

VELAN HOTELS LIMITED

20TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2010

BOARD OF DIRECTORS

SRI.R.V.E.VENKATACHALAM
CHAIRMAN

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI P.GANESAN

SRI.T.GOPALAKRISHNAN

DR. NAMASIVAYAM KARTHIKEYAN

COMPANY SECRETARY

SRI.M.SRINIVASAN

AUDITORS

M/S.P.S.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
40 A APACHI NAGAR MAIN ROAD
TIRUPUR 641 607

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.
"KANAPATHY TOWERS"
3RD FLOOR, 1391/A-1 SATHY ROAD
GANAPATHY POST,
COIMBATORE 641 008

PHONE : 0422-6549995
E-mail : info@skdc-consultants.com

BANKERS

BANK OF BAHRAIN & KUWAIT BSC
AXIS BANK LIMITED
STATE BANK OF INDIA
UNION BANK OF INDIA

REGD. & ADMINISTRATION OFFICE

41 KANGAYAM ROAD
TIRUPUR 641 604
TAMIL NADU

LOCATION OF THE HOTELS

VELAN HOTEL GREENFIELDS
41 KANGAYAM ROAD
TIRUPUR 641 604 - TAMILNADU

VELAN HOTEL
RITZ ROAD, BEDFORD
COONOOR 643 101
TAMILNADU

LOCATION OF THE RESTAURANTS

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

THE VELAN FOOD PARK
RAM NAGAR
COIMBATORE 641 009

NOTICE OF THE 20th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th 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, the 06th day of September 2010 at 04.45 p.m. to transact the following business :

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended as on that date, the Cash Flow Statement and the Reports of the Auditors and Directors of the Company
2. To declare dividend.
3. To appoint a Director in place of Sri.P.Ganesan who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr.Namasivayam Karthikeyan who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) for the time being in force, the Company hereby accords its approval and consent to the re-appointment of Sri.E.V,Muthukumara Ramalingam as Managing Director of the Company for a period of 5 years with effect from 01st July, 2010 on the terms and conditions as set out below:

1. Salary: Rs.50000/- per month in the scale of Rs.50000- 2000-60000. The annual increment will be effective from 1st July 2011 and additional increment(s) will be considered by the Board of Directors on merits at its absolute discretion.
2. Perquisite: The benefit of the Company's furnished accommodation, Gas, Electricity, Water and furnishings, use of Car and Telephone at residence, medical reimbursement, personal accident insurance, leave and travel concession, education benefits, club fees, provident fund, superannuation fund gratuity and any other perquisites in accordance with the scheme(s) and rule(s) of the Company or any modification(s) that may be made, in any scheme or rule for the aforesaid benefits. The perquisites shall be valued as per Income-Tax rules, wherever applicable and actual cost of the Company in other cases.
3. Commission: An amount equal to 1% of the Net Profit of the Company. The above is subject hereunder to the fact that the aggregate of the total remuneration payable shall not exceed 5% of the Net Profit of the Company calculated in accordance with Sections 198, 309, 349 and 350 of the Companies Act, 1956

- II. Where in any financial year during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate, the remuneration payable to Sri.E.V.Muthukumara Ramalingam, Managing Director shall be governed by 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof as amended from time to time provided that the following perquisites shall not be included in the computation of total minimum remuneration
- Company's contribution to Provident Fund, Superannuation Fund / Annuity to the extent that either singly or put together are not taxable under the Income Tax Act, 1962
 - Gratuity payable at the rate not exceeding half a month's salary per each completed year of service and
 - Encashment of leave at the end of the tenure.

III. OTHERS

- The Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and traveling incurred in the course of the Company's business
 - The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of Car with Driver for use of the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
 - Appointment may be terminated by either side at any time, by giving 3 months' notice in writing provided that in case of termination is desired by the company, payment of 3 months' salary in lieu of notice will be taken as sufficient.
7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to Clause V of the Memorandum of Association read with Article 45 of the Articles of Association of the Company and subject to the provisions of Section 16 and 94(1) (a) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) the Authorised Share Capital of the Company be and is hereby increased from the present level of Rs.15,50,00,000/- (Rupees Fifteen Crores and Fifty Lakhs only) comprising of 1,55,00,000 equity shares of Rs.10/- (Rupees Ten Only) each to Rs.35,00,00,000/- (Rupees Thirty Five Crores only) comprising of 3,50,00,000 equity shares of Rs.10/- (Rupees Ten Only) each"

"RESOLVED FURTHER THAT existing Clause V of the Memorandum of Association of the Company be and is hereby deleted in-toto and the following clause be substituted as Clause V:

- V. The Authorised Share Capital of the Company is Rs.35,00,00,000/-(Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crores and Fifty Lakhs only) equity shares of Rs.10/- (Rupees Ten only) each and the Company shall have power to increase or reduce the Capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions with voting rights or with differential rights as to dividend, voting or otherwise as permissible under law and as may be determined by the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and as the Company deems fit and necessary."

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

“RESOLVED THAT in accordance with the provisions of the Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and the provisions in the Memorandum and Articles of Association of the Company, the guidelines issued by the Securities and Exchange Board of India (“SEBI”), the listing agreement entered into by the Company with Bombay Stock Exchange Limited and subject to the approval, permissions and sanctions of the lenders of the Company, SEBI, Stock Exchange, Reserve Bank of India (“RBI”), Government of India and other concerned authorities, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any committee thereof) the consent of the shareholders be and is hereby accorded to create, offer and issue to the equity shareholders of the Company as on the record date (to be fixed for the purpose) equity shares of Rs.10/- each of the Company for a sum upto Rs.65 Crores, in the ratio and premium to be determined by the Board (“the Rights Issue”) and on such terms and conditions as may be mentioned in the draft Letter of Offer to be issued by the Company in respect of the Rights Issue.

The issue of above referred Equity Shares of Rs. 10/- each shall be made subject to following conditions:-

- (i) The payment against the Equity Shares shall be made in full.
- (ii) The Equity Shares offered to the Shareholders of the Company on Rights Basis shall also carry the rights exercisable by the shareholders concerned to renounce the Equity Shares offered to them in whole or in part in favour of any other person (s), provided, such renunciation is made on or before the closure of the Rights offer.
- (iii) The Existing shareholders as also the renounees are entitled to apply for additional Equity Shares provided that the shareholders who has renounced his right in full or in part will not be entitled to apply for additional Equity Shares.
- (iv) The issue of Equity Shares in favour of Non-Resident Indian Shareholders shall be subject to the approval of the Reserve Bank and FEMA, 1999.
- (v) The Board shall be entitled to vary, modify or alter any of the terms and conditions as it may deem fit and expedient in the interest of the Company.
- (vi) Unsubscribed portion, if any, shall be disposed off in such manner as the Board may deem fit and proper at its absolute discretion.

“ RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to issue the Letters of Offer /Notice/Renunciation/ Split Form and Application Form and to make the necessary arrangement in connection thereof.”

“ RESOLVED FURTHER THAT the said New Equity Shares issued shall rank *pari passu* in all respects with the existing fully paid-up Equity Shares in the capital of the Company including dividend to be declared, if any, for the concerned financial year.”

“**RESOLVED FURTHER THAT** in case of any over subscription of the issue, the Company be and is hereby authorized to retain such of the amount and issue and allot securities as may be permitted in accordance with the applicable laws, rules and provisions in consultation with the Designated Stock Exchange”.

“**RESOLVED FURTHER THAT** for the purposes of giving effect to these Resolutions, the Board of Directors be and is hereby authorized to settle any question or point of reference that may arise in regard to the issue and allotment of Equity Shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution and/or to appoint Lead Managers/ Managers to the Issue, Registrars to the Issue, Bankers to the Issue, and if considered necessary to carry out enter into stand-by-arrangement with Brokers/Bankers/Merchant Bankers for the whole or the part of the Issue and on such terms and conditions within the broad framework of parameters as prescribed by the concerned Authorities and also to do all act, matters and things of whatever nature and to give such directions as may be considered necessary or desirable.”

“Notwithstanding the above and more particularly with regard to the change in guidelines in respect of issue of Shares, the Board shall be entitled to increase or decrease the size of the issue, No. of Equity Shares. Face value thereof, and vary, modify and alter ratio of rights offer and other terms and conditions, including timing and premium on conversion, as it may deem fit and expedient in the interest of the Company.”

For and on behalf of the Board

R.V.E.Venkatachalam
Chairman

Place : Tirupur
Date : 23.07.2010

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956**SPECIAL BUSINESS****Item No.6**

Sri.E.V.Muthukumara Ramalingam has been the Managing Director of the Company since inception of the Company and his tenure concluded on 30/06/2010. Considering that his rich industry experience would be immense advantage to the Company, the Board of Directors of your Company has thought it fit to re-appoint Sri E.V.Muthukumara Ramalingam as the Managing Director of your Company with effect from 1st July 2010 for a further period of 5 (five) years on the terms and conditions mentioned in the resolution under this item. The same was approved by the Remuneration Committee at its meeting held on 30/06/2010.

The same resolution is placed before you for your approval.

None of the Directors other than Sri.R.V.E.Venkatachalam, Chairman and Sri.M.R.Gautham, Executive Director is interested in this resolution

Item No.7

The Company at Extra-ordinary General Meeting held on 12th June, 2010 enhanced its Authorised Share Capital to Rs.15.50 Crores. The Board of Directors feels that considering the future prospects of the Company, there may need more funds for the growth of the business.

Hence, it is proposed to increase the Authorised Share Capital to Rs.35,00,00,000/- consisting of 3,50,00,000 equity shares of Rs.10/- each to accommodate issue of further shares.

Consequent to the decision for issue of further shares, amendments are necessary for increase of the Authorised Share Capital of the Company. To accommodate increase in the Authorised Share Capital, Capital clause V of the Memorandum of Association relating to Authorised Share Capital have to be suitably altered and hence the resolutions.

The same resolution is placed before you for your approval.

None of the Directors of the Company is any way concerned or interested in the aforesaid Ordinary Resolution.

Item No.8

The Company proposes to raise Capital through Rights Issue.

In terms of provisions of Section 81(1), the Company proposes to raise funds by issue of shares to the existing shareholders of the Company upto Rs.65 Crores or such sum inclusive of premium as may be determined by the Board of Directors to meet various business requirements of the Company.

None the Directors is interested or concerned in the proposed resolution except to the extent of their shareholding held in the Company.

For and on behalf of the Board

Place : Tirupur
Date : 23.07.2010

R.V.E.Venkatachalam
Chairman

NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. CORPORATE MEMBERS ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORIZING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING.
2. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 01/09/2010 (Wednesday) to 06/09/2010 (Monday) (Both days inclusive)
3. Details in respect of appointment / reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements are annexed hitherto.
4. Members holding shares in physical form are requested to notify change in their address, if any, to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their address to their respective Depository Participants.
5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. The equity shares of the Company are listed on Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the abovesaid Exchange.
7. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the meeting so as to enable the management to keep the information ready.
9. Members are requested to provide
 - Permanent Account Number (PAN)
 - Opt for Electronic Clearance Service (ECS) facility for receiving dividend direct to their bank account
 - Latest Bank account details, wherever ECS facility is not available, for prompt credit and for avoiding fraudulent encashment / loss in postal transit of dividend warrant.
10. Equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
11. The ISIN of the equity shares of your Company is **INE548D01014**

For and on behalf of the Board

Place : Tirupur
Date : 23.07.2010

R..V.E.Venkatachalam
Chairman

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

Sri.P.Ganesan (Independent-Non-Executive Director) has completed his Diploma in Textile Technology from the United Kingdom and has an experience of over 35 years in the field of Hosiery Garments. He has also promoted a textile mill in 1994 and is aiding in the overall administration of the Company. He holds 33050 shares in the Company. He holds Directorship in Velan Textiles Private Limited.

Dr.Namasivayam Karthikeyan (Independent-Non-Executive Director) holds a Doctorate in Organisational Behavior and Human Resources. His contacts and experience in the field are of great help to the Company. He joined the Board during year 2004.

DIRECTORS' REPORT

To

The Shareholders,
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 20th Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date.

FINANCIAL RESULTS

PARTICULARS	2009-10	2008-09
Profit Before Interest, Depreciation and Tax	329.49	295.34
Less : Interest	83.51	70.95
Profit Before Depreciation & Tax	245.97	224.39
Less : Depreciation	70.54	61.64
Profit Before Tax [PBT]	175.44	162.75
Less : Tax Liability	63.07	56.61
Profit After Tax	112.36	106.14
Balance b/f from previous years	62.52	1.12
Profit Available for appropriation	174.88	107.26
Less : Proposed Dividend	58.13	38.75
Less : Tax on proposed Dividend	9.65	5.99
Balance to be carried over to Balance sheet	107.11	62.52

OPERATING RESULTS AND OVERVIEW

2009 has gone into the history books as one of the worst for all sectors in general, the hotel industry in particular. Revenue per average room (RevPAR) practically collapsed as travelers stayed away. Companies reined in travel expenditure and potential tourists stayed at home. With the global economic machinery almost shuttering to a halt, the corporate world has engaged in cost cutting via drastic cutbacks on non-essential expenses. The resultant drop in corporate travel, coupled with travel advisories issued following the November, 2008 terror attacks, led to an adverse effect on the industry performance.

Headline wholesale price index inflation accelerated from 1.5 % in October, 2009 to 9.9% by March, 2010 whereas food articles inflation accelerated to 16.65 % on y-o-y basis mainly on account of deficient monsoon, cost of imports went up due to weakening rupee, mismatch in demand / supply situation of agricultural products in India and unstable international crude oil prices. The profit margin of Food & Beverage of your hotel business was affected due to higher inflation in food articles. The F & B revenue accounts over 35% of the total revenue of the Hotel.

