

VELAN HOTELS LIMITED

(CIN : L55101TZ1990PLC002653)

27th ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH 2017

BOARD OF DIRECTORS

SRI. E.V. MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR (DIN : 00046166)

SRI. M.R. GAUTHAM
EXECUTIVE DIRECTOR (DIN : 00046187)

SRI P. GANESAN
DIRECTOR (DIN : 00049804)

SRI. GIRI BALASUBRAMANIAN
DIRECTOR (DIN : 00017497)

SRI. B.A. MADHUSUDHAN
DIRECTOR (DIN : 01027496)

SMT. M. SASIKALA
DIRECTOR (DIN : 01452586)

SRI. S.P. SIVANANDAM
DIRECTOR (DIN : 01864334)

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-A Apachi Nagar Main Road
Tirupur - 641 607
Phone : 0421 - 2227526, 27, 28, 29, 30
E-mail : psكاتup@gmail.com

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.
"Kanapathy Towers"
3rd Floor, 1391/A-1 Sathy Road
Ganapathy Post, Coimbatore 641 006
Phone : 0422 - 4958995
E-mail : info@skdc-consultants.com

BANKERS

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

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 RESTAURANT

VELAN UTHARA RESTAURANT

Avanashi Road
Behind IDBI Bank Ltd
Tirupur 641 602

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 27th ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the Members of Velan Hotels Limited will be held at the Registered Office of the Company, at 41, Kangayam Road, Tirupur 641 604 on Wednesday, the 27th day of September, 2017 at 11.45 a.m. to transact the following business :

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2017 and Statement of Profit and Loss for the year ended on that date, the Cash Flow Statement and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.M.R.Gautham having DIN 00046187 who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint a Director in place of Mr.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 other applicable provisions, if any, of the Companies Act, 2013 read with the Rules framed thereunder viz., Companies (Audit and Auditors) Rules, 2014, as amended from time to time, M/s.Krishaan & Co, Chartered Accountants, Chennai having ICAI Registration Number FRN 001453S, be and are hereby appointed as Statutory Auditors of the Company in place of retiring Auditors M/s. M/s.P.S.Krishnan & Co to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the 32nd Annual General Meeting of the Company, subject to annual ratification by Members at every subsequent AGM, on a remuneration (including terms of payment) to be fixed by the Board of Directors of the Company, based on the recommendation of the Audit Committee plus reimbursement of out-of-pocket expenses including travelling and other expenses incurred in connection with the audit of the accounts of the Company."

SPECIAL BUSINESS:

5. **To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution :**

"RESOLVED THAT subject to the provisions of Sections 196, 197 and 203 and all other applicable provisions of the Companies Act, 2013 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule V of the Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Articles of Association of the Company and subject to such approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the Authorities including the Central Government in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the re-appointment of Mr.M.R.Gautham as the Executive Director of the Company under the Companies Act, 2013 for a further period of three years with effect from 12/11/2016 on terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to the "Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the

terms and conditions of the said re-appointment and /or remuneration as it may deem fit and as may be acceptable to Mr.M.R.Gautham subject to the same not exceeding the limits specified under Schedule V of the Companies Act, 2013 or any statutory modification(s) or re-enactments thereof ;

"RESOLVED FURTHER THAT Mr.M.R.Gautham shall have the right to exercise such powers of Management of the Company as may be delegated to him by the Board of Directors, from time to time"

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution without being required to seek any further consent or approval of the Members or otherwise to the end and intent that it shall be deemed to have their approval thereto expressly by the authority of this resolution"

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution :

"RESOLVED THAT approval be and is hereby accorded for reclassification of status of Mr. B.A. Madhusudhan from Promoters to Public Shareholders as he is neither related to the promoters of the Company nor exercising, directly or indirectly any control over the affairs of the Company and he has no other responsibility or association with the Company and he has given his consent in writing for change of status"

For and on behalf of the Board
E. V. Muthukumara Ramalingam
Managing Director
(DIN : 00046166)

Place : TIRUPUR
Date : 30.05.2017

NOTES :

1. The Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013 in respect of the Special Business under items No. 5 & 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 the proxy on behalf of Members up to and not exceed 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 a proxy and such person shall not act as the 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 the 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. Members/proxies are requested not bring any guest with them.
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. Pursuant to Regulations 26(4) and 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI Listing Regulations") and the Secretarial Standard-2 on "General Meetings" issued by The Institute of Company Secretaries of India, the particulars of appointment/re-appointment at the forthcoming Meeting are annexed to the Notice forms integral part of the Notice. The Directors have furnished the requisite declarations for their re-appointment. Mr.M.R.Gautham and Mr.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 | : | Mr. M.R. GAUTHAM |
| | 2. Directors Identification Number (DIN) | : | 00046187 |
| | 3. Age | : | 41 Years |
| | 4. Qualification | : | Graduation in Commerce and Finance from the University of Western Australia |
| | 5. Date of Appointment | : | 01.12.2001 |
| | 6. Shareholding in Velan Hotels Ltd | : | 64,20,750 Equity Shares |
| | 7. List of Directorships held in Other Companies | : | Shree Vallee Enterprises Pvt. Ltd. |
| | 8. Membership in Other Board Committees | : | Nil |
| II. | 1. Name | : | Mr. B.A. MADHUSUDHAN |
| | 2. Directors Identification Number (DIN) | : | 01027496 |
| | 3. Age | : | 43 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. Shareholding in Velan Hotels Ltd | : | 36,296 Shares |
| | 7. List of Directorships held in Other Companies | : | Climate Bridge Indian Private Limited Chennai Gourment Foods Private Limited |
| | 8. Membership in Other Board Committees | : | Nil |

9. The equity shares of the Company are listed on BSE Ltd. The Annual Listing fee is going to be paid to the above said Exchange soon. The Annual Custody Fees due to both the Depositories are to be paid.
10. For the convenience of the Members and proper conduct of the meeting, entry to the meeting venue will be regulated by Attendance Slip, which is enclosed with this Annual Report. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the Registration Counter at the venue of the AGM.

11. Pursuant to the prohibition imposed vide Secretarial Standards on General Meetings (SS-2) issued by ICSI and the MCA Circular, no gifts shall be distributed at the meeting.
12. Members are requested to register their email id and the changes therein from time to time with the Company to enable the Company to send notices/documents through email as permitted by law.
13. The Register of Members and the Share Transfer Books of the Company will remain closed from September 21, 2017 (Thursday) to September 27, 2017 (Wednesday) (both days inclusive).
14. Pursuant to Sections 205A and 205C, and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed / unpaid dividend, application money etc as applicable, remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, were required to be transferred to the IEPF. Sections 124 and 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 7, 2016, also contain similar provisions for transfer of such amounts to the IEPF. Accordingly, all unclaimed / unpaid dividends for a period of seven years from the date they became due for payment, in relation to the Company, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the amounts so transferred.

As per Section 124(6) of the Companies Act, 2013 read with the IEPF Rules as amended, the Company is also required to transfer the shares in respect of which dividend has remained unpaid / unclaimed for a period of seven consecutive years or more from the date they first became due for payment, by any shareholder, to the Demat Account of the Investor Education and Protection Fund ("IEPF") Authority.

The Shareholders may note that all unclaimed unpaid dividend for the financial year 2008-09 has already been transferred by the Company to the IEPF established by the Central Government within the stipulated time as prescribed under the applicable provisions of the Companies Act, 2013. No claim shall lie against the Company for the amounts so transferred prior to March 31, 2017, nor shall any payment be made in respect of such claim. However any such shares, unclaimed / unpaid dividend amounts can be claimed from the IEPF Authority, as prescribed under the IEPF Rules by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed, to the Company along with the requisite documents enumerated in the Form IEPF-5. Members can file only one consolidated claim in a financial year as per the IEPF Rules.

It may be noted that unpaid dividend for the financial year ended March 31, 2010, is due for transfer to the IEPF Account of the IEPF Authority on the due date in 2017. Members are requested to claim the same.

15. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
16. Members/proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
17. The Notice of the AGM along with the Annual Report of 2016-17 is being sent by electronic mode to those Members whose email addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their email addresses, a physical copy is being sent by permitted mode. To support 'Green Initiative' Members who have not registered their email addresses are requested to register the same with the Company / Depository.
18. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the Annual General Meeting.
19. The Company has designated an exclusive e-mail id for investor redressal investorrelations@velanhotels.com and info@skdc-consultants.com belongs to our Registrar and Share Transfer Agent.

20. The route map showing directions to reach the venue of the 27th AGM is given as per requirement of the Secretarial Standard-2 on General Meeting.

21. Voting through electronics means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time and Clause 44 of SEBI Listing Regulations, the Company is pleased to provide its Members facility of remote e-voting (to cast their vote electronically at a place other than the venue of the AGM), through e-voting services provided by Central Depository Services Limited (CDSL) on all resolutions set forth in this Notice.

Instructions for the voting through electronic means

- i) The voting period begins on 24/09/2017 at 9.00 a.m. and ends on 26/09/2017 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 20/09/2017 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. |
| Dividend Bank Details OR Date of Birth DOB | <p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> ● If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend 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) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can also download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- xx) 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.
- xxi) 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.

Other Instructions:

22. The voting rights of the Members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut off date i.e. September 20, 2017. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM.
23. Any person, who acquires shares of the Company and becomes a Member of the Company after despatch of the Notice and holding shares as of the cut-off date, may cast their vote by remote e-voting or through Poll at the Meeting. However, if you are already registered with CDSL for remote e-voting then you can use existing user ID and password for casting your vote. If you forget your password you can reset your password by using Forgot Password option available on www.evotingindia.com.
24. Mr. S.R.Baalaji, Practicing Company Secretary (Membership No.FCS 5966) has been appointed as the Scrutinizer by the Board of Directors of the Company to scrutinize the remote e-voting and the voting process at AGM in a fair and transparent manner.
25. The Members who have cast their vote by remote e-voting may also attend the meeting but shall not be entitled to cast their vote again at the Meeting. Members holding shares as on cut off date i.e. September 20, 2017 and attending the Meeting, who have not already cast their vote by remote e-voting shall be able to exercise their right at the Meeting.
26. The Scrutinizer shall immediately after the conclusion of the voting period, first count the votes at the meeting, thereafter unblock the votes through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and make not later than 2 days of the conclusion of the Meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, forthwith to the Managing Director or any person authorised by the Managing Director in writing, who shall countersign the same and the results of the e-voting / poll at the venue, will be announced by the Company on its website - www.velanhotels.com within 2 days of the conclusion of the AGM.

ANNEXURE TO THE NOTICE

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

ITEM NO. 5 :

Sri.M.R.Gautham was re-appointed as a Whole-Time Director designated as Executive Director of the Company with effect from 28th November, 2011 for a period of 5 years. On expiry of the said term, by way of a resolution of the Board dated 12th November 2016, he was re-appointed as Whole-Time Director designated as Executive Director for a further period of 3 years.

The Company has been suffering very badly owing to inability to complete the project within stipulated time on the grounds that non-mobilization of finance in time and other related reasons. At this crucial juncture, the continued services of Mr.M.R.Gautham are considered essential for successful completion of the Project and achieve smooth operations thereafter. It is also essential for the Company to have his continued services for its future growth.

In view of the liquidity crunch in the company and insufficient funds for repayment of its debts due to banks, the Company cannot pay any remuneration under applicable provisions of Sections 196 & 197 of the Companies Act, 2013 read with Schedule V to the Companies Act, 2013.

With the view of the above situation, the Board of Directors, at their Meeting held on 12th November, 2016, considered and decided to entrust Mr.M.R.Gautham with increased role and responsibility by appointing him as Executive Director of the Company. However, at present, no remuneration is proposed to be paid to Mr.M.R.Gautham for his term pursuant to such re-appointment as Executive Director of the Company. The term of his appointment as Executive Director will be for a period of three years from 12.11.2016 to 11.11.2019.

Details of terms and condition of appointment are as below :

| | | |
|---|--------------------------|---|
| 1 | Monthly Basic Salary | NIL |
| 2 | Perquisites / Allowances | NIL |
| 3 | Notice Period | The appointment may be terminated by either side at any time by giving 3 months' notice in writing. |

A brief resume of Mr. M.R.Gautham is given below :

Mr.M.R.Gautham is 41 years of age with an active business involvement of over 15 years. He is basically from a family of philanthropists into agriculture and holding large commercial Land banks, and is the sixth generation at Tirupur region.

He is a Commerce and Finance Graduate from the University of Western Australia. His rich industry experience is of immense advantage to the company, he was appointed as Executive Director of the Velan Hotels Limited since 2001. He is primarily instrumental in structuring its finance, and along with his father, is primarily responsible for the day-to-day activities of the Velan Group of Companies. The same was approved by the Nomination & Remuneration Committee.

He holds 64,20,750 equity shares of the Company by himself, representing 20.09% of total shareholding and 1,91,60,984 equity shares held by his immediate relatives and associates representing 59.95% of the shareholding of the Company. He holds Directorship in Shree Vallee Enterprises Pvt Ltd.

In terms of the provisions of the Companies Act, 2013, consent of the shareholders is required for re-appointment of Mr.M.R.Gautham as Executive Director of the Company. The Board recommends the resolution for approval of the members as an ordinary resolution. A copy of the Board Resolution and the appointment letter issued to Mr.M.R.Gautham Executive Director will be available for inspection between 11.00 A.M. to 01.00 P.M. on all working days (Monday to Friday) at the Registered Office of the Company.

The terms as set out in the resolution and the explanatory statement may be treated as an abstract of the terms and conditions governing the appointment and memorandum of interest pursuant to Section 190 of the Companies Act, 2013.

Mr.M.R.Gautham is concerned or interested in this resolution as it relates to his re-appointment. Mr.E.V.Muthukumara Ramalingam and Smt.M.Sasikala being related to Mr.M.R.Gautham 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.

The Board commends the Ordinary Resolution set out at Item No. 5 of the Special Business of the Notice of approval by the shareholders.

ITEM NO. 6 :

Mr.B.A.Madhusudhan, Non-Executive Director presently part of Promoter's Group as reported in the shareholding pattern dated March, 31, 2017 submitted with BSE Ltd. Mr.B.A.Madhusudhan was appointed as Whole-Time Director by the Board of Directors of the Company at its meeting held on 28th March, 2012 and this appointment adopted and approved by the Members of the Company at the 22nd Annual General Meeting held on 12th September, 2012. As per criteria laid down in the Act and rules framed there-under, he was classified as Executive Director and Non-Independent Director. Hence, his name came under Promoter Category.

Mr.B.A.Madhusudhan informing his unwillingness to continue as Whole-Time Director due to his busy schedule and commitments on other domestic/overseas function, the Board of Directors of the Company at their meeting held on 13th February, 2016 accepted his letter of request for change in designation from Whole-Time Director to Non-Executive Director and he stopped receiving any managerial remuneration since April, 2014 and he has or had no pecuniary relationship with the company during the two immediately preceding financial years or during the current financial year. He intimated to the Board of Directors that he is not interested in continuing his association with the Company as promoters and requested to exclude his name from the category of Promoters.

He is neither related to the promoters of the company nor exercising, directly or indirectly any control over the affairs of the Company and he has no other responsibility or association with the Company therefore the Board recommended for Members approval for reclassification of the status of his shareholding from Promoters to Public Shareholding.

He holds 36,296 equity shares of the Company representing 0.11% of paid-up capital of the Company.

As per provisions of regulation 31A(6) of SEBI(LODR) Regulations 2015, shareholders approval is required for shifting the status of PACs from promoters group to public category. No other Directors except Mr.B.A. Madhusudhan, Key Managerial Personnel and their relatives are, in any way, concerned or interested in the Resolution.

Your Directors recommend the Resolution set out at Item No.6 of the Notice for your approval.

For and on behalf of the Board
E. V. Muthukumara Ramalingam
Managing Director
(DIN : 00046166)

Place : TIRUPUR

Date : 30.05.2017

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 27th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2017.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

| PARTICULARS | 2016 - 17 | 2015 - 16 |
|--|------------------|------------------|
| Profit Before Interest, Depreciation and Tax | 181.94 | 199.52 |
| Less : Interest | 1837.20 | 1589.87 |
| Profit / Loss Before Depreciation & Tax | (1655.26) | (1390.35) |
| Add : Depreciation | 195.81 | 207.52 |
| Add : Exceptional Item / Other Adjustments | 34.18 | 4.23 |
| Loss Before Tax [LBT] | (1885.24) | (1602.10) |
| Less : Tax Expenses | - | - |
| Current Tax | - | - |
| Tax relating to prior years | 1.02 | (2.41) |
| Mat Entitlement | - | (14.50) |
| Deferred Tax | (68.05) | (18.54) |
| Profit / (Loss) After Tax | (1952.27) | (1637.55) |
| Balance b/f from previous years | (2653.86) | 1016.32) |
| Balance to be carried over to Balance sheet | (4606.13) | (2653.86) |

OPERATIONAL REVIEW:

During the year under consideration, the gross receipts of your company decreased to Rs.1238.42 Lacs against Rs.1369.57 Lacs registered in the previous year. Profit before Interest, Depreciation and Taxation was Rs.181.94 lacs against Rs.199.52 Lacs recorded in the previous year. Similarly, the Loss After Tax for the year ended March 31, 2017 stood at Rs.1952.27 lacs as against a Loss of Rs. 1637.55 lacs of the previous year.

