

VELAN HOTELS LIMITED

24th ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2014

BOARD OF DIRECTORS

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI P.GANESAN
DIRECTOR

SRI.GIRI BALASUBRAMANIAN
DIRECTOR

DR. NAMASIVAYAM KARTHIKEYAN
DIRECTOR

SRI.B.A.MADHUSUDHAN
WHOLE-TIME DIRECTOR

SMT.M.SASIKALA
DIRECTOR

SRI.K.SUBRAMANIAM
DIRECTOR

COMPANY SECRETARY
SRI.M.SRINIVASAN

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 : pskcatur@gmail.com

**REGISTRAR & SHARE TRANSFER AGENT
(PHYSICAL & DEMAT)**
SKDC CONSULTANTS LTD.
"KANAPATHY TOWERS"
3RD FLOOR, 1391/A-1 SATHY ROAD
GANAPATHY POST, COIMBATORE 641 006
PHONE : 0422-6549995
E-MAIL : info@skdc-consultants.com

BANKERS

ALLAHABAD BANK
ANDHRA BANK
AXIS BANK LIMITED
UNION BANK OF INDIA

REGD. & ADMINISTRATIVE OFFICE

41 KANGAYAM ROAD
TIRUPUR - 641 604
TAMIL NADU

LOCATION OF HOTELS

VELAN HOTEL-GREENFIELDS
41 KANGAYAM ROAD
TIRUPUR - 641 604
TAMILNADU

VELAN HOTEL
RITZ ROAD, BEDFORD
COONOR 643 101
TAMILNADU

LOCATION OF RESTAURANTS

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

THE VELAN FOOD PARK
RAJAJI ROAD
RAM NAGAR
COIMBATORE 641 009

PROJECTS IN PROGRESS

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

NOTICE	3
DIRECTORS' REPORT	18
MANAGEMENT DISCUSSION AND ANALYSIS	23
REPORT ON CORPORATE GOVERNANCE	27
AUDITORS' REPORT	40
BALANCE SHEET	44
PROFIT & LOSS ACCOUNT	45
NOTES	46
ADDITIONAL NOTES	52
SIGNIFICANT ACCOUNTING POLICIES	55
CASH FLOW STATEMENT	57

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 24th Annual General Meeting of the Company will be held at the Registered Office of the Company situate at 41, Kangayam Road, Tirupur - 641 604 on Monday, 29th September, 2014 at 12.15 p.m. to transact the following business :

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and Profit & Loss Account for the year ended as on that date, the Reports of the Auditors and Directors of the Company and Cash Flow Statement
2. To appoint a Director in place of Sri.K.Subramaniam (holding DIN 01521654) who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt.M.Sasikala (holding DIN 01452586) who retires by rotation, and being eligible, offers herself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS**Item No.5. Appointment of Sri.S.P.Sivanandam as an Independent Director**

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 Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri.S.P.Sivanandam (holding DIN 01864334) be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the 29th September, 2014 to 28th September, 2019, not liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director”

Item No.6. Appointment of Sri.P.Ganesan as an Independent Director

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 Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri.P.Ganesan (holding DIN 00049804), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has

received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from 29th September, 2014 to 28th September, 2019 not liable to retire by rotation.”

Item No.7. Appointment of Sri.Giri Balasubramanian as an Independent Director

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 Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri.Giri Balasubramanian (holding DIN 00017497), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the 29th September, 2014 to 28th September, 2019, not liable to retire by rotation.”

Item No.8 – Retirement of a Director

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

“RESOLVED that Dr.Namasivayam Karthikeyan, Director liable to retire by rotation does not seek re-appointment and is therefore not re-appointed as Director of the Company”

“RESOLVED FURTHER that the vacancy on the Board of Directors of the Company so created be not filled”

Item No.9 - Increase in Borrowing limits of the Company

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

“RESOLVED that in supersession of the Resolution passed under Section 293(1)(d) of the erstwhile Companies Act, 1956 at the 21st Annual General Meeting of the Company held on 18th August, 2011 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company or any Committee of the Board (hereinafter referred to as the “Board”) for borrowing from time to time, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) from any banking company, financial institutions, investment institutions and their subsidiaries, mutual funds, trusts, other bodies corporate, foreign or International Banks, foreign export credit agencies, foreign bodies corporate, foreign citizens, foreign authorities or person resident outside India, may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total outstanding amount so borrowed shall not at any time exceed the sum of Rs. 500 crore.”

“RESOLVED FURTHER that the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as it may think fit and to do all such acts, deeds and things as may be necessary and incidental for giving effect to the above, including execution of all such documents, instruments and writings, as may be required.”

Item No.10 - To create Charges on the assets of the Company

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

“RESOLVED that in supersession of the Resolution passed under Section 293(1)(a) of the erstwhile Companies Act, 1956 at the 21st Annual General Meeting of the Company held on 18th August, 2011 and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company or any Committee of the Board (hereinafter referred to as the “Board”) for creation of such mortgages, charges and hypothecations as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, other bodies corporate, foreign or International Banks, foreign export credit agencies, foreign bodies corporate, foreign citizens, foreign authorities or person resident outside India (hereinafter referred to as the "Lending Agencies") to secure rupee term loans / foreign currency loans, bonds and other instruments of an outstanding aggregate value not exceeding Rs.500 crore together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Lending Agencies under their respective Agreements / Loan Agreements entered / to be entered into by the Company in respect of the said borrowings.”

“RESOLVED FURTHER that the Board be and is hereby severally authorized to finalize with the Lending Agencies, the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to this Resolution.”

Item No.11 Alteration of Articles of Association

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

"RESOLVED THAT, pursuant to the provision of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 including any statutory modifications or re-enactments thereof for the time being in force, and subject to approvals, permissions and sanctions from the appropriate authority, if any, the Articles of Association of the Company be and are hereby altered in the manner set out herein below:

i) The Existing Article No. 75 be deleted in toto and replaced with the following article:

"75. a) At each annual general meeting of the Company, one-third of such of the directors including nominee directors except Independent Directors for the time being as are liable to retire by rotation, or if their number is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from office.

b) A Managing or Whole Time Director(s) shall be liable to retire by rotation (save as otherwise provided in a contract in terms of provisions of the Act or Rules made thereunder or in a resolution passed by Board or Shareholders of the Company). He shall, however, be subject to the same provisions as to resignation and removal as are applicable to the other Directors. He shall, ipso facto immediately, cease to be a Managing or Whole Time Director, if he ceases to hold the office of Director for any reason whatsoever save that if he shall vacate office whether by, retirement by rotation or otherwise under the provisions of the Companies Act 2013 at any Annual General Meeting and shall be reappointed as a Director at the same meeting, he shall not, by reason only of such vacation, cease to be a Managing or Whole Time Director."

ii) The Existing Article No. 78 be deleted in toto and replaced with the following article:

"78 A meeting of the Board shall be held at least four meetings in a year and the gap between two meetings shall not exceed 120 days.

Notwithstanding anything contained in the Articles, the Director(s) of the Company may participate in the Meetings of the Board / Committee(s) through Video Conference facility and / or any other permissible electronic or communication facility. Provided that such participation by the Director(s) at Meeting(s) of the Board / Committee(s) through Video Conference facility and/or use of any other permissible electronic or communication facilities shall be subject to the Rules, Guidelines and permission issued / laid down by the Regulatory / Statutory Authorities in this regard from time to time and meeting(s) so conducted and attended by the Directors in the prescribed manner shall be deemed to have been conducted and attended as if the same has been at a duly convened meeting of the Board/ Committee(s)".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all the requisite, incidental, consequential and necessary steps to implement the forgoing resolution and to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate in the best interest of the Company, to settle any question, query, doubt or difficulty that may arise in this regard, and to execute/publish all such notices, applications, deeds, agreements, documents, papers, undertakings/bonds and writings as may be necessary and required for giving effect to this resolution".

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.5

The Company has in terms of provisions of Section 160 of the Companies Act, 2013, received a Notice alongwith a deposit of Rs.1,00,000/- from a member proposing candidature of Sri.S.P.Sivanandam for the office of Independent Director to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company received from Sri.S.P.Sivanandam (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Director) Rules, 2014, (ii) intimation in Form DIR-8 in terms of Companies ((Appointment & Qualification of Director) Rules, 2014, to the effect that he is not disqualified under sub-section(2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section(6) of Section 149 of the Companies Act, 2013.

Sri.S.P.Sivanandam does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Sri.S.P.Sivanandam, aged 56 years, belongs to a reputed industrialist cum financiers family of Sri.S.Palaniswamy Chettiar, Tirupur, his father. He brings in experience in the fields of textiles - from raw material to finished products - and finance. He also has reputation of being a successful agriculturist. He is currently on the board of M/s. Sree Guru Textile Pvt Ltd and M/s. Sri Gajalakshmi Theatre Pvt Ltd. His family is known of philanthropy. With the rich experience, he can participate in deliberation of the Board and give valuable suggestion in taking the right decisions.

He meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and in the opinion of the Board, Sri.S.P.Sivanandam fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years.

A copy of the draft letter for the appointment of Sri.S.P.Sivanandam as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day up to the date of the AGM.

The Board considers that his appointment would be of immense benefit to the Company and it is desirable to avail services of Sri.S.P.Sivanandam as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Sri.S.P.Sivanandam as an Independent Director, for the approval by the shareholders of the Company.

Except Sri.S.P.Sivanandam being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 5.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No.6

Sri.P.Ganesan is a Non-Executive - Independent Director of the Company. He joined the Board of Directors of the Company since incorporation. Sri.P.Ganesan retires by rotation at the ensuing Annual General Meeting under the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Sri.P.Ganesan being eligible and seeking re-appointment, is proposed to be appointed as an Independent Director for five consecutive years from 29th September, 2014 to 28th September, 2019.

A notice has been received alongwith a deposit of Rs.1,00,000/- from a member proposing Sri.P.Ganesan as a candidate for the office of Director of the Company under the provisions of Section 160 of the Companies Act, 2013.

Sri.P.Ganesan holds 33050 equity shares of the company by himself and 16950 equity shares held by his relatives.

Sri.P.Ganesan has a Diploma in Textile Technology from Bolton Institute of Technology, U.K. and has vast experience of over 35 years in several different disciplines such as Textile, Hosiery Garment and Finance. He was the Managing Directors of Velan Textiles Pvt Ltd, a company engaged in the business of spinning and weaving.

Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Sri.P.Ganesan that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and in the opinion of the Board, Sri.P.Ganesan fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years.

