

VELAN HOTELS LIMITED

22ND ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2012

BOARD OF DIRECTORS

SRI.R.V.E.VENKATACHALAM
CHAIRMAN (UPTO 26/07/2011)

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

SRI.B.A.MADHUSUDHAN
WHOLE-TIME DIRECTOR (w.e.f. 28/03/2012)

SMT.M.SASIKALA
DIRECTOR (w.e.f. 28/03/2012)

SRI.K.SUBRAMANIAM
DIRECTOR (w.e.f. 28/03/2012)

COMPANY SECRETARY

SRI.M.SRINIVASAN

AUDITORS

M/S.P.S.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
40- A, APPACHI NAGAR MAIN ROAD
TIRUPUR 641 607
PHONE : 0421-2227526 to 30
EMAIL : psكاتup@gmail.com

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.
"KANAPATHY TOWERS"
3RD 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 - COONOR
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

PROJECTS IN PROGRESS

1. THE VELAN ESPLANADE - MALL & MULTIPLEX
2. CONVENTION & CONFERENCE HALL
3. THE VELAN RENEWABLE ENERGY PLANT (TVREP) :
BIO-MASS BASED CO-GEN RENEWABLE ENERGY PLANT

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NOTICE OF THE 22nd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd 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 Wednesday, the 12th day of September 2012 at 4.45 p.m. to transact the following business :

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 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 appoint a Director in place of Sri.P.Ganesan, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr.Namasivayam Karthikeyan who retires by rotation, and being eligible, offers himself for reappointment.
4. 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

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

"RESOLVED THAT in partial modification to the Resolution No.06 passed by the Members at the 20th Annual General Meeting held on 06th September, 2010 approving the re-appointment and terms of remuneration of Mr.E.V.Muthukumara Ramalingam as Managing Director, the Company hereby approves, in accordance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, increase in remuneration of Mr. Mr.E.V.Muthukumara Ramalingam for the remaining period of his tenure of office, with effect from December 1, 2011, as per details given below:

Salary: Rs.1,50,000/- per month. This will include dearness allowance and all other allowances."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of Mr.E.V.Muthukumara Ramalingam, Managing Director, the payment of salary, perquisites and other allowances shall be governed by the limits calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the company"

"RESOLVED FURTHER THAT all other terms and conditions of re-appointment of Mr.E.V.Muthukumara Ramalingam as approved earlier by the Members, shall remain unchanged."

"RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution"

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII as amended from time to time to the Companies Act, and other applicable provisions, if any, of the Companies Act 1956, approval of the Members be and is hereby accorded for re-appointment of Mr.M.R.Gautham as a Whole-time Director designated as Executive Director of the Company for a further period of five years w.e.f. 29th November, 2011 and for the payment of remuneration along with other terms and conditions furnished hereunder:

- I. 1. Salary: Rs.1,00,000/- per month. This will include dearness allowance and all other allowances.
2. Perquisites: In addition to the above salary, the Executive Director is entitled to the following perquisites.
- a. Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishing, gas, electricity, water and other utilities shall be borne by the Company.
- b. Expenditure on medical treatment incurred for self, wife and dependent children not exceeding one months' salary per annum or 5 months' salary over a period of 5 years.
- c. Leave travel concession for self, wife and dependent children once in a year in accordance with the rules of the Company.
- d. Fees of clubs of choice, however not exceeding 3 clubs, over and above admission fees payable.
- e. Personal accident insurance premium not exceeding Rs.25,000/- per annum.
- f. Company's contribution to Provident Fund as per rules of the Company and as laid down under the Income Tax Rules 1962.
- g. Contribution to Superannuation Fund / Annuity as per rules of the Company.
- h. Gratuity as per rules of the Company, but not exceeding half a months' salary for each completed year of service.
- i. Encashment of leave at the end of the tenure as per the rules of the Company.
- j. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

The above is subject to the fact that the aggregate of the salary and perquisites payable shall not exceed the prescribed ceiling limits of the net profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

- II. a. The Executive Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Executive Director. Provision of car with driver for use in connection with the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