STATE OF THE COMPANY'S AFFAIRS

The Company has incurred losses continuously for the last three years (2014-2015, 2015-16 and 2016-17) as with no income generated from the stalled projects and the performance of hotel operations registered a muted growth due to subdued consumer sentiments and, weakened further in the immediate aftermath of currency demonetization, resulting in the substantial erosion of its net worth of the Company. A major reason for loss includes accrued interest pertaining to stalled project. Cash-flows of the company have been adversely impacted combined with stretched liquidity position on account of reasons as stated above. The Company continued to face a challenging environment in the markets, where the Company owns, operates hotels in Tirupur and Coonoor and / or markets that are a source of business for the Company.

Members are aware that the Company's account was classified as NPA by Allahabad Bank, Tirupur and Andhra Bank, Coimbatore branch as the lenders of company's projects to recover of outstanding liability together with interest and all other incidental expenses.

During the year under review, Allahabad Bank along-with Andhra Bank issued Notices under the provisions of Section 13(4) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI ACT") dated 19th September, 2016, 3rd November, 2016 and 19th January, 2017 intimating their proposal to sale of the hotel properties through e-auction to recover all the loan amounts due and payable by the Company to the Banks in respect of the financial assistance availed of, under the terms of their respective term loan agreements. However, the above proposals of the banks did not get materialized as the company approached the appropriate legal forums to counter the actions taken by the Banks to safeguard the interest of the Company.

In this juncture, M/s. Raytheon Asset Reconstruction Pvt Ltd, Ahmedabad, a Company registered with Reserve Bank of India as a Securitisation and Reconstruction Company vide their letter dated 21st April, 2017 intimating the Company that pursuant to the Assignment Agreements entered into between Raytheon ARC and Andhra Bank, Coimbatore Branch & Allahabad Bank, Tirupur Branch on 29th March, 2017 and 31st March, 2017 respectively and under the provisions of SARFAESI Act, 2002, the debt due to the Banks together with all underlying security interest, all rights, title & benefits in respect thereof have been assigned to them, without disclosing any purchase consideration. It is expected that an agreement between the Company and the ARC will be entered into during the ongoing financial year 2017-18.

As our hotel performance is already reeling under the effect of post demonetization, it showed painful downside from April, 2017 on account of the order of the Hon. Supreme Court of India that has banned all liquor outlets including Bar serving liquors in Hotels & Restaurants irrespective of star category within distance of 500 meters on both sides of the National and State highways with effect from April 01, 2017 which impacts bottom line since it contributes the significant weightage on bottom-line of the company. As a result of the said order, many liquor outlets (including Bars serving in Hotels and restaurants) are forced to close down and this, in turn, may affect the general business outlook for the Company in the next financial year till such order is reviewed by the Hon'ble Supreme Court of India. The Hotel and Restaurants Association filed a review petition with Hon'ble Supreme Court requesting to exclude the star hotels from the Liquor ban and the Company expects a favourable decision in this regard.

Hospitality and restaurant industry is plagued by the multiple taxation (Service tax, VAT and luxury tax) in the current indirect tax regime. These various forms of charges will be combined to form a single tax i.e. GST. With the implementation of the GST with effect from 1st July, 2017, the consumer of the Hospitality sector will be freed from these additional heads of tax. The hospitality industry is positive that the tax regime will help to reduce multiple taxations, giving a significant boost to the hospitality and tourism industry.

DIVIDEND:

In view of operating losses incurred during the year, your Directors do not recommend payment of any dividend.

SHARE CAPITAL:

The Authorised Share Capital of the Company is Rs.5000 lakhs and the paid up equity capital as on March 31, 2017 was Rs. 3196.41 Lakhs.

During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

The Company has not made any purchase or provision of its own shares by employees or by trustees for the benefit of employees during the financial year 2016 - 17.

TRANSFER OF AMOUNT TO RESERVE

As the company reported Loss after Tax, the Company does not propose to transfer any amount to reserves.

FIXED DEPOSITS

During the year under review, your Company did not accept any deposits in terms of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the under review, the Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013 and has not made any investments.

Hence, the details of loans and advances which are required to be disclosed in the Annual Report of the Company pursuant to Regulation 34(3) read with Schedule V of the SEBI Listing Regulations are not furnished.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function are defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Managing Director.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. During the year under review, the Statutory Auditor and Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under Section 143(12) of the Act.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Since the Company does not fall under "Corporate Social Responsibility" (CSR), the Annual Report on CSR activities is not annexed.

DIVIDEND DISTRIBUTION POLICY

Pursuant to regulation 43A of the SEBI (Listing Obligations and Disclosures) Regulations 2015, only top 500 listed companies (based on market capitalization of every financial year) shall formulate a Dividend Distribution Policy, which shall be disclosed in their annual reports and on their website. Since your company does not fall under the above policy, no such report is provided in the Annual Report.

BUSINESS RESPONSIBILITY REPORT

Regulation 34(2) of SEBI Listing Regulations, inter alia, provides that the Annual Report of the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year), shall include a Business Responsibility Report ("BRR").

Your Company, not being one of such top 500 listed entities, has not included BRR, as part of the Annual Report.

CONSERVATION OF ENERGY

1. The operation of your company is not power intensive. However, adequate operational measures have been initiated to reduce energy consumption.
 - a) Energy efficient lighting and high efficient HVAC System used/retrofitted extensively in the hotel has reduced electrical consumption.
 - b) Air conditioning system and system boiler have been tuned for best efficiency to conserve energy.
 - c) The units are replacing CFL & LED lightings gradually instead of conventional lightings, which also reduced the consumption of energy.

- d) The water used by the guests and in other areas is recycled by in-house treatment plants and the recycled water is being used for gardening. Rainwater harvesting system is adopted to recharge the wells within Hotel premises. Wastes are segregated at source, such as de-gradable, non-gradable and hazardous wastages, and disposed off thoroughly as per norms issued by Local Authority. Effective water management gadgets are in place to minimize the usage of water in toilets and other places.
2. No specific investment has been made in the reduction in energy consumption.
 3. As the impact of measures taken for conservation and optimum utilisation of energy is not quantitative, its impact on cost cannot be stated accurately.

TECHNOLOGY ABSORPTION

The Company has no technical collaboration arrangement with any organization. The Company continues to absorb and upgrade modern technologies and advanced hotel management techniques in various guest contact areas, which includes wireless internet connectivity in the hotel.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

(Rs. in lakhs)

| Foreign Exchange Earnings And Outgo | Current Year 2016-17 | Previous Year 2015-16 |
|-------------------------------------|-------------------------|--------------------------|
| 1. Earnings | 302.64 | 307.94 |
| 2. Expenditure in Foreign Currency | Nil | Nil |

INDUSTRIAL RELATIONS

During the year under review, your Company enjoyed a cordial relationship with workers and employees at all levels.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr.M.R. Gautham has been re-appointed as Executive Director of the Company w.e.f. 12/11/2016 without remuneration. The details of his appointment and resume are reported elsewhere in the Annual Report.

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum & Articles of Association of the Company, both Directors namely Mr.M.R.Gautham and Mr.B.A.Madhusudhan retire by rotation and, being eligible, offer themselves for re appointment. If Mr.M.R.Gautham is re-appointed as a Director, immediately on retirement, he shall continue to hold the office of Whole-Time Director and such re-appointment as Director shall not be deemed to constitute a break in his appointment as a Whole-Time Director. The Directors recommend Mr.M.R.Gautham and Mr.B.A.Madhusudhan for their re-appointment.

During the year under review, Sri.E.V.Muthukumara Ramalingam, Managing Director, Sri.M.R.Gautham, Executive Director, Smt.R.Lalitha, Chief Financial Officer and Sri.M.Srinivasan, Company Secretary are other KMPs as per the provisions of the Act and were already in the office. None of the KMPs resigned during the year.

None of the Independent Directors is liable for re-appointment for the second term by way of special resolution during the year.

DECLARATION BY AN INDEPENDENT DIRECTOR(S)

All independent Directors have given declarations that they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

In addition to the Corporate Governance Guidelines discussed and adopted by the Board which, inter alia, included the role, rights and responsibilities of independent directors, the Company has an appropriate ongoing familiarization programme, with respect to the roles, rights responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The Company has also adopted a structured programme for orientation and training of independent directors at the time of their joining and on time to time basis so as to enable them to understand the Company's operations, business, industry and environment. Periodic presentations are made at the Board Meetings on business and performance, long term strategy, initiatives etc. The details of the familiarisation programme are disclosed on the Company's website under the weblink: www.velanhotels.com.

The Independent Directors are familiar with the nature of the Industry, and business model of the Company, considering their expertise no familiarization program was organised during the year.

CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business of the Company.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators / Courts / Tribunal which would impact the going concern status of the Company except Appeal / Petitions / Application filed by the Company with DRT, Coimbatore and DRAT, Chennai in response to Petitions filed by the Banks to recover their dues / order issued by DRT, Coimbatore.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and under regulation 25 of the SEBI (Listing obligations and disclosure requirements) Regulations, 2015, evaluation of every Director's performance was done by Nomination and Remuneration Committee.

The performance evaluation of Non-Independent Directors and the Board as a whole, Committees thereof and Managing Director of the Company was carried out by the Independent Directors.

Evaluation of Independent Directors was carried out by the entire Board of Directors, excluding the Director being evaluated.

A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the evaluation such as adequacy of the size and composition of the Board and Committee thereof with regard to skill, experience, independence, diversity; attendance and adequacy of time given by the Directors to discharge their duties; Corporate Governance practices etc. The Directors expressed their satisfaction with the evaluation process.

The Policy on the appointment of Directors and Senior Management, Policy on Remuneration of Directors and Policy on Remuneration of Key Managerial Personnel and Employees are reported in the Corporate Governance Report.

MEETINGS

During the year 06 Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that :

- i) In the preparation of the annual accounts, all the applicable accounting standards have been followed.
- ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and of the loss of the Company for the year under review.
- iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The directors have prepared the annual accounts on a going concern basis.
- v) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- vi) The directors had devised a proper system to ensure compliance with the provisions of all applicable laws and that such system was adequate and operating effectively.

RELATED PARTY TRANSACTIONS :

In line with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.velanhotels.com. The Policy intends to ensure that proper reporting; approval and disclosure processes are in place for all transactions between the Company and Related Parties.

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. Your Company had not entered into any transactions with related parties which could be considered material in terms of Section 188 of the Companies Act, 2013 that would have required Shareholder approval under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Accordingly, the disclosure of related party transactions as required under Section 134(3) (h) of the Companies Act, 2013 in Form AOC 2 is not applicable. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with the interest of the company at large.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN MARCH 31, 2017 AND MAY 30, 2017 (DATE OF THE REPORT)

Allahabad Bank, Tirupur Branch and Andhra Bank, Coimbatore Branch have intimated the Company that various Credit / Loan facilities, under the respective loan agreements, granted to the Company have been assigned to M/s.Raytheon Asset Reconstruction Pvt Ltd, a Securitisation and Reconstruction Company registered with Reserve Bank of India in March 2017 under the provisions of SARFAESI Act, 2002. Raytheon Asset Reconstruction Pvt Ltd (ARC) has also acknowledged the same.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary.

CODE OF CONDUCT

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and senior management in terms of Regulation 17 and Schedule V of Regulation 34(3) of the Listing Regulations. The full text of the Code is displayed at Company's website www.velanhotels.com.

The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. In compliance with Schedule V of Regulation 34(3) of the Listing Regulations a declaration signed by the Managing Director is attached and forms part of the Annual Report of the Company.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a vigil mechanism named Fraud and Risk Management Policy to deal with the instance of fraud and mismanagement, if any.

The Company has a Fraud Risk and Management Policy to deal with instances of fraud and mismanagement, if any. The FRM Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be met out to any person for a genuinely raised concern.

A high level Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee and the Board.

PREVENTION OF INSIDER TRADING:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulating trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

EXPLANATION OR COMMENTS ON QUALIFICATION, RESERVATIONS OR ADVERSE REMARKS OR DISCLOSURES MADE BY THE AUDITOR AND COMPANY SECRETARY IN PRACTICE :

1. Response to Auditor's Report:
 - a. The Board is of the view that there are delays in the payment of Income Tax, Service Tax, Provident Fund & ESI, however, with improved business scenario, the Company will be able to meet its obligations in time. Since Duties of Customs, Duty of Excise and Cess are not applicable to the Company, the question of delay in payment does not arise.
2. Response to Secretarial Audit Report:
 - a. The company and the promoters are in the process to take action to comply with the regulations of Securities and Exchange Board of India relating to Minimum public Shareholding (MPS) to increase the public shareholding to 25%.in terms of Regulation 38 of SEBI (LODR) Regulations, 2015.

- b. Filing of soft copy of Annual Report with BSE Portal beyond the time limit prescribed in the SEBI (LODR) Regulations, 2015 is mainly due to an ambiguity of the applicability of the same. However, the company would ensure in future that all the Regulations comply to the fullest extent.

AUDITORS

In terms of the provisions of Section 139(1) of Companies Act, 2013 (the "Act"), no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. The Act further prescribes as per section 139(2), that the Company shall comply with requirements within a period not later than the date of first AGM held after three years from the commencement of this Act.

M/s.P.S.Krishnan & Co., Chartered Accountants (Firm Registration No.001532S), Statutory Auditors of the Company have completed two consecutive terms of five years each. In terms of their appointment made at the 26th AGM held on 30th September, 2016, they shall hold the office of the auditors up to the conclusion of the 27th AGM. Your company's Board placed on record its appreciation and gratitude to M/s.P.S.Krishnan & Co. the retiring Statutory Auditors for their long association with the Company and also thanked for their invaluable guidance rendered to the company.

Based on the recommendations of the Audit Committee and subject to the approval of the shareholders, it is proposed to appoint M/s.Krishaan & Co, Chartered Accountants, Chennai having ICAI Registration Number FRN 001453S as Statutory Auditors of the Company for a period of 5 years, commencing from the conclusion of 27th AGM until the conclusion of the 32nd AGM. M/s.Krishaan & Co, Chartered Accountants have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act.

AUDIT COMMITTEE

Audit Committee consists of the following Directors namely Sri.P.Ganesan, Mrs.M.Sasikala and Sri.S.P.Sivanandam. Sri.P.Ganesan is the Chairman of the Committee. The Company Secretary acts as the Secretary to the Committee.

There is no such incidence where Board has not accepted the recommendation of the Audit Committee during the year under review.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. No complaints were received during the year 2016-17.

SECRETARIAL AUDIT

Pursuant to provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr.S.R.Baalaji, Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Secretarial Audit report is annexed herewith as "Annexure A"

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure B".

BUSINESS RISK MANAGEMENT

Your Board reviews and observes risk management and minimization procedures followed by the Company which is adequate and operating effectively. Although risk management policy and risk management committee is not applicable to your Company under the purview of the law, the system established in the Company to identify, assess, manage, monitor and mitigate risk and control is considered sufficient and adequate. Risk Management is an integral part of the Company's business process. In your Company, risks are carefully mapped and a risk management framework is involved.

STATEMENT UNDER COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The information required pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company is provided in Annexure - C.

During the year under review, there are no employees drawing remuneration of more than Rs.102 lacs per annum or drawing remuneration of Rs.8.50 lacs per month if employed part of the year. Hence, the report required under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) rules 2014 is not applicable.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORTS

The Corporate Governance and Management Discussion & Analysis Report, which form an integral part of this Report, are set out as separate Annexures, together with the Certificate from the Auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated under various regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

CAUTIONARY STATEMENT

Risks, uncertainties or future actions could differ materially from those expressed in the Directors' Report and the Management Discussion and Analysis Report. These statements are relevant on the date of this Report. We have no obligation to update or revise any statements, whether as a result of new information, future developments or otherwise. Therefore, undue reliance should not be placed on these statements.

ACKNOWLEDGMENTS

Your Company and its Directors wish to extend their sincere thanks to the Members of the Company, Bankers, M/s.Raytheon Asset Reconstruction Pvt Ltd, State Government, Local Bodies, Customers, Suppliers, Executives, Staff and Workers at all levels of their continuous co-operation and assistance.