A copy of the draft letter for the appointment of Sri.P.Ganesan as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day up to the date of the AGM.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Sri.P.Ganesan as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Sri.P.Ganesan as an Independent Director, for the approval by the shareholders of the Company.

Except Sri.P.Ganesan being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No.7

Sri.Giri Balasubramanian is a Non-Executive - Independent Director of the Company. He joined the Board of Directors of the Company in September, 2013. Sri.Giri Balasubramanian is a director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act 2013, Sri.Giri Balasubramanian being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years from 29th September, 2014 to 28th September, 2019.

A notice has been received alongwith a deposit of Rs.1,00,000/- from a member proposing Sri.Giri Balasubramanian as a candidate for the office of Director of the Company under the provisions of Section 160 of the Companies Act, 2013.

Sri.Giri Balasubramanian does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

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

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

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

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

Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Sri.Giri Balasubramanian that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and in the opinion of the Board, Sri.Giri Balasubramanian fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years.

A copy of the draft letter for the appointment of Sri.Giri Balasubramanian as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day up to the date of the AGM.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Sri.Giri Balasubramanian as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Sri.Giri Balasubramanian as an Independent Director for the approval by the shareholders of the Company.

Except Sri.Giri Balasubramanian being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No.8

Dr.Namasivayam Karthikeyan is a Non-Executive - Independent Director of the Company. He joined the Board in May, 2004. Dr.Namasivayam Karthikeyan retires by rotation at the ensuing Annual General Meeting under the provisions of the erstwhile Companies Act, 1956 and does not seek re-appointment owing to his busy schedule and commitments on other overseas function. Accordingly, Dr.Namasivayam Karthikeyan retires at this AGM and the Board has decided not to fill, the vacancy caused due to his retirement.

Item Nos.9 & 10 :

At the Annual General Meeting of the Company held on 18th August, 2011, the Members had, by way of an Ordinary Resolution and erstwhile provisions of Section 293(1)(a) and (d) of the Companies Act, 1956, authorized the Board to:

- (I) borrow monies on behalf of the Company (apart from temporary loans obtained or to be obtained from the Lending Agencies in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves, subject to the total outstanding amount so borrowed not exceeding a sum of Rs.250 crore at any point of time; and
- (II) create a mortgage or charge or hypothecation on the Company's assets in favour of lending agencies and trustees to secure the amounts borrowed i.e. upto Rs.250 crore, including interest, charges, etc. payable thereon, as the documents for the said purpose could contain the power to take over the management of the Company, in certain events.

Section 180 of the Act was notified on September 12, 2013. Under the said section, the above powers of the Board are required to be exercised only with the consent of the company by way of a Special Resolution. The Ministry of Corporate Affairs ("MCA") had vide its General Circular No 4/2014 dated March 25, 2014, clarified that the Ordinary Resolutions passed under Section 293(1)(a) and (d) of the erstwhile Companies Act, 1956 would be sufficient compliance of Section 180 of the Act until September 11, 2014.

Therefore, the approval of the Members for the said borrowings with enhancement of Rs.250 Crores and creation of a mortgage or charge for the said borrowings is, therefore, now being sought, by way of Special Resolutions, pursuant to Section 180(1)(c) and (a) of the Act, respectively.

Accordingly, the Board recommends the resolution in relation to enhancement in borrowing power and creation of charge for the said borrowings for the approval by the shareholders of the Company.

None of the Directors of the Company or their relatives or Key Managerial Persons of the Company or their relatives is concerned or interested in the passing of the Resolutions at Item Nos. 9 and 10.

Item Nos.11 :

- a. Pursuant to Section 149(13) of Companies Act, 2013, the independent directors are not liable to retire by rotation. Further Section 152 (6) stipulates that 2/3rd of the total number of directors including Nominee Directors of the public company should be liable to retire by rotation and out of such directors, 1/3rd should retire by rotation at every Annual General Meeting of the Company.

To meet the requirement of the Companies Act, 2013, the Company has to modify the relevant articles of its Articles of Association, which restrict the retirement of Managing Director (MD)/ Whole Time Directors (WTD) by rotation. Accordingly Article 75 is proposed to be amended to provide that MD/ WTD will also be liable to retire by rotation (save as otherwise provided in a contract in terms of provisions of the Act or Rules made hereunder or in a resolution passed by Board or Shareholders of the Company).

- b. The Companies Act, 2013 and rules made thereunder have recognized the participation of Directors in the Meetings of Board/Committee of Directors through Video Conferencing and other audio visual means. Keeping this in view the Board of Directors thought it fit to insert/alter the necessary clauses in the Articles of Association enabling the Directors to participate in the Board/ Committee Meetings of the Company by way of video conferencing and other audio visual means. Director(s) who are present through Video Conferencing and other audio visual means shall also form part of the necessary quorum for transaction of any business of the Board. With a view to implement the green initiative in the Company and in order to ensure maximum participation of Directors in the Board Meetings, the Board of Directors of the Company has decided to include enabling provisions in the Articles of Association of the Company for adopting electronic modes like video conferencing and other modern electronic systems in conducting Board /Committee Meetings of the Company.

Accordingly, the Board recommends the resolution in relation to alteration of Articles of Association of the Company for the approval by the shareholders of the Company.

None of the Directors of the Company or their relatives or Key Managerial Persons of the Company or their relatives is concerned or interested in the passing of the Resolutions at Item No. 11.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE:

Re-appointment of Sri.K.Subramaniam and Smt.M.Sasikala (Item No. 2 & 3)

In terms of Section 149, 152 and any other applicable provisions of the Companies Act, 2013, effective from 1st April, 2014, for the purpose of determining the directors liable to retire by rotation, the Independent Directors shall not be included in the total number of directors of the Company. Sri.K.Subramaniam and Smt.M.Sasikala shall accordingly retire at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

Sri.K.Subramaniam :-

He joined the Board of Directors on 28th March, 2012. He is a reputed Industrialist of Coimbatore region with considerable contacts among business communities. He holds a B.E. in Mechanical Engineering. He started his career as Senior Scientist in South India Textile Research Association,(SITRA) Coimbatore. After graduation, he promoted Statex Engineering Pvt Ltd which manufactures of 26 different types of instruments as well as Compact attachments for Ring Frames. As he has long and varied experience in the field of instruments, he promoted many companies in the field of Engineering and Electronics as well.

Smt.M.Sasikala :-

She joined the Board of Directors on 28th March, 2012. She is the wife of Shri.E.V.Muthukumara Ramalingam, Managing Director. She is a home maker and is the backbone to her husband for all his commercial ventures. The Velan Esplanade Project is, in a way, a result of her vision.



Hotels

Appointment of other Directors

For the details of Sri.S.P.Sivanandam, Sri.P.Ganesan and Sri.Giri Balasubramanian, please refer to the above Explanatory Statement in respect of the Special Business set out at Item Nos. 5 to 7 of the Notice of Annual General Meeting pursuant to Section 102 of the Companies Act, 2013.

For and on behalf of the Board

E.V.Muthukumara Ramalingam

Managing Director

Place : Tirupur
Date : 30/05/2014

NOTES FOR MEMBERS' ATTENTION :

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself / herself and the proxy need not be a Member of the Company. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
3. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 24/09/2014 to 29/09/2014 (Both days inclusive)
4. Under Section 205A of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government.

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2008, as on the date of the 23rd Annual General Meeting (AGM) held on 25th September, 2013 on the website of the IEPF viz. www.iepf.gov.in and under "Investors Relation" on the Website of the Company viz. www.velanhotels.com

5. 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.
6. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
7. The equity shares of the Company are listed on Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the abovesaid Exchange.
8. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.

9. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast seven days prior to the meeting so as to enable the management to keep the information ready. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days up to the date of the Annual General Meeting of the Company.
10. Members are requested to update their email id with their respective depository participant and with the Company's Registrar and Transfer Agents (RTA) to enable dispatch the communications in electronic form from time to time as your Company have taken a "Green Initiative" as per the directions of Ministry of Corporate Affairs, New Delhi allowing paperless compliances for Companies.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the 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/ Registrar & share transfer Agent.
12. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
13. Electronic copy of the Annual Report containing Notice of the 24th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report of the 24th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode
14. Equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company. The ISIN of the equity shares of your Company is INE548D01014.
15. Pursuant to Clause 35B of the listing agreement and provision of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-Voting facility as an alternative mode of voting which will enable the Members to cast their votes electronically. Necessary arrangements have been made by the Company with Central Depository Services (India) Limited (CDSL) to facilitate e-voting. E-voting is optional and members shall have the option to vote either through e-voting or in person at the general meeting.

Members, who do not have access to e-voting facility, to send their assent or dissent in writing in respect of the resolutions as set out in this Notice, a postal ballot form is annexed. A member desiring to exercise vote by postal ballot shall complete the enclosed Ballot Form

with assent (for) or dissent (against) and send it to Mr.S.R.Baalaji, Scrutinizer, C/o. SKDC Consultants Ltd, Kanapathy Towers, 3rd Floor, Sathy Road, Ganapathy, Coimbatore 641 006 so as to reach him on or before 26th September, 2014 by 5.00 p.m. Any Ballot Form received after the said date shall be treated as if the reply from the members has not been received. Kindly note that members can opt for only one mode of voting i.e. either by postal ballot or through e-voting. If members are opting for e-voting then do not vote by postal ballot or vice versa.

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

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 24th September, 2014 at 9.00 a.m. and ends on 25th September, 2014 at 6.00 p.m. During this period, the shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date of 29th August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website <https://evotingindia.co.in> during the voting period
- (iii) Click on “Shareholders” tab.
- (iv) 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.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) 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.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

PAN : Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)

- 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 last 8 digits of the demat accounts / folio number in the PAN field.
- In case the folio 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 folio number 100 then enter RA00000100 in the PAN field.

DOB : Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account in dd/mm/yyyy format or folio.

Dividend Bank Details :

Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.

- Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.

(viii) After entering these details appropriately, click on “SUBMIT” tab.

(ix) 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.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN relevant to Velan Hotels Limited on which you choose to vote.

(xii) 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.

(xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.

(xiv) 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.

(xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.

(xvii) If Demat account holder has forgotten the password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Institutional Shareholders

- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporate.

- 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 they have to create a compliance user who would be able to link the account(s) for which they wish to vote on.
 - The list of accounts 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.
- (xix) 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.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.
- (xx) The Company has appointed Mr.S.R.Baalaji, Practising Company Secretary as the Scrutinizer for conducting the e-voting process in fair and transparent manner. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Managing Director of the Company.
- (xxi) The Results shall be declared on or after the AGM of the Company. The results declared alongwith the Scrutinizer’s Report shall be placed on the Company’s website www.velanhotels.com and on the website of CDSL within two days of the passing of resolutions at the 24th Annual General Meeting of the Company and communicated to Bombay Stock Exchange Ltd.

