

VELAN HOTELS LIMITED**23RD ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2013****BOARD OF DIRECTORS**

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

SMT.M.SASIKALA
DIRECTOR

SRI.K.SUBRAMANIAM
DIRECTOR

COMPANY SECRETARY

SRI. M. SRINIVASAN

CHIEF FINANCE OFFICER

SRI. D. MURALI

AUDITORS

M/S.P.S.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
40- A, APPACHI NAGAR MAIN ROAD
TIRUPUR 641 607
PHONE : 0421-2227526 to 30
EMAIL : pskatup@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
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 23rd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd 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 25th day of September 2013 at 4.00 p.m. to transact the following business :

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Profit & Loss Account for the year ended as on that date, Cash Flow Statement and the Reports of the Auditors and Directors of the Company.
2. To appoint a Director in place of Sri.K.Subramaniam who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt.M.Sasikala who retires by rotation, and being eligible, offers herself for reappointment.
4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr.T.Gopalakrishnan, a Director liable to retire by rotation does not seek re-appointment and is therefore not re-appointed a Director of the Company"

"RESOLVED FURTHER that the vacancy on the Board of Director of the Company so created be not filled"

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 pursuant to the provisions of Section 257 and other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof) Sri.Giri Balasubramanian be and is hereby appointed as a Director liable to retire by rotation in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act 1956 proposing his candidature for the office of a Director"

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

The Company has in terms of provisions of Section 257 of the Companies Act, 1956 received a Notice in writing from a member, proposing Sri.Giri Balasubramanian's candidature for the office of a Director of the Company.

Sri.Giri Balasubramanian is a founding Executive Director of Kinship Technologies (P) Ltd., (A Unit of PRA International). PRA International is the fourth largest contract research organization in the globe headquarter in Raleigh, NC, USA.

Kinship Technologies is a global player in the automation of clinical trial industry serving world's leading pharmaceutical organization. Sri.Giri Balasubramanian was instrumental in the innovation of a revolutionary product: EXACT that expedites the clinical trial analysis and standardization of trial data for the pharmaceutical companies involved in Drug Discovery.

Prior to founding Kinship, Sri.Giri Balasubramanian has worked in various organizations such as CHM2HILL and Tata Consultancy Services. During this tenure, Sri.Giri Balasubramanian has worked with global clients such as GE Appliances, APL, Eli Lilly, AXA, Sun Life, BT, CDS as a lead consultant in providing turnkey solutions in different business areas.

Sri.Giri Balasubramanian holds a Masters degree in Mathematics, Statistics & Computer Science from Marquette University, Milwaukee, USA and Bachelors degree in Electronics & Communication Engineering, from Govt. College of Engineering, University of Madras, India.

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

None of the other Directors of the company except Sri.Giri Balasubramanian is concerned or interested in the resolution.

For and on behalf of the Board

Place : Tirupur
Date : 30/05/2013

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 22/09/2013 to 25/09/2013 (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 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 atleast seven days prior to the meeting so as to enable the Management to keep the information ready.
9. Members are requested to update their email id with their respective depository participant and with the Company's Registrar and Transfer Agents (RTA) to enable dispatch the communications in electronic form from time to time as your Company has taken a "Green Initiative" as per the directions of Ministry of Corporate Affairs, New Delhi allowing paperless compliances for Companies.
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 : 30/05/2013

E.V.Muthukumara Ramalingam
Managing Director

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

Sri K.Subramaniam 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.

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.

Sri.Giri Subramaniam is being proposed to appointed as Director of the Company at the ensuing Annual General Meeting.The brief profile of Sri.Giri Subramaniam, the candidate for the office of a Director of the Company, reported under Item No.6 of the Explanatory Statement pursuant section 173 of the Companies Act, 1956.

DIRECTORS' REPORT

To

The Shareholders,
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 23rd Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2013 and the Balance Sheet as on that date.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	2012-13	2011-12
Profit Before Interest, Depreciation and Tax	271.23	330.26
Less : Interest	81.28	90.99
Profit Before Depreciation & Tax	189.94	239.28
Less : Depreciation	91.56	89.86
Add : Exceptional Item	6.99	6.99
Profit Before Tax [PBT]	105.37	156.40
Less : Tax Expenses		
a) Current Tax	21.10	31.30
b) Tax relating to prior years	4.23	9.28
c) Mat Entitlement	4.93	22.49
d) Deferred Tax	14.02	(0.50)
Profit After Tax [PAT]	61.09	93.83
Balance b/f from previous years	250.03	156.20
Profit Available for appropriation	311.12	250.03
Less : Proposed Dividend	---	---
Less : Tax on proposed Dividend	---	---
Balance to be carried over to Balance sheet	311.12	250.03

ECONOMY OVERVIEW AND OPERATING RESULTS

The year 2012-13 was another challenging and tough year owing to moderate growth in global economy due to the shock of the Eurozone crisis which has affected trade across industries and geographies. Global risk aversion led to a decrease in exports by India, which in turn exerted downward pressure on the economy by widening the current account deficit in the fiscal year 2012/13. The slow down in tourist arrivals as well as rise in room inventory affected the hotel industry too. In 2012-13, the growth in foreign tourist arrivals to India slowed down to 2.33 per cent versus 5.09 per cent in 2011-12.

