

VELAN HOTELS LIMITED

25th ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH 2015

BOARD OF DIRECTORS

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI P.GANESAN
DIRECTOR

SRI.GIRI BALASUBRAMANIAN
DIRECTOR

SRI.B.A.MADHUSUDHAN
WHOLE-TIME DIRECTOR

SMT.M.SASIKALA
DIRECTOR

SRI.K.SUBRAMANIAM
DIRECTOR

SRI.S.P.SIVANANDAM
DIRECTOR

SRI.M.SRINIVASAN
COMPANY SECRETARY

SMT.R.LALITHA
CHIEF FINANCIAL OFFICER

CA.K.MADHAN
INTERNAL AUDITOR

AUDITORS

M/S.P.S.KRISHNAN & CO.,
Chartered Accountants
40-Aapachi Nagar Main Road
Tirupur - 641 607
Ph : 0421-2227526-27-28-29-30
E-Mail : psckatup@gmail.com

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.
"Kanapathy Towers"
3rd Floor, 1391/A-1 Sathy Road
Ganapathy Post, Coimbatore 641 006
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 Tamil Nadu

VELAN HOTEL

Ritz Road, Bedford, Coonoor 643 101 Tamilnadu

LOCATION OF RESTAURANTS

VELAN UTHARA RESTAURANT

Avanashi Road, Behind Idbi Bank Ltd, Tirupur 641 602

THE VELAN FOOD PARK

Rajaji Road, Ram Nagar, Coimbatore 641 009

LOCATION OF SHOPPING MALL

THE VELAN ESPLANADE

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

PROJECTS IN PROGRESS

1. The Velan Esplanade - Multiplex
2. Convention & Conference Hall
3. The Velan Renewable Energy Plant (TVREP) :
Bio-mass Based Co-Gen Renewable Energy Plant

NOTICE OF THE 25th ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the Members of Velan Hotels Limited will be held at 41, Kangayam Road, Tirupur 641 604 on Tuesday, the 29th September, 2015 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, 2015 and Statement of Profit and Loss for the year ended on that date, the Reports of Directors and Auditors and the Cash Flow Statement thereon.
2. To appoint a Director in place of Sri. M.R. Gautham having DIN 00046187, who retires by rotation and being eligible, offers herself for re- appointment.
3. To appoint a Director in place of Sri. B.A. Madhusudhan, having DIN 01027496, who retires by rotation and being eligible, offers himself for re- appointment.
4. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**

"RESOLVED THAT pursuant to the provisions of section 139, 142 and Audit and Auditors Rules, 2014, (the rules), of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) M/s.P.S.Krishnan & Co. Chartered Accountants, Tirupur (Registration number FRN 001532S with the Institute of Chartered Accountants of India), who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Auditors, in terms of provisions of section 141 of the Act, and rule 4 of the rules, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors in addition to out of pocket expenses as may be incurred by them during the course of the Audit for the financial year ending 31st March, 2016."

SPECIAL BUSINESS:

Item No. 5 Approval of Related Party Transaction

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

"RESOLVED THAT pursuant to the provisions of Section 188 of the Companies Act, 2013 read with the provisions of Companies (Meetings of the Board and its Powers) Rules, 2014 and read with relevant circulars, notifications issued from time to time, provisions of the Standard Listing Agreement with Stock Exchange and other provisions of law, as applicable for the time being, consent of the Members of the Company be and is hereby accorded to the Company for entering into transactions involving Leasing / sublease / rent for sharing of property(ies) with the person(s) 'who is related party' as per the definition of the term under the Act with effect from the date of contract and every year thereafter, up to the maximum per annum amounts as appended in the explanatory statement"

"RESOLVED FURTHER THAT the limits mentioned above in respect of which approval is provided by the Company shall be construed may be over and above the threshold limits prescribed under Section 188 of the Companies Act, 2013 read with the provisions of Companies (Meetings of the Board and its Powers) Rules, 2014 and read with relevant circulars, notifications issued from time to time, provisions of the

Standard Listing Agreement with Stock Exchange and other provisions of law, as applicable for seeking shareholders approval and accordingly the Board of Directors, subject to the recommendations of the Audit Committee of the Board, are empowered to approve transactions with the said related party.