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

Managing Director
(DIN : 00046166)

&

M. R. Gautham

Executive Director
(DIN : 00046187)

Place : TIRUPUR

Date : 30.05.2017

Annexure A to Board's Report

S.R. BAALAJI, B.Com., FCS.
Practising Company Secretary

No.81-82, Raju Naidu Road
III Floor, Indian Bank Upstairs
Sivanandha Colony, Coimbatore 641012
Phone: 0422 - 4519343 Cell: 98422-06891
E-mail : akshayasri23@gmail.com

Form No. MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year Ended on 31st March, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Velan Hotels Limited, Tirupur
(CIN : L55101TZ1990PLC002653)

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s Velan Hotels Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me with a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the company has during the audit period covering the Financial Year ended 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliances-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

The members are requested to read this report along with my letter of even date annexed to this report.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. Velan Hotels Limited (the Company) for the Financial Year ended 31st March, 2017 according to the applicable provisions of :

- i) The Companies Act, 2013 (the Act) and the rules made thereunder ;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under ;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under ;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings ;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable as the company has not issued any further share capital during the period under review).
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 ;
 - f) The Securities and Exchange Board of India (Registrars to an issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client ; (Not applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review).
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ;
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 ; (Not applicable as the Company has not bought back any of its securities during the financial year under review).
- vi) The management has identified and confirmed the following laws as specifically applicable to the company :
- 1. Food Safety and Standards Act, 2006, and rules made thereunder
 - 2. Food Safety and Standards Act, 2011, and rules made thereunder
 - 3. Tamil Nadu Liquor (Licence and Permit) Rules, 1981 issued under the Tamil Nadu Prohibition Act, 1937
 - 4. Tamil Nadu Public Health Act, 1939
 - 5. Petroleum Rules, 2002 issued under the Petroleum Act, 1934
 - 6. Indian Boilers Act, 1923 and Boiler Rules, 1950
 - 7. Guidelines for Classification of Hotels by Ministry of Tourism, Government of India, 2010

I have also examined compliance with the applicable clauses of the following :

- i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above except to the extent as mentioned below :

- 1. Non-compliance with the requirement of Minimum Public Shareholding (MPS) under Regulation 38 of SEBI (LODR) Regulations, 2015 and Section 12A of the Securities Contracts (Regulation) Act, 1956 read with Rule 19(2) and 19A of the Securities Contracts (Regulation) Rules, 1957.
- 2. Soft copy of Annual Report for the financial year 2015-16 was uploaded with the website of BSE Ltd beyond the time limit prescribed in the SEBI listing regulation.

I further report that :

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The Board also has a Woman Director.

Adequate notice is given to all Directors to schedule the Board Meetings, Agenda and Detailed Notes on Agenda were sent generally seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the Agenda items before the meeting and for meaningful participation at the meeting.

The Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

I further report that based on review of compliance mechanism established by the company and on the basis of the compliance certificate(s) issued by the Company Secretary of the Company and taken on record by the Board of Directors at their meeting(s), I am of the opinion that there are adequate systems and processes in place in the Company which is commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines;

S. R. BAALAJI
Company Secretary in Practise
Mebership No. FCS 5966
CP No. 3514

Date : 30.05.2017

ANNEXURE - 1

To,
The Members,
Velan Hotels Limited
41 Kangeyam Road, Tirupur 641 604

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where-ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on the test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

S. R. BAALAJI
Company Secretary in Practise
Mebership No. FCS 5966
CP No. 3514

Date : 30.05.2017

ANNEXURE B TO BOARD'S REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN : L55101TZ1990PLC002653
- ii) Registration Date : 21.3.1990
- iii) Name of the Company : VELAN HOTELS LIMITED
- iv) Category / Sub-Category of the Company : Company Limited by Shares
- v) Address of the Registered office and contact details : 41 Kangayam Road, Tirupur 641 604 - Tamil Nadu
Ph : 0421-431 1111 - Fax : 0421-2424434
E-mail : accounts@velanhotels.com
- vi) Whether listed company : Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent : S K D C Consultants Limited
Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road
Ganapathy, Coimbatore, Tamilnadu-641006
Ph : 0422 - 4958995, 2539835-836
E-mail : info@skdc-consultants.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated :

| SI No | Name and Description of main products | NIC Code of the Product / service | % to total turnover |
|-------|---------------------------------------|-----------------------------------|---------------------|
| 1 | Lodging | 55101 | 46.49% |
| 2 | Restaurants & Bars | 56301 | 53.51% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| SI No | Name and address of the company | CIN/GLN | Holding/ Subsidiary / Associate | % of shares held | Applicable Section |
|-------|---------------------------------|---------|---------------------------------|------------------|--------------------|
| 1. | N A | N A | N A | N A | N A |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding

| S No | Category of shareholders | No. of shares held at the beginning of the year (As on 31-3-2016) | | | | No. of shares held at the end of the year (As on 31-3-2017) | | | | % of change during the year |
|------|---|---|----------|----------|-------------------|---|----------|----------|-------------------|-----------------------------|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. | Promoters | | | | | | | | | |
| | a) Individual/HUF | 22791096 | Nil | 22791096 | 71.302 | 22791096 | Nil | 22791096 | 71.302 | Nil |
| | b) Central Govt. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | c) State Govt. (s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | d) Bodies Corp. | 2826934 | Nil | 2826934 | 8.844 | 2826934 | Nil | 2826934 | 8.844 | Nil |
| | e) Banks / FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | f) Any Other.... | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-total (A) (1):- | 25618030 | Nil | 25618030 | 80.146 | 25618030 | Nil | 25618030 | 80.146 | Nil |
| 2) | Foreign | | | | | | | | | |
| | a) NRIs - Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | b) Other - Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | c) Bodies Corp. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | d) Banks / FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | e) Any Other.... | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-total (A) (2):- | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Total shareholding of Promoter (A) = (A)(1)+(A)(2) | 25618030 | Nil | 25618030 | 80.146 | 25618030 | Nil | 25618030 | 80.146 | Nil |
| B. | Public Shareholding | | | | | | | | | |
| | a) Mutual Funds/ Banks/FI | Nil | 7000 | 7000 | 0.022 | Nil | 7000 | 7000 | 0.022 | Nil |
| | b) Central Govt. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | c) State Govt.(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | d) Venture Capital funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | e) Insurance Companies | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | g) FIs | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | h) Foreign Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | i) Others (specify) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-total (B)(1):- | Nil | 7000 | 7000 | 0.022 | Nil | 7000 | 7000 | 0.022 | Nil |
| 2. | Non-Institutions | | | | | | | | | |
| | a) Bodies Corp. | | | | | | | | | |
| | i) Indian | 59714 | 79500 | 139214 | 0.436 | 56867 | 79500 | 136367 | 0.427 | -0.009 |
| | ii) Overseas | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | b) Individuals | | | | | | | | | |
| | i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 1178410 | 853815 | 2032225 | 6.357 | 1268532 | 841815 | 2110347 | 6.601 | 0.244 |
| | ii) Individualshareholders holding nominal share capital in excess of Rs 1 lakh | 3225221 | 235300 | 3460521 | 10.826 | 3109783 | 235300 | 3345083 | 10.465 | -0.361 |
| | c) Others | | | | | | | | | |
| | 1. Directors & their relative | 0 | 62650 | 62650 | 0.196 | 0 | 62650 | 62650 | 0.196 | -1.752 |
| | 2. Non-Resident | 6118 | 15200 | 21318 | 0.067 | 20740 | 15200 | 35940 | 0.113 | 0.046 |
| | 3. Overseas Corporate Bodies | 0 | 1000 | 1000 | 0.003 | 0 | 1000 | 1000 | 0.003 | Nil |
| | 4. Clearing Members | 49837 | 0 | 49837 | 0.156 | 69548 | 0 | 69548 | 0.218 | 0.062 |
| | 5. HUF | 572324 | 0 | 572324 | 1.791 | 578154 | 0 | 578154 | 1.809 | 0.018 |
| | Sub-total (B)(2):- | 5091624 | 1247465 | 6339089 | 19.832 | 5103624 | 1235465 | 6339089 | 19.832 | Nil |
| | Total Public Shareholding (B)=(B) (1) +B(2) | 5091624 | 1254465 | 6346089 | 19.854 | 5103624 | 1242465 | 6346089 | 19.854 | Nil |
| C. | Shares held by Custodian for SDRs & ADRs | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Grand Total (A+B+C) | 30709654 | 1254465 | 31964119 | 100 | 30721654 | 1242465 | 31964119 | 100 | Nil |

ii) Shareholding of Promoter

| S No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | Shares of % change in shareholding during the year |
|------|---------------------------------------|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
| | | No. of shares | % of total shares of the company | % of shares pledged/encumbered to total shares | No. of shares | % of total shares of the company | % of shares pledged/encumbered to total shares | |
| 1 | Sri. E. V. Muthukumara Ramalingam | 12678383 | 39.664 | Nil | 12678383 | 39.664 | Nil | Nil |
| 2 | Sri. M. R. Gautham | 6420750 | 20.087 | Nil | 6420750 | 20.087 | Nil | Nil |
| 3 | Mrs. M. Sasikala | 2130743 | 6.666 | Nil | 2130743 | 6.666 | Nil | Nil |
| 4 | Mrs. G. Sharmada | 795344 | 2.488 | Nil | 795344 | 2.488 | Nil | Nil |
| 5 | Mrs. Pallavi Naveen Mandradiar | 729580 | 2.282 | Nil | 729580 | 2.282 | Nil | Nil |
| 6 | Sri. B. A. Madhusudhan | 36296 | 0.114 | Nil | 36296 | 0.114 | Nil | Nil |
| 7 | M/s. Shree Vallee Enterprises Pvt Ltd | 2826934 | 8.844 | Nil | 2826934 | 8.844 | Nil | Nil |
| | Total | 25618030 | 80.145 | Nil | 25618030 | 80.145 | Nil | Nil |

iii) Change in Promoters' Shareholding (please specify, if there is no change) – NOT APPLICABLE

| S No | | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | At the beginning of the year | 25618030 | 80.145 | - | - |
| 2 | Date wise increase / decrease in promoters share-holding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.) | - | - | - | - |
| 3 | At the end of the year | - | - | 25618030 | 80.145 |

There is no change in the total shareholding of Promoters between 01.04.2016 and 31.03.2017.

iv) Shareholding Pattern of top ten Shareholders : (other than Directors and Promoters and Holders of GRDs and ADRs) :

| S No | For Each of the Top 10 shareholders | Shareholding at the Beginning of the year | | Shareholding at the End of the year | |
|------|-------------------------------------|---|----------------------------------|-------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | Kaliappagounder Subramaniam | 560000 | 1.752 | 560000 | 1.752 |
| 2 | Prithviraj | 505000 | 1.580 | 505000 | 1.580 |
| 3 | Mahender Agarwal | 500000 | 1.564 | - | - |
| 4 | Mahender Agarwal HUF | --- | --- | 500000 | 1.564 |
| 5 | Kanku | 250000 | 0.782 | 250000 | 0.782 |
| 6 | Mahaveer Chand | 215000 | 0.673 | 215000 | 0.673 |
| 7 | Kishore Kumar Salecha | 212442 | 0.665 | 212442 | 0.665 |

iv) Shareholding Pattern of top ten Shareholders : (other than Directors and Promoters) Contd...

| S No | For Each of the Top 10 shareholders | Shareholding at the Beginning of the year | | Shareholding at the End of the year | |
|------|-------------------------------------|---|----------------------------------|-------------------------------------|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 8 | P. S. Kathiresan | 195500 | 0.612 | 195500 | 0.612 |
| 9 | Amit Jain | 151521 | 0.474 | 151522 | 0.474 |
| 10 | Vibha Prashant Bamb | 143961 | 0.450 | 143961 | 0.450 |
| 11 | Bamb Prashant Ishwardas | 113276 | 0.354 | 113276 | 0.354 |

v) Shareholding of Directors and Key Managerial Personnel:

| S No | Name of the Directors and Key Managerial Personnel | Shareholding at the beginning of the year | | Changing in Shareholding | | Shareholding at the end of the year | |
|------|--|---|--------------------|--------------------------|----------|-------------------------------------|--------------------|
| | | No. of shares | % of share holding | Increase | Decrease | No. of shares | % of share holding |
| 1. | Sri. E. V. Muthukumara Ramalingam | 12678383 | 39.664 | - | - | 12678383 | 39.664 |
| 2. | Sri. M. R. Gautham | 6420750 | 20.087 | - | - | 6420750 | 20.087 |
| 3. | Mrs. M. Sasikala | 2130743 | 6.666 | - | - | 2130743 | 6.666 |
| 4. | Sri. B. A. Madhusudhan | 36296 | 0.114 | - | - | 36296 | 0.114 |
| 5. | Sri. P. Ganesan | 33050 | 0.103 | - | - | 33050 | 0.103 |
| 6. | Sri. S. P. Sivanandam | 100 | 0.000 | - | - | 100 | 0.000 |
| 7. | Sri. Giri Balasubramanian | - | - | - | - | - | - |
| 8. | Mrs. R.Lalitha - CFO | - | - | - | - | - | - |
| 9. | Sri. M. Srinivasan - Company Secretary | - | - | - | - | - | - |

V. INDEBTEDNESS
Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Rs. In Lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|--|--------------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 81,03,36,359 | 4,95,41,753 | - | 85,98,78,112 |
| ii) Interest due but not paid | 32,54,16,139 | - | - | 32,54,16,139 |
| iii) Interest accrued but not due | - | 1,70,175 | - | 1,70,175 |
| Total (i+ii+iii) | 113,57,56,710 | 4,97,11,928 | - | 118,54,68,638 |
| Change in Indebtedness during the financial year | | | | |
| * Addition - Principal + Interest | 18,05,94,067 | 61,00,821 | - | 18,66,94,888 |
| * Reduction - Principal + Interest Paid | 2,45,601 | 39,40,874 | - | 41,86,475 |
| Net Change Indebtedness | 18,05,94,067 | 21,59,947 | - | 18,25,08,413 |
| At the end of the financial year | | | | |
| i) Principal Amount | 81,03,36,359 | 5,56,42,574 | - | 86,59,78,933 |
| ii) Interest due but not paid | 50,57,64,605 | - | - | 50,57,64,605 |
| iii) Interest accrued but not due | - | 2,33,579 | - | 2,33,579 |
| Total (i + ii + iii) | 131,61,00,964 | 5,58,76,153 | - | 137,19,77,117 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and / or Manager

During the year, no remuneration was paid to Managing Director / Executive Director

B. Remuneration to other directors

During the year under review, no remuneration was paid including any sitting fees to all the Directors for attending the Board / Committee Meetings. Outstation Directors have been paid only travelling and other incidental expenses for attending the Board / Committee Meetings.

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD

(Rs. In Lakhs)

| S No | Particulars of Remuneration | Key Managerial Personnel | | |
|------|--|--------------------------|-------------------|--------------|
| | | CFO | Company Secretary | Total Amount |
| 1 | Gross salary | | | |
| | a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961 | 7.39 | 2.88 | 10.09 |
| | b) Value of perquisites u/s 17(2) Income-Tax Act, 1961 | - | - | - |
| | c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961 | - | - | - |
| 2 | Stock Option | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | - | - | - |
| | - as % of profit | - | - | - |
| | others, specify... | - | - | - |
| 5 | Others, please specify | - | - | - |
| | 1. Company's Contribution to P.F. | 0.22 | - | 0.22 |
| | Total (c) | 7.61 | 2.88 | 10.49 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties / punishment / compounding of offences against the Company, Directors and other Officers in Default under provisions of the Companies Act, 2013 during the year ended 31st March 2017.

For and on behalf of the Board
E. V. Muthukumara Ramalingam
 Managing Director
 (DIN : 00046166)
 &
M. R. Gautham
 Executive Director
 (DIN : 00046187)

Place : TIRUPUR
 Date : 30.05.2017

Annexure - C TO BOARD'S REPORT

Disclosures required with respect to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

1. The ratio of the remuneration of each director to the median employee's remuneration for the financial year and such other details as prescribed is as given below :

- a. Since no remuneration paid to Managing Director / Executive Director during the period under review, not applicable.
- b. Even though Independent Directors and Non-Executive Directors are eligible to receive sitting fees for attending the Board / Committee meeting, no payment in this regard was made during the year.

2. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year :

Since no remuneration including sitting fees was paid to Managing Director / Executive Director / Independent Director during the year period under review in view of the financial difficulties experienced by the Company, the question of the increase in remuneration does not arise.

The percentage increase in remuneration of CFO and Company Secretary was 16.54% and 9.09% respectively.

3. The Percentage increase in the median remuneration of employees in the financial year :

The percentage of decrease in the median remuneration of the employees in the financial year was around 21.84% owing to those employees who were in receipt of higher salary left from the service of employment and the employees who are in receipt of lower salary included in the list of median salary computation. The calculation of percentage of decrease in Median Remuneration is done based on comparable employees. For this, we have excluded employees who were not eligible for any increment.

4. The Number of permanent Employees on the rolls of the Company :

The number of on-roll employees was 66 as on March 31, 2017.