- III. In case, in any financial year, during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Executive Director shall be entitled to receive minimum remuneration by way of salary, perquisites, dearness allowance and any other allowances subject to the ceiling calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the Company provided that the following perquisites shall not be included in the computation of minimum remuneration.
- 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
 - Gratuity payable at the rate not exceeding half a month's salary per each completed year of service and
 - Encashment of leave at the end of the tenure.
- IV. The appointment may be terminated by either side at any time by giving 3 months' notice in writing provided that in case 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 Sri.B.A.Madhusudhan who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers himself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing his candidature for the office of a Director; be and is hereby appointed as a Director of the Company, liable to retire by rotation."

"RESOLVED FURTHER THAT subject to such approvals, consents and sanction as may be necessary and further subject to such terms and conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents and sanctions, consent of the Members be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modifications or re-enactment thereof, to the appointment of Sri.B.A.Madhusudhan as a Whole Time Director of the Company for a period of 5 years with effect from March, 28, 2012 on such terms and conditions including the remuneration payable to him, as a Whole Time Director as follows:

Salary: Rs. 1,50,000/- per month"

"RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and /or vary the terms and conditions of the appointment including remuneration payable to him from time to time, provided however that the remuneration payable shall not exceed the limits specified in Schedule XIII of the Companies Act, 1956 as existing or as amended, modified or re-enacted from time to time"

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of Sri.B.A.Madhusudhan, Whole-Time Director, the payment of salary shall be governed by the limits calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the Company"

"RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper 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 Smt.M.Sasikala who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers herself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing her candidature for the office of a Director; be and is hereby appointed as a Director of the Company, liable to retire by rotation"

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

"RESOLVED THAT Sri.K.Subramaniam who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers himself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing his candidature for the office of a Director be and is hereby appointed as a Director of the Company, liable to retire by rotation"

For and on behalf of the Board

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 30.05.2012

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956**SPECIAL BUSINESS****ITEM NO.5**

Pursuant to the resolution passed in the 20th Annual General Meeting held on September 6, 2010, Sri.E.V.Muthukumara Ramalingam was re-appointed as a Managing Director of the Company with effect from July 01, 2010 for a period of 5 (Five) years with remuneration.

With Sri.E.V.Muthukumara Ramalingam shouldering additional responsibilities and increase in duties in respect of the various projects undertaken by the Company, in addition to the existing responsibilities, with recommendation of the Remuneration Committee, the Board in their meeting held on November, 28, 2011 felt that there needs to be an increase in remuneration in the salary payable to him. As the salary was approved at Rs.50,000/- by the Members in the Annual General Meeting held on September 6, 2010, the Directors thought that subject to the consent of the Members, there should be an increase in his salary to Rs. 1,50,000/- w.e.f. December 01, 2011,

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

Sri.E.V.Muthukumara Ramalingam is concerned or interested in this resolution as it relates to his own revision in scales of salary. Sri.M.R.Gautham and Smt.M.Sasikala being related to Sri.E.V.Muthukumara Ramalingam are concerned or interested in the resolution. None of the other Directors of the company is concerned or interested in the resolution.

ITEM NO. 6

Sri.M.R.Gautham was re-appointed as a Whole-Time Director designated as Executive Director of the Company with effect from 30th November, 2006 for a period of 5 years. On expiry of the said term, by way of a resolution dated 28th November 2011, he was re-appointed as Whole-Time Director designated as Executive Director for a further period of 5 years.

Sri.M.R.Gautham is a Commerce Graduate from the University of Western Australia. His rich industry experience would be of immense advantage to the Company, the Board of Directors of the Company has thought it fit to re-appoint Sri.M.R.Gautham as a Whole-Time Director designated as Executive Director of the Company for a further period of 5 years. The same was approved by the Remuneration Committee.

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

Sri.M.R.Gautham is concerned or interested in this resolution as it relates to his own salary. Sri.E.V.Muthukumara Ramalingam and Smt.M.Sasikala being related to Sri.M.R.Gautham are concerned or interested in the resolution. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 7

The Board of Directors at their meeting held on March 28, 2012 Appointed Sri.B.A.Madhusudhan as an Additional Director of the Company. Pursuant to the provisions of section 260 of the Companies Act 1956, he would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of Section 257 of the Companies Act 1956 received a Notice in writing from a Member, proposing his candidature for the office of a Director of the Company.