Item No. 6 Alteration of Articles of Association

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

"RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), a new set of Articles of Association, placed before the Members, be and is hereby approved and adopted and substituted in place of the existing Articles of Association of the Company;

"RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things in this connection as may be deemed necessary, proper, desirable and expedient, including delegating all or any of the powers conferred herein to the Company Secretary/ any other Officer of the Company, seek all approvals as may be required to give effect to this Resolution and to settle any question, difficulty or doubt that may arise in this regard."

For and on behalf of the Board
E. V. Muthukumara Ramalingam
 Managing Director

Place : TIRUPUR

Date : 28.05.2015

NOTES FOR MEMBERS ATTENTION :

1. The Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013 in respect of the Special Business under item Nos 5 to 6 as stated above in annexed hereto
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM OR THE MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.

3. Shareholders desiring any information as regards the Accounts are required to write to the Company at least seven days in advance of the Meeting so that the information, to the extent practicable, can be made available at the Meeting.
4. Members holding shares in physical form are requested to notify change in their address, bank mandate, e-mail 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 / bank mandate / email ID to their respective Depository Participants.

5. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment. Sri. M. R.Gautham and Sri. B. A. Madhusudhan - Directors retire by rotation and, being eligible, offer for re-appointment at the Annual General Meeting. A brief resume of the said directors is given below :

I.	1. Name	:	Sri. M. R. GAUTHAM
	2. Directors Identification Number (DIN)	:	00046187
	3. Age	:	38 Years
	4. Qualification	:	Graduation in Commerce and Finance from the University of Western Australia
	5. Date of Appointment	:	1.12.2001
	6. Experience	:	Day to day affairs of the Company's Operations
	7. Shareholding in Velan Hotels Ltd	:	64,20,750 Shares
	8. List of Directorships held in Other Companies	:	Shree Vallee Enterprises Pvt. Ltd.
	9. Membership in Other Board Committees, if any	:	Refer to Report on Corporate Governance
II.	1. Name	:	Sri. B. A. MADHUSUDHAN
	2. Directors Identification Number (DIN)	:	01027496
	3. Age	:	40 Years
	4. Qualification	:	B.E. in Computer Engineering (from Madras University M.S. in Computer Science (from University of Kentucky) Post - Graduate Degree in Management from IIM Ahmedabad
	5. Date of Appointment	:	28.3.2012
	6. Experience	:	Bio Mass Power Plant Project
	7. Shareholding in Velan Hotels Ltd	:	36,296 Shares
	8. List of Directorships held in Other Companies	:	Climate Bridge Indian Private Limited Chennai Gourment Foods Private Limited
	9. Membership in Other Board Committees, if any	:	Refer to Report on Corporate Governance

7. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 23.9.2015 to 29.9.2015 (Both days inclusive)
8. Under Section 205A of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government.
9. 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.
10. 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
11. Electronic copy of the Annual Report containing Notice of the 25th Annual General Meeting of the Company, *inter alia*, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report of the 25th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
12. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Clause 35B of the Listing Agreement, the Company is pleased to offer e-Voting facility as an alternative mode of voting which will enable the Members to cast their votes electronically. Necessary arrangements have been made by the Company with Central Depository Services (India) Limited (CDSL) to facilitate e-voting. E-voting is optional and members shall have the option to vote either through e-voting or in person at the general meeting.

The Board of Directors has appointed Sri, S.R. Baalaji, Company Secretary in Practice as the Scrutinizer, for conducting the ballot and e-voting process in a fair and transparent manner.