For and on behalf of the Board

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 30/05/2014

DIRECTORS' REPORT

To

The Shareholders,
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 24th Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2014 and the Balance Sheet as on that date.

FINANCIAL RESULTS

(Rs. In lakhs)

PARTICULARS	2013-14	2012-13
Profit Before Interest, Depreciation and Tax	403.72	271.23
Less : Interest	224.70	81.28
Profit Before Depreciation & Tax	179.02	189.94
Less : Depreciation	118.47	91.56
Add : Exceptional Item	6.99	6.99
Profit Before Tax [PBT]	67.55	105.37
Less : Tax Expenses		
a. Current Tax	12.75	21.10
b. Tax relating to prior years	-	4.23
c. Mat Entitlement	(12.75)	4.93
d. Deferred Tax	3.69	14.02
Profit After Tax	63.86	61.09
Balance b/f from previous years	311.12	250.03
Balance to be carried over to Balance sheet	374.98	311.12

ECONOMY OVERVIEW AND OPERATING RESULTS

The year 2013 was a mixed bag for the hospitality industry in the country considering the devaluation of the rupee against the US dollar, taxation issues and announcements at the policy level. Growth in gross domestic product softened to less than 5% in fiscal 2013 and 2014, after expanding at near-double digit pace for several years which is visible in the pressure witnessed on hotel occupancy and average room rates. The year started with despondency and ended with frustration.

During the year 2013-14 your Company's turnover increased by 11.40% from Rs.1446 Lakh to Rs.1611 lakh. The gross operating profit (PBDIT) was higher by 48.85% at Rs.403 lakh from the previous year's Rs.271 lakh and the net profit was higher by 4.52 % in the current year at Rs.63.86 lakh compared to Rs.61.09 lakh of the previous year.

DIVIDEND:

The board of directors is intending to utilize the available surplus in project completion activities. So they propose not to recommend any dividend this year.

VELAN ESPLANADE – SHOPPING MALL :

The Board of Directors is glad to inform that the Velan Esplanade – Shopping Mall, the first environment friendly Green Mall in the country deriving its 100% energy out of renewable, commenced its commercial operation on 06th December, 2013. However, the entire revenue from this segment is expected to be generated from the current financial year onwards as major tenants started their fit-outs gradually and expected to be completed in the current financial year.

STATUS OF OTHER PROJECTS

Construction of the Multiplex building is commenced but slowed down due to paucity of funds. The Renewable Energy Co-generation plant operating on world class GE technology based on bio mass fuel was soft launched on 12th December 2012 and Air conditioning supply from the plant was started on the same day and entire power generation is expected from the current financial year and remaining work in both segments will be completed as soon as the funding is sorted out.

CORPORATE GOVERNANCE

Pursuant to the requirements of Listing Agreement with the Stock Exchange, your Directors are pleased to annex the following:

1. Management Discussion and Analysis Report
2. A Report on Corporate Governance
3. Auditor's certificate regarding compliance of conditions of Corporate Governance.

INFORMATION REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.

The information required under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is furnished hereunder:

I. CONSERVATION OF ENERGY:

- a. The operations of the Company are not energy intensive. However the Company has taken all possible measures to control and reduce consumption of energy. The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.
- b. Since the activity of the Company is not covered under the list of specified Industries under the Schedule to the said Rules, the information to be reported in Form-A, the form for Disclosure of Particulars with respect to Conservation of Energy is not furnished.

II. TECHNOLOGY ABSORPTION:

The Company has no technical collaboration arrangement with any organization.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings And Outgo	Current Year 2013-14 [Rs.in lakhs]	Previous Year 2012-13 [Rs.in lakhs]
1. Earnings	328.53	301.80
2. Expenditure in Foreign Currency	Nil	Nil

INFORMATION REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

None of employee of the Company was in receipt of remuneration, which in the aggregate exceeded the limits prescribed under sub-section (2A) of Section 217 of the Companies Act, 1956, during the year.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT ACT) 2000

The Board of Directors Report that:

- i) Your Directors have followed the applicable accounting standards, in the preparation of annual accounts.
- ii) your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2014 and of the Profit of the Company for that period.
- iii) your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) Your Directors have prepared the annual accounts on a 'going concern' basis.
- v) The financial statements have been audited by M/s.P.S.Krishnan & Co., Chartered Accountants, the Statutory Auditors.
- vi) The Audit Committee meets periodically with internal auditor and the statutory auditors to review the manner in which the auditors are discharging their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

DEPOSITS

Your Company has neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act, 1956 during the year.

DIRECTORS

The Companies Act, 2013 provides for appointment of independent directors. The provision of retirement by rotation as defined in the Act shall not apply to such Independent Directors. Sub-Section (10) of Section 149 of the Companies Act, 2013 provides that independent directors shall hold office a term of upto five consecutive years on the Board of Directors of the Company and shall be eligible for re-appointment on passing a special resolution by the shareholders of the company. In the transition to the Companies Act, 2013, those Independent Directors who have already served for ten or more years will serve for a maximum period of one term of five years. This is consistent with the provisions of Companies Act, 2013. In effect, the transition will be managed by re-appointing such Independent Directors for a period of one more term that does not exceed five years.

Impending notification of Section 149 and other applicable provisions of the Companies Act, 2013, your Directors are seeking re-appointment of Sri.P.Ganesan, and Sri.Giri Balasubramanian as Independent Directors for five consecutive years for a term upto 28th September, 2019. Details of the proposal for re-appointment of the above Directors are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 24th Annual General Meeting.

Dr.Namasivayam Karthikeyan retires by rotation at the forthcoming Annual General Meeting and expressed his intention not to seek re-appointment. The Board conveys its deep sense of appreciation for the service rendered by him during his tenure as Member of the Board and other Committees.

The Company has in terms of provisions of Section 160 of the Companies Act, 2013 received a Notice in writing from a member, proposing Sri.S.P.Sivanandam's candidature for the office of a Director of the Company. We seek your support in confirming his appointment as a Director not liable to retire by rotation.

Sri.K.Balasubramanian and Smt.M.Sasikala Non-Executive-Non-Independent retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

POSTAL BALLOT

During the year under review, an ordinary resolution has been passed under the provisions of Section 293(1)(a) of the erstwhile Companies Act, 1956 authorizing to sell / transfer or otherwise dispose off by way of slump sale or otherwise one of the Undertaking of the Company, viz. Velan Hotel, Bedford, Coonoor through Postal Ballot.

AUDITORS

M/s. P.S.Krishnan & Co., Company's present Auditors retire at the ensuing Annual General Meeting and being eligible for reappointment, they have consented to continue to be the Auditors of the Company.

BANKERS

M/s.Allahabad Bank, M/s.Andhra Bank, M/s.AXIS Bank and M/s.Union Bank of India are bankers to the Company and your Directors place on record their appreciation for their co-operation and services.

SAFETY AND SECURITY

Hotels have become vulnerable to terror attacks on account of their high profile guests that include foreign tourists. Keeping in mind the security threats to the hospitality industry in India, the company has stepped up its efforts to ensure an environment of well being, safety and security for all its guests and co-workers. The company's guest floors as well as all public areas are well equipped with closed circuit cameras. Movement of all vehicles, employees, vendors and guests is monitored and scanned.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation and gratitude for the cooperation and assistance from its shareholders, bankers, regulatory bodies, Statutory Auditors / Professionals and other business constituents during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the contribution and commitments displayed by Executives, Staff and Employees of the Company.

For and on behalf of the Board

E.V.Muthukumara Ramalingam
Chairman of the Meeting and Managing Director

Place : Tirupur
Date : 30/05/2014

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

Tourism and Hospitality industry is the largest service industry globally in terms of gross revenue and foreign exchange earnings. It is also one of the largest employment generators in the world. The driving forces of this industry lie in the recreational, knowledge seeking, religious and business interests of people around the world. According to the United Nations World Tourism Organization (UNWTO) Tourism Highlights 2013, tourism's total contribution to worldwide GDP is estimated at 9 per cent.

The travel and tourism sector holds strategic importance in the Indian economy providing several socio economic benefits. Provision of employment, income and foreign exchange, development or expansion of other industries such as agriculture, construction, handicrafts etc. are some of the important economic benefits provided by the tourism sector. The booming tourism industry has had a cascading effect on the hospitality sector with an increase in the occupancy ratios and average room rates. However, India receives only 0.6 per cent of tourist arrivals in the world. The inbound travel to the country did not reach the expected levels.

Foreign Tourist Arrivals (FTAs) to India increased from 66.67 lakhs in financial year 2012-13 to 69.48 lakhs in financial year 2013-14, thereby resulting in an increase of 4.21% YoY basis. Tourism continues to play an important role as a foreign exchange earner for the country. In 2013-14, foreign exchange earning (FEE) from tourism were Rs. 1,08,365 crores as compared to Rs. 99,594 crores in 2012-13, registering a growth of 8.81%.

B. OPPORTUNITIES & THREATS:

OPPORTUNITIES

As per the World Travel & Tourism Council, the tourism industry in India is likely to generate US \$121.4 bn of economic activity by 2015, and the hospitality sector has the potential to earn US \$24 bn in foreign exchange by 2015, growing at a robust CAGR of 12.2%.

According to the World Economic Forum's Travel and Tourism Competitiveness Report 2013, India ranks 11th in the Asia Pacific region and 65th globally out of 140 economies ranked on travel and tourism Competitiveness Index.

With the international tourist arrivals in India expected to witness an annual growth rate of 6.2 per cent over the next decade, visitor exports (expenditure generated by foreign tourists) are expected to amount to Rs 2,958 billion by 2023 growing at 9.6 per cent per annum. This growth can mainly be attributed to the rising income levels and changing lifestyles, diverse tourism offerings and policy and infrastructural support by the government such as simplification of visa procedures and tax holidays for hotels.

Despite global economic woes, development of hotels in India has been one of the most lucrative investments. As per Cygnus estimates, total supply (number of hotel rooms) in India is expected to reach more than 180,000 within five years.

THREATS

The security situation in India and crimes against women tourists act as deterrents. Recently many rape cases of foreign women tourists have hogged the headlines.

Tourist movement has been impacted in states and tourist locations where tourists consider a threat to their safety and security. It holds special significance for India which has been ranked at a low level of 74 amongst 140 global economies on safety and security parameters as per the World Economic Forum's T&T Competitiveness Report 2013.