5. The explanation on the relationship between average increase in remuneration and Company performance :

The Company considers following factors while recommending increase in the remuneration of its employees :

- a. Financial performance of the Company
- b. Industry Benchmarking and consideration towards cost of living adjustment/inflation
- c. Individual performance on the basis of an appraisal of every employee.

The average increase in the remuneration of the employees during the year 2016-17 was around 8.09%.

6. Comparison of the remuneration of the Key Managerial Personnel against the performance of the company :

The total remuneration of Key Managerial Personnel decreased from Rs.19.57 lakhs in 2015-16 to 10.49 lakhs in 2016-17 whereas the Loss before Tax increased to Rs.1885.24 lakh.

7. Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

a. Market Capitalisation :

| Particulars | As at 31.03.2017 | As at 31.03.2016 | Increase / Decrease(%) |
|---------------------------------|------------------|------------------|------------------------|
| Closing Price at BSE –in Rs. | 7.00 | 6.45 | 8.53 |
| Market Capitalization - in lakh | 2237.49 | 2061.69 | 8.53 |

b. The price earnings ratio is not applicable in view of the losses reported during the current and previous financial years.

c. The Company's stock price as at March 31, 2017 has decreased by 69.56% to Rs.7.00/- over the last public offering, i.e. Rights Issue in November 2011 at the issue price of Rs.23/- per share.

8. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for the increase in the managerial remuneration :

The average percentage of increase made in the salaries of total employees other than the Key Managerial Personnel during the FY2016-17 is around 8.09%, while the average decrease in the remuneration of the Key Managerial Personnel was 86.55%. This increment to Employees is in line with the factors outlined in point (5) above.

9. Comparison of the remuneration of each of the Key Managerial Personnel against the performance of the Company :

Please refer point no. (6)

10. The key parameters for any variable component of remuneration availed by the Directors:

During the year under review, no remuneration was paid to Directors including Managing Director / WTD.

11. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year :

As the Managing Director and Executive Director have not received any remuneration for the year under review, CFO received the highest salary.

12. It is affirmed that the Remuneration is as per Remuneration policy for Directors, Key Managerial Personnel and other employees adopted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

Tourism represents world's third largest export avenue in terms of global earnings after fuel and chemicals. Modern tourism is closely linked to socio- economic development. Tourism is responsible for one out of 11 jobs and 10% of the world's economic output. It has a great capacity to create large scale employment of diverse kind – from the most specialized to the unskilled and hence can play a major role in the creation of additional employment opportunities. It can also play an important role in achieving growth with equity. Apart from providing employment, income and foreign country for the country, the trade in the tourism sector has an economically positive impact on other associated industries such as hotel industry, food manufacturing, services, construction, agriculture, handicrafts etc.

Tourism and Hotel have now become a significant industry in India. Tourism in India is the third largest foreign exchange earner of the country. As per Travel and Tourism Competitiveness Report by World Economic Forum, has ranked India at the sixth place in tourism and hospitality. The hotel industry in India thrives largely due to the growth in tourism and travel. Imbalance in the increase in tourists both domestic and foreign not been supported with an equal number of rooms is a latent source of opportunity for growth. The hospitality sector has a reciprocal relationship with several other sectors such as transportation, entertainment, aviation, etc. Strengthening these related sectors will have a direct bearing on the growth and development of the hospitality sector.

2017 heralds the start of a potential extended four-year up-cycle for hospitality in India. The last five years have seen the sector deliver a muted performance — due both to the economic downturn and the largest release of new supply since Independence. The tide is turning. India is today the fastest growing major economy in the world. Supply that grew in double digits has petered down to sub-10 per cent and is expected to maintain a single-digit trot over the next four-five years.

B. OPPORTUNITIES

Tourism and hospitality is one of the key drivers of economic growth amongst the service sectors in India and has immense possibilities of growth. A thriving hospitality industry not only contributes significantly to the economy but also drives direct and indirect employment, and is a vital source of foreign exchange for the country.

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). During the period April 2000-March 2017, the hotel and tourism sector attracted around US\$ 10.14 billion of FDI, according to the data released by Department of Industrial Policy and Promotion (DIPP).

India is expected to move up five spots to be ranked among the top five business travel market globally by 2030, as business travel spending in the country is expected to treble in 2030.

The Indian government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. An International Advertisement Campaign in electronic and digital media for the year 2016-17 has been launched globally.

In the Union Budget 2017-18, the Government of India announced some initiatives to give a boost to the tourism and hospitality sector such as setting up of five special tourism zones, special pilgrimage or tourism trains and worldwide launch of Incredible India campaign among others.

The Ministry of Tourism, as part of its ongoing promotional activities, releases campaigns in the international and domestic markets under the Incredible India brand line, to promote various tourism destinations and products of India to increase foreign tourist arrivals and domestic visits within the country. A series of promotional activities are undertaken in important and potential markets overseas through the India Tourism offices abroad and within India through domestic India Tourism offices, with the objective of showcasing India's tourism potential to foreign and domestic tourists.

For creation of tourism infrastructure, the Ministry of Tourism has two major plan schemes viz. Swadesh Darshan - Integrated Development of Theme-Based Tourist Circuits and PRASAD- Pilgrimage Rejuvenation and Spiritual Augmentation Drive for the development of tourism infrastructure in the country including historical places and heritage cities.

The Ministry of Tourism has launched an initiative for providing pre-loaded SIM Cards to foreign tourists arriving in India on e-Visa.

India's economic performance saw a moderate decline in 2016-17. However, the situation improved marginally towards the end of the year. And, even as there are downside risks, the outlook for Indian economy has turned positive. The RBI expects GVA growth to strengthen to 7.4 per cent in 2017-18. Besides, with inflation under control, interest rates are likely to come down further, improving consumer and business confidence. The Tourism and hotel industry, too, is likely to benefit from this improvement in the macroeconomic environment.

C. SEGMENTWISE PERFORMANCE :

HOTEL DIVISION :

Due to weak conditions prevailing in the Garments industry in Tirupur during the year - the performance of the Hotel entirely depends on the prospectus of exports of garments - the Hotel segment witnessed a setback in performance levels in this year. The Profit before Interest and Tax of the Hotel segment is Rs. 105.56 lakhs as compared to Rs. 119.06 lakhs for the previous year.

SHOPPING ARCADE DIVISION :

During the year under review, as no income derived from the Shopping Mall component and entire borrowing cost and other operational expenses charged to this segment, the Loss before Interest and Tax of the Shopping Arcade segment is Rs. 119.42 lakhs as compared to Rs. 127.05 lakhs loss for the previous year.

D. RISKS AND CONCERNS :

Risks arising from the development in the regulatory environment that could impact the Hotel/Tourism Industry. Risks due to geographic concentration of business, primarily in the city of Tirupur.

Hospitality is not only a high foreign exchange grosser; it is also among the largest tax generators. There are multiple taxes charged currently on the same Service/ Product offering by the Central as well as State Governments. The Taxes levied on Inbound Tourism is among the highest in the country, and this is one of the major reasons for India losing Foreign Tourists to competing South East Asian Countries.

A significant portion of your Company's revenues is realized from its Tirupur operations, making it susceptible to domestic socio-political and economic conditions. High dependence on the performance of the Tirupur Hotel entirely depends on the prospectus of exports of garments in Tirupur. Any adverse performance / situation in the Garment industry have a potential impact on the entire hotel's performance.

Although the macroeconomic situation appears to be improving, cyclical downturns may continue to resurface in the future. Besides, even with the current environment of stable macro-environment and benign inflation, there still are downside risks in the form of poor south-west monsoons and strengthening of global commodity prices. These can impact the Company's ability to generate sales and affect its growth prospects.

The industry, in general, has a high operating leverage which has further increased with on-going renovations, increased staff costs and cost of light, power and fuel.

As the recent order of Supreme Court of India regarding ban of liquor sales within distance of 500 meters on both sides of the National and State highways with effect from April 01, 2017, many liquor outlets are forced to close down and this, in turn, may affect the general business outlook of the hotels and restaurant in coming years.

E. OUTLOOK:

India's tourism and hotel industry have huge growth potential. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. The Indian economy is opening up its horizons as it continues to integrate with the world economy. Therefore, the advantages of conducting business with and in India are many. This has led to the maneuvering of the variety of jobs to the shores of India, bringing in its wake transit travelers, business travelers, business meets and holiday seekers.

The hospitality industry relies on a host of enabling the ecosystem to function and has a reciprocal relationship with several other sectors like transportation, entertainment, aviation etc. Strengthening these related sectors will lead to the growth and development of the hospitality sector.

The multiple taxes would be replaced by one single tax i.e. GST, the rate of which is likely to be between 16%-18%. The sector may benefit in the form of lower tax rates which should help in attracting more tourists in India. Companies specializing in food and beverages operations could be the biggest beneficiaries of GST within the hospitality sector. Food and beverages bills have multiple components which inflate the bills by 30-35%. It is expected that GST to result in savings of 10-15% on the overall bill.

Your Company's services have been enjoying the consistently good brand image and loyalty from the customers for the past several years and the company enjoys a virtual monopoly in Star Category in Tirupur region.

Your Directors view the long term growth prospects of the hotel industry with confidence. The Central Government is continuing its efforts under the Make in India programme and many positive signals have been received from various international manufacturers indicating their willingness to set up manufacturing joint ventures in India. Business travel shall definitely pick up once these ventures see the light of day. Your Company is well poised to seize the unfolding growth opportunities.

F. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY -Reported in the Report of Directors

G. BUSINESS PERFORMANCE:

Results of operations for the year ended March 31, 2017

i. Revenues:

The total income stands decreased by 9.58% from Rs.1369.57 in 2015-16 to Rs.1238.42 lakhs in 2016-17.

ii. Operating Expenses:

The total expenditure except Interest and Depreciation stands decreased by 9.71% from Rs.1170 lakhs in 2015-16 to Rs.1056.48 lakhs in 2016-17.

iii. Earnings Before Interest, Depreciation and Tax:

The PBIDT Rs. 181.95 lakhs for the financial year 2016-17 is 8.81% lower than Rs. 199.52 lakhs in 2015-16.

iv. Interest Cost:

During the year under review, the Interest cost stands Rs. 1837.20 lakhs as compared to Rs. 1589.87 lakhs in the previous year. The increase is largely on account of the borrowing cost in respect of all the component of the project.

v. Profit / Loss Before Tax :

Loss Before Tax at Rs. 1885.24 lakhs against loss of Rs. 1602.10 lakhs in 2015-16.

vi. Profit/Loss After Tax:

Loss after Tax for 2016-17 stands increased to Rs. 1952.27 lakhs from loss of Rs. 1637.54 lakhs in 2015-16.

H. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

(Rs. in lakhs)

| Particulars | 31 st March, 2017 | 31 st March, 2016 | 31 st March, 2015 | 31 st March, 2014 | 31 st March, 2013 |
|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| OPERATING RESULTS | | | | | |
| 1. Total Income | 1238.42 | 1369.57 | 1493.31 | 1575.43 | 1445.95 |
| 2. Profit Before Depre. Int & Tax | 181.94 | 199.52 | 238.08 | 403.72 | 271.23 |
| 3. Interest | 1837.20 | 1589.87 | 1438.70 | 224.70 | 81.26 |
| 4. Depreciation | 195.81 | 207.52 | 220.75 | 118.46 | 91.56 |
| 5. Tax Liability | 67.02 | 35.44 | (23.33) | 3.69 | 44.28 |
| 6. Net Profit After Tax | (1952.27) | (1637.54) | (1391.30) | 63.86 | 61.09 |
| PERFORMANCE PARAMETERS | | | | | |
| 1. Share capital | 3196.41 | 3196.41 | 3196.41 | 3196.41 | 3196.41 |
| 2. Reserves & Surplus | (850.03) | 1109.13 | 2753.42 | 4154.91 | 4098.04 |
| 3. Secured & Unsecured loans | 13719.77 | 12088.56 | 10638.11 | 9715.79 | 8178.53 |
| 4. Fixed Assets (Gross Block) | 13096.16 | 13264.58 | 12818.75 | 12812.05 | 7827.02 |
| 5. Accumulated Depreciation | 1789.49 | 1741.84 | 1535.04 | 1310.84 | 1199.22 |
| 6. Net Block | 11306.66 | 11522.74 | 11283.71 | 11501.21 | 6627.80 |

I. HUMAN RESOURCES

As our Company is part of the hospitality industry the importance of efficient and motivated human resources helps in achieving complete customer satisfaction, which, in turn, has a direct impact on the brand image and turnover of the Company. The Company enjoys a harmonious relationship with its employees.

The Company recognizes the importance of human values and ensures that proper encouragement both moral and financial is extended to employees to motivate them. The senior management team consists of experienced professionals with diverse skills. Industrial Relations throughout the year continued to remain cordial.

REPORT ON CORPORATE GOVERNANCE

(In accordance with SEBI (Listing Obligations and Disclosure Requirement) Regulations 2015 and some of the best practices of Corporate Governance, the report containing the details of governance systems and processes at Velan Hotels Limited is as under).

PHILOSOPHY :

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance even before they were mandated by the legislation. Transparency, integrity, professionalism and accountability - based values form the basis of the Company's philosophy for Corporate Governance. The Company believes that good Corporate Governance is a continuous process and strives to improve the Corporate Governance practices to meet shareholder's expectations. Your company has fulfilled all the existing guidelines prescribed by the Securities and Exchange Board of India (SEBI) in Chapter IV read with Schedule V of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.

BOARD OF DIRECTORS

The Company has a high-profile Board with varied management expertise. The Board's role, functions, responsibility and accountability are known to them due to their vast experience.

As on 31st March 2017, the total Board strength comprises of seven (7) Directors. The Company is in compliance with the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations pertaining to the composition of the Board as on 31st March, 2017.

None of the Directors is a member of more than 10 committees or acts as chairman of more than 5 committees as specified in Regulation 26 of the Listing Regulations, across all companies in which they are Directors. "Committees" for this purpose include the Audit Committee, Nomination and Remuneration Committee and the Stakeholder's Relationship Committee and the details of the same forms part of this report.

The Non-Executive/Independent Directors are eligible to receive sitting fees within the limits prescribed under the Companies Act, 2013. No stock options were granted to Non-Executive Directors during the year under review. The Non-Executive/Independent Directors did not have any material pecuniary relationship or transactions with the Company. Independents Directors are not serving as Independent Directors in more than seven listed companies as prescribed in Regulation 25 of the Listing Regulations. The Company is in conformity with Regulations 25 and 26 (1)(2)(4) of the Listing Regulations.

Present Composition of Board of Directors.

| Sl. No. | Name of the Directors | Position | Executive / Non-Executive / Independent |
|---------|-----------------------------------|--------------------|---|
| 1 | Sri. E. V. Muthukumara Ramalingam | Managing Director | Executive / Non-Independent |
| 2 | Sri. M.R.Gautham | Executive Director | Executive / Non-Independent |
| 3 | Sri. B.A. Madhusudhan | Director | Non-Executive / Non-Independent |
| 4 | Smt. M. Sasikala | Director | Non-Executive / Non-Independent |
| 5 | Sri. P. Ganesan | Director | Non-Executive / Independent |
| 6 | Sri. Giri Balasubramanian | Director | Non-Executive / Independent |
| 7 | Sri.S.P.Sivanandam | Director | Non-Executive / Independent |

a. Board Meetings and Attendance

The Board normally meets four times in a year and as and when required. The time gap between two Board Meetings has not exceeded the limit of one hundred and twenty days as specified under the Companies Act, 2013 and Regulations 17 of the Listing Regulations. During the financial year 2016-17, 6 Board meetings were held. There were held on 27/05/2016, 13/08/2016, 30/09/2016, 12/11/2016, 10/02/2017 and 03/03/2017.

| Directors | Board Meetings | Last AGM Attended (Yes/No) | No. of shares held by Non-Executive Directors |
|---------------------------------|----------------|----------------------------|---|
| Sri. E.V.Muthukumara Ramalingam | 6 | Yes | N.A. |
| Sri. M.R.Gautham | 6 | Yes | N.A. |
| Sri. P.Ganesan | 6 | Yes | 33050 |
| Sri. B.A.Madhusudhan | 5 | No | 36296 |
| Smt. M.Sasikala | 6 | Yes | 2130743 |
| Sri. Giri Balasubramanian | 1 | No | Nil |
| Sri. S.P.Sivanandam | 5 | No | 100 |

There is no inter-se relationship between Directors other than Sri. E.V.Muthukumara Ramalingam, Smt. M.Sasikala and Sri. M.R.Gautham. Sri. E.V.Muthukumara Ramalingam and Smt. M.Sasikala are parents of Sri. M.R. Gautham.

b. Changes in the composition of Directors

During the year, there was no change in Board of Directors except Mr.M.R.Gautham was re-appointed as Executive Director on 12-11-2016.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

i) Terms of Reference:

Apart from all the matters provided in regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and Section 177 of the Companies Act 2013, the Audit committee reviews reports of the Internal Auditor, meets Statutory Auditors as and when required and discusses their findings, suggestions, observations and other related matters. It also reviews major accounting policies followed by the Company.

ii) Composition:

The Company has complied with the requirements of Clause 18 of SEBI (LODR) Regulations 2015 as regards composition of Audit Committee.