Despite these unfavourable happenings, your Company did reasonably well during the year under review. Your company's total income grew by 12.49% from Rs.1184.64 lakhs to Rs.1333.63 lakhs in 2009-10. Profit Before Taxes (PBT) increased by 7.79% from Rs.162.75 lakhs to Rs.175.44 lakhs in 2009-10 and Profit After Tax (PAT) increased by 5.86% from Rs.106.14 to Rs.112.36 lakhs in 2009-10. The increase in expenses of consumption of provision and supplies due to higher inflation, Employee cost, Interest Cost and general administrative expenses led to a severe squeeze in operating margins.

Therefore, the Company's overall performance has to be viewed from the above perspective.

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.0.75 per equity share for the year ended 31st March, 2010 higher than Rs.0.50 per share distributed as dividend in the previous year.

FUTURE OUTLOOK

In the year 2008, the company started work on a multi-tier food outlet at the centrally located area of Ram Nagar in Coimbatore. This four format restaurants outlet was commenced in 2009.

In 2009, the company has relocated Velan Uthara to a larger space to cope with the increase in footfalls.

In the year 2009, 6 new deluxe rooms were added to Velan Hotel, Coonoor to meet the increased seasonal demand at this tourist destination which has also been adopted by national level athletes for high-altitude training.

The company has identified an opportunity in the entertainment business at Tirupur. Hence, 'The Velan Esplanade' has been planned as a mall and multiplex complex. The 300,000 sq ft development is planned to be leased out with large corporates in the retail industry signing up for spaces. The superstructure work at the velan esplanade site is near completion. Within this development, your company plans to add 20 serviced apartments to add to the 60 luxury rooms and 10 suites that are already available at your Tirupur Hotel Property.

The Velan Hotel Greenfields at Tirupur attracts a large number of overseas guests and hence contributes to the foreign exchange earnings of the country. To add variety to the existing facilities offered at your Tirupur hotel, a new barbecue restaurant and a new sports bar is being added and should be operational in the current year. The luxury rooms at the Tirupur hotel has been maintained very well and, in the current year also, 18 more rooms will be modernised to meet the ever-growing demands of the business travellers at Tirupur.

The Velan Hotel, Coonoor has attracted the Sports Authority of India (SAI) to set up their high altitude training facilities there. The athletes with their coaching staff and their support team have been staying on and off at your Coonoor hotel property. To meet the growing demands of the SAI and the tourists at Coonoor, few more rooms / cottages are planned to be added this year. Further, 10 existing deluxe rooms will be modernised in the current year to maintain the quality standards expected of the 'Velan' brand.

Also, the Velan Hotels, having a strong food & beverage base and convention facilities in the US\$6 Billion export district headquarters of Tirupur is facing strong demand for space in the fair and convention market. Hence, a larger air-conditioned hall to house even larger sized machinery is required to meet the demands of the exhibitors.

The planned development of the mall / multiplex / convention centre added to the existing hotel implies a large requirement of energy in the form of electricity and chilling. To meet the energy requirement of the company, a BioMass plant is underway to ensure the electricity needs and the chilling requirement, with the excess produce of electricity being planned to be supplied to the TNEB grid.

SHARE CAPITAL

Your company is in need of money primarily for its projects and working capital requirement. In this regard, the Company has enhanced its Authorised Share Capital from Rs.8.50 crores to Rs.15.50 crores for which the Extra-ordinary General Meeting has been conducted on 12th June, 2010 for enhancing its authorized share capital. In addition to the above, your Company proposes to enhance its Authorised Share Capital from Rs. 15.50 Crores to Rs.35 Crores. Your company is in process of raising share capital through various options subject to all applicable laws, rules, regulations and guidelines.

POSTAL BALLOT

Your company conducted Postal Ballot in connection with the alteration of Object Clause of Memorandum of Association of the Company by inserting new activities relating to power generation and realty development in accordance with the provisions of Section 17 of the Companies Act, 1956 which has been approved by the Shareholders of the Company by way of Special Resolution through Postal Ballot in terms of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 on 12-06-2010 with requisite majority.

FINANCE

The revenue from foreign currency contributed over 45% of total revenues of the Company. To mitigate loss in exchange fluctuations, your company has availed Foreign Currency Term Loan of US \$ 1,600,000 and a Bank Guarantee Limit of US\$ 125,000 for the purpose of retiring existing high cost loans in INR from State Bank of India. The pricing of term loan is at LIBOR +550 bps with a floor price of 8.40% per annum and Bank Guarantee is in the range of 2% to 3% per annum. Besides, the loans are repayable in foreign currency with an advantage of difference in dollar and rupee fluctuations.

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. As a step towards energy conservation, the Company had installed solar water heating systems at Hotel Premises to reduce power consumption and also initiated several other measures such as wood-fired boilers has been installed in stead of diesel-fired boilers, the former is environment friendly and cost effective. These measures are to derive maximum benefit in terms of reduction in the consumption of energy and reduce the power cost in the long run.
- 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 2009-10 [Rs.in lakhs]	Previous Year 2008-09 [Rs.in lakhs]
1. Earnings	538.91	501.38
2. Expenditure in Foreign Currency		
a) Term loan interest	29.51	NIL
b) Repayment of Term Loan	80.74	

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

None of the employees of the Company is 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 adopted 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, 2010 and of the Profit of the Company for that year.
- (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.

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

Sri.P.Ganesan and Dr.Namasivayam Karthikeyan are retiring by rotation at the forthcoming Annual General Meeting and being eligible for re-election, offer themselves for re-appointment.

AUDITORS

M/s. P.S.Krishnan & Co., Company's Auditors are to retire at the ensuing Annual General Meeting and are eligible for reappointment.