C. SEGMENTWISE PERFORMANCE:

The main business of your company is Hotel. The Company has commenced operation of Shopping Mall only on 6th December, 2013. The revenue is expected from this segment from the current financial year onwards.

D. RISKS AND CONCERNS:

Multiple taxation is adversely impacting India's Tourism and Hospitality industry. The cascading effect of these multiple taxes has resulted in structural distortions in the industry's cost and pricing structure. In India, hotels are taxed anywhere between 20% and 25% depending on the state that they are operating in, when other Asian countries are levying 8-10%. This in turn makes the industry uncompetitive as an international tourist destination and also discourages discretionary spending by domestic tourist.

The ongoing economic slowdown has further hurt the sector as it affected both business and leisure travel.

E. OUTLOOK:

Beyond 2014-15, the economic outlook is strong. According to experts in the sector, India's real gross-domestic-product growth between 2016 and 2020 will reach 7% and above each year. The economy will be boosted by delayed infrastructure projects coming online, the boost to exporters from the weaker rupee and a strong manufacturing sector.

India's hospitality sector, which has been struggling with low room rates for the past five years, is expecting the new government to usher in friendly policies and an improved business environment that will help the hospitality industry emerge from years of low room rent and occupancy levels.

In terms of occupancy levels, the next year looks more optimistic and stable. This will be mainly possible due to a stable government and its focused attention on the travel and tourism industry.

The industry is likely to become more competitive due to the entry of additional international flight operators, which would offer improved services to tourists.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company believes that internal controls are essential ingredient towards achieving excellence in corporate governance. Accordingly, it has set adequate control systems of financial reporting, efficiency of operations and compliance with various rules, regulations etc. The Audit committee of the Board reviews the adequacy of the internal control system on regular basis and monitors on continuous basis the implementations of the internal audit recommendations. Every single cost item goes through a thorough internal audit and in several stages as well. As part of the cost control system, every single aspect of costs goes through stringent pre-expenditure checks and audits as well.

G. BUSINESS PERFORMANCE:

Results of operations for the year ended March 31, 2014

i. Revenues:

The total income stands increased by 11.40% from Rs.1446 lakhs in 2012-13 to Rs.1610.75 lakhs in 2013-14 including income from Shopping Mall segment.

ii. Operating Expenses:

The total expenditure except Interest and Depreciation stands increased by 2.75% from Rs.1174 lakhs in 2012-13 to Rs.1207 lakhs in 2013-14. The increase is largely on account of increase in Power & Fuel and employee cost.

iii. Earnings Before Interest, Depreciation, Tax

The PBIDT Rs.403.72 lakhs for the financial year 2013-14 is 48.85% higher than Rs.271.22 lakhs in 2013-14.

iv. Interest Cost:

During the year under review, the Interest cost stands Rs.224.70 lakhs as compared to Rs.81.28 lakhs in the previous year. The increase is largely on account of service of interest on project loan with respect to Shopping Mall.

v. Profit Before Tax:

Profit after Extra-ordinary & Exceptional items and Tax at Rs.67.55 lakhs was lower by 35.90% as compared to Rs.105.37 lakhs in 2012-13.

vi. Profit After Tax:

Profit after Tax for 2013-14 stands marginally increased by 4.52% at Rs.63.86 lakhs from Rs.61.09 lakhs in 2012-13.

H. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

Particulars	31st March, 2014	31st March, 2013	31st March, 2012	31st March, 2011	31st March, 2010
OPERATING RESULTS					
1. Total Income	1610.75	1445.95	1481.11	1479.57	1333.63
2. Profit Before Depre. Int & Tax	403.72	271.23	330.26	382.83	329.49
3. Interest	224.70	81.26	90.99	92.07	83.51
4. Depreciation	118.46	91.56	89.86	88.92	70.54
5. Tax Liability	3.69	44.28	63.07	70.11	63.07
6. Net Profit After Tax	63.86	61.09	93.83	116.64	112.36
7. Dividend %	--	--	--	7.5	7.5
Dividend Amt	--	--	--	58.12	58.12
Dividend Tax-	--	--	--	9.65	9.65
PERFORMANCE PARAMETERS					
1. Share capital	3196.41	3196.41	3196.41	775.00	775.00
2. Reserves & Surplus	4154.91	4098.04	4040.93	809.26	767.16
3. Secured & Unsecured loans	9715.79	8178.53	5695.91	2272.73	883.88
4. Fixed Assets (Gross Block	12812.05	7827.02	7737.21	3659.39	3494.22
5. Accumulated Depreciation	1310.84	1199.22	1107.67	1037.14	949.24
6. Net Block	11501.21	6627.80	6629.54	2622.26	2544.98

I. HUMAN RESOURCES:

Industrial Relations remained cordial throughout the year. The strength of your Company lies in its team of competent and motivated personnel. This has made possible for your Company to make significant strides in all areas of its functioning. The Company is proud to possess an exceptional pool of skilled manpower, professionals and executives who are committed to deliver value and satisfaction all the time.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable securities laws and regulations. As 'forward looking statements' are based on certain assumptions and expectations of future events over which the Company exercises no control, the Company cannot guarantee their accuracy nor can it warrant that the same will be realized by the Company. Actual results could differ materially from those expressed or implied. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the hospitality industry, changes in government regulations, tax regimes and other statutes.

REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited, a Report on Corporate Governance is furnished below:-

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Velan Hotel is committed to the highest levels of corporate governance practices, which are essential to the enhancement in the stake-holders value and for the very success of the Company. Its corporate governance practices meet stock exchange corporate governance guidelines and other regulatory requirements to ensure transparency and effective governance of the Company.

2. BOARD OF DIRECTORS

The Composition of the Board of Directors is governed by the provisions of the erstwhile Companies Act, 1956, the Companies Act, 2013 and listing requirements of Bombay Stock Exchange Limited where the shares issued by the Company are listed. The Board consists of eminent persons with considerable professional expertise and experience. The Statutory and material information are placed before the Board on quarterly basis and thus the Board discharges its responsibility in an effective manner.

a. 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	Whole-time Director	Executive / Non-Independent
4	Smt.M.Sasikala	Director	Non-Executive / Non-Independent
5	Sri.K. Subramaniam	Director	Non-Executive / Non-Independent
6	Sri.P.Ganesan	Director	Non-Executive / Independent
7	Dr.Namasivayam Karthikeyan	Director	Non-Executive / Independent
8	Sri.Giri Balasubramanian	Director	Non-Executive / Independent

b. Board Meetings and attendance

During the year 9 Board meetings were held and the gap between two meetings did not exceed three months. The Board meetings were held on 30/05/2013, 25/07/2013, 25/09/2013, 30/10/2013, 11/12/2013, 12/12/2013, 23/12/2013, 10/02/2013 and 31/03/2014.

The names and categories of the Directors on the Board, the attendance at Board meetings during the year and at the last Annual General Meeting and also the number of Directorships and Committee/Chairmanships held by them in other companies and the shares held by Non-Executive Directors are given below.

Directors	Board Meetings	Audit Committee	Stakeholder Relationship Committee	Nomination & Remuneration Committee	Last AGM Attended (Yes/No)	No. of shares held by Non-Executive Directors
Sri.E.V.Muthukumara Ramalingam	9	-	13	-	Y	N.A.
Sri.M.R.Gautham	9	-	4	-	Y	N.A.
Sri.P.Ganesan	9	4	9	-	Y	33050
Sri.T.Gopalakrishnan *	2-	2		-	N	Nil
Dr Namasivayam Karthikeyan	4	2	4	-	N	Nil
Sri.B.A.Madhusudhan	9	-		-	Y	N.A.
Smt.M.Sasikala	9	-	-	-	Y	2130743
Sri.K.Subramaniam	8	2	9	-	N	560000
Sri.Giri Balasubramanian #	1	-	-	-	Y	Nil

(&) Previously known as Share Transfer/ Shareholders/Investors Grievance Committee

(*) Ceased to be Director from 25/09/2013

(#) Assumed office as Director from 25/09/2013

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.

c. Directorship and Membership held in other companies

Name	Company Names
Sri.E.V.Muthukumara Ramalingam	Shree Vallee Enterprises Pvt Ltd Sarju International Limited
Sri.M.R.Gautham	Shree Vallee Enterprises Pvt Ltd
Sri.P.Ganesan	Srivatasa Paioli Private Limited
Dr.Namasivayam Karthikeyan	Nil
Sri.B.A.Madhusudhan	Climate Bridge India Pvt Ltd Chennai Gourmet Foods Pvt Ltd
Smt.M.Sasikala	Shree Vallee Enterprises Pvt Ltd
Sri.K.Subramaniam	Statex Engineering Pvt Ltd Dhansu Engineering Pvt Ltd
Sri.Giri Balasubramanian	Kinship Technologies Pvt Ltd

3. CODE OF CONDUCT

- a) The Company has adopted the Code of Conduct for Directors and Senior Management. This Code of Conduct helps to maintain the standards of business conduct for the Company and ensures compliance with legal requirements by the Company. All the Board Members and Senior Management personnel have affirmed compliance with the Code on an annual basis and same has been posted on the Website of the Company.
- b) CEO/CFO Certification
CEO/CFO certification under clause 41 and 49 of the listing agreement entered by Company with stock exchange has been submitted to the Board by Managing Director

4. DETAILS OF REMUNERATION PAID OR PAYABLE TO DIRECTORS DURING 2013-14

The remuneration paid / payable to Managing Director, Executive Director and Whole-Time Director is reported elsewhere in the annual report.

During the year, the Company has not paid any fees by way of sitting fees to Directors towards attending the Board and Committee meetings. The outstation members of the board get reimbursement of traveling and incidental expenses incurred for attending the Board and Committee meetings in accordance with the Articles of Association of the Company.

5. AUDIT COMMITTEE

The Company has an Audit Committee with scope of activities as set out in clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd read with Section 292A of the erstwhile Companies Act, 1956 and Section 177 of the Companies Act, 2013.

a) Composition

The Audit Committee comprises entirely of three Non-Executive Directors and two-third of them is Independent Directors. Sri.P.Ganesan and Dr.Namasivayam Karthikeyan and Sri.K.Subramanian are the Member of the Committee.

During the year, Sri.T.Gopalakrishnan ceased to hold office of Director from the Board, Sri.K.Subramanian has been inducted in replacing his predecessor in the committee, Sri.T.Goplakrishnan.