The Audit Committee comprises entirely of three Non-Executive Directors and two-third of them are Independent Directors. Sri.P.Ganesan and Sri.S.P.Sivanandam and Smt.M.Sasikala are the Member of the Committee.

Sri.P.Ganesan, Independent Director is the Chairman of the Committee.

Statutory Auditors, Internal Auditors, CFO and Executive Director attended the meetings of the Committee on the invitation of the Chairman. The Company Secretary acted as the Secretary of the Committee. All the members are financially literate and possess necessary expertise in finance or accounting or any other comparable experience or background.

iii) Committee meetings and the attendance record of the members at the meeting were as follows :

During the financial year 2016-17, 4 committee meetings were held. There were held on 27/05/2016, 13/08/2016, 12/11/2016 and 10/02/2017.

| Name of The Member | Designation | No. of Meetings of Attended |
|--------------------|-------------|-----------------------------|
| Sri.P.Ganesan | Chairman | 4 |
| Smt.M.Sasikala | Member | 4 |
| Sri.S.P.Sivanadam | Member | 4 |

The Chairman of the Audit Committee was present at the last Annual General Meeting.

NOMINATION & REMUNERATION COMMITTEE AND POLICY :

a. Composition

The Nomination & Remuneration Committee for Appointment & Remuneration of the Directors and Key Managerial Personnel which comprises entirely of three Non-Executive / Independent Directors.

| Name of The Member | Designation |
|---------------------------|-------------|
| Sri. P. Ganesan | Chairman |
| Sri. Giri Balasubramanian | Member |
| Sri. S.P. Sivanadam | Member |

b. Terms of Reference

The constitution and terms of reference of the Nomination and Remuneration Committee of the Company are in compliance with provisions of the Section 178 of the Companies Act, 2013 as well as the requirement of Regulation 19 of the Listing Regulations. The Nomination and Remuneration Committee of the Company was constituted to formulate the criteria for determining qualifications, positive attributes and Independence of a Director and recommend to the Board policies relating to, the remuneration of the Directors, Key Managerial Personnel and other employees and diversity of Board of Directors, and evaluation of the performance of Independent Directors and the Board of Directors, identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.

c. Committee Meetings

During the year under review, one meeting held on 12th November, 2016 to consider the re-appointment of Executive Director and evaluated the performance of the Independent Directors, Non-Independent Directors and the Board as per the prescribed criteria.

The attendance record of the members at the meeting was as follows :

| Name of The Member | Designation | No. of Meetings Attended |
|---------------------------|--------------------|---------------------------------|
| Sri. P. Ganesan | Chairman | 1 |
| Sri. S.P. Sivanadam | Member | 1 |
| Sri. Giri Balasubramanian | Member | Nil |

REMUNERATION TO MANAGING DIRECTOR / EXECUTIVE DIRECTOR

During the year under review, no remuneration was paid to Managing Director / Executive Director in view of the loss incurred by the Company

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

The Nomination and Remuneration Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors and Managing Director / Whole-Time Director and their remuneration. This Policy is accordingly derived from the said Charter.

Criteria for selection of Non Executive Directors

The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of finance, taxation, law, governance, technical knowledge and general management.

In the case of appointment of Independent Directors, the Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

The Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.

The Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- i. Qualification, expertise and experience of the Directors in their respective fields;
- ii. Personal, Professional or business standing ;
- iii. The diversity of the Board.

In the case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

Remuneration

The Non Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board and other committee meetings.

A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board attended by him, of such sum in accordance with Articles of Association the Company or as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Managing Director & Whole-Time Directors - Criteria for selection / appointment

For the purpose of selection of the Managing Director / Whole-Time Director, the Committee shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board.

The Committee will also ensure that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

Remuneration for Managing Director & Whole-Time Director

At the time of appointment or re-appointment, the Managing Director & Whole-Time Director shall be paid such remuneration as may be recommended by the Committee and the Board of Directors within the overall limits prescribed under the Companies Act, 2013.

The remuneration shall be subject to the approval of the Members of the Company in General Meeting.

The remuneration of the Managing Director & Whole-Time Directors comprises only of fixed component. The fixed component comprises salary, allowances, perquisites, amenities and retirement benefits, if any.

Remuneration Policy for the Senior Management Employees

In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the Committee shall ensure the relationship of remuneration and performance benchmark is clear.

The Managing Director after consultation with Executive Director will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned hereinabove, whilst recommending the annual increment and performance incentive to the Committee for its review and approval.

STAKEHOLDERS RELATIONSHIP COMMITTEE

a. Composition

The Company's Stakeholders Relationship Committee functions under the Chairmanship of Sri.P.Ganesan,

Independent Director of the Board. Mr. S.P.Sivanandam, Non-Executive Director and Mr. E.V.Muthukumara Ramalingam, Managing Director of the Company are the other members of the Committee. Sri. M. Srinivasan, Company Secretary, is the Compliance Officer of the Company.

b. Terms of reference

The terms of reference of the Committee has been expanded in accordance with Regulation 20 and part D of Schedule II to the Listing Regulations and Section 178 of the Companies Act, 2013 which includes reviewing and redressing complaints from Shareholders such as non receipt of dividend, annual report, transfer of shares or debentures, issue of duplicate share / debenture certificates, etc.; to oversee, review and approve all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Company; to oversee the performance of the Registrar and Transfer Agent of the Company and recommends measures for overall improvement in the quality of investor services;

c. Committee meetings

During the year under review, the Stakeholders Relationship Committee met 6 times and approved the share transfer and transmission, issue of duplicate share certificates and split of share certificate.

The details of meeting held during the year as follows :

30-07-2016, 03-09-2016, 10-09-2016, 23-09-2016, 15-10-2016, 12-11-2016

| | |
|---|-------------------------|
| Complaints'status | : 1.4.2016 to 31.3.2017 |
| Number of shareholders' complaints received during the period | : Nil |
| Number not solved to the satisfaction of shareholders | : Nil |
| Number of pending complaints | : Nil |

The business transacted at the Stakeholders Relationship Committee meetings are placed before the Board regularly.

The attendance of the Members at the meetings is stated below.

| Member | Committee Meeting attended |
|----------------------------------|-----------------------------------|
| Sri. E.V. Muthukumara Ramalingam | 6 |
| Sri. P. Ganesan | 5 |
| Sri. S.P. Sivanandam | 6 |

Amounts Transferred to IEPF

During the year under review, the Ministry of Corporate Affairs notified provisions relating to unpaid / unclaimed dividends under Section 124 and 125 of the Act and IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules). Pursuant to the provisions of IEPF Rules, all unpaid or unclaimed dividend are required to be transferred by the companies to IEPF established by the Central Government,

after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall be transferred to the demat account created by the IEPF Authority in terms of provisions of the said Rules as stipulated. Accordingly, the unclaimed or unpaid dividend for consecutive seven years and corresponding shares will be transferred as per the requirements of IEPF rules.

During the year under review, an amount of Rs.2,82,759 /- in respect of unpaid/unclaimed dividend pertaining to the financial year 2008-09 was remitted to IEPF of the Central Government.

It may be noted that no claims will lie with the Company nor the IEPF in respect of the said unclaimed amounts transferred to the Fund.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE :

As the Company does not fall under the criteria stated in section 135 of the Companies Act, 2013, the Company has not formed a CSR Committee.

INDEPENDENT DIRECTORS MEETING :

The Company's Independent Directors meet at least once every year without the presence of Executive Directors or management personnel. Such meetings are conducted informally to enable the Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views.

Further, the Independent Directors also reviews the performance of the Non-Independent Directors, Managing Director (after taking into account the views of Executive and Non-Executive Directors) and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties. During the year under review, one Meeting of Independent Directors was held on March 03, 2017.

All the independent Directors were present at the meeting.

SHAREHOLDERS:

1. Means of Communication:

The reports, statements, documents, filing and any other pieces of information are filed with the electronic platform of the BSE Ltd immediately after they are approved by the Board. These are also published in the Business Standard, an English daily newspaper having all India circulation and in Makkal Kural, a regional daily newspaper published in the language of the region where the Registered Office of the Company is situated.

The Company maintains a functional website containing all prescribed information as mentioned in the Regulation 46 of the Listing Regulations. Further, all periodical compliance filings like Shareholding Patterns, Corporate Governance Report, corporate announcements etc. are filed electronically on BSE Listing Centre, a web based application designed by BSE for corporates.

No presentations have been made to Institutional Investors or to analysts

The Management Discussion and Analysis in respect of the Financial Year forms part of the Directors' Report.

Ministry of Corporate Affairs (MCA)

The Company has periodically filed all the necessary documents with the MCA & the Company has also filed its Annual Financial Statements on MCA through XBRL.

SEBI Complaints Redress System (SCORES)

A centralized web based complaints redressal system which serves as a centralized database of all complaints received, enables uploading of Action Taken Reports (ARTs) by the concerned companies and the investors can view the of actions taken on the complaint and its current status.

In line with the existing provisions of the Listing Regulation, the Company has created a separate e-mail address viz. investorrelations@velanhotels.com to receive complaints and grievances of the investors.

2. Share Transfers Agents:

Both physical and Demat segments are handled by the Company's Registrar & Share Transfer Agent Namely SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy Post, Coimbatore - 641 006.

3. Share Transfer System:

All physical share transfers are effected within 15 days of lodgment, subject to the documents being in order. The Board has delegated the authority for approval of the transfer, transmission etc. to a committee comprising of two Non Executive Directors and one Executive Director. A summary of transfer/transmission of shares so approved by the Committee is placed before the Board periodically.

4. GENERAL BODY MEETINGS :

i. Last three Annual General Body Meetings were held as per details shown below :

| Year | Location | Date | Time |
|------|--|----------------------------------|------------|
| 2016 | Regd. Office at 41, Kangayam Road, Tirupur 641 604 | 30 th September, 2016 | 12.15 p.m. |
| 2015 | Regd. Office at 41, Kangayam Road, Tirupur 641 604 | 29 th September, 2015 | 04.45 p.m. |
| 2014 | Regd. Office at 41, Kangayam Road, Tirupur 641 604 | 29 th September, 2014 | 12.15 p.m. |

ii. **Extra-Ordinary General Meeting :**

No Extra -Ordinary General Meeting was held during the year 2016-17.

iii. **Special Resolutions:**

- a. No special resolution passed at 26th Annual General Meeting the Company.
- b. One special resolution was passed at the 25th Annual General Meeting for alteration of Articles of Association of the Company.
- c. Three special resolutions were passed at the 24th Annual General Meeting viz., Increase in borrowing power of the Company, creation of charges on the assets of the Company and Alteration of Articles of Association of the Company.

iv. Postal Ballot:

No special resolution was put through postal ballot, nor is proposed for this year.

5. DISCLOSURES

- a. There were no material individual transactions with related parties that were not in the ordinary course of business and at arm's length during the financial year ended 31st March, 2017.
- b. There were no materially significant transactions during the Financial Year with related parties such as the Promoters, Directors, Key Managerial Personnel, Relatives that could have potential conflict of interest with the Company;
- c. The Board of Directors receives, from time to time, disclosures relating to financial and commercial transactions, if any, from key managerial personnel of the Company, where they and/ or their relatives have a personal interest.
- d. The Company has not adopted a treatment different from that prescribed in Accounting Standards. While preparing the financial statements of the Company for the year ended 31st March, 2017, the management has ensured that all Accounting Standards have been properly followed and there has been no deviation from this practice.
- e. The Company has in place a mechanism to inform the Board members of the risk assessment and mitigation plans and periodical review to ensure that the critical risks were controlled by the executive management through means of a properly defined framework.
- f. The Company has not come out with any public issue or right issue etc. during the financial year under review.
- g. The Company has complied with all the applicable requirements of the Listing Regulations. The Company has adopted a suitable reporting system on compliances of all major laws applicable to the Company, which was placed before the Board of Directors of the Company at its periodic meeting.
- h. The Company has not adopted the non-mandatory requirements of the Listing Regulations.
- i. The Company has a Code of Conduct for prevention of insider trading in the shares of the Company for Directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- j. The Company has a Whistleblower Policy in place which can be accessed on the Company's website. It is affirmed that no personnel has been denied access to the Chairman of the Audit Committee in terms of the policy. During the year, the Company did not receive any complaints;
- k. No penalties / strictures were imposed on the Company by Stock Exchange or SEBI or any other statutory authorities on any matter relating to the shareholders' complaints, any other matter on account of Non-compliance of any requirements, legal and otherwise during the last three years except a Show Cause Notice was issued by SEBI with regard to non compliance of Minimum Public Shareholding and the soft copy of Annual Report for the financial year 2015-16 was uploaded with web portal of BSE Ltd beyond the time limit prescribed in the Listing Regulation. A detailed explanation was reported in the Report of Board of Directors.
- l. Accounting Standards and Treatment: The accounting treatment as prescribed in the Accounting Standards (AS) has been followed in the preparation of financial statements.
- m. The Managing Director and CFO of the Company have issued necessary Certificate to the Board at its meeting held on 30th May, 2017 in respect of the financial year ended 31st March, 2017 pursuant to the

Schedule II of Regulation 17(8) of the Listing Regulations and the same is attached and forms part of the Annual Report. The Managing Director and Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Regulation 33 of SEBI (Listing Obligations and disclosure requirements), Regulations, 2015.

6. GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting

- i. Date : 27.9.2017
- ii. Time : 11.45 a.m.
- iii. Venue : Registered Office at 41 Kangayam Road, Tirupur - 641 604

b. Financial Calendar :

Financial reporting for the quarter ended September 30,2017 : Before November 14, 2017

Financial reporting for the quarter ending December 31,2017 : Before February 14, 2018

Financial reporting for the Annual for March 31, 2018 : Before May 30, 2018

Financial reporting for the quarter ending June 30, 2018 : Before August 14, 2018

- c. Date of Book Closure : 21.9.2017 to 27.9.2017 (Both days inclusive)
- d. Dividend payment : No dividend is recommended.
- e. Listing on Stock Exchange : Bombay Stock Exchange Ltd.,
& Stock Code 526755

f. Stock price data.

High / Low prices of the share of the Company quoted during the financial year 2016-17 at Bombay Stock Exchange Ltd.

| Month & Year | | High (Rs.) | Low (Rs.) |
|--------------|------|------------|-----------|
| April | 2016 | 6.24 | 4.75 |
| May | 2016 | 6.41 | 4.73 |
| June | 2016 | 5.55 | 4.48 |
| July | 2016 | 7.75 | 4.71 |
| August | 2016 | 6.35 | 4.28 |
| September | 2016 | 5.83 | 3.62 |
| October | 2016 | 7.28 | 4.02 |
| November | 2016 | 7.00 | 5.00 |
| December | 2016 | 7.06 | 4.95 |
| January | 2017 | 6.57 | 4.67 |
| February | 2017 | 6.98 | 5.39 |
| March | 2017 | 7.50 | 5.54 |

- g. To avoid repetition of the report of shareholding pattern, the categories of Shareholders as on 31.03.2017 is reported in the Annexure-B to the Board' report.

h. Distribution of Shareholdings as on 31.03.2017

| Range (Value) | No. of Shareholders | %held (% No. of persons) | Face value of shares | (Rs.)% held (% Value) |
|------------------|---------------------|--------------------------|----------------------|-----------------------|
| Up to 5000 | 7262 | 89.92 | 970409 | 3.04 |
| 5001 to 10000 | 380 | 4.71 | 313867 | 0.98 |
| 10001 to 20000 | 182 | 2.25 | 281236 | 0.88 |
| 20001 to 30000 | 75 | 0.93 | 191386 | 0.60 |
| 30001 to 40000 | 38 | 0.47 | 136263 | 0.43 |
| 40001 to 50000 | 33 | 0.41 | 154380 | 0.48 |
| 50001 and 100000 | 38 | 0.47 | 270268 | 0.84 |
| 100001 and above | 68 | 0.84 | 29646310 | 92.75 |
| TOTAL | 8076 | 100.00 | 31964119 | 100.00 |

i. Demat information as on 31.03.2017

| | | |
|--|---|----------|
| No. of shares dematerialized | : | 30721654 |
| % Total Capital | : | 96.11 |
| No. of share certificates dematerialised | : | 22587 |
| % of Total certificates | : | 70.31 |

j. Reconciliation of Share Capital Audit

In keeping with the requirements of the SEBI and the Stock Exchanges, a Reconciliation of Share Capital Audit by a Practicing Company Secretary is carried out at the end of every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The said audit confirms that the total issued / paid - up capital tallies with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

k. Details on use of public funds obtained in the last three years

During the said period, no fund has been raised.

l. Outstanding GDR/ADR/Warrants and convertible bonds, conversion date and likely impact on equity.

