borrow in excess of the aggregate of the paid up capital and its free reserves.

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

Your Directors consider the said resolution is in the interest of the Company and therefore recommends the same for your approval.

**ITEM NO. 7**

Section 293(1)(a) of the Companies Act, 1956, however, does not require approval of members for obtaining of loans by mortgaging of whole or substantially whole of undertaking except in case of usufructuary mortgage. But in practice, Financial Institutions/Banks insist for the members' approval. Keeping in view the increase in borrowing powers as well, it is felt that it may be necessary to pass an enabling resolution to mortgage and/or charge the properties of the Company present and future in favour of the Banks and Financial Institutions, Trustees etc., for securing the requisite finance upto a maximum of Rs.250 Crores (Rupees Two Hundred Fifty Crores only).

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

Your Directors consider the said resolution is in the interest of the Company and therefore recommends the same for your approval.

**ITEM NO. 8**

The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities at appropriate time in future. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs. 35 Crore to Rs.50 Crore.

Consequent to the decision for increase in Authorised Share Capital, the Capital Clause V of the Memorandum of Association relating to Capital clause has to be suitably altered.

In terms of the provisions of section 94 read with other applicable provisions, if any, of the Companies Act, 1956, the Company can alter its authorized share capital and Memorandum of Association only by passing the necessary resolution at duly convened general meeting of the shareholders of the Company.

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

Your Directors consider the said Ordinary Resolution is in the interest of the Company and therefore recommends the same for your approval.

For and on behalf of the Board

Place : Tirupur  
Date : 28.06.2011

**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 10/08/2011 (Wednesday) to 12/08/2011 (Friday) (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 atleast seven days prior to the meeting so as to enable the management to keep the information ready.
9. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc.

In view of the above:

- (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent.
  - (ii) Shareholders holding shares in Dematerialized Form are requested to provide the Bank details to their Depository Participants for incorporation in their records.
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 : 28.06.2011

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

**Important Communication to Shareholders**

The Ministry of Corporate Affairs vide its circular has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies. Accordingly, the Company proposes to send notices / documents including Annual Reports electronically from next year onwards. Shareholders holding shares in Demat form and who have not yet registered their e-mail address are requested to register their e-mail address with their respective Depository Participant at the earliest. Shareholders who hold shares in physical form are also requested to register their e-mail address with our Registrar & Share Transfer Agent- SKDC Consultants Ltd, Kanapathy Towers, 3rd Floor, 1391/A1, Sathy Road, Ganapathy, Coimbatore 641006, E-mail ID : [info@skdc-consultants.com](mailto:info@skdc-consultants.com). Such registration of e-mail address may also be made with the Company at its Registered Office as mentioned above, or at the E-mail ID : [velan.greeninitiative@gmail.com](mailto:velan.greeninitiative@gmail.com)

In case, members desire to receive the above mentioned documents in physical form or in case of any change in their e-mail ID, members are requested to contact the Company or the Company's Registrar and Share Transfer Agent mentioning their Client ID and latest e-mail address.

The Annual Report of the Company and Notice convening the Annual General Meeting is also available on our website : [www.velanhotels.com](http://www.velanhotels.com)

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

**Shri.R.V.E.Venkatachalam** is Chairman of the Company since 22nd July, 1991. He has been an active businessman since 1950. He is a philanthropist helping many social organizations. He was a former Chairman of Municipality of Tirupur.

**Shri T Gopalakrishnan** is a Chartered Accountant and a Project Management Consultant with over 30 years experience in the field of Banking, Foreign Exchange, Project Financing, Project Co-ordination and execution, Mergers and Acquisitions and Restructuring.

**DIRECTORS' REPORT**

To

The Shareholders,  
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 21<sup>st</sup> Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011 and the Balance Sheet as on that date.

**FINANCIAL RESULTS**

(Rs. in lakhs)

<b>PARTICULARS</b>	<b>2010-11</b>	<b>2009-10</b>
Profit Before Interest, Depreciation and Tax	<b>349.34</b>	329.49
Less : Interest	<b>80.64</b>	83.51
Profit Before Depreciation & Tax	<b>268.70</b>	245.98
Less : Depreciation	<b>81.94</b>	70.54
<b>Profit Before Tax [PBT]</b>	<b>186.76</b>	175.44
Less : Tax Liability	<b>66.89</b>	61.81
Prior Year Adjustment	<b>3.23</b>	1.27
<b>Profit After Tax</b>	<b>116.64</b>	112.36
Balance b/f from previous years	<b>107.11</b>	62.52
<b>Profit Available for appropriation</b>	<b>223.75</b>	174.88
Less : Proposed Dividend	<b>58.13</b>	58.13
Less : Tax on proposed Dividend	<b>9.43</b>	9.65
Balance to be carried over to Balance sheet	<b>156.20</b>	107.11

**OPERATING RESULTS AND OVERVIEW**

2010 for the Hotel and Tourism Industry would be remembered as a year in which the market had a positive turning point ending two consecutive years of declining performance levels and profitability. Indian economy recovered quickly and rapidly, leading to a return of international business travel to back sustained domestic travel. India's hotel industry posted performance improvements in 2010 compared to the year prior. Increases in occupancy have generally outweighed the falls in average daily rate (ADR), resulting in improved revenue per available room. RevPAR for India as a whole was up 6.2 percent during the year 2010 compared with the year 2009.