BANKERS

Bank of Bahrain & Kuwait BSC Hyderabad & Mumbai and AXIS Bank, Coimbatore & Tirupur Branches State Bank of India, Tirupur, Union Bank of India, Coonoor and ING Vysya Bank, Tirupur to continue to be the bankers to the Company and your Directors place on record their appreciation for their services.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation and gratitude for the cooperation and assistance from its shareholders, bankers, regulatory bodies 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

Place : Tirupur
Date : 23.07.2010

R.V.E. Venkatachalam
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:**i. An overview of Global Tourism / Hotel Industry**

With the weakest economic fundamentals since Great Depression, 2009 marked one of the poorest years for lodging fundamentals. Hotel industry is also inextricably linked to the tourism industry and its growth has added fillip to the hotel industry. The impact of the recession on Travel & Tourism has been significant. According to Smith Travel Research, occupancy, ADR, RevPar declined 8.7%, 8.8 and 16.7% respectively in 2009 and are anticipated to continue their downward trend through 2010. The global tourism downturn, which began in the fall of 2008 and posted more than 12 consecutive months of declining demand showed the first signs of bottoming out in late Q4, 2009. According to the World Trade Organization, global demand was significantly affected in 2009 but the rate of decline slowed substantially in the second half, leading to an estimated compression of tourism of only 5% to 876 million tourists globally for the year. The global economy has now moved into a recovery phase most leading economies moved out of recession in H2 2009.

ii. An overview of India's Tourism / Hotel Industry

The Indian hospitality sector entered its next cycle in 2009 when the global financial meltdown finally caught up in October, 2008. Demand levels plummeted as companies cut back on travel. The terror attacks in Mumbai raised fears about as a safe destination and led to a decline in International travel albeit for a short period. The year 2009-10 notes the resurgence of the domestic traveler, marking a close similarity to the rescue of the sector during the previous downturn in 2000-2001. The campaign 'Visit India Year 2009' was launched at the International Tourism Exchange in Berlin, aimed to project India as an attractive destination for holidaymakers. The government joined hands with leading airlines, hoteliers, holiday resorts and tour operators and offered them a wide range of incentives and bonuses during the period between April and December, 2009. The Government of India increased spending on advertising campaigns (including for the campaigns 'Incredible India' and 'Adithi Devo Bhava' Visitors are akin to God) to reinforce the rich variety of tourism in India. The Foreign tourist arrivals in India in the peak tourism season of 2009-10 is set to witness a growth of 25% over the same period of 2008-09 which is significant improvement over the period. The hotel industry in India continues to appear attractive in the medium term, driven by fundamental growth drivers, including the uptrend in domestic tourism and increasing in FTAs. Moreover, the growth of niche tourism, including medical, adventure and rural tourism augurs well for the growth the Hotel industry in the future.

iii. An overview of your Hotels business

The Company business is inextricably linked to the Garments Industry in Tirupur and its growth has added fillip to the hotel business. Tirupur is a major source of foreign exchange for the country because of its garments exports. According to Apparel Export Promotion Council, the Garment exports from India in financial year 2009-10 dropped 2.64% compared with previous financial year. All the months except July, August, and November showed a painful downside as garment industry is reeling under unprecedented price hike of yarn and fabrics. The Garment Industry has been plunged into gloom because of high raw material prices and their erratic supply, high labour costs, non-refund of Central and State levies, besides infrastructure deficiencies. Due to these conditions, importers are moving to low-cost destinations countries like Bangladesh, Philippines and China. Despite these happenings, your company managed to maintain its foreign and domestic customer base effectively.

During the year under review, the Average Room Rentals was marginally higher at 4.89% compared to the previous year and the Occupancy Rate stood at 53.73%.

B. OPPORTUNITIES & THREATS:

OPPORTUNITIES

Despite significant changes forced on the hotel sector in the last few years as a result of the global financial crisis, the hospitality industry is poised for future growth. The domestic tourist segment is emerging as a large market, Tourism has picked up among the middle-income group in the country, which is contributing largely for the domestic tourism. Improvement in performance of the Indian economy, especially during the second half of the fiscal year, had significant positive consequence for the hotel industry. After the down trend, the Indian hotels industry is showing signs of gradual recovery. The credit for this can be largely given to domestic traveler, who has time and again aided in the hotels industry's recovery and accounts for the bulk of the industry's revenue. With increased spending power and better access to air and road infrastructure, this segment is sustaining the leisure and commercial demand in India. The Indian hospitality industry is projected to grow at a rate of 8.8 percent during 2007-16, placing India as the second-fastest growing tourism market in the world. The domestic market will continue to play a dominant role, not just within hospitality, but across all sectors, and will help further insulate the Indian economy from problems in other countries and make India less susceptible to global economic fluctuations.

The arrival of low cost airlines and the associated price wars have given domestic tourists a host of options. The opening up of the aviation industry in India has led the way for exciting opportunities for the hotel industry as it relies on airlines to transport 80% of international arrivals.

The Government of India's Incredible India destination campaign and the Adithi Devo Bhavah campaign have also helped the growth of domestic and international tourism and consequently the hotel industry.

The Reserve of Bank of India's recent ruling classifying loans for hotel projects outside the purview of bank's commercial real estate (CRE) will provide some respite to the industry.

THREATS

In terms of threats, the global economic slowdown affected India and the hospitality industry. Although the situation has improved considerably, such cyclical downturns may continue to resurface in the future.

Besides, inflation continues to be on the high side. If the situation persists, it might adversely affect consumer confidence and impact the ability of people to spend on discretionary items, affecting the growth of the Industry. The Company recognizes these risks and has initiated measures to minimize its impact.

Your Hotel performance is inextricably linked to performance of export business at Tirupur which totally depends on the level of economic activity of developed economies and growth in domestic economy as well.

A large part of earnings of the Company is in foreign exchange and any adverse movement in the exchange rate will affect its earnings.

The Company has systems and controls in place to mitigate these risks.

C. SEGMENTWISE PERFORMANCE:

The company is presently engaged in only one segment of business i.e. Hotelier. Hence the report on segment wise performance is not applicable.

D. RISKS AND CONCERNS:

Already covered under 'Threats'.

E. OUTLOOK:

At the macro level, the outlook for the Indian economy improved considerably during the year. The resilience that the economy exhibited during the crisis and the subsequent improvement in performance are expected to continue during the few years. The demand levels will continue to improve in 2010-11 as economic growth gathers momentum and companies increase spending on travel. With expectations of healthy salary increase within the corporate world, discretionary spending is expected to increase further, especially on leisure travel. Although the Travel and Tourism industry is experiencing a temporary phase of decline due to global recession, it is expected that both international and domestic tourism will experience a boom in the coming years. World Travel and Tourism Council estimates a 45% per annum increase in the total amount of Travel and Tourism economic activity between now and the year 2012.

World Travel and Tourism Council has identified India as one of the world's foremost tourist growth centers in the coming decade. According to the latest Tourism Satellite Accounting research, released by World Travel and Tourism Council and its strategic partner Oxford Economics in March, 2009 :

- The Demand for travel and tourism in India is expected to grow by 8.2 percent between 2010 and 2019 and will place India at the third position in the world.
- India's Travel and tourism sector is expected to be the second largest employer in the world, employing 40,037,000 by 2019
- India is projected to become the fifth fastest growing business travel destination from 2010-2019 with an estimated real growth rate of 7.6 percent.

Therefore, the Company believes that the fundamental growth story of the Indian economy is intact and the hospitality sector will continue to see significant growth in the foreseeable future. Therefore, the company's outlook for 2010-11 is optimistic.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company believes that internal controls are essential ingredients 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 a 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.