The company has not issued any GDR / ADR or convertible bonds.

m. Compliance Certificate of the auditors

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Regulation 34(3) and Schedule V (E) of the Listing Regulations. The certificate is annexed.

- n. **Location of the Hotels** → Velan Hotels-Greenfields, 41 Kangayam Road, Tirupur 641 604
→ Velan Hotel, Bedford, Ritz Road, Coonoor - 643 101
- o. **Location of the Restaurants** ←→ Velan Uthra Restaurant, Avanashi Road, Behind IDBI Bank Ltd, Tirupur 641 602
- o. **Location of Shopping Mall** → The Velan Esplanade, 41 Kangayam Road, Tirupur 641 604
- p. **Address for correspondence** → Velan Hotels-Greenfields
41 Kangayam Road, Tirupur 641 604 Tamil Nadu
Ph Nos : (+91/0)(421) 2424426 to 30 & 4311111
Fax Nos : (+91/0)(421) 2424434 & 2424444
E-mail : accounts@velanhotels.com & investorrelations@velanhotels.com
Website : www.velanhotels.com
- q. **Compliance Officer** : Sri. M. Srinivasan - Company Secretary

**DECLARATION BY THE MANAGING DIRECTOR UNDER PARA D OF SCHEDULE V OF SEBI
(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with para D of Schedule V of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them, for the financial year ended March 31, 2017.

For and on behalf of the Board
E. V. Muthukumara Ramalingam
Managing Director
(DIN : 00046166)

Place : TIRUPUR
Date : 30.05.2017

**CERTIFICATE OF MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER
OF FINANCIAL STATEMENT**

To
The Board of Directors
M/s. Velan Hotels Limited

Sub : Compliance Certificate furnished by Managing Director and CFO of the Company as for the quarter ended (Q4) and financial year ended 31st March, 2017 as per Part-B of Schedule II of Regulation 17(8) and 33 of SEBI(Listing Obligations and Disclosures Requirements) Regulations, 2015.

We, the undersigned, in our capacities as the Managing Director & CFO of Velan Hotels Limited (the Company) to the best of our knowledge and belief certify that:

- a) We have reviewed the Financial Statements, Financial Result and Cash Flow Statement for the year ended 31st March, 2017 :
- i. These statements do not contain any materially untrue or false statement or omit any material fact or contain statements that might be misleading.
 - ii. These statements present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable Laws & Regulations.
 - iii. No major accounting entry, based on the exercise of judgment by management, has been passed in the above Audited Financial Statements.
 - iv. The Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 are not applicable to the Company, since the Company's net worth is less than Rs.500 Crores.
 - v. The Loan amount due to M/s. Allahabad Bank and M/s. Andhra Bank were acquired by M/s. Raytheon Asset Reconstruction Pvt. Ltd., Allahabad - 380 009 along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secure and/or guarantees issued in respect of the repayment of the loans.
- b) That, there are no transactions entered into by the Company during the year which is fraudulent, illegal or violating the Company's code of conduct.
- c) We are responsible for establishing & maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting for the year under consideration.
- d) We have indicated, based on our evaluation, wherever applicable, to the Auditors and the Audit Committee:
- i. Significant changes, if any, in internal control over financial reporting during the year ;
 - ii. Significant changes, if any, in accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
 - iii. Instances of fraud which we have become aware and the involvement therein, if any, of management or

E. V. Muthukumara Ramalingam

Place : TIRUPUR
Date : 30.05.2017

Managing Director
(DIN : 00046166)

R. Lalitha
Chief Financial Officer



P.S. Krishnan & Co.
Chartered Accountants

40-A, Appachi Nagar Main Road
Tirupur - 641 607
Phone : 2227526 to 2227530
E-mail ID : psكاتup@gmail.com

AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members
Velan Hotels Limited

We have examined the compliance of conditions of Corporate Governance by Velan Hotels Limited for the year ended on March 31, 2017 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations for the period 1ST April, 2016 to March 31, 2017.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company to ensure compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations, as applicable except non-compliance with the requirement of Minimum Public Shareholding (MPS) under Regulation 38 of SEBI (LODR) Regulations, 2015 and Section 12A of the Securities Contracts (Regulation) Act, 1956 read with Rule 19(2) and 19A of the Securities Contracts (Regulation) Rules, 1957 and the soft copy of Annual Report for the financial year 2015-16 was uploaded in the web-portal of BSE Ltd beyond the time limit prescribed in the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : TIRUPUR
Date : 30.05.2017

P.S.KRISHNAN & CO
Chartered Accountants
FRN 001532S

(S. SUBRAMANIAN)
Partner
(Membership No. : 020327)

P.S. Krishnan & Co.
Chartered Accountants

40-A, Appachi Nagar Main Road
Tirupur - 641 607
Phone : 2227526 to 2227530
E-mail ID : psكاتup@gmail.com

AUDITOR'S REPORT

REPORT TO THE SHAREHOLDERS OF VELAN HOTELS LIMITED.

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. Velan Hotels Limited which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgment and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, Accounting and Auditing Standards and matters which are required to be included in the Audit Report under the provisions of the Act and Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on whether the company has in place adequate internal control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read together with Significant Accounting Policies in Note No.28 and Additional Notes on Accounts in Note No.27 and those appearing elsewhere in the accounts, subject to item No.`S` in the additional notes forming part of the accounts in respect of the Term Loan Liabilities due to banks taken over by the asset reconstruction company, give the information required by the Companies Act 2013, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2017;
- ii) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
- iii) in the case of Cash Flow Statement, of the Cash Flow for the year ended on that date

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016, as amended, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014.
 - e. on the basis of written representations received From the Directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017, from being appointed as a Director in terms of sub-section(2) of Section 164 of the Companies Act, 2013.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - 1) The Company has disclosed the impact of pending litigations on its financial statement- refer Note No. P in Note No.27.

- 2) The Company has entered into long term contracts and provision is made for any material foreseeable losses thereon as on date and the Company did not have any derivative contracts during the year.
- 3) During the year, the Company has transferred to Investor Education and Protection Fund Rs. 2,82,759/-, the amount of unclaimed / unpaid dividend pertaining to the Financial Year 2008 - 09 and;
- 4) The Company had provided requisite disclosure in its financial statement as to holding as well as dealing in specified bank notes during the period from 8th November to 30th December 2016 and the same are in accordance with the books of accounts maintained by the Company.

Place : TIRUPUR
Date : 30.05.2017

P.S.KRISHNAN & CO
Chartered Accountants
FRN 001532S

(S. SUBRAMANIAN)
Partner
(Membership No. : 020327)

STATEMENT UNDER COMPANIES (AUDITOR'S REPORT) ORDER 2016
ANNEXURE -A

Referred to in Paragraph 1 under Report on other Legal & Regulatory requirements of our report of even date.

- i) In respect of Fixed Assets :
 - a) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) The Fixed Assets have been physically verified by the Management at reasonable intervals and we are informed that no material discrepancies have been noticed on such verification.
 - c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii) In respect of Inventories :
 - a) The Company has carried out physical verification of inventory at reasonable intervals. No material discrepancies were noticed on such physical verification.
- iii) The Company has not granted any loans, secured or unsecured to Companies/ firms, Limited Liability Partnership or other parties covered in the registered maintained under section 189 of the Companies Act, 2013.
- iv) In our opinion and according to the information and explanations given to us, the company has not made any loan to any of its Directors.
- v) The Company has not accepted any deposit covered by section 73 to 76 of the Companies Act, 2013 and the rules framed thereunder.
- vi) The Central Government has not prescribed for the maintenance of cost records U/s 148(1) of the Act. Hence clause (vi) of the Order is not applicable.
- vii) In respect of statutory dues :
 - a) The Company is not generally regular in depositing the undisputed statutory dues, i.e. Provident Fund, Employees State Insurance, Income tax, Sales Tax, Service Tax, Duties of Customs, Duty of Excise, Value Added Tax, Cess and any other statutory dues with appropriate authorities and the arrear of outstanding dues amounting to Rs.40.07 Lakhs is standing as arrears as on the last date of financial year concerned for a period of more than six months from the date they become payable.
 - b) In our opinion and according to the information and explanations given to us, there are no disputed statutory dues including Income tax, Sales Tax, Wealth Tax, Service Tax, Duties of Customs, Duty of Excise, Value Added Tax, Cess as at the year end.

- (viii) The Company has defaulted in the repayment of term loans due to banks. As a result the said liabilities were acquired by an Asset Reconstruction Company M/s.Raytheon Asset Reconstruction (P) Ltd, Allahabad. The Company has not issued any debentures during the year under consideration.
- (ix) During the year under consideration, the Company did not raise any money by way of public offer, hence clause 3(ix) of the order is not applicable.
- (x) According to the information and explanations given to us, no fraud on or by the Company or by its officers/employees has been noticed or reported during the course of our audit.
- (xi) The Company has not paid any remuneration to the Managing Director and other directors during the year.
- xii) Since the Company is not a Nidhi Company, Clause xii of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 & 188 of the Act wherever applicable and details of such transactions have been disclosed in the financial statements as required by the applicable Accounting Standards.
- xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv) The Company has not entered into any non-cash transactions with Directors or persons connected with him. Accordingly clause xv of the Order is not applicable.
- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Hence Clause xvi is not applicable.

Place : TIRUPUR
Date : 30.05.2017

P.S.KRISHNAN & CO
Chartered Accountants
FRN 001532S

(S. SUBRAMANIAN)
Partner
(Membership No. : 020327)

**ANNEXURE - B****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143
of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of M/s. Velan Hotels Limited, Tirupur as on 31st March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : TIRUPUR
Date : 30.05.2017

P.S.KRISHNAN & CO
Chartered Accountants
FRN 001532S

(S. SUBRAMANIAN)
Partner
(Membership No. : 020327)

BALANCE SHEET AS AT 31ST MARCH 2017

| Particulars | Note No. | As at 31.3.2017 Rs. | As at 31.3.2016 Rs. |
|--|----------|---------------------------|---------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 1 | 31,96,41,190 | 31,96,41,190 |
| (b) Reserves and Surplus | 2 | (8,50,03,138) | 11,09,13,136 |
| (2) Non Current liabilities | | | |
| (a) Deferred tax liabilities (Net) | 3 | 3,62,11,739 | 2,94,07,010 |
| (b) Long Term Borrowings | 4 | 137,94,35,715 | 101,94,07,398 |
| (c) Other Long term provisions | 5 | 54,60,848 | 63,03,568 |
| (d) Others | 6 | 5,80,00,000 | 5,80,00,000 |
| (3) Current Liabilities | | | |
| (a) Short Term Borrowings | 7 | 1,31,33,441 | 1,30,65,121 |
| (b) Trade Payables | 8 | 1,38,08,793 | 1,37,39,465 |
| (c) Other Current Liabilities | 9 | 7,15,74,491 | 25,53,35,049 |
| (d) Short -term provisions | 10 | 0 | 0 |
| Total | | 181,22,63,079 | 182,58,11,937 |
| II. ASSETS | | | |
| (1) Non Current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 11 | 113,06,66,752 | 115,22,73,631 |
| (ii) Capital work-in-progress | | 64,96,44,935 | 64,41,20,220 |
| (b) Long-term loans and advances | 12 | 1,27,98,902 | 1,25,78,557 |
| (2) Current Assets | | | |
| (a) Inventories | 13 | 76,59,043 | 76,04,578 |
| (b) Trade receivables | 14 | 48,18,090 | 25,74,253 |
| (c) Cash and cash equivalents | 15 | 40,75,300 | 56,42,654 |
| (d) Short-term loans and advances | 16 | 26,00,057 | 10,18,044 |
| Total | | 181,22,63,079 | 182,58,11,937 |
| Additional Notes on Accounts | 27 | | |
| Significant Accounting Policies | 28 | | |

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

For **P.S.KRISHNAN & CO**

Chartered Accountants (FRN 001532S)

Sd/-

(S. SUBRAMANIAN)

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 30.05.2017

Sd/-

E.V. Muthukumara Ramalingam

Managing Director (DIN : 00046166)

Sd/-

M. Srinivasan

Company Secretary

Sd/-

M. R. Gautham

Executive Director (DIN : 00046187)

Sd/-

R. Lalitha

Chief Financial Officer

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED ON 31st MARCH 2017

| Particulars | Note No. | Year ended 31.3.2017 Rs. | Year ended 31.3.2016 Rs. |
|---|----------|--------------------------|--------------------------|
| I. Revenue from operations (Gross) | 17 | 11,73,12,353 | 13,01,03,454 |
| Less : Excise duty | | - | - |
| Revenue from operations (Net) | | 11,73,12,353 | 13,01,03,454 |
| II. Other Income | 18 | 65,30,009 | 68,53,749 |
| III. Total (I + II) | | 12,38,42,362 | 13,69,57,203 |
| IV. Expenses | | | |
| Cost of Supplies consumed | 19 | 2,46,38,063 | 3,11,03,517 |
| House keeping & Laundry expenses | 20 | 18,17,943 | 18,12,588 |
| Power & Fuel | 21 | 2,19,35,463 | 2,44,25,953 |
| Employee benefits expenses | 22 | 2,91,10,297 | 3,06,27,563 |
| Repairs and General maintenance | 23 | 91,55,139 | 99,27,860 |
| Finance Cost | 24 | 18,37,20,240 | 15,89,87,454 |
| Other Expenses | 25 | 1,89,90,957 | 1,91,06,899 |
| Depreciation | 26 | 1,95,80,835 | 2,07,52,498 |
| Total Expenses | | 30,89,48,937 | 29,67,44,332 |
| V. Profit / Loss before Exceptional Item and Tax (III-IV) | | (18,51,06,575) | (15,97,87,129) |
| VI. Exceptional Items (Net) | | (34,17,776) | (4,23,280) |
| VII. Profit / Loss before Tax (V+VI) | | (18,85,24,351) | (16,02,10,409) |
| VIII. Extra-ordinary Items | | - | - |
| IX. Less: Tax Expenses | | | |
| 1) Current Tax | | - | - |
| 2) Tax relating to prior years | | (1,02,088) | 2,40,324 |
| 3) MAT Reversal/Entitlement | | - | 14,50,000 |
| 4) Deferred Tax | | 68,04,729 | 18,53,541 |
| X. Profit / Loss for the year | | (19,52,26,992) | (16,37,54,274) |
| XI. Earning per share (of Rs.10 each) | | | |
| (a) Basic / Weighted Average | | (6.11) | (5.12) |
| (b) Diluted | | - | - |
| Additional Notes on Accounts | 27 | | |
| Significant Accounting Policies | 28 | | |

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

For **P.S.KRISHNAN & CO**

Chartered Accountants(FRN 001532S)

Sd/-

(S. SUBRAMANIAN)

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 30.05.2017

Sd/-

E.V. Muthukumara Ramalingam

Managing Director (DIN : 00046166)

Sd/-

M. Srinivasan

Company Secretary

Sd/-

M. R. Gautham

Executive Director (DIN : 00046187)