During the year under review, the Company's Average Room Rentals (ARR) was marginally higher at 6.97% compared to the previous year. Your company's total income grew by 11.00% from Rs.1333.63 lakhs to Rs.1479.57 lakhs in 2010-11. Profit Before Taxes (PBT) increased by 6.45% from Rs.175.44 lakhs to Rs.186.76 lakhs in 2010-11 and Profit After Tax (PAT) increased by 4.61% from Rs.112.36 to Rs.116.64 lakhs in 2010-11.

**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, 2011

**FUTURE PROSPECTS AND EXPANSION:**

The company has started diversifying its activities into Mall, Multiplex and Convention Centre construction, marketing and maintenance as well as the setting up of a renewable energy plant to contribute to the high energy consuming retail and screening space.

The company's 20-year existence and goodwill has helped in attracting the experienced personnel required to implement the projects. The company is also geared up to successfully operate and manage the new business units which would be commissioned in the next 12 - 15 months.

The company's hotel facilities have been updated continuously over the past 8 - 10 years but a full-scale revamping is currently under process. This exercise will ensure that your company's flagship hotel property at Tirupur will remain the best hotel in Tirupur attracting the crème of the overseas and high net worth visitors coming into Tirupur for business purposes primarily. The company's hotel property at Coonoor is also being revamped to ensure that the day-to-day operations are able to handle the stiff competition in the tourism sector and also to cope with the ever-changing dynamics of the Nilgiris tourism market.

The company has so far relied on the hosiery-oriented Tirupur market for its business. The flagship hotel's design with its high standards of operations has helped attract and retain a good clientele base. Your company is now keenly looking at other upcoming destinations in the Tamilnadu / Kerala / Pondicherry region to expand its hotel operations in the 3-star category.

### **SHARE CAPITAL**

Your company has undertaken various projects and proposed to issue equity shares on Rights basis. Considering the future prospects of the Company, there may be a need for more funds in the growth of the business. Hence, the Company has enhanced its Authorised Share Capital from Rs.15.50 crores to Rs.35.00 crores at the 20th Annual General Meeting of the Company held on 06th September, 2010. Further, your company proposes now to enhance its Authorised Share Capital from Rs.35 Crores to Rs.50 Crores for its future needs.

### **EXTRA-ORDINARY GENERAL MEETING**

Members of the Company at Extra-Ordinary General Meeting held on 12th June, 2010 approved the enhancement in Authorised Share Capital of the Company upto Rs.15.50 crores and borrowing power of the Company upto Rs.75 Crores. Members also approved commencement of new business, altering the capital clause of Memorandum and Articles of the Association of the Company and charging and mortgaging of the Company's assets under Section 293(1)(a) of the Companies Act, 1956 for securing term loans sanctioned by the Banks / Financial Institutions.

### **RIGHTS ISSUE**

Your company proposes to increase the paid up share capital by issue of equity shares on rights basis for an amount not exceeding Rs.65 crores including premium which will be utilized to part finance the cost of funding of the various projects undertaken by the Company. After completing the due diligence conducted by various intermediaries, your company has obtained in-principle approval from the Bombay Stock Exchange Ltd and permission from Securities and Exchange Board of India. Your company has started the process to complete the Rights Issue before the quarter ending 30th September, 2011.

### **FINANCE**

During the year, your company has been sanctioned term loans and bank guarantee including take over of foreign currency term loan of Bank of Bahrain & Kuwait BSC by Allahabad Bank and Andhra Bank on multiple banking amounting to Rs.75.92 crores for part financing the integrated project of constructing Shopping Mall, Multiplex with service apartments, Convention Hall, Bio-Mass based Co-Generation plant and renovation work at Tirupur and Coonoor Hotels.

The company has started to avail term loans from both banks and deployed into its on-going projects.

### **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. Auditor's 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 existing hotel operations of the Company are not energy intensive. But, the upcoming mall and multiplex projects are highly energy intensive. Hence, the decision to go in for the renewable energy co-gen plant. Further, the Company has taken all possible measures to control and reduce consumption of energy. The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.
- 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 2010-11 [Rs.in lakhs]	Previous Year 2009-10 [Rs.in lakhs]
1. Earnings	490.12	538.91
2. Expenditure in Foreign Currency		
a) Interest on Foreign Currency Term Loan	48.52	28.86
b) Repayment of the above Term Loan fully	783.55	51.88

**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 judgments 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, 2011 and of the Profit of the Company for that year.
- 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.
- v) The financial statements have been audited by M/s.P.S.Krishnan & Co., Chartered Accountants, the Statutory Auditors.
- vi) The Audit Committee meets periodically with internal auditor and the statutory auditors to review the manner in which the auditors are discharging their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

**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 retire by rotation at the forthcoming Annual General Meeting and being eligible for re-election, 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**

M/s.Allahabad Bank, M/s.Andhra Bank, M/s.AXIS Bank, M/s.State Bank of India and M/s.Union Bank of India are 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, Statutory Auditors 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.

For and on behalf of the Board

Place : Tirupur  
Date : 28.06.2011

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