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

b) Terms of reference

- Overseeing of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the external auditors that is the statutory auditors, the fixation of audit fees.
- Approval for payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, focusing primarily on;
- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries based on estimates, sufficient and credible and on exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of the audit findings.
- Compliance with listing and other legal requirements relating to financial statements
- Approval or any subsequent modification of transactions of the Company with related parties and disclosure of any related party transactions.
- Qualifications in the draft audit report and
- Any related party transactions that is, transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc that may have potential conflict with the interest of the Company at large
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

- To review with the management, the statement of uses, application of funds raised through an issue, the statements of funds utilized for purposes other than those stated in the offer document / notice and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow-up thereon
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors
- Reviewing the Company's financial and risk management policies
- Scrutiny of inter-corporate loans and investments and
- To establish vigil mechanism.

c. Committee meetings

The Committee met 4 times during the year on 30/05/2013, 25/07/2013, 30/10/2013 and 10/02/2014.

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

Member	Committee Meeting attended
Sri.P.Ganesan	4
Sri.T.Gopalakrishnan	2
Dr.Namasivayam Karthikeyan	2
Sri.K.Subramanian	2

The meetings of Audit Committee are also attended by the Executive Director and Statutory Auditors as special invitees. The Company Secretary acts as the Secretary to the Committee.

The Chairman of the Committee Sri.P.Ganesan was present at the 23rd Annual General Meeting held on 25th September, 2013.

6. STAKEHOLDERS RELATIONSHIP COMMITTEE (earlier known as The Share Transfer and Shareholders / Investors' Grievance Committee)

a. Composition

Stakeholders Relationship Committee which comprises of Sri.E.V.Muthukumara Ramlingam, Sri.P.Ganesan and Sri.K.Subramaniam. Sri. M.Srinivasan, Company Secretary is a Compliance officer of the Company.

The Committee was re-constituted by the Board at its meeting held on September 25, 2013 as Sri.P.Ganesan and Sri.K.Subramaniam have been inducted in the Committee in replacing Sri.M.R.Gautham and Dr.Namasivayam Karthikeyan.

Further, the Committee has been renamed as 'Stakeholders Relationship Committee' from 'The Share Transfer and Shareholders / Investors' Grievance Committee' by the Board of Directors at their meeting held on May 30, 2014 in complying with the provisions of the Companies Act, 2013.

b. Terms of reference

The terms of reference of the Committee has been expanded in terms of the provisions 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 13 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 :

11/05/2013, 25/05/2013, 22/06/2013, 17/08/2013, 05/10/2013, 26/10/2013, 09/11/2013, 16/11/2013, 23/11/2013, 07/12/2013, 30/12/2013, 11/01/2014 and 01/02/2014

Complaints' status: 01.04.2013 to 31.03.2014

- 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	13
Sri.M.R.Gautham	4
Dr.Namasivayam Karthikeyan	4
Sri.P.Ganesan	9
Sri.K.Subramaniam	9

7. NOMINATION & REMUNERATION COMMITTEE (earlier known as Remuneration Committee)

a. Composition

This Committee comprises entirely of Independent-Non-Executive Directors from the Board. It presently comprises with Sri.P.Ganesan, Dr.Namasivayam Karthikeyan and Sri.K.Subramaniam. During the year, Sri.T.Gopalakrishnan ceased to be Director from the Board, Sri.K.Subramaniam has been inducted in replacing his predecessor in the committee Sri.T.Goplakrishnan.

Further, the Committee has been renamed as ‘Nomination & Remuneration Committee’ from ‘Remuneration Committee’ by the Board of Directors at their meeting held on May 30, 2014 with view to compliance of provisions of the Companies Act, 2013.

Sri.P.Ganesan is Chairman of the Committee.

b. Terms of reference

The role of the committee is to formulate the criteria for determining qualifications, positive attributes and independence of a director and recommends to the board a policy, relating to the remuneration for the Directors and key managerial personnel and shall carry out evaluation of every Director’s performance.

c. Committee Meetings.

No meeting was held during the year.

8. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2013	Regd. Office at 41, Kangayam Road, Tirupur 641 604	25th September, 2013	4.45 p.m.
2012	Regd. Office at 41, Kangayam Road, Tirupur 641 604	12th September, 2012	4.45 p.m.
2011	Regd. Office at 41, Kangayam Road, Tirupur 641 604	18th August, 2011	12.30 p.m.

ii. Extra-Ordinary General Meeting :

No Extra-Ordinary General Meeting held during the year 2013-14.

iii. Special Resolutions:

No special resolution was passed at the last three years Annual General Meeting held on 25th September, 2013, 12th September, 2012 and 18th August, 2011.

iv. Postal Ballot:

On 10th September, 2013, the following Ordinary Resolution was passed through postal ballot procedure.

Ordinary Resolution under the provisions of Section 293(1)(a) of the erstwhile Companies Act, 1956 authorizing to sell / transfer or otherwise dispose off by way of slump sale or otherwise one of the Undertaking of the Company, viz. Velan Hotel, Bedford, Coonoor.

This Ordinary Resolution was passed with requisite majority with 99.97% votes cast in favour and 0.03% votes cast against.

Mr.S.R.Baalaji (Practicing Company Secretary) Scrutinizer, appointed by the Board of Directors of the Company for conducting the postal ballot process, submitted his report dated 09th September, 2013.

9. DISCLOSURES

1. Disclosure on related party transactions i.e. transactions of the Company with its Promoters, Directors or the Management, Relatives, Bodies Corporate in which the Directors are interested etc., are annexed elsewhere in the Annual Report. There is no materially significant related party transaction that would have been a potential conflict with the interests of the Company at large.
2. A Show Cause Notice has been issued by Securities and Exchange Board of India in relation to the compliance by the company with the requirement of minimum public shareholding. The promoters of the Company are eager to comply with matter.

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.

3. In compliance of Clause 49(1)(B) of the Listing Agreement, it is disclosed that the Company does not have any pecuniary relationship or transactions with its Non-Executive Directors during the financial year ended 31st March, 2014.
4. The Company has scrupulously complied with all the mandatory requirements and the Company has at present not adopted the non mandatory requirements of corporate governance except for certain clauses regarding Remuneration Committee. However in line

with its policy to ever improve the good corporate governance practices it is proposed to adopt all such practices in due course of time.

5. The Company has established a whistle blower mechanism to provide an avenue to raise concerns, in line with the Company's commitment to the highest possible standards of ethical, moral and legal business conduct.
6. Accounting Standards and Treatment: The accounting treatment as prescribed in the Accounting Standards (AS) has been followed in the preparation of financial statements.

10. MEANS OF COMMUNICATION

Intimation of Board & Annual General Meetings, Quarterly results, dividend announcements, book closure/record dates are intimated to the Bombay Stock Exchange Limited where the Company's shares are listed and also published in the Newspapers either in Business Standard or Trinity Mirror in English and Makkal Kural or Dinamani in Tamil. The Company is also displaying it on the Company's website www.velanhotels.com, apart from displaying in stock exchange website. The Annual Reports are sent in accordance with the provisions of the Companies Act to the shareholders. Furthermore, the Annual Reports and quarterly results are also sent to those who request for the same.

11. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting

- a. Date : 29/09/2014
- b. Time : 12.15 p.m.
- c. Venue : 41 Kangayam Road, Tirupur 641 604

2. Financial Calendar :

Financial reporting for the quarter ended September 30,2014 : Before November 15, 2014

Financial reporting for the quarter ending December 31,2014 : Before February 15, 2015

Financial reporting for the Annual for March 31, 2015 : Before May 30, 2015

Financial reporting for the quarter ending June 30,2015 : Before August 15, 2015

3. Date of Book Closure : 24/09/2014 to 29/09/2014 (Both days inclusive)
4. Dividend payment : No dividend is recommended.
5. Listing on Stock Exchange & Stock code : Bombay Stock Exchange Ltd., 526755

6. Stock price data.

High / Low prices of the share of the Company quoted during the financial year 2013-14 at Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
April 2013	10.94	8.21
May 2013	10.80	9.50
June 2013	9.03	8.15
July 2013	9.55	7.50
August 2013	9.45	7.23
September 2013	9.24	7.35
October 2013	9.97	8.08
November 2013	9.56	8.66
December 2013	9.44	8.20
January 2014	9.11	7.99
February 2014	9.23	7.60
March 2014	9.62	7.21

7. Categories of Shareholders as on 31/03/2014

Category of Shareholders	No. of Shareholders	No. of Shares	% of Holding
Promoters Shareholding (Indian)			
Individuals/HUF	6	22791096	71.302
Bodies Corporate	1	2826934	8.844
Sub Total - A	7	25618030	80.146
Public Shareholding			
Institutions			
Mutual Funds	2	7000	0.022
Non-Institutions			
Bodies Corporate	107	339796	1.063
Resident Individuals	8123	4625581	14.471
Directors & Relatives	4	622550	1.948
Non-Resident Indians	5	19318	0.060
OCB	1	1000	0.003
Clearing Members	22	58155	0.182
Hindu Undivided Families	58	672689	2.105
Sub Total - B	8322	6346089	19.854
Grand Total A+B	8329	31964119	100.000

8. Registrar and Transfer 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.

9. Share Transfer System

The share transfers are registered and returned within the stipulated time if the documents are in order.

10. Distribution of Shareholdings as on 31/03/2014

Range (Value)	No.of Shareholders	%	Face Value of Shares Rs.	%
Up to 5000	7586	91.08	10198630	3.19
5001 to 10000	363	4.36	2959210	0.92
10001 to 20000	177	2.12	2687550	0.84
20001 to 30000	59	0.71	1512340	0.47
30001 to 40000	33	0.39	1200900	0.38
40001 to 50000	20	0.24	947270	0.30
50001 to 100000	33	0.40	2390580	0.75
100001 and above	58	0.70	297744710	93.15
TOTAL	8329	100.00	319641190	100.00

11. Demat information as on 31/03/2014

a. No.of shares dematerialized	:	3,06,84,554
b. % Total Capital	:	95.99%
c. No.of share certificates dematerlised	:	22,221
d. % of Total certificates	:	69.04%

12. Reconciliation of Share Capital Audit

A Practising Company Secretary carries out Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The Report of Reconciliation of Share Capital Audit is placed before the Board of Directors on a quarterly basis and is also sent to the Bombay Stock Exchange Ltd where the Company's shares are listed.

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

No fund has been raised during the last 3 years.

14. 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.