F. BUSINESS PERFORMANCE:

Results of operations for the year ended March 31, 2010

i. Revenues:

Total income marginally stood increased by 12.49% from Rs. 1185 lakhs in 2008-09 to Rs.1334 lakhs in 2009-10. Average Room Rate (ARR) which increased by 4.89% to Rs.4734/- as against Rs.4513/- for the previous year.

ii. Operating Expenses:

The total expenditure increased by 12.80% from Rs.890.21 lakhs in 2008-09 to Rs1004 lakhs in 2009-10. The increase was largely on account of increase in food articles, employee cost, power & fuel and other operating expenses.

iii. Earnings Before Interest, Depreciation, Tax

The PBIDT Rs.329.49 lakhs for the current financial year is 11.56% higher than Rs.295.33 lakhs in 2008-09.

iv. Interest Cost:

Interest cost was higher at Rs.83.51 lakhs for the year ended March 31, 2010 as compared to Rs.70.94 lakhs in the previous year.

v. Profit Before Tax:

Profit before Extra-ordinary & Exceptional items and Tax at Rs.175.43 lakhs was higher by 7.79 % as compared to Rs.162.75 lakhs in 2008-09.

vi. Profit After Tax:

Profit after Tax for 2009-10 stood at Rs.112.36 lakhs is higher than Rs.106.14 lakhs in 2008-09. Tax liability is Rs.63.07 lakhs.

G. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

Particulars	31 st March, 2010	31 st March, 2009	31 st March, 2008	31 st March, 2007	31 st March, 2006
I OPERATING RESULTS :					
1.Total Income	1333.63	1185.55	1147.43	1074.03	1008.92
2. Profit Before Interest & Depr.	329.49	295.34	346.92	292.85	282.31
3. Interest	83.51	70.94	107.63	109.83	107.52
4. Depreciation	70.54	61.64	65.92	60.86	74.66
5. Tax Liability	63.07	56.61	21.60	16.50	8.75
6. Net Profit After Tax	112.36	106.14	151.77	105.67	91.38
7.Dividend %	7.5	5	3	---	---
Dividend Amt	58.12	38.75	23.25	---	---
Dividend Tax-	9.65	5.99	3.95	---	---
8.ARR in Rs.	4734	4513	4011	3579	3254
9.Occup. Rate	54%	59%	64%	67%	71%
II.PERFORMANCE PARAMETERS:					
1. Share capital	775.00	775.00	775.00	775.00	775.00
2. Reserves & Surplus	767.16	729.56	675.15	681.06	688.00
[Revaluation Reserve)					
3.Secured & Unsecured loans	883.88	670.97	638.74	788.28	726.14
4.Fixed Assets (Gross Block	3494.22	3057.71	3001.36	2943.52	2759.17
6.Accumulated Depreciation	949.24	871.88	803.53	737.62	707.42
8. Net Current Assets	102.88	61.89	25.21	33.36	10.54

H. HUMAN RESOURCES:

The Company believes that the quality of the services by an organization is very much dependent on the quality of the people in that organization. Employees at all levels are being motivated so that they contribute to perform par excellence. It is an on-going process to improve the efficiency levels and for the attainment of optimum potential human resources, the company is making vigorous attempts through its HR policies.

In order to provide qualitative services, the Company has focused on important aspects like efficiency, prompt and quick services to its customers. Industrial relations during the period under review remained cordial.

CAUTIONARY STATEMENT:

Management Discussion and Analysis forming part of this report is in compliance with the Corporate Governance standards incorporated in the listing agreement with Stock Exchange and such statements may be "Forward looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions and adverse effect in weather and the tea market in Coonoor.

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 Companies Act, 1956 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.R.V.E.Venkatachalam	Chairman	Non-Executive / Non-Independent
2.	Sri.E.V.Muthukumara Ramalingam	Managing Director	Executive / Non-Independent
3.	Sri.M.R.Gautham	Executive Director	Executive / Non-Independent
4.	Sri.P.Ganesan	Director	Non-Executive / Independent
5.	Sri.T.Gopalakrishnan	Director	Non-Executive / Independent
6.	Dr.Namasivayam Karthikeyan	Director	Non-Executive / Independent

b. Board Meetings and attendance

During the year 7 Board meetings were held and the gap between two meetings did not exceed four months. The Board meetings were held on 21/04/2009, 25/07/2009, 21/08/2009, 12/09/2009, 29/10/2009, 28/01/2010 and 10/02/10.

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	Share Transfer/ Shareholders/ Investors Grievance Committee	Last AGM Attended (Yes/No)	No. of shares Held by Non-Executive Directors
Sri.R.V.E.Venkatachalam	7	5	37	Y	372700
Sri.E.V.Muthukumara Ramalingam	7	-	37	Y	N.A.
Sri.M.R.Gautham	7	-	-	Y	N.A.
Sri.P.Ganesan	7	5	37	Y	33050
Sri.T.Gopalakrishnan	7	5	-	Y	100
Dr.Namasivayam Karthikeyan	-	-	-	N	NIL

There is no inter-se relationship between Directors other than Sri.R.V.E.Venkatachalam, Sri.E.V.Muthukumara Ramalingam and Sri.M.R.Gautham. Sri.R.V.E.Venkatachalam is related as father to Sri.E.V.Muthukumara Ramalingam and Grand-Father to Sri.M.R.Gautham. Similarly Sri.E.V.Muthukumara Ramalingam and Sri.M.R.Gautham are related to each other as father and son respectively.

c. Directorship and Membership held in other companies

Name	Company Name
Sri.R.V.E.Venkatachalam	Shree Vallee Enterprise Pvt Ltd
Sri.E.V.Muthukumara Ramalingam	1.Shree Vallee Enterprise Pvt Ltd 2.Velan Agri-Energy India Pvt Ltd 3. Sarju International Limited
Sri.M.R.Gautham	1.Shree Vallee Enterprise Pvt Ltd 2.Velan Agri-Energy India Pvt Ltd
Sri.P.Ganesan	Velan Textiles Pvt Ltd
Sri.T.Gopalakrishnan	Nil
Dr.Namasivayam Karthikeyan	Nil

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 2009-10

The remuneration paid / payable to Managing Director and Executive Director is provided elsewhere in the report and notes on accounts.

During the year, the Company has not paid any fees by way of sitting fees to its Executive and Non-Executive 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 Companies Act, 1956.

a. Composition

The Audit Committee presently consists of three Non-Executive Directors viz. Sri.P.Ganesan and Sri.R.V.E.Venkatachalam and Sri.T.Goplakrishnan as Members. Sri.P.Ganesan is the Chairman of the Committee.

b. Terms of reference:

- Oversight 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
- 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, debentureholders, shareholders (in case of non-payment of declared dividend) and creditors and
- Reviewing the Company's financial and risk management policies.

c. Committee meetings

The Committee met 5 times during the year on 21/04/2009, 25/07/2009, 21/08/2009, 29/10/2009 and 28/01/2010

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

Member	Committee meetings attended
Sri.P.Ganeshan	5
Sri.R.V.E.Venkatachalam	5
Sri.T.Gopalakrishnan	5

The Chairman of the Committee Sri.P.Ganesan was present at the Annual General Meeting held on 24th September, 2009.