Sd/-

R. Lalitha

Chief Financial Officer

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016 - 2017

| Particulars | As at 31.3.2017 Rs. | As at 31.3.2016 Rs. |
|---|---------------------------|---------------------------|
| NOTE 1 : SHARE CAPITAL | | |
| AUTHORISED | | |
| 5,00,00,000 Equity Shares of Rs.10/- each | 50,00,00,000 | 50,00,00,000 |
| | 50,00,00,000 | 50,00,00,000 |
| ISSUED SUBSCRIBED AND FULLY PAID-UP | | |
| 3,19,64,119 Equity Shares of Rs.10/- each | 31,96,41,190 | 31,96,41,190 |
| Total | 31,96,41,190 | 31,96,41,190 |
| (a) Reconciliation of Number of Shares | | |
| - Shares outstanding as at 01.04.2016/01.04.2015 | 3,19,64,119 | 3,19,64,119 |
| - Issued during the year | - | - |
| - Shares outstanding as at 31.03.2017/31.03.2016 | 3,19,64,119 | 3,19,64,119 |
| (b) List of shareholders holding more than 5% of the total number of shares issued by the Company: | | |
| Name of the Share holders | | |
| 1. Sri.E.V.Muthukumararamalingam | 1,26,78,383 | 12678383 |
| 2. Sri.M.R.Gautham | 64,20,750 | 64,20,750 |
| 3. Shree Vallee Enterprises private limited | 28,26,934 | 28,26,934 |
| 4. Smt.M.Sasikala | 21,30,743 | 21,30,743 |
| (c) The Company has only one class of shares i.e. equity shares with equal voting rights. | | |
| NOTE 2 : RESERVES AND SURPLUS | | |
| (a) Capital Reserve | | |
| Revaluation Reserve | 7,16,83,901 | 7,16,83,901 |
| (Reserves created out of revaluation of Land & Building Situated at Tirupur) | | |
| Less: Depreciation on revalued assets | 1,05,12,846 | 98,23,564 |
| | 6,11,71,055 | 6,18,60,337 |
| (b) Surplus in Statement of Profit and Loss | | |
| Opening balance | (26,57,30,748) | (10,19,76,474) |
| Add: Profit / Loss for the year | (19,52,26,992) | (16,37,54,274) |
| Closing balance | (46,09,57,740) | (26,57,30,748) |
| (c) Other Reserve | | |
| Security premium Account | 31,47,83,547 | 31,47,83,547 |
| | 31,47,83,547 | 31,47,83,547 |
| Total (a+b+c) | (8,50,03,138) | 11,09,13,136 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016 - 2017

| Particulars | As at 31.3.2017 Rs. | As at 31.3.2016 Rs. |
|--|---------------------------|---------------------------|
| NOTE 3 : DEFERRED TAX LIABILITIES | | |
| Opening Balance | 2,94,07,010 | 2,75,53,469 |
| Provision / (Reversal) | 68,04,729 | 18,53,541 |
| Closing Balance | 3,62,11,739 | 2,94,07,010 |
| NOTE 4 : LONG-TERM LIABILITIES | | |
| a) Term Loans - From Banks | - | 95,93,67,647 |
| b) Secured Loans - From Asset Reconstruction Company | 131,61,00,964 | - |
| c) Loans and Advances from Directors | 4,27,42,712 | 3,94,47,712 |
| d) Security Deposits from Tenants | 2,05,92,039 | 2,05,92,039 |
| | 137,94,35,715 | 101,94,07,398 |
| NOTE 5 : OTHER LONG TERM PROVISIONS | | |
| a) Provision for employee benefits | 54,60,848 | 37,43,132 |
| b) Provision for taxation - income tax | - | 25,60,436 |
| | 54,60,848 | 63,03,568 |
| NOTE 6 : OTHERS | | |
| a) Others | 5,80,00,000 | 5,80,00,000 |
| | 5,80,00,000 | 5,80,00,000 |
| NOTE 7 : SHORT TERM BORROWINGS - SECURED | | |
| a) Working Capital Loan from Bank | 1,31,33,441 | 1,30,65,121 |
| | 1,31,33,441 | 1,30,65,121 |
| NOTE 8 : TRADE PAYABLES | | |
| Trade Payable | 1,38,08,793 | 1,37,39,465 |
| | 1,38,08,793 | 1,37,39,465 |
| NOTE 9 : OTHER CURRENT LIABILITIES | | |
| a) Current maturities of long-term debt | - | 8,92,49,389 |
| b) Interest accrued and due on borrowing | - | 8,71,35,463 |
| c) Unpaid dividend | 7,81,071 | 10,63,830 |
| d) Statutory liabilities | 82,83,889 | 1,33,12,417 |
| e) Other Payables | 75,16,778 | 90,24,320 |
| f) Capital Goods Liability | 5,47,09,796 | 5,51,45,566 |
| g) Advance / Progress Payments from Customers | 2,82,958 | 4,04,064 |
| | 7,15,74,491 | 25,53,35,049 |
| NOTE 10 : SHORT - TERM PROVISIONS | | |
| | - | - |
| | - | - |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016-2017
NOTE 11 : FIXED ASSETS

| Description of Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|-----------------------|----------------------|------------------|--------------------|----------------------|---------------------|--------------------|--------------------|---------------------|----------------------|----------------------|
| | As at 1.4.2016 | Additions | Deletions | As at 31.3.2017 | Up to 31.3.2016 | For the year | With drawn | Up to 31.3.2017 | As at 31.3.2016 | As at 31.3.2017 |
| Land | 45,01,50,385 | - | - | 45,01,50,385 | - | - | - | - | 45,01,50,385 | 45,01,50,385 |
| Building | 68,40,96,492 | 24,75,285 | - | 68,65,71,777 | 7,09,55,588 | 1,10,32,619 | - | 8,19,88,207 | 61,31,40,904 | 60,45,83,570 |
| Plant & Machinery | 14,63,96,686 | 3,87,358 | 5,07,214 | 14,62,76,830 | 6,93,83,647 | 69,53,750 | 2,19,805 | 7,61,17,592 | 7,70,13,039 | 7,01,59,238 |
| Furniture & Fittings | 3,52,19,784 | - | 1,55,66,550 | 1,96,53,234 | 2,88,69,119 | 9,64,654 | 1,17,46,901 | 1,80,86,872 | 63,50,665 | 15,66,362 |
| Vehicles | 1,05,94,569 | 34,76,158 | 71,07,150 | 69,63,577 | 49,75,931 | 6,29,812 | 28,49,363 | 27,56,380 | 56,18,638 | 42,07,197 |
| | 132,64,57,916 | 63,38,801 | 2,31,80,914 | 130,96,15,803 | 17,41,84,285 | 1,95,80,835 | 1,48,16,069 | 17,89,49,051 | 115,22,73,631 | 113,06,66,752 |

| Particulars | As at 31.3.2017 Rs. | As at 31.3.2016 Rs. |
|--|---|--|
| NOTE 12 : LONG-TERM LOANS AND ADVANCES (Unsecured, considered good) | | |
| (a) Deposit with others | 30,71,671 | 28,51,326 |
| (b) Other Non-Current Assets | 8,96,540 | 8,96,540 |
| (c) MAT Entitlement | 52,63,540 | 52,63,540 |
| (d) Balance with Revenue Authorities | 35,67,151 | 35,67,151 |
| | 1,27,98,902 | 1,25,78,557 |
| NOTE 13 : INVENTORIES (a) Stores and Provisions (Valued at Lower of cost or Market Price and as certified by the Management) | 76,59,043 | 76,04,578 |
| | 76,59,043 | 76,04,578 |
| NOTE 14 : TRADE RECEIVABLES UNSECURED, CONSIDERED GOOD (*Includes an amount of Rs.33128 (P.Y. 103983) outstanding for a period exceeding six months from the date they are become due) | 48,18,090 | 25,74,253 |
| | 48,18,090 | 25,74,253 |
| NOTE : 15 CASH AND CASH EQUIVALENTS Cash on hand Balance with bank - Current Accounts - Fixed Deposits - Unpaid Dividend Accounts | 16,97,775 7,21,584 8,74,870 7,81,071 | 28,53,315 8,76,012 8,49,497 10,63,830 |
| | 40,75,300 | 56,42,654 |
| NOTE 16 : SHORT-TERM LOANS AND ADVANCES UNSECURED, CONSIDERED GOOD (Advances recoverable in cash or kind or for value to be received) | | |
| (a) Advances (others) | 19,12,906 | 1,80,862 |
| (b) Prepaid Taxes | 6,87,151 | 8,37,182 |
| | 26,00,057 | 10,18,044 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016 - 2017

| Particulars | 31.3.2017 Rs. | 31.3.2016 Rs. |
|--|---------------------|---------------------|
| NOTE 17 : REVENUE FROM OPERATIONS | | |
| Sale of Services | | |
| a) Guest Accommodation | 5,45,32,319 | 5,72,57,230 |
| b) Others | 2,31,000 | 2,31,000 |
| Sale of Products | | |
| a) Food & Beverage | 4,73,55,789 | 5,63,87,522 |
| b) Liquor | 1,16,41,209 | 1,07,40,519 |
| Other Operative Services | | |
| a) Swimming Pool Income | 11,59,340 | 18,82,010 |
| b) Service Charges | 10,39,723 | 10,71,922 |
| c) Laundry Receipts | 11,45,592 | 11,50,099 |
| d) Telephone Charges Receipts | 2,07,381 | 13,83,154 |
| | 11,73,12,353 | 13,01,03,454 |
| NOTE 18 : OTHER INCOME | | |
| a) Interest Receipts | 1,45,639 | 2,15,338 |
| b) Misc. Income | 50,52,412 | 62,52,759 |
| c) Sundry Balance w/back | 11,16,688 | 1,91,326 |
| d) Other Income | 2,10,000 | 1,46,230 |
| e) Rounded off | 1,510 | 1,049 |
| f) Commission | 3,760 | 34,827 |
| g) Profit on Sale of Asset | - | 12,220 |
| | 65,30,009 | 68,53,749 |
| NOTE 19 : COST OF SUPPLIES CONSUMED | | |
| Opening Stock | 76,04,578 | 87,74,526 |
| Purchases | 2,46,92,528 | 2,99,33,569 |
| | 3,22,97,106 | 3,87,08,095 |
| Less: Closing Stock | 76,59,043 | 76,04,578 |
| | 2,46,38,063 | 3,11,03,517 |
| NOTE 20 : HOUSEKEEPING AND LAUNDRY EXPENSES | | |
| Housekeeping Expenses | 18,17,943 | 18,12,588 |
| | 18,17,943 | 18,12,588 |
| NOTE 21 : POWER & FUEL | | |
| Electricity Charges | 1,03,83,439 | 1,11,63,440 |
| Diesel & Lubricants | 23,54,365 | 28,99,174 |
| Firewood | 62,01,748 | 68,45,099 |
| Gas | 17,45,315 | 21,54,652 |
| Charcoal | 3,46,840 | 4,47,458 |
| Water | 9,03,756 | 9,16,130 |
| | 2,19,35,463 | 2,44,25,953 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016 - 2017

| Particulars | 31.3.2017 Rs. | 31.3.2016 Rs. |
|--|---------------------|---------------------|
| NOTE 22 : EMPLOYEE BENEFITS EXPENSES | | |
| Salary & Wages | 2,46,12,126 | 2,68,28,496 |
| Director Remuneration | - | 10,40,000 |
| Bonus & Ex-Gratia | 7,10,403 | 6,83,272 |
| Gratuity & Leave Salary | 19,68,527 | 46,400 |
| Staff Welfare Expenses | 6,17,234 | 9,87,281 |
| Contribution to Statutory Funds | 12,02,007 | 10,42,114 |
| | 2,91,10,297 | 3,06,27,563 |
| NOTE 23 : REPAIRS AND GENERAL MAINTENANCE | | |
| Building | 24,11,823 | 26,67,952 |
| Machinery | 62,74,840 | 69,28,565 |
| Others | 4,68,476 | 3,31,343 |
| | 91,55,139 | 99,27,860 |
| NOTE 24 : FINANCE COST | | |
| Term Loan Interest | 18,03,91,667 | 15,65,06,055 |
| Working Capital Loan Interest | 19,96,461 | 20,39,403 |
| Others | 13,32,112 | 4,41,996 |
| | 18,37,20,240 | 15,89,87,454 |
| NOTE 25 : OTHER EXPENSES | | |
| a) Selling Expenses | | |
| Advertisement | 2,75,348 | 3,03,205 |
| Credit Card Service Charges | 1,56,432 | 1,46,100 |
| Business Promotion Expenses | 15,79,722 | 14,69,932 |
| Discount | 1,80,291 | 1,45,472 |
| b) Administrative expenses | | |
| Bank Charges | 13,47,564 | 20,00,168 |
| Filing Fee | 16,000 | 21,800 |
| Telephone Charges | 11,82,082 | 12,80,537 |
| Printing & Stationery | 5,89,863 | 6,55,902 |
| Misc. Expenses | 4,91,254 | 3,49,908 |
| Postage & Telegram | 3,12,089 | 2,40,906 |
| Periodicals & News Papers | 1,21,839 | 1,28,294 |
| Carriage Inward | 67,380 | 3,28,667 |
| Professional Fees | 21,25,240 | 15,35,877 |
| Lease Rent | 7,97,580 | 8,97,580 |
| Loss on Sale of Asset | 14,32,787 | 8,677 |
| Rates & Taxes | 36,11,721 | 43,11,923 |
| Travelling & Conveyence | 26,83,001 | 19,53,337 |
| Insurance | 5,15,967 | 6,55,147 |
| Pooja Expenses | 36,398 | 80,035 |
| Subscription | 83,461 | 58,220 |

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2016 - 2017

| Particulars | 31.3.2017 Rs. | 31.3.2016 Rs. |
|--|--------------------|------------------|
| b) Administrative expenses (Contd.) | | |
| Remuneration to Auditors | | |
| - Statutory Audit | 75,000 | 75,000 |
| - Tax Audit | 25,000 | 25,000 |
| - Taxation Matters | 50,000 | 50,000 |
| - Certification work | 90,500 | 75,420 |
| - Others & Service Tax | 24,000 | 21,000 |
| Internal audit fee | 3,64,320 | 3,31,200 |
| Luxury Tax | - | 71,621 |
| Share Transfer Expenses | 1,47,473 | 2,24,329 |
| Vehicle running expenses | 6,00,145 | 11,53,459 |
| Security service charges | 8,500 | 1,94,564 |
| Service Tax Reversal | - | 3,13,620 |
| | 1,89,90,957 | 1,91,06,899 |
| NOTE 26 : DEPRECIATION | | |
| Building | 1,10,32,619 | 98,65,983 |
| Plant & Machinery | 69,53,750 | 63,18,807 |
| Furniture & Fittings | 9,64,654 | 33,26,486 |
| Vehicles | 6,29,812 | 12,41,222 |
| | 1,95,80,835 | 2,07,52,498 |

NOTE 27 : ADDITIONAL NOTES

- a. Estimated amount of the contracts remaining to be executed on capital account and not provided for : Not ascertainable. (Previous Year - Not Ascertainable)
- b. The company has not given any guarantee.
- c. Contingent Liabilities not provided for in the books of accounts - Not ascertainable. (Previous year Rs. Not ascertainable)
- d. Expenditure on employees who are in receipt of remuneration of not less than Rs. 1,02,00,000/- per annum (previous year Rs. 60,00,000/- per annum) when employed through out the year or Rs. 8,50,000/- per month (previous year Rs. 5,00,000/- per month) when employed for part of the year is nil (previous year Rs. Nil.)
- e. Previous year figures have been regrouped and/or reclassified wherever necessary,
- f. The figures have been rounded off to the nearest Rupee.
- g. Balances in Sundry Debtors, Creditors and Loans & Advances are subject to confirmation and reconciliation and are stated at the book balance thereof.
- h. In the opinion of the Management, the Current Assets, Loans & Advances will fetch the amount as stated, if realized in the ordinary course of its business.

i. Income of the Company includes the following :

| Particulars | 31.3.2017 Rs. | 31.3.2016 Rs. |
|------------------------|---------------------|------------------|
| Guest Accommodation | 5,45,32,319 | 5,72,57,230 |
| Foods & Beverage Sales | 4,73,55,789 | 5,63,87,522 |
| Wine & Liquor | 1,16,41,209 | 1,07,40,519 |
| Telephone Receipts | 2,07,381 | 13,83,154 |
| Others | 1,01,05,664 | 1,11,88,778 |
| | 12,38,42,362 | 13,69,57,203 |
| i) Opening Stock | | |
| Provisions, & Supplies | 58,75,883 | 83,72,670 |
| Wine & Liquor | 17,28,695 | 4,01,856 |
| | 76,04,578 | 87,74,526 |
| ii) Closing Stock | | |
| Provisions & Supplies | 73,47,110 | 58,75,883 |
| Wine & Liquor | 3,11,933 | 17,28,695 |
| | 76,59,043 | 76,04,578 |
| iii) Consumption | | |
| Provisions & Supplies | 2,05,64,750 | 2,84,69,583 |
| Wine & Liquor | 40,73,313 | 26,33,934 |
| | 2,46,38,063 | 3,11,03,517 |

v) Break-up of consumption of Provisions and Supplies into imported and Indigenous.

| | 2016- 2017 | | 2015- 2016 | |
|----------------------------------|--------------|-----------------|--------------|-----------------|
| | Value Rs. | Percentage % | Value Rs. | Percentage % |
| PROVISIONS & SUPPLIES | | | | |
| Imported | Nil | Nil | Nil | Nil |
| Indigenous | 2,46,38,063 | 100% | 3,11,03,517 | 100% |

j. TERM LOANS :

1. M/s.Raytheon Asset Reconstruction P Ltd:
Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonoor and Hypothecation of entire current assets of the Company along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secured and/or guarantees issued. The loan is also personally guaranteed by the Managing Director & Executive Director of the company.
2. Axis Bank Limited – Vehicle Loan
Secured by way of hypothecation of the Vehicle of the Company.

k. EARNING IN FOREIGN EXCHANGE

| (As reported by the Management to the Department of Tourism but not verified by the Auditors) | 2016 - 2017 | 2015 - 2016 |
|---|------------------|------------------|
| | Rs. 302.64 Lakhs | Rs. 307.94 Lakhs |

l. CIF VALUE OF IMPORTS

| Capital Goods | 2016 - 2017 | 2015 - 2016 |
|---------------|-------------|-------------|
| | Rs. Nil | Rs. Nil |

m. The Company has called for details of applicability from trade parties from the provisions of Micro, Small and Medium Enterprises Development Act, 2006, However no reply has been received from any of the parties, In view of the above no disclosure is made under Micro, Small and Medium Enterprises Development Act, 2006.

n. Earning per share :

- a. Basic earnings per share are calculated by dividing the net profit/loss attributable to the share holders by the total number of ordinary shares outstanding during the year.
- b. The following reflects the income and share data used by the company for this calculation of basic earnings per share :-

| Particulars | 31.3.2017 Rs. | 31.3.2016 Rs. |
|---|-----------------------|------------------|
| Profit / Loss before Tax for the year | (18,51,06,575) | (15,97,87,129) |
| Net Profit / Loss for the year attributable to equity share holders (A) | (19,52,26,992) | (16,37,54,274) |
| No. of equity shares (In Numbers) (B) | 3,19,64,119 | 3,19,64,119 |
| Earnings per share/ Weighted Average (A) / (B) | (6.11) | (5.12) |
| Nominal value per share | 10/- | 10/- |

- o. Net Deferred Tax in respect of the year ending 31st March 2017 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2017 are computed as below :

DEFERRED TAX LIABILITY

Rs. in Lakhs

| S. No. | Particulars | Opening Balance | Provided during the year | Closing Balance |
|--------|--|-----------------|--------------------------|-----------------|
| 1. | Depreciation on account of difference in Depreciation under Income Tax Act and books of accounts | 294.07 | 68.05 | 362.12 |
| | Total (A) | 294.07 | 68.05 | 362.12 |

- p. The Company is having pending litigations against its Bankers. The company filed writ petitions and appeals against notices issued by the bankers/ orders issued by the DRT at various forums and challenged the legality and validity of these notices / orders.

q. Related Party Transactions.