Hotels

15. Location of the Hotels : 1. Velan Hotels-Greenfields
41 Kankayam Road
Tirupur 641 604
2. Velan Hotel
Bedford, Ritz Road
Coonoor - 643 101
16. Location of the Restaurants : 1. Velan Uthra Restaurant
Avanashi Road,
Behind IDBI Bank Ltd
Tirupur 641 602
2. The Velan Food Park
Rajaji Road, Ram Nagar
Coimbatore 641 009
17. Address for correspondence : Velan Hotels Limited
41 Kangayam Road, Tirupur 641 604, Tamil Nadu.
Phone 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
18. Compliance Officer : Mr.M.Srinivasan
Company Secretary

For and on behalf of the Board.

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 30/05/2014

ANNUAL CERTIFICATION BY MANAGING DIRECTOR PURSUANT TO CLAUSE 49 1(D)(ii) OF THE LISTING AGREEMENT

As the Managing Director of Velan Hotels Limited and as required pursuant to Clause 49 I(D)(ii) of the Listing Agreement, I hereby declare and certify that all the Board Members and Senior Management Personnel of Velan Hotels Limited have affirmed compliance with the Code of Conduct adopted by the Company for the year 2013-14.

For and on behalf of the Board.

E.V.Muthukumara Ramalingam
Managing Director

P.S. Krishnan & Co.
Chartered Accountants

40A, Appachi Nagar Main Road
Tirupur- 641607.
Phone : 2227526 to 2227530
Email ID: pskcatup@gmail.com

COMPLIANCE CERTIFICATE FROM THE AUDITORS OF THE COMPANY

**The Board of Directors,
M/s. Velan Hotels Limited,
41, Kangayam Road, Tirupur.**

We have reviewed the implementation of Corporate Governance procedures by M/s .Velan Hotels Limited, Tirupur during the year ended 31st March, 2014 with the relevant records and documents maintained by the company, furnished to us for our review and the report of Corporate Governance as approved by the Board of Directors.

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

We have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for the review and the information and explanations given to us by the company.

Based on such a review, in our opinion, the company has complied with the conditions of the Corporate Governance, as stipulated in Clause 49 of the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the reports given by the Registrars of the Company to the Investors Grievances Committee, as on March 31, 2014, there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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

Place : Tirupur
Date : 30.05.2014

for **P.S.Krishnan & Co**
Chartered Accountants
FRN 001532S

(G.Krishnamurthi)
Partner
(Membership No: 23896)

P.S. Krishnan & Co.
Chartered Accountants

40A, Appachi Nagar Main Road
Tirupur- 641607.
Phone : 2227526 to 2227530
Email ID: pskcatup@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 2014, 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 Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the company in accordance with the Accounting Principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 circumstances. 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.

P.S. Krishnan & Co.
Chartered Accountants

40A, Appachi Nagar Main Road
Tirupur- 641607.
Phone : 2227526 to 2227530
Email ID: pskcatup@gmail.com

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2014;
- (ii) in the case of the Statement of Profit and Loss, of the Profit 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, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(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, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act 1956, read with General Circular 15/2013 dated 13 September 2013 in respect of Section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

Place : Tirupur
Date : 30.05.2014

for **P.S. Krishnan & Co**
Chartered Accountants
FRN 001532S

(G. Krishnamurthi)
Partner
(Membership No: 23896)

P.S. Krishnan & Co.
Chartered Accountants

40A, Appachi Nagar Main Road
Tirupur- 641607.
Phone : 2227526 to 2227530
Email ID: pskcatup@gmail.com

Annexure

- (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) The disposal of fixed assets during the year under consideration is not substantial.
- (ii) In respect of Inventories :
- (a) Stock of stores, provisions, crockeries, beverage, etc., have been physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The company is maintaining proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- (iii)
- (a) The Company has not granted any loan to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. and hence the provisions of clause 4(iii)(b),(c)&(d) are not applicable.
 - (b) The company has taken loans (unsecured) from companies, firms, or other parties covered in the Register maintained u/s 301 of the Act.
 - 1. No. of Parties : 2
 - 2. Aggregate amount : Rs. 393.48 Lakhs
 - (c) In our opinion, the terms and conditions are not prima facie prejudicial to the interest of the company.
 - (d) The company is regular in the repayment of both the principal and the interest.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of Inventory and Fixed Assets and for the Sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v)
- (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions during the year, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (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, Service Tax, Income tax, Sales tax, Cess and other statutory dues with appropriate authorities. However the delays have been made good before year end.
- (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, Service tax, and Cess as at the year end.
- (viii) The Company has not defaulted in repayment of dues to Banks, except the following :

Name of Bank	Balance due (Rs in Lakhs) Principal	Balance due (Rs in Lakhs) Interest	Remarks (Delay in No of Months)
Allahabad Bank Tirupur Branch	138.00	381.84	6
Andhra Bank Coimbatore Branch	92.00	304.75	5

- (ix) During the year, the term loans raised from Banks have been used for the purpose for which the same is availed.
- (x) In our opinion and according to the information and explanations given to us and also on an overall examination of the Balance Sheet of the Company, the funds raised during the year on short term basis have not been used for long term investments and vice versa.
- (xi) According to the information and explanations given to us, no fraud on or by the company has been reported during the year.
- (xii) According to information and explanation furnished to us , clauses (v) (vii) (x) (xii) (xiii) (xiv) (xv) (xviii) (xix) & (xx) of the Order 2003 are not applicable to the entity.

Place: Tirupur
Date : 30.05.2014

for **P.S.Krishnan & Co**
Chartered Accountants
FRN 001532S

(G.Krishnamurthi)
Partner
(Membership No: 23896)

BALANCE SHEET AS AT 31ST MARCH 2014

PARTICULARS	NOTE NO.	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 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	41,54,91,018	40,98,04,131
(2) Non Current liabilities			
(a) Deferred tax liabilities (Net)	3	2,98,86,257	2,95,17,244
(b) Long Term Borrowings	4	79,97,67,683	78,69,17,813
(C) Other Long term provisions	5	38,27,792	39,41,680
(3) Current Liabilites			
(a) Short Term Borrowings	6	17,18,12,452	3,09,35,388
(b) Trade Payables	7	1,35,33,865	65,36,514
(c) Other Current Liabilities	8	8,29,35,089	6,56,08,912
(d) Short -term provisions	9	31,26,015	20,13,727
Total		1,84,00,21,360	1,65,49,16,599
II. ASSETS			
(1) Non Current assets			
(a) Fixed assets			
(i) Tangible assets	10	1,15,01,21,445	66,27,79,885
(ii) Capital work-in-progress		65,06,06,220	96,41,41,112
(b) Long-term loans and advances	11	1,12,94,754	1,28,14,449
(2) Current Assets			
(a) Inventories	12	80,64,423	60,76,793
(b) Trade receivables	13	1,10,31,673	25,74,695
(c) Cash and cash equivalents	14	42,30,138	26,82,748
(d) Short-term loans and advances	15	46,72,708	38,46,917
Total		1,84,00,21,360	1,65,49,16,599
Notes on Accounts	26		
Significant Accounting Policies	27		

Schedules 1 to 27 form part of Annual Accounts

"As Per our report of even date"

For **P.S.Krishnan & Co**
Chartered Accountants (FRN 001532S)
(G.Krishnamurthi)
Partner (Membership No: 23896)

E.V.Muthukumara Ramalingam
Managing Director

M.R.Gautham
Executive Director

M.Srinivasan
Company Secretary

Place : Tirupur
Date : 30.05.2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2014

PARTICULARS	NOTE NO.	Year Ended On 31.03.2014 Rs.	Year Ended On 31.03.2013 Rs.
I. Revenue from operations (Gross)	16	15,60,76,357	14,17,65,418
Less : Excise duty		0	0
Revenue from operations (Net)		15,60,76,357	14,17,65,418
II. Other Income	17	49,99,484	28,29,571
III. Total (I + II)		16,10,75,841	14,45,94,989
IV. Expenses			
Cost of Supplies consumed	18	2,89,50,459	2,85,22,655
House keeping & Laundry expenses	19	21,29,833	22,11,194
Power & Fuel	20	3,32,84,610	2,94,87,690
Employee benefits expenses	21	3,15,79,071	2,81,54,833
Repairs and General maintenance	22	61,27,454	1,02,77,840
Finance Cost	23	2,24,69,579	81,28,548
Other Expenses	24	1,86,32,249	1,88,17,881
Depreciation	25	1,18,46,687	91,55,736
Total Expenses		15,50,19,941	13,47,56,377
V. Profit Before Exceptional Item and Tax (III-IV)		60,55,900	98,38,612
VI. Exceptional Items		6,98,864	6,98,864
VII. Profit Before Tax (V+VI)		67,54,764	1,05,37,476
VIII. Extra ordinary items		0	0
IX. Less : Tax Expenses			
1) Current Tax		12,75,000	21,10,000
2) Tax relating to prior years		0	4,23,323
3) MAT Entitlement		-12,75,000	4,92,605
4) Deferred Tax		3,69,013	14,02,228
X. Profit for the year		63,85,751	61,09,320
XI. Earning per share (of Rs.10/- each)			
(a) Basic / Weighted Average		0.20	0.19
(b) Diluted		0.00	0.00
Notes on Accounts	26		
Significant Accounting Policies	27		

Schedules 1 to 27 form part of Annual Accounts

"As Per our report of even date"

For **P.S.Krishnan & Co**

Chartered Accountants (FRN 001532S)

(G.Krishnamurthi)

Partner (Membership No: 23896)

E.V.Muthukumara Ramalingam

Managing Director

M.R.Gautham

Executive Director

M.Srinivasan

Company Secretary

Place : Tirupur

Date : 30.05.2014

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 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	No. of Shares	No. of Shares
- Shares outstanding as at 01.04.2013/01.04.2012	3,19,64,119	3,19,64,119
- Issued during the year	0	0
- Shares outstanding as at 31.03.2014/31.03.2013	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	1,26,78,383
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	71683901	71683901
(Reserves created out of revaluation of Land & Building Situated at Tirupur) Less : Depreciation on revalued assets	8474444	7775580
	63209457	63908321
(b) Surplus in Statement of Profit and Loss		
Opening balance	3,11,12,263	2,50,02,942
Add : Profit for the year	63,85,751	61,09,321
Closing balance	3,74,98,014	3,11,12,263
(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)	41,54,91,018	40,98,04,131