6. SHARE TRANSFER & SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

a. Composition

The Share Transfer and Shareholders' /Investors' Grievance Committee has been constituted for resolving investor grievance. The Committee, as reconstituted on 24/04/2008, comprises of Sri.R.V.E.Venkatachalam, Sri.E.V.Muthukumara Ramlingam and Sri.M.R.Gautham.

b. Terms of reference

- Transfer, transmission, transition, dematerialization, rematerialisation of securities issued by the Company
- Splitting, consolidating, issuing duplicate share certificates on such term as may be beneficial to the interest of the Company; and
- Redressal of investor / shareholders' complaint relating to transfer / transmission / demat / remat of shares, non receipt of Balance Sheet / Notice / Dividend and other mails and review the system of communication to shareholders and other services to the shareholders / investors and look after such other matter relating to the interest of shareholders/investors as may be referred by the Board of Directors from time to time.

c. Committee meetings

The Share Transfer & Shareholders'/Investors' Grievances Committee met 37 times in 2009-10 which approved the share transfer and reviewed the grievances/complaints received and the action taken on the grievances / complaints.

Complaints' status: 01.04.2009 to 31.03.2010

- Number of shareholders' complaints received during the period : 2
- Number not solved to the satisfaction of shareholders : Nil
- Number of pending complaints : Nil

The business transacted at the Share Transfer & Shareholders'/Investors' Grievances Committee meetings are placed before the Board regularly.

All the members of the Committee attended all the meetings held during the year. None of the Directors has taken leave of absence.

7. REMUNERATION COMMITTEE

a. Composition

This Committee was reconstituted on 24/04/2010. It comprises entirely of Independent-Non-Executive Directors from the Board. It presently comprises of Sri.P.Ganesan, Dr.Namasivayam Karthikeyan and Sri.T.Gopalakrishnan

b. Terms of reference

The role of the Remuneration Committee is to give recommendations to the Board regarding the company's policy and specific remuneration packages of the Managing Director / Whole-time Directors from to time including pension rights and any compensation payments.

c. Committee Meetings.

The Remuneration Committee had not met in the financial year ended 31st March, 2010. The Committee met on 30/06/2010 to consider re-appointment of Sri.E.V.Muthukumara Ramalingam, Managing Director.

8. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2009	Regd. Office at 41, Kangayam Road, Tirupur 641 604	24 th Day of September,2009	04.30 P.M.
2008	Regd. Office at 41, Kangayam Road, Tirupur 641 604	29 th Day of June,2007	04.45 P.M.
2007	Regd. Office at 41, Kangayam Road, Tirupur 641 604	29 th Day of June,2007	05.00 P.M.

A special resolution was put through postal ballot during June, 2010 for alteration of Object Clause of the Memorandum of the Association of the Company.

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 furnished 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. 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, 2010.
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 not yet established a mechanism for Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.
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 Line or Trinity Mirror in English and Makkal Kural or Dinamalar in Tamil. The Annual Reports are sent by post 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 : 06-09-2010
 - b. Time : 04.45 P.M.
 - c. Venue : Registered Office at 41 Kangayam Road, Tirupur 641 604
2. Financial Calendar :

Financial reporting for the quarter ended September 30,2010	: By October, 2010
Financial reporting for the quarter ending December 31,2010	: By January, 2011
Financial reporting for the quarter ending March 31, ,2011	: By April, 2011
Financial reporting for the quarter ending June 30,2011	: By July, 2011

3. Date of Book Closure : 01.09.2010 to 06.09.2010 (Both days inclusive)
4. Dividend payment : The dividend, if approved at AGM, will be paid within 30 days thereof i.e. on or before 05th October, 2010
5. Listing on Stock Exchange : Bombay Stock Exchange Ltd.,
& Stock code : 526755
6. Stock price data.

High / Low prices of the shares of the Company quoted during the financial year 2009-10 on Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
April 2009	9.66	7.28
May 2009	11.09	8.00
June 2009	11.15	8.31
July 2009	11.25	8.93
August 2009	12.75	9.30
September 2009	17.20	10.90
October 2009	15.50	12.00
November 2009	38.73	14.00
December 2009	33.50	22.95
January 2010	43.65	28.85
February 2010	67.40	38.10
March 2010	61.45	28.85

7. Categories of Shareholders as on 30/06/2010

Category of Shareholder	No. of Shareholders	No. of shares	% of Holding
Promoters Shareholding			
Individuals/ Hindu Undivided Family	11	4125926	53.24
Bodies Corporate	1	241500	3.12
Sub Total - A	12	4367426	56.35
Public shareholding			
Institutions			
Mutual Funds/ UTI	2	7000	0.09
Non-institutions			
Bodies Corporate	176	375649	4.85
Resident Individuals	8967	2742902	35.39
Non-Resident Indians	9	21320	0.28
Hindu Undivided Family	40	21830	0.28
OCB & Clearing Members	67	213873	2.76
Sub Total - B	9261	3382574	43.56
GRAND TOTAL A+B	9273	7750000	100.00

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/A1, Sathy Road, Ganapathy, 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 30/06/2010

Range (Value)	No. of Shareholders	%held (% No. of persons)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	8479	91.44	11652820	15.04
5001 to 10000	419	4.52	3411760	4.40
10001 to 20000	178	1.92	2756100	3.56
20001 to 30000	64	0.69	1632080	2.11
30001 to 40000	27	0.29	972190	1.25
40001 to 50000	26	0.28	1217460	1.57
50001 and 100000	33	0.36	2340610	3.02
100001 and above	47	0.51	53516980	69.05
TOTAL	9273	100.00	77500000	100.00

11. Demat information as on 30/06/2010

- a. No.of shares dematerialized - 5457661
- b. % Total Capital - 70.421%
- c. No.of share certificates dematerlised - 20535
- d. % of Total certificates - 62.66%

12. Secretarial Audit

The Company gets the Secretarial Audit done by a Practicing Company Secretary for the purpose of reconciliation of the total Equity Capital with both the Depositories and in physical form with the total paid up capital as per the books. The Secretarial Audit Reports are placed before the Board of Directors on a quarterly basis and are 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 funds have been raised from public in the last three 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.

15. Location of the Hotels : 1. Velan Hotel Greenfields
41 Kangayam Road
Tirupur 641 604
2. Velan Hotel
Bedford, Ritz Road
Coonor - 643 101
16. Location of the Restaurants : 1. Velan Uthara Restaurant
Avanashi Road,
Behind IDBI Bank Ltd
Tirupur 641 602
2. The Velan Food Park
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) 4311111 & 2424426 to 30
Fax Nos:
(+91/0)(421) 2424434 & 2424431
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.