He holds a B.E in Computer Engineering (from Madras University), an M.S in Computer Science (from University of Kentucky, U.S.) with specialization in Infrastructure Management and Numerical Analysis and Post-Graduate Degree in Management from the Indian Institute of Management, (IIM) Ahmedabad. His academic training also includes Applied Psychology. With experiences in several different disciplines and a strong foundation in logic, he has proven expertise in applying knowledge/ideas from one domain onto another - be it in process, products or in troubleshooting. He is also an Indian government certified Energy Auditor.

The proposed Director has rich and varied experience in operational areas, with special expertise in the area of biomass based power plant and it will be in the interest of the Company to avail advantage of his experience, with recommendation of Remuneration Committee, the Board subject to the approval of the Members, appointed Sri.B.A.Madhusudhan as a Whole Time Director of the Company for a period of 5 (Five) years w.e.f. March 28, 2012.

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

Sri.B.A.Madhusudan is concerned or interested in this resolution as it relates to his own salary. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 8

The Board of Directors at their meeting held on March 28, 2012 appointed Smt.M.Sasikala as an Additional Director of the Company. Pursuant to the provisions of Section 260 of the Companies Act 1956, she would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of Section 257 of the Companies Act, 1956 received a Notice in writing from a Member, proposing her candidature for the office of a Director of the Company.

Mrs.M.Sasikala is the wife of Shri.E.V.Muthukumara Ramalingam, Managing Director. She is a home maker and is the backbone to her husband for all his commercial ventures. The Velan Esplanade Project is, in a way, a result of her vision.

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

Smt.M.Sasikala is concerned or interested in this resolution. Sri.E.V.Muthukumara Ramalingam and Mr.M.R.Gautham being related to Smt.M.Sasikala are concerned or interested in the resolution. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 9

The Board of Directors at their Meeting held on March 28, 2012 appointed Sri.K.Subramaniam as an Additional Director of the Company. Pursuant to the provisions of Section 260 of the Companies Act 1956, he would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of section 257 of the Companies Act 1956 received a Notice in writing from a Member, proposing his candidature for the office of a Director of the Company.

He is a reputed Industrialist of Coimbatore region with considerable contacts among business communities. He holds a B.E. in Mechanical Engineering. He started his career as Senior Scientist in South India Textile Research Association,(SITRA) Coimbatore. After graduation in Engineering, he promoted Statex Engineering Pvt Ltd which manufactures of 26 different types of instruments as well as Compact attachments for Ring Frames. As he has long and varied experience in the field of instruments, he promoted many companies in the field of Engineering and Electronics as well.

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

Sri.K.Subramaniam is concerned or interested in this resolution. None of the other Directors of the Company is concerned or interested in the resolution.

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

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 ATLEAST 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 10/09/2012 (Monday) to 12/09/2012 (Wednesday) (Both days inclusive)
3. Details in respect of new 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 signature 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. 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**

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

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. 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 641 006, E-mail ID : info@skdc-consultants.com. Such registration of e-mail address may also be made with the Company at its Registered Office or at the E-mail ID: investorrelations@velanhotels.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

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

Sri.P.Ganesan (Independent–Non-Executive Director) has a Diploma in Textile Technology from Bolton Institute of Technology, U.K. and has experiences of over 35 years in several different disciplines such as Textile, Hosiery Garment and Finance. He was the Managing Directors of Velan Textiles Pvt Ltd, a company engaged in the business of spinning and weaving.

Dr.Namasivayam Karthikeyan (Independent–Non-Executive Director) holds a Doctorate in Organizational Behavior and Human Resources from Cornell University, Ithaca, USA and was an Associate Professor at Penn State University, USA in Department of Human Resources Development. He is a Management Consultant of hotel projects, who had been involved with the Hotel Project during its implementation and presently the Board has the advantage of his wide experience in the HR field.