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 Rs.
NOTE : 3		
DEFERRED TAX LIABILITES		
Opening Balance	2,95,17,244	2,81,15,016
Provision / (Reversal)	3,69,013	14,02,228
Closing Balance	<u>2,98,86,257</u>	<u>2,95,17,244</u>
NOTE : 4		
LONG-TERM LIABILITES		
a) Term Loans - From Banks	73,22,24,281	71,28,98,700
From Others	0	21,497
b) Loans and Advances from Related parties	3,93,48,719	5,15,30,403
c) Deposits	2,81,94,683	2,24,67,213
	<u>79,97,67,683</u>	<u>78,69,17,813</u>
NOTE : 5		
OTHER LONG TERM PROVISIONS		
a) Provision for employee benefits	38,27,792	39,41,680
	<u>38,27,792</u>	<u>39,41,680</u>
NOTE : 6		
SHORT TERM BORROWINGS		
(a) Current maturities of long-term debt	8,99,80,830	1,66,65,140
(b) Interest accrued and due on borrowing	6,86,59,662	9,102
(c) Overdrawn Account	1,31,71,960	1,42,61,146
	<u>17,18,12,452</u>	<u>3,09,35,388</u>
NOTE : 7		
TRADE PAYABLES		
Trade Payable	1,35,33,865	65,36,514
	<u>1,35,33,865</u>	<u>65,36,514</u>
NOTE : 8		
OTHER CURRENT LIABILITIES		
(a) Unpaid dividend	13,11,100	13,11,280
(b) Statutory liabilities	47,45,222	27,67,793
(c) Other Payables	2,01,63,531	71,48,172
(d) Capital Goods Liability	5,57,21,360	5,37,47,482
(f) Advance / Progress Payments from Customers	9,93,875	6,34,185
	<u>8,29,35,089</u>	<u>6,56,08,912</u>
NOTE : 9		
SHORT - TERM PROVISIONS		
(a) Provision for Taxation	31,26,015	20,13,727
	<u>31,26,015</u>	<u>20,13,727</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014
**NOTE : 10
FIXED ASSETS**

Description of assets	Gross Block			Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	Upto 31.03.2013	For the year	Withdrawn	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	450150385	-	-	450150385	-	-	-	-	450150385	450150385
Building	209956968	430018836	-	639975804	45184217	5129135	-	50313352	589662452	164772751
Plant & Machinery	75609764	69764459	-	145374223	53140936	3305320	-	56446256	88927967	22468828
Furniture & Fittings	35017643	60634	-	35078277	19415980	2352984	-	21768964	13309313	15601663
Vehicles	11967536	138188	1479136	10626588	2181278	1059248	685265	2555261	8071327	9786258
TOTAL	782702296	499982118	1479136	1281205278	119922411	11846687	685265	131083833	1150121445	662779885

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 Rs.
NOTE : 11 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good)		
(a) Capital Advances	0	28,87,267
(b) Deposit with others	26,35,038	25,24,355
(c) Other non current assets	12,25,121	13,00,121
(d) MAT Entilement	67,13,540	54,38,540
(e) Other bank balance - Deposits	7,21,055	6,64,166
	1,12,94,754	1,28,14,449
NOTE : 12 INVENTORIES		
(a) Stores and Provisions (Valued at Lower of cost or market price and as certified by the Management)	80,64,423	60,76,793
	80,64,423	60,76,793
NOTE : 13 TRADE RECEIVABLES Unsecured, considered good* (*Includes an amount of Rs.140041 (P.Y.219169) outstanding for a period exceeding six months from the date they are become due)	1,10,31,673	25,74,695
	1,10,31,673	25,74,695
NOTE : 14 CASH AND CASH EQUIVALENTS		
Cash on hand	9,71,087	8,24,433
Balance with bank - Current accounts	19,47,416	5,50,645
- unpaid dividend accounts	13,11,636	13,07,670
	42,30,138	26,82,748
NOTE : 15 SHORT-TERM LOANS AND ADVANCES Unsecured, considered good (Advances recoverable in cash or kind or for value to be received)		
(a) Advances (others)	11,05,557	12,00,218
(b) Balance with revenue authorities	35,67,151	26,46,699
	46,72,708	38,46,917

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 Rs.
NOTE : 16		
REVENUE FROM OPERATIONS		
Sale of Services		
a) Guest Accomodation	6,85,12,156	6,48,79,378
b) Others	1,74,000	1,74,000
c) CAM Charges Receipts - Arcade	5,77,338	0
d) Rental Income - Arcade	44,94,134	0
Sale of Products		
a) Food & Beverage	6,01,27,998	5,57,90,576
b) Liquor	1,08,84,691	1,08,90,718
c) AC Charges Receipts - Arcade	11,83,217	0
d) EB Charges Receipts - Arcade	17,71,813	0
Other Operative Services		
a) Healthclub	0	90
b) Taxi hire	34,680	25,635
c) Swimming Pool Income	29,57,377	37,63,254
d) Service charges	13,02,329	10,30,710
e) Laundry receipts	6,51,587	10,03,199
f) Telephone charges receipts	34,05,038	42,07,858
	15,60,76,357	14,17,65,418
NOTE : 17		
OTHER INCOME		
a) Interest receipts	1,69,526	2,48,470
b) Misc. Income	46,97,307	11,20,245
c) Sundry Balance w/back	125	11,09,769
d) Other income	1,20,551	3,50,001
e) Rounded off	2,120	1,086
f) Commission	9,855	0
	49,99,484	28,29,571
NOTE : 18		
COST OF SUPPLIES CONSUMED		
Opening Stock	60,76,793	53,77,135
Purchases	3,09,38,089	2,92,22,313
	3,70,14,882	3,45,99,448
Less : Closing Stock	80,64,423	60,76,793
	2,89,50,459	2,85,22,655
NOTE : 19		
HOUSEKEEPING AND LAUNDRY EXPENSES		
Housekeeping expenses	16,96,603	17,60,027
Laundry expenses	4,33,230	4,51,167
	21,29,833	22,11,194

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 Rs.
NOTE : 20		
POWER & FUEL		
Electricity charges	88,20,578	85,56,642
Diesel & Lubricants	1,13,58,520	76,38,244
Firewood	65,51,675	67,10,152
Gas	43,51,642	45,89,117
Charcoal	5,17,769	5,94,144
Water	16,84,426	13,99,391
	3,32,84,610	2,94,87,690
NOTE : 21		
EMPLOYEE BENEFITS EXPENSES		
Salary & Wages	2,86,54,322	2,48,21,606
Bonus & Exgratia	6,07,368	7,00,961
Gratuity & Leave salary	3,29,758	6,87,886
Staff welfare expenses	10,49,609	11,85,897
Contribution to statutory funds	9,38,014	7,58,483
	3,15,79,071	2,81,54,833
NOTE : 22		
REPAIRS AND GENERAL MAINTENANCE		
Building	11,21,567	20,79,061
Machinery	44,75,825	78,94,870
Others	5,30,062	3,03,909
	61,27,454	1,02,77,840
NOTE : 23		
FINANCE COST		
Term loan interest	2,01,44,714	63,44,478
Working Capital Loan Interest	20,26,917	5,12,336
Financial Charges	2,97,948	3,40,511
Bank charges	0	9,31,223
	2,24,69,579	81,28,548
NOTE : 24		
OTHER EXPENSES		
a) Selling expenses		
Advertisement	3,38,322	4,48,535
Credit card service charges	2,169	4,454
Business promotion expenses	17,28,290	9,47,681
Discount	2,14,712	5,14,591
b) Administrative expenses		
Bank Charges	17,31,287	11,98,367
Filing Fee	11,100	15,000
Telephone charges	11,70,856	11,11,289
Printing & Stationery	9,73,801	8,71,175

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2013-2014

PARTICULARS	AS AT 31.03.2014 Rs.	AS AT 31.03.2013 Rs.
NOTE : 24 (Contd.)		
Misc.Expenses	9,76,182	2,55,636
Postage & telegram	1,83,232	1,57,283
Periodicals & New papers	98,569	82,173
Carriage inward	1,62,171	1,64,659
Donation	1,500	0
Professional Fees	2,38,921	6,95,676
Lease Rent	19,57,800	19,57,800
Rates & Taxes	30,37,510	39,47,655
Travelling & Conveyence	10,88,755	12,37,809
Insurance	2,66,665	6,66,364
Pooja Expenses	1,26,496	1,67,433
Subscription	30,478	30,700
Remuneration to Auditors :		
Statutory Audit	60,000	60,000
Tax Audit	25,000	25,000
Taxation Matters	40,000	40,000
Certification work	64,500	32,000
Others & Service Tax	15,450	60,600
Internal audit fee	2,84,000	2,40,000
Loss on sale of assets	58,871	0
Share Transfer Expenses	1,31,164	1,27,705
Vehicle running expenses	18,64,892	18,65,370
Security service charges	17,49,556	18,42,401
Service charges Paid	0	50,525
	1,86,32,249	1,88,17,881
NOTE : 25		
DEPRECIATION		
Building	51,29,135	34,07,113
Plant & Machinery	33,05,320	28,42,837
Furniture & Fittings	23,52,984	23,53,428
Vehicles	10,59,248	5,52,358
	1,18,46,687	91,55,736

NOTE : 26
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 Rs.Nil. (Previous year Rs. Nil)
- d. Expenditure on employees who are in receipt of remuneration of not less than Rs. 60,00,000/- per annum (previous year Rs. 60,00,000/- per annum) when employed through out the year or Rs. 5,00,000/- 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	31.03.2014 Rs.	31.03.2013 Rs.
Guest Accommodation	6,85,12,156	6,48,79,378
Foods & Beverage Sales	6,01,27,998	5,57,90,576
Wine & Liquor	1,08,84,691	1,08,90,718
Telephone Receipts	34,05,038	42,07,858
Others	1,81,45,959	88,26,459
	16,10,75,841	14,45,94,989
i) Opening Stock		
Provisions, & Supplies	58,50,729	49,72,115
Wine & Liquor	2,26,063	4,05,020
	60,76,792	53,77,135
ii) Closing Stock		
Provisions & Supplies	75,17,498	58,50,729
Wine & Liquor	5,46,925	2,26,063
	80,64,423	60,76,792
iii) Consumption		
Provisions & Supplies	2,61,27,815	2,45,88,680
Wine & Liquor	28,22,644	39,33,975
	2,89,50,459	2,85,22,655

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

PROVISIONS & SUPPLIES	2013- 2014		2012- 2013	
	Value Rs.	Percentage %	Value Rs.	Percentage %
Imported	Nil	Nil	Nil	Nil
Indigenous	28950459	100%	28522655	100%

j. TERM LOANS :

1. Allahabad Bank , Andhra Bank , Canara Bank & Axis Bank Limited :
Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonor and Hypothecation of entire current assets of the Company. The loan is also personally guaranteed by the Managing Director & Executive Director of the company.
2. Axis Bank Limited :
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)	2013- 2014	2012- 2013
		Rs. 328.53 Lakhs

l. CIF VALUE OF IMPORTS

(As reported by the management to the Department of Tourism but not verified by the Auditors)	2013- 2014	2012- 2013
		Rs. 328.53 Lakhs

- 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. During the year a sum of Rs. 1275000 been provided in the books of accounts towards income tax.
- o. Earning per share :
 - a. Basic earnings per share are calculated by dividing the net profit attributable to the share holders by the weighted average 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 :-

	31.03.2014 Rs.	31.03.2013 Rs.
Net Profit for the year	67,54,764	1,05,37,477
Net Profit for the year attributable to equity share holders. (A)	63,85,751	61,09,321
No. of equity shares (In Numbers) (B)	3,19,64,119	3,19,64,119
Earnings per share/ Weighted Average	0.20	0.19
Nominal value per share	10/-	10/-

- p. Net Deferred Tax in respect of the year ending 31st March 2014 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2014 are computed as below :

DEFERRED TAX LIABILITY

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	295.17	3.69	298.86
	TOTAL (A)	295.17	3.69	298.86

- q. Disclosure as required by Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India (ICAI) is furnished in a separate annexure.

r. Related Party Transactions.