Members, who do not have access to e-voting facility, can send their assent or dissent in writing in respect of the resolutions as set out in this Notice for which a ballot form is annexed. A member desiring to exercise vote by ballot shall complete the enclosed Ballot Form with assent (for) or dissent (against) and send it to Mr. S. R. Baalaji, Scrutinizer, C/o. SKDC Consultants Ltd, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore 641 006 so as to reach him on or before 28th September, 2015 by 5.00 p.m. Any Ballot Form received after the said date shall be treated as if the reply from the members has not been received. Kindly note that members can opt for only one mode of voting i.e. either by ballot or through e-voting. If members are opting for e-voting then do not vote by postal ballot or vice versa.

However, in case of members casting their vote by postal ballot and e-voting, then voting done through e-voting shall prevail and voting done by physical ballot will be treated as invalid.

Instructions for the voting through electronic means

- i) The voting period begins on 26.9.2015 at 9.00 a.m. and ends on 28.9.2015 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22.9.2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- iv) Click on Shareholders.
- v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- vi) Next enter the Image Verification as displayed and Click on Login.
- vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- viii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Bank Details	<p>Enter the Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> If both the details are not recorded with the depository or company please enter date of birth (DOB), enter the member id / folio number in the Bank details field as mentioned in instruction (v).

- ix) After entering these details appropriately, click on "SUBMIT" tab.
- x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
 - xii) Click on the EVSN relevant to VELAN HOTELS LIMITED on which you choose to vote.
 - xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
 - xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
 - xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
 - xix) Note for Non - Individual Shareholders and Custodians
 - ❖ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - ❖ A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - ❖ After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - ❖ The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - ❖ A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
14. The shareholders shall have one vote per equity share held by them as on the cut-off date (record date) of 22.9.2015. The facility of e-voting would be provided once for every folio / client id, irrespective of the number of joint holders.
 15. The Scrutinizer will submit his report to the Company after completion of the scrutiny and the results of the postal ballot / e-voting / poll / e-voting at the venue, will be announced by the Company on its website - www.velanhotels.com within 48 hours of the conclusion of the AGM.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5 :

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings between the related parties of the Company. The provisions of Section 188(1) of the Companies Act, 2013 that govern the Related Party Transactions, requires that for entering into any contract or arrangement as mentioned herein below with the related party, the Company must obtain prior approval of the Board of Directors and in case of the Company having a paid up share capital of rupees Ten crore or more, prior approval of the shareholders by way of an Ordinary Resolution must be obtained:

1. Sale, purchase or supply of any goods or materials;
2. Selling or otherwise disposing of, or buying, property of any kind;
3. Leasing of property of any kind;
4. Availing or rendering of any services;
5. Appointment of any agent for purchases or sale of goods, materials, services or property;
6. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company and
7. Underwriting the subscription of any securities or derivatives thereof, of the Company.

As per the revised Clause 49(VII)(c) of the Listing Agreement, "Material Related Party Transaction" has been defined to include transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeding 10% of the consolidated annual turnover of the Company as per the last audited financial statement of the Company and that such transactions are required to have prior approval of the members of the Company by way of a special resolution. However, Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2014 provides for much stricter threshold than the Listing Agreement for seeking shareholders approval by means of special resolution.

However, in accordance with the Notification, with regard to the Companies (Amendment) Act, 2015, issued by Government of India on 26th May, 2015, an Ordinary Resolution may be passed for any related party transaction under the Section 188 of the Companies Act, 2013.

In the light of provisions of the Companies Act, 2013, the Board of Directors of your Company has approved the proposed transactions along with annual limit that your Company shall enter into with the related parties (as defined under section 2(76) of the Companies Act, 2013)

The particulars of the proposed transaction pursuant to the provisions of Section 188 and the Companies (Meetings of Board and its Powers) Rules, 2014 are as under:

S. No.	Name of the Related Party	Relationship / Transaction	Nature of Transaction	Value of Transaction
1.	Sri. E.V. Muthukumara Ramalingam	Managing Director & Promoter carries shareholding interest	Leasing / Subleasing / Rent for sharing of related party's properties : 1. Providing Space to the Guest of Company for Car Parking and stock yard. 2. Providing a part portion in the residence of the related party in Tirupur / Coimbatore for MD's office.	Lease amount of Rs. 3,00,000/- per annum Rs. 3,00,000/- per annum