Place : Tirupur
Date : 23.07.2010

R.V.E.VENKATACHALAM
CHAIRMAN

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 1(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 2009-10

For and on behalf of the Board.

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 23.07.2010

P.S.Krishnan & Co
Chartered Accountants

40A, Appachinagar Main Road,
Tirupur 641 607.
Phone: 0421 - 2227526 (5 Lines)

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 2010 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, 2010, 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 : 23.07.2010

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

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

P.S.Krishnan & Co
Chartered Accountants

40A,Appachinagar Main Road ,
Tirupur 641 607.
Phones: 0421 - 2227526 (5 Lines)

AUDITOR'S REPORT

To
The Members of Velan Hotels Ltd.,
Tirupur.

We have audited the attached Balance Sheet of **M/s. VELAN HOTELS LIMITED,TIRUPUR** as at 31st March,2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

- (i) 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 ;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion and subject to our remarks as contained above, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred in the Companies Accounting Standard Rules 2006 read with Section 211 (3C) of the Companies Act, 1956 ;
- (v) In our opinion, and based on information and explanations given to us, none of the Directors is disqualified as on 31st March 2010 from being appointed as Directors in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ;
- (vi) Attention is invited to Note No:14 of the Notes forming part of the accounts in respect non-disclosure of information required under Micro, Small and Medium Enterprises Development Act,2006
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other Notes thereon, give subject to clause(vi) above the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 ;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date ; and
 - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

Place: Tirupur
Date : 23.07.2010

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

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

P.S.Krishnan & Co
Chartered Accountants

40A, Appachinagar Main Road,
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Annexure Referred to in Paragraph No.3 of our Report of even date.

- (i) In respect of Fixed Assets :
- (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) The Fixed Assets have been physically verified by the Management at reasonable intervals and we are informed that no material discrepancies have been noticed on such verification.
 - (c) During the year, there is no disposal of any substantial portion of fixed assets of the Company.
- (ii) In respect of Inventories :
- (a) The 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 | : 4 |
| 2. | Aggregate amount | : Rs. 193.52 Lakhs |
- (c) In our opinion, the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company.
- (d) The company is regular in the payment 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.

P.S.Krishnan & Co
Chartered Accountants

40A, Appachinagar Main Road,
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- (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) The company has not accepted any deposit from the public and hence clause 4(vi) of the Order is not applicable.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records for the products of the Company under section 209(1)(d) of the Companies Act, 1956.
- (ix) In respect of statutory dues:
- (a) Except in the case of Provident Fund and Employees State Insurance, the Company is regular in depositing the undisputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Customs Duty and Cess and other statutory dues with appropriate authorities.
- (b) In our opinion and according to the information and explanations given to us, there are no disputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Customs Duty and Cess as at the year end.
- (x) The company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to Banks.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a Chit Fund or a Nidhi/Mutual Fund/Society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks/financial institutions during the year.
- (xvi) During the year new term loans have been used for the purpose for which the loan is availed.

- (xvii) 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.
- (xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956, during the year.
- (xix) The company has not issued any debentures and hence clause 4(xix) of the Companies (Auditor's Report) Order 2003, is not applicable to the Company.
- (xx) During the year, the company has not raised any money by way of public issue
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been reported during the year.

Place: Tirupur
Date : 23.07.2010

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

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

BALANCE SHEET AS AT ON 31.03.2010

PARTICULARS	SCHEDULE NO.	2009-10 Rs	2008-09 Rs
I.SOURCES OF FUNDS:			
i) A.SHARE HOLDERS FUNDS:			
a) Share Capital	1	7,75,00,000	7,75,00,000
b) Reserves & Surplus	2	7,67,15,633	7,29,55,861
ii) LOAN FUNDS:			
a) Secured loans	3	6,90,36,320	4,79,92,505
b) Unsecured loans	4	1,93,52,394	1,91,04,723
iii) Deferred Tax Liability	5	2,53,66,538	1,91,85,526
Total		<u>26,79,70,885</u>	<u>23,67,38,615</u>
II. APPLICATION OF FUNDS:			
A. FIXED ASSETS:			
Gross Block	6	34,94,22,842	30,57,70,659
Less: Depreciation		94,924,546	8,71,87,831
Net Block		2,54,498,296	21,85,82,828
Add: Capital Work in Progress		3,184,205	1,19,66,561
		<u>2,57,682,501</u>	<u>23,05,49,389</u>
B. INVESTMENTS:			
		-	-
C. CURRNET ASSETS,LOANS & ADVANCES:			
i) CURRENT ASSETS:			
a) Inventories	7	67,13,509	51,28,163
b) Sundry Debtors	8	24,95,349	16,58,354
c) Cash & Bank Balances	9	1,17,04,975	9,98,829
d) Loans & Advances	10	1,45,26,146	1,94,56,934
		<u>3,54,39,979</u>	<u>2,72,42,280</u>
ii) Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	11	1,31,08,978	1,06,84,944
b) Provisions:	12	1,20,42,617	1,03,68,110
		<u>2,51,51,595</u>	<u>2,10,53,054</u>
Net Current Assets		<u>1,02,88,384</u>	<u>61,89,226</u>
Total		<u>26,79,70,885</u>	<u>23,67,38,615</u>
NOTES ON ACCOUNTS	23		
ACCOUNTING POLICIES	24		

Schedules 1 to 24 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)**R.V.E. Venkatachalam**
Chairman**M.R. Gautham**
Executive Director**E.V. Muthukumara Ramalingam**
Managing Director**M. Srinivasan**
Company Secretary

Place: Tirupur

Date : 23.07.2010

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2010

PARTICULARS	SCHEDULE NO.	2009-10 Rs	2008-09 Rs
INCOME:			
Sales / Receipts	14	12,68,01,699	11,75,07,847
Other Income	15	65,61,155	10,46,692
Total		13,33,62,854	11,85,54,539
EXPENDITURE:			
Consumption of Provisions & Supplies	16	3,11,39,123	2,65,65,567
Housekeeping & Laundry	17	36,16,536	34,70,320
Power & Fuel	18	2,22,13,884	2,03,82,696
Repairs & General Maintenance	19	53,19,399	91,53,257
Employees' cost	20	2,12,51,423	1,81,12,395
Administrative & Selling Expenses	21	1,35,54,233	1,13,36,520
Exceptional Items		33,19,520	0
		10,04,14,118	8,90,20,755
Profit before Interest and Depreciation		3,29,48,736	2,95,33,784
Interest	22	83,51,301	70,94,623
Profit before Depreciation		2,45,97,435	2,24,39,161
Depreciation (Net)		70,53,783	61,63,692
Profit before Tax		1,75,43,652	1,62,75,469
Tax Liability			
Current Tax		-29,80,000	-19,00,000
Deferred Tax		-61,81,012	-55,45,243
MAT Entitlement		29,80,000	18,40,000
Prior Years		-1,26,629	-56,460
Profit After Tax		1,12,36,011	1,06,13,766
Add: Balance Profit B/F. from the Previous year		62,52,084	1,12,006
		1,74,88,095	1,07,25,772
Proposed Dividend		-58,12,500	-38,75,000
Tax on Proposed Dividend		-9,64,875	-5,98,688
Balance profit carried to Balance Sheet		1,07,10,720	62,52,084
Earning Per Share - Basic(Face Value of Rs.10) (Vide Note No: 20 of Notes on Accounts)		1.45	1.37
Notes on Accounts	23		
Accounting policies	24		