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

Key managerial persons	Interested concerns
Sri.E.V.Muthukumararamalingam, Managing Director	M/s.Shree Vallee Enterprises Private Limited
Sri.M.R.Gautham, Executive Director	
Sri.B.A.Madhusudan, Director	
Nature of Transaction	Key management persons
Unsecured Loans	Rs. 3938719
Managerial Remuneration	Rs. 4200000

- s. Notes 1 to 27 form an integral part of annual accounts.

NOTE : 27**SIGNIFICANT ACCOUNTING POLICES****a) Basis of Presentation :**

The financial statements have been prepared under the historical cost convention, on an accrual basis and in accordance with generally accepted accounting principles generally accepted in Indian (Indian GAAP) and comply with mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable except for certain fixed assets which have been revalued. The Accounting is on the basis of a going concern concept.

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 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 balancesheet 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 XIV to the Companies Act, 1956.
- b. Depreciation on assets revalued in the year is calculated on its revalued figure on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. The additional charge of depreciation on account of revaluation is deducted from revaluation reserve and credited to the Profit and Loss Account.
- c. Assets costing less than Rs.5000 are fully depreciated in the year of addition.

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 Profit & loss account
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 as 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 Policies

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 2014

PARTICULARS	YEAR ENDED ON 31.03.2014		YEAR ENDED ON 31.03.2013	
	Rs.		Rs.	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		6754764		10537477
Add : Extra Ordinary Items			0	
Loss on sale of assets	58871	58871	0	0
Less : Extra Ordinary Items		6813635		10537477
Short provision towards taxation	0		423323	
Profit on sale of assets	0	0	0	423323
		6813635		10114154
Adjustment for :				
Depreciation	11147823		8456872	
Interest Receipts	169526		248470	
Finance cost	22469579	33786928	8128548	16833890
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		40600563		26948044
Adjustment for changes in				
1) (Increase) / Decrease in Trade Receivables	-8456978		633887	
2) (Increase) / Decrease in Inventories	-1987630		-699658	
3) (Increase) / Decrease in Short term loans & Advances	-825791		-854621	
4) (Increase) / Decrease in Long term loans & Advances	2794695		91308741	
5) (Increase) / Decrease in Trade Payables	6997351		767784	
6) (Increase) / Decrease in Other Payables	17655935	16177583	20492119	111648252
Cash generated from operations		56778146		138596296
Less : Taxes paid	0		2827714	
Gratuity and Leave salary and Bonus paid	443646	443646	451690	3279404
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		56334500		135316892
B. CASH FLOW FROM INVESTING ACTIVITIES				
Capital Expenditure	186447226		384086186	
Proceeds from sale of fixed assets	735000	185712226	0	384086186
NET CASH USED IN INVESTING ACTIVITIES (B)		-129377726		-248769294

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

PARTICULARS	YEAR ENDED ON		YEAR ENDED ON	
	31.03.2014		31.03.2013	
	Rs.		Rs.	
C. CASH FROM FINANCING ACTIVITIES				
Finance Cost	22469579		8128548	
Interest Receipts	169526		248470	
Proceeds from Long term borrowings	-12849870		-211603310	
Proceeds from Short term borrowings	-140877064		-14736232	
Proceeds from Short term Provisions	162712		0	
		-130925116	0	-217962524
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		-130925116	0	-217962524
NET INCREASE / DECREASE IN CASH / CASH EQUIVALENTS		1547390		-30806770
Cash and cash equivalents opening as on 01.04.2013 / 01.04.2012		2682748		33489518
Cash and cash equivalents opening as on 01.04.2014 / 01.04.2013		4230138		2682748

Schedules 1 to 27 form part of Annual Accounts
"As Per our report of even date"

For **P.S.Krishnan & Co**
Chartered Accountants (FRN 001532S)
(G.Krishnamurthi)
Partner (Membership No: 23896)

E.V.Muthukumara Ramalingam
Managing Director

M.R.Gautham
Executive Director

M.Srinivasan
Company Secretary

Place : Tirupur
Date : 30.05.2014



VELAN HOTELS LTD

CIN : L55101TZ1990PLC002653

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

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT COVER AT THE ENTRANCE OF 41, Kangayam Road, Tirupur - 641 604.

Name & Address of the Shareholder

SEQUENCE No. :

FOLIO No. :

DP.ID :

Client ID :

I hereby record my presence at the ANNUAL GENERAL MEETING at 41, Kangayam Road, Tirupur - 641 604 on Monday, 29th September, 2014 at 12.15 p.m.

Signature of the Member of 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 of shares of the 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 24th Annual General Meeting of the company, to be held on Monday, 29th September, 2014 at 12.15 p.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		7	
2		8	
3		9	
4		10	
5		11	
6			

Signed this day of 2014.

Signature of Shareholder :

Signature of Proxy holder(s) :

Affix
Revenue
Stamp

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.



VELAN HOTELS LTD

CIN : L55101TZ1990PLC002653

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

Phone : +91 421 4311111, Fax : +91 421 2424434

E-mail : investorrelations@velanhotels.com, accounts@velanhotels.com

Website : www.velanhotels.com

POSTAL BALLOT FORM (in lieu of E-Voting at the AGM)

1	Name of Sole / First Member	
2	Name(s) of Joint Member(s), if any	
3	Registered Folio No. / DP ID No. / Client ID No.	
4	Number of Shares held	

I/We hereby exercise my/our vote in respect of the Resolution(s) to be passed through e-voting / Postal Ballot for the business stated in the AGM Notice dated 30th May, 2014 of the Company by conveying my / our assent or dissent to the said Resolution(s) by placing the tick (✓) mark at the appropriate box below :

Item No.	Description	No. of shares held by me	I assent to the resolution	I dissent from the resolution
1	Adoption of Annual Financial Statements as on 31st March, 2014 (ordinary resolution)			
2	Re-appointment of Sri.K.Subramaniam, retire by rotation and seeking re-election (ordinary resolution)			
3	Re-appointment of Smt.M.Sasikala, retire by rotation and seeking re-election (ordinary resolution)			
4	Appointment of Statutory Auditors and fixing their remuneration (ordinary resolution)			
5	Appointment of Sri.S.P.Sivanandam as Independent Director (ordinary resolution)			
6	Appointment of Sri.P.Ganesan as Independent Director (ordinary resolution)			
7	Appointment of Sri.Giri Balasubramanian as Independent Director (ordinary resolution)			
8	Retirement of a Director (ordinary resolution)			
9	Borrowing money in excess of the aggregate of the paid up share capital and free reserves of the Company (special resolution)			
10	Creation of Charges on the assets of the Company (special resolution)			
11	Amendment to the Articles of Association of the Company to be in line with the Companies Act, 2013 (special resolution)			

Place :

Date :

Signature of Member

NOTE : Kindly read the instruction printed overleaf before filling the form. Last date of receipt of postal ballot forms by Scrutinizer is 26.09.2014

VELAN HOTELS LTD

INSTRUCTINS :

1. In terms of Clause-35B of the Listing Agreement, those members, who do not have access to e-voting facility provided by the Company for the Annual General Meeting may send their assent or dissent in writing on the Postal Ballot Form. Accordingly, this Postal Ballot Form is being provided as per Clause 35B of the Listing Agreement.
2. A member desiring to exercise his/her vote by Postal Ballot Form should complete this Postal Ballot Form, sign and send it to Mr.S.R.Baalaji, Scrutinizer, C/o. SKDC Consultants Ltd, Kanapathy Towers, 3rd Floor, Sathy Road, Ganapathy, Coimbatore 641 006 so as to reach him on or before 26th September, 2014 by 5.00 p.m. Any postal ballot form received after this time and date will be treated as if the reply from the members has not been received.
3. The postal ballot form should be completed and signed by the members. In the case of joint shareholding, this form should be completed and signed by the first named member and in his absence, by the next named member(s). Unsigned postal ballot form will be rejected. The signature on the postal ballot form must tally with the specimen signature registered with the Company.
4. Where the postal ballot form has been signed by an Authorised Representative of a body corporate, a certified copy of the relevant authorizations to vote on the postal ballot should accompany the postal ballot form. A member may sign the form through an Attorney appointed specifically for this purpose, in which case an attested true copy of the Power of Attorney should be attached to the postal ballot form.
5. A member may request for a duplicate postal ballot form, if so required. However, the duly filled in duplicate postal ballot form should reach the Scrutinizer not later than the time and date specified at Item No.2 above.
6. Voting rights will be reckoned on the paid up value of shares registered in the name of the member on 29th August, 2014 which is the cut off Date fixed for this purpose.
7. Members are requested not to send any other paper along with the Postal Ballot Form and any extra paper found in such envelope would be destroyed by the Scrutinizer.
8. There will be only one postal ballot form for every folio irrespective of the number of joint member(s).
9. A member need not use all the votes nor does he need to cast all the votes in the same way.
10. The Scrutinizer's decision on the validity of a postal ballot will be final and binding.
11. Incomplete, unsigned or incorrect postal ballot forms will be rejected.
12. The date of Annual General Meeting will be the deemed date of passing resolution(s) through e-voting / postal ballot. It may also be noted that, in terms of Section 114 of the Act, the Resolutions contained in the Annual General Meeting Notice will be deemed to have been passed through the e-voting and postal ballot form. Accordingly, the results shall be declared in terms of Rules 20 or 21 of the Companies (Management and Administration) Rules 2014.
13. The right of vote under e-voting and postal ballot shall not be exercised by a proxy.