The following are the transactions with related parties in terms of Accounting Standard 18 Issued by the ICAI.

1. List of related parties and nature of relationships :

Parties with whom the company has entered into transactions during the year :

a. Interested Concerns

| | |
|----|--|
| I | M/s.Shree Vallee Enterprises Private Limited |
| II | The Velan Petroleum Agencies |

b. Key Management Personnel :

| | |
|------|---|
| I | Sri. E.V. Muthukumara Ramalingam, Managing Director |
| II | Sri. M.R. Gautham, Executive Director |
| III | Sri. P. Ganesan, Director |
| IV | Smt. Sasikala, Director |
| V | Sri. Giri Balasubramaniam, Director |
| VI | Sri. B. A. Madhusudhan, Director |
| VII | Sri. S.P.Sivanandam, Director |
| VIII | Sri.Srinivasan - Company Secretary |
| IX | Smt.R.Lalitha - CFO. |

2. Transactions carried out with related parties referred to above in the ordinary course of Business :

| S.No. | Name of the party | Relation ship | Nature of transactions | Amount (in Rs.) | Amount outstanding as on 31.03.2017 | Amount w/o during the year |
|-------|---|--------------------------|------------------------|-----------------|-------------------------------------|----------------------------|
| 1. | Sri. E.V. Muthukumara Ramalingam, Managing Director | Key Managerial personnel | Fuel Purchase | 16,75,548 | 60,95,903(Cr) | Nil |
| 2. | Sri.M.R.Gautham Executive Director | Key Managerial personnel | - | - | 3,66,46,808(Cr) | Nil |
| 3. | Sri. Srinivasan CompanySecretary | Key Managerial personnel | Salary | 2,88,000 | Nil | Nil |
| 4. | Smt.R.Lalitha-CFO. | Key Managerial personnel | Salary | 7,61,075 | Nil | Nil |

r. Details with regards to Specified Bank Notes held and transacted during the period from 8th November 2016 to 30th December 2016

| Particulars | Specified bank notes | Other Denomination Notes | Total |
|---------------------------------------|----------------------|--------------------------|-----------|
| Closing cash in hand as on 08.11.2016 | 7,05,000 | 15,42,527 | 22,47,527 |
| Add : Permitted Receipts | 0 | 27,52,652 | 27,52,652 |
| Less : Permitted Payments | 0 | 30,49,870 | 30,49,870 |
| Less : Amount Deposited in Bank | 7,05,000 | 215 | 7,05,215 |
| Closing cash in hand as on 30.12.2016 | 0 | 12,45,094 | 12,45,094 |

s. A letter was received from M/s. Raytheon Asset Reconstruction Pvt Ltd(ARC), Allahabad – 380 009 dated 21st April 2017 stating that the Term Loan Liabilities due to M/s.Allahabad Bank, Tirupur and M/s.Andhra Bank, Coimbatore by the company were acquired by them as per the agreement dt: 21.03.2017 and 31.03.2017 along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secure and/or guarantees issued in respect of the repayment of the loans without disclosing the purchase consideration payable by the ARC to the Banks. In the absence of details, the entire term loan liabilities of the banks together with interest due to the said banks were shown as liability due to the asset reconstruction company without furnishing the amount relating to the principal loan amount, current maturities of long term debts and interest accrued and due on borrowings in the annual accounts.

t. Notes 1 to 28 form an integral part of annual accounts.

NOTE 28 : SIGNIFICANT ACCOUNTING POLICES

a) Basis of Presentation :

The financial statement of the company has been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, and the relevant provisions of the companies act, 2013 as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year and is in accordance with ICDS I.

b) Revenue Recognition :

Income from guest accommodation is recognized on a day to day basis after the guest checks into the hotel. Sale of food and beverage is recognized at the point of serving those items to the guest. Sales exclude amount recovered towards taxes.

c) Foreign Currency Transactions :

Foreign Currency Transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate prevailing at the time of transaction. Closing balances of current assets and current liabilities are converted at the rates of exchange prevailing at the end of the year. Any increase/decrease arising out of the above is adjusted to the Statement of profit and loss account.

d) Fixed Assets

Fixed Assets are stated at historical cost of acquisition, which is inclusive of freight, installation charges and other incidental expenses or at revalued amounts wherever such assets have been revalued.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as "Capital Advances" under Long Term Loans and Advances and cost of fixed assets not ready to use before such date is disclosed under "Capital-Work-in-Progress"

e) Depreciation

a. Depreciation is provided under Straight Line method on assets on pro-rata basis at the rates specified in Schedule II to the Companies Act, 2013.

b. Depreciation on assets revalued in the year is calculated on its revalued figure on Straight Line Method at the rates specified in Schedule II to the Companies Act, 2013. The additional charge of depreciation on account of revaluation is deducted from revaluation reserve and credited to the Statement of Profit and Loss.

f) Valuation of Inventory :

Provisions and Supplies are valued at cost or net realizable value. Cost Includes all direct costs and applicable overheads to bring the goods to the present location and condition. Wherever the net realizable value is less than such cost, the net realizable value is adopted for valuation.

g) Employee Benefits

1. Defined Contribution Plan

Contributions to Provident and Other Statutory Funds are recognized in the Statement of Profit and Loss.

2. Defined Benefit Plan

Company's liabilities towards gratuity and leave encashment are determined on actuarial valuation basis. Obligation is measured at the year end at present value of future cash flows using a discounted rate.

3. Short Term Benefits

Short term employee benefits are recognized as expenses as per the company's scheme based on expected obligation on undiscounted basis.

h) Contingencies and events occurring after the date of Balance sheet

Events, where material, occurring after the date of the balance sheet are considered upto the date of approval of accounts

i) Contingent Liabilities

Contingent liabilities are not recognized, but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

j) Net Profit for the period, Prior period items and changes in Accounting Polices

Prior period adjustments and extraordinary items having material impact on the financial affairs of the company are disclosed separately.

k) Borrowing Cost

Borrowing costs are capitalized as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

l) Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the year based on applicable tax rates and laws. Deferred Tax is recognized subject to consideration of prudence in respect of deferred tax assets, on timing difference, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. At the year end, deferred tax assets and deferred tax liabilities are netted off in the balance sheet.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017

| Particulars | Year ended on 31.3.2017 | | Year ended on 31.3.2016 | |
|--|----------------------------|----------------|----------------------------|----------------|
| | Rs. | | Rs. | |
| A. Cash Flow from operating Activities | | | | |
| Net Profit Before Tax | | (18,85,24,351) | | (16,02,10,409) |
| Add: Extra Ordinary Items | 34,17,776 | | 4,23,280 | |
| Loss on sale of assets | 14,32,787 | 48,50,563 | 8,678 | 4,31,958 |
| Less: Extra Ordinary Items | | (18,36,73,788) | | (15,97,78,451) |
| Short provision towards taxation | (1,02,088) | | 2,40,324 | |
| Profit on sale of assets | - | (1,02,088) | 12,220 | 2,52,544 |
| | | (18,35,71,700) | | (16,00,30,995) |
| Adjustment for : | | | | |
| Depreciation | 1,95,80,835 | | 2,07,52,498 | |
| Interest Receipts | 1,45,639 | | 2,15,338 | |
| Finance cost | 18,37,20,240 | 20,34,46,714 | 15,89,87,454 | 17,99,55,290 |
| Operating Profit before working Capital changes | | 1,98,75,014 | | 1,99,24,295 |
| (Increase)/Decrease in Trade Receivables | (22,43,837) | | 1,00,38,027 | |
| (Increase)/Decrease in Inventories | (54,465) | | 11,69,948 | |
| (Increase)/Decrease in Short term loans&Advances | (15,82,013) | | (1,08,348) | |
| (Increase)/Decrease in Long term loans&Advances | (2,20,345) | | 7,16,859 | |
| Increase/(Decrease) in Trade Payables | 69,328 | | 5,41,299 | |
| Increase/(Decrease) in Other Payables | (18,43,20,519) | (18,83,51,851) | 50,17,961 | 1,73,75,746 |
| Cash generated from operations | | (16,84,76,837) | | 3,73,00,041 |
| Taxes paid | - | | 27,40,324 | |
| Gratuity and Leave salary and Bonus paid | - | - | 6,09,284 | 33,49,608 |
| B. Cash flow from investing activities | | (16,84,76,837) | | 3,39,50,433 |
| Capital Expenditure | (1,18,63,516) | | (1,90,05,490) | |
| Proceeds from sale of fixed assets | 28,25,000 | (90,38,516) | 31,585 | (1,89,73,905) |
| Net cash used in investing activities | | (17,75,15,353) | | 1,49,76,528 |
| C. Cash from Financing Activities | | | | |
| Finance Cost | 18,37,20,240 | | 15,89,87,454 | |
| Interest receipts | 1,45,639 | | 2,15,338 | |
| Dividend Paid | 2,82,759 | | 2,46,745 | |
| Proceeds from Long term borrowings | (36,00,28,317) | | (14,56,81,662) | |
| Proceeds from short term borrowings | (68,320) | (17,59,47,999) | 13,247 | 1,37,81,122 |
| Net increase / Decrease in cash /cash equivalents | | (15,67,354) | | 11,95,406 |
| Cash and cash equivalents opening as on 01.04.2016 / 01.04.2015 | | 56,42,654 | | 44,47,248 |
| Cash and cash equivalents closing as on 31.03.2017/31.03.2016 | | 40,75,300 | | 56,42,654 |

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

For **P.S.KRISHNAN & CO**

Chartered Accountants(FRN 001532S)

Sd/-

(S. SUBRAMANIAN)

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 30.05.2017

Sd/-

E.V. Muthukumara Ramalingam

Managing Director (DIN : 00046166)

Sd/-

M. R. Gautham

Executive Director (DIN : 00046187)

Sd/-

M. Srinivasan

Company Secretary

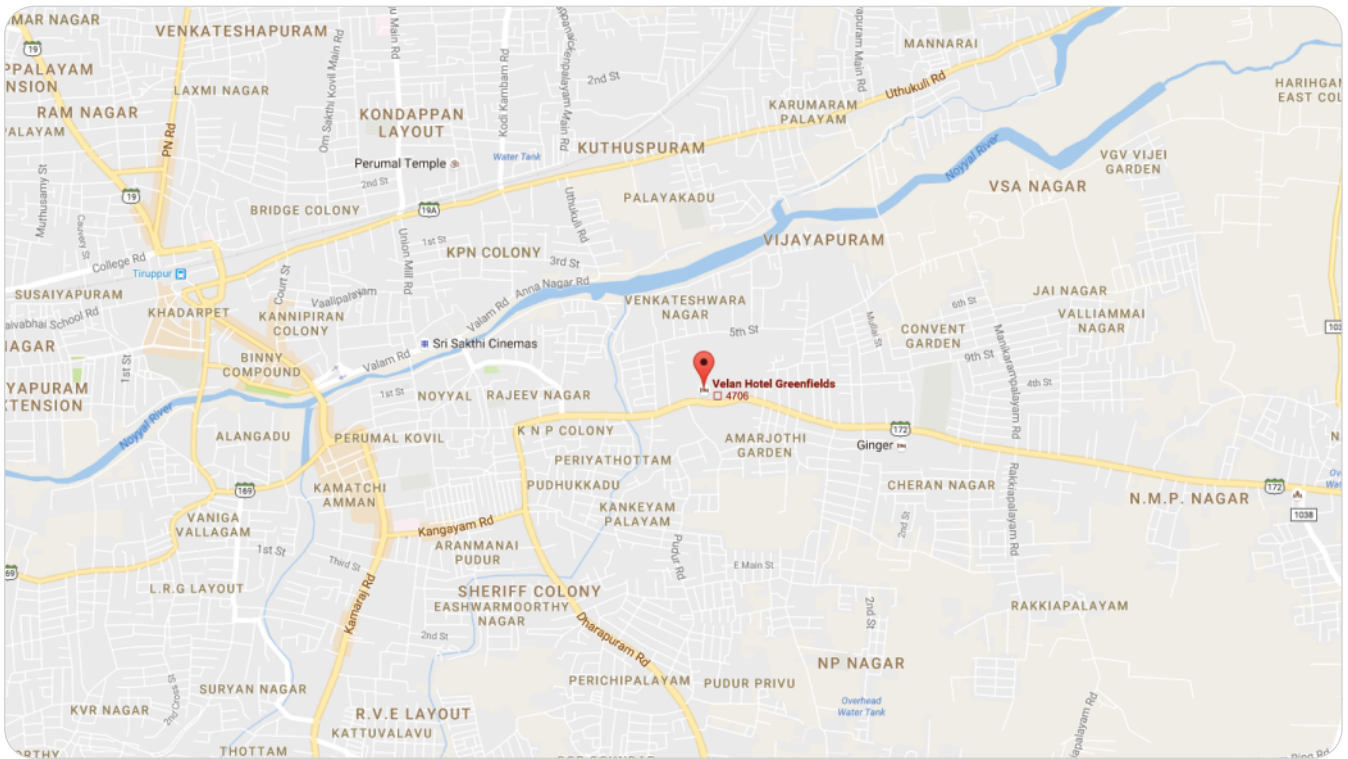
Sd/-

R. Lalitha

Chief Financial Officer

Velan Hotel Limited

Venue of A G M : Route Map : Pursuant to SS-2 : Secretarial Standard on General Meeting.





VELAN HOTELS LTD

CIN : L55101TZ1990PLC002653

Registered Office : 41, Kangayam Road, Tirupur - 641 604.

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Name & Address of the Shareholder

SEQUENCE No:

FOLIO No :

DP.ID :

Client ID :

I hereby record my presence at the 27th ANNUAL GENERAL MEETING at 41, Kangayam Road, Tirupur - 641 604 on Wednesday, 27th September, 2017 at 11.45 a.m.

| |
|----------------------------------|
| Signature of the Member or Proxy |
| |

| |
|-------------------|
| No. of Share held |
| |

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | |
|---------------------|--------------------------------------|
| CIN | L55101TZ1990PLC002653 |
| Name of the Company | VELAN HOTELS LTD |
| Registered Office | 41, Kangayam Road, Tirupur - 641 604 |

| | |
|-------------------------|--|
| Name of the shareholder | |
| Registered address | |
| E-mail ID | |
| Folio No. / Client ID | |
| DP ID | |

I/We, being the shareholder (s) of shares of the above named company, hereby appoint

| | | |
|---|-----------|--|
| 1 | Name | |
| | Address | |
| | E-mail ID | |
| | Signature | |

or failing him

| | | |
|---|-----------|--|
| 2 | Name | |
| | Address | |
| | E-mail ID | |
| | Signature | |

or failing him

| | | |
|---|-----------|--|
| 3 | Name | |
| | Address | |
| | E-mail ID | |
| | Signature | |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on Wednesday, the 27th September, 2017 at 11.45 a.m. at 41, Kangayam Road, Tirupur - 641 604 and at any adjournment thereof in respect of such resolutions as are indicated below :

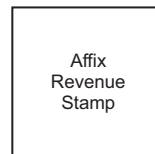
Resolution No. ()

| | |
|---|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| 6 | |

Signed this day of 2017.

Signature of shareholder :

Signature of Proxy holder(s) :



Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.