Sri. E. V. Muthukumara Ramalingam is concerned or interested in this resolution. Sri. M. R. Gautham and Smt. M. Sasikala being related to Sri.E.V.Muthukumara Ramalingam may be deemed to be concerned or interested in the resolution. None of the other Director, Key Managerial Personnel or their respective relatives is concerned or interested, financial or otherwise in the Resolution.

As per the provisions of Section 188(1) of the Act, related parties cannot vote on this resolution.

ITEM NO.6

The Articles of Association of the Company currently in force were originally adopted when the Company was incorporated under the Companies Act, 1956. The Articles of Association were amended from time to time in accordance with the provisions of the Companies Act, 1956. As the existing Articles of Association are based on the Companies Act, 1956, several regulations in the existing Articles of Association contain references to specific sections of the Companies Act, 1956. Further, some regulations in the existing Articles of Association are no longer in conformity with the Companies Act, 2013 ("the Act"). With the coming into force of the Act, several regulations of the existing AoA of the Company require alteration by referencing the latest Companies Act 2013. Accordingly, we have streamlined the existing articles and aligned them with the Act including Rules framed thereunder wherever applicable.

A copy of the proposed set of new Articles of Association of the Company would be available for inspection at the Registered Office of the Company during the business hours on any working day, up to the date of the Annual General Meeting and during the Annual General Meeting. In addition, the proposed draft Articles of Association is also available on the Company's website www.velanhotels.com for perusal by the shareholders.

None of the Directors or Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in the Special Resolution set out at Item No. 6 of the Notice.

The Board commends the Special Resolution set out at Item No. 6 of the Notice for approval by the shareholders.

Place : TIRUPUR

Date : 28.05.2015

For and on behalf of the Board
E. V. Muthukumara Ramalingam
 Managing Director

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 25th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2015.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

PARTICULARS	2014-15	2013-14
Profit before Interest and Depreciation and Tax	238.09	403.72
Less: Interest	1438.70	224.70
Profit/Loss Before Depreciation & Tax	(1200.61)	179.02
Less : Depreciation	220.75	118.47
Add : Exceptional Item	6.74	6.99
Profit/Loss Before Tax [PBT]	(1414.62)	67.55
Less : Tax Expenses		
a. Current Tax	--	12.75
b. Mat Entitlement	--	(12.75)
c. Deferred Tax	23.33	3.69
Profit / Loss After Tax	(1391.30)	63.86
Balance b/f from previous years	374.98	311.12
Balance to be carried over to Balance sheet	(1016.32)	374.98

OPERATIONAL REVIEW:

During the year under review, your Company's hotels operations and finances were severely affected. The primary drivers of loss are borrowing cost for various components of the stalled projects and no income generated from them. Gross revenues decreased to Rs.1493.31 Lacs against Rs. 1575.43 Lacs in the previous year. Profit Before Interest, Depreciation and Taxation was Rs. 238.09 lacs against Rs. 403.72 Lacs in the previous year. After providing for Interest, Depreciation and Taxation of Rs.1438.70 Lacs & Rs. 220.75 Lacs respectively, the Net Loss of the Company for the year under review was placed at Rs.1391.30 Lacs as against Net Profit of Rs.63.86 Lacs in the previous year.

According to Accounting Standard 16, a Company should suspend capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset i.e. project assets and such costs are costs of holding partially completed assets and do not qualify for capitalization. In view of the above, the entire borrowing cost incurred for all the components of the projects, which are stalled owing to paucity of funds, has been treated as expense and debited in the profit and loss account.

During the year under review, the pending receivables such as lease rentals, electricity charges, air conditioning charges and other operation charges from the tenants of the Shopping Mall have now been written-off.