The most serious challenge faced the Indian economy was inflation. Supply-side constraints, logistical issues and poor agricultural performance due to erratic monsoon have led to a sharp increase in food prices, a crucial determinant of inflation. Rising fuel prices and the move to more expensive sources of fuel have raised the level of public expenditure. Coupled with falling export demand, this has stoked inflationary pressures through currency depreciation.

During the year 2012-13 your Company's turnover decreased by 2.37% from Rs.1481 lakh to Rs.1446 Lakh. The gross operating profit (PBDIT) was lower by 17.87% at Rs.271 lakh from the previous year's Rs.330 lakh and the net profit was lower by 34.89 % in the current year at Rs.61 lakh compared to Rs.94 lakh in the previous year. The increase in operating costs are mainly due to increase in power, fuel expenses and repairs and maintenance costs. As being in the hotel industry, it is necessary to maintain items should be made available irrespective of guest actual occupancy level.

Repairs and maintenance increases is due to renovation of all items of small value that increase the guest conveniences.

As the Biomass plant project activities are almost completed and will be ready for commissioning during the year 2013-14, the Company will save the power cost which constitutes almost 25% of total operating cost and thereby will increase the profitability in the ensuing years.

As the total income decreased by 2.37% from last year, as the Garments and Knitting Industries in Tirupur are reeling under recessionary trend due to various economic factors.

DIVIDEND:

The Board of Directors are happy to declare that the various expansion activities are at various stages nearing completion. The Board of Directors are intending to utilize the available surplus in project completion activities. So they propose not to recommend any dividend this year.

FUTURE PROSPECTS AND EXPANSION:

The Board is highly optimistic that all the project expansion activities are nearing completion and the asset base of the Company is increasing due to addition of expansion components with the Company. Once these activities are completed, the Board is expecting the increase in income as well in profits.

As the expansion projects activities are finalized and subsequently upgraded in technological and increased in scope to make it world class, state-of-art facility, the total project cost increased from Rs.124 crores to Rs.162 crores and this cost includes the land acquisition for biomass growing land and working capital requirement for the power generation plant.

VELAN ESPLANADE - SHOPPING MALL

The Velan Esplanade (Mall & Multiplex) is the first environment friendly Green Mall in the country deriving its 100% energy out of renewable. The project is in a very high strategic location and is the first and only mall of Tirupur. The Velan Esplanade is fully completed and handed over to the tenants for fit-outs. The mall would house around 32-34 retail outlets apart from the food court, Cash'n carry and the 6-screen Multiplex. The mall was inaugurated (Soft launch) on 12th December, 2012. The commencement of commercial operation of Shopping Mall is expected to start earning in Q2.

VELAN ESPLANADE - MULTIPLEX

The Multiplex would be operated by Satyam Cinemas and the 45,000 sq ft Cash'n Carry is leased to Reliance Fresh. The Multiplex is under construction and is expected to be given for fit-outs and expected to be operational by during the year 2013-14.

BIO-MASS BASED RENEWABLE ENERGY PLANT

The Renewable Energy Co-generation plant operating on world class GE Technology based on Bio-mass fuel (a technology presently employed in the hotel already) will bring down the cost of power now and in future. The surplus power will be sold at market rates. The by-product of chilled water will meet the entire air-conditioning requirement of the hotel and The Velan Esplanade thereby reducing the operating costs. The charcoal recovered can also be sold which will shore up the top-line. The plant is also eligible for Renewable Energy Certificate and Carbon Credits, which will also yield significant revenues. This plant that used a technology approved by UNFCCC for meeting CDM benefits was launched (soft launch) on 12th December 2012 and Air conditioning supply from the plant was started on 12th December, 2012 and Power generation will be available from the year 2013-14.

BIO-MASS PLANTATIONS

The Company is convinced that there is a need to go in for bio-mass cultivation as a backward integration for the power plant, to ensure regular supply of bio-mass, which will also reduce the raw material cost.

The Renewable Energy Plant will operate on Wood (Prosopis Julie Flora/Melia Dubia). The Company has identified 800 acres of land in South Tamil Nadu. The Company would develop the land with the required plant & machinery, farm equipments and bare Irrigation/Fertilisation systems required for captive cultivation of Prosopis Julie Flora/Melia Dubia. The Bio-Mass Plantation will give us the existing crop for immediate use. Hence, the bio-mass requirement for our plant would be met by our own plantation.

CONVENTION CENTRE

The Velan Hotel- Greenfields at Tirupur is well known to house its conventions in the existing two large halls and the open landed area in the Velan property by erecting further temporary structures.

The company after understanding the demand for good convention halls in Tirupur, intends to add a third large hall. The proportional land costing has already been brought in to the Company. The civil works will start soon and will be ready in the year of 2013-14. This income will add profitability to the Company considerably.

ADDITIONS / RENOVATION

It becomes necessary to update and modernise the existing hotel property and its facilities to keep the hotel competitive worth. The planned additions and renovations at the existing hotels at Tirupur and Coonoor have been completed, which resulted in up-gradation of rooms, the spa at Tirupur hotel, the food and beverage outlets at Tirupur (signature restaurant and bar).

The Management is taking effective steps for completion of the projects at stipulated date. Your Company continues to pursue the completion of on-going projects to achieve sustainable and profitable growth.

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 operations of the Company are not energy intensive. However 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 2012-13 [Rs.in lakhs]	Previous Year 2011-12 [Rs.in lakhs]
1. Earnings	301.80	291.39
2. Expenditure in Foreign Currency - Import of machinery & Equipments	--	39.36

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, 2013 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.
- 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.