Schedules 1 to 24 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)**R.V.E. Venkatachalam**
Chairman**M.R. Gautham**
Executive Director**E.V. Muthukumara Ramalingam**
Managing Director**M. Srinivasan**
Company Secretary

Place: Tirupur

Date : 23.07.2010

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

PARTICULARS	2009-10 Rs	2008-09 Rs
SCHEDULE:1		
SHARE CAPITAL:		
Authorised:		
85,00,000 Equity Shares of Rs.10/- each	<u>8,50,00,000</u>	<u>8,50,00,000</u>
Issued, Subscribed, Called Up & Paid up:		
77,50,000 Equity Shares of Rs.10/- each fully called up and paid up	<u>7,75,00,000</u>	<u>7,75,00,000</u>
SCHEDULE:2		
Reserves & Surplus:		
Revaluation Reserve		
(Reserves created out of revaluation of Land & Building situate at Tirupur)	7,16,83,901	7,16,83,901
Less: Depreciation on revalued Assets	<u>56,78,988</u>	49,80,124
	<u>6,60,04,913</u>	<u>6,67,03,777</u>
Balance in Profit & Loss Account	<u>1,07,10,720</u>	62,52,084
	<u>7,67,15,633</u>	<u>7,29,55,861</u>
SCHEDULE:3		
SECURED LOANS:		
(I) Foreign Currency Term Loan (From Banks)		
Bank of Bahrain & Kuwait B.Sc (Payable within a year Rs.1,52,61,672)	6,71,49,045	0
(II) Others - Banks		
a) Axis Bank Ltd., Term Loan	8,50,000	0
b) SBI ., Term Loan		4,23,99,899
c) SBI., - Working Capital Loan		44,67,752
(ii) OTHERS		
Sundaram Finance Ltd	<u>10,37,275</u>	11,24,854
	<u>6,90,36,320</u>	<u>4,79,92,505</u>
SCHEDULE:4		
UNSECURED LOANS:		
From Managing Director	61,40,165	20,38,684
From Directors	13,20,515	15,00,275
Inter Corporate Deposit	1,08,50,000	1,50,00,000
Interest accrued and due	<u>10,41,714</u>	5,65,764
	<u>1,93,52,394</u>	<u>1,91,04,723</u>
SCHEDULE:5		
DEFERRED TAX LIABILITY		
Opening Balance	1,91,85,526	1,36,40,283
For the Year	<u>61,81,012</u>	55,45,243
	<u>2,53,66,538</u>	<u>1,91,85,526</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

**SCHEDULE NO:6
FIXED ASSETS**

PARTICULARS	COST			DEPRECIATION				NET VALUE		
	AS ON 01.04.2009	ADDITIONS	DEDUCTION	AS ON 31.03.2010	UP TO 31.03.2009	FOR THE YEAR	WITHDRAWN	UP TO 31.03.2010	AS ON 31.03.2009	AS ON 31.03.2010
LAND	49111900			49111900				0	49111900	49111900
BUILDING	172471961	19886182		92158143	32307572	2902870		35210442	140164389	156947701
PLANT & MACHINERY	65249690	1916985	78500	67088175	42449667	2562243	15932	44995978	22800023	22092197
FURNITURE & FIXTURES	13313766	20578380		33892146	10680448	1693295		12373743	2633318	21518403
VEHICLES	5623342	1549136		7172478	1750144	594239		2344383	3873198	4828095
TOTAL	305770659	43730683	78500	349422842	87187831	7752647		94924546	218582828	254498296
Capital WIP									11966561	3184205
									230549391	257682501

	2009-10	2008-09
Depreciation as per schedule	<u>7752647</u>	<u>6862556</u>
Less : Depreciation Recouped	<u>698864</u>	<u>698864</u>
	<u>7053783</u>	<u>6163692</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

PARTICULARS	2009-10 Rs	2008-09 Rs
SCHEDULE:7		
INVENTORIES:		
(Valued at lower of cost or market price and as certified by the Management)		
Provisions & Supplies	<u>67,13,509</u>	51,28,163
	<u>67,13,509</u>	<u>51,28,163</u>
SCHEDULE:8		
SUNDRY DEBTORS		
A. Debts due from concerns in which Directors and / or their Relatives are interested	-	-
B. OTHERS:		
i. Outstanding for a period exceeding six months	<u>3,13,469</u>	2,08,966
ii. Others	<u>21,81,880</u>	14,49,388
	<u>24,95,349</u>	<u>16,58,354</u>
SCHEDULE:9		
CASH & BANK BALANCES :		
Cash in hand	<u>8,25,519</u>	4,43,463
Balance with Scheduled Banks		
In Current account	<u>11,65,753</u>	5,45,366
In Fixed Deposit	<u>97,13,703</u>	10,000
	<u>1,17,04,975</u>	<u>9,98,829</u>
SCHEDULE:10		
LOANS AND ADVANCES:		
(Unsecured - considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
Income Receivable	<u>29,100</u>	33,600
Advance Payment of Tax	<u>8,08,253</u>	29,97,666
MAT Entitlement	<u>83,70,000</u>	53,90,000
Other Advances	<u>24,79,533</u>	82,20,013
Prepaid Expenses	<u>7,98,955</u>	8,81,350
Deposits	<u>20,40,305</u>	19,34,305
	<u>1,45,26,146</u>	<u>1,94,56,934</u>
SCHEDULE:11		
CURRENT LIABILITIES AND PROVISIONS:		
CURRENT LIABILITIES :		
Sundry Creditors	<u>59,59,698</u>	56,38,092
Other Current Liabilities	<u>54,11,717</u>	35,70,927
Statutory Liabilities	<u>17,02,766</u>	13,70,405
Advance /progress payments from customers	<u>34,797</u>	1,05,520
	<u>1,31,08,978</u>	<u>1,06,84,944</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

PARTICULARS	2009-10 Rs	2008-09 Rs
SCHEDULE:12		
PROVISIONS:		
Provision for taxation - Income Tax and FBT	29,80,000	42,10,000
Proposed Dividend	63,50,560	4,18,7421
Provision for Gratuity & Leave Wages	17,47,182	13,72,001
Tax on Dividend Distributable	9,64,875	5,98,688
	<u>1,20,42,617</u>	<u>1,03,68,110</u>
SCHEDULE:13		
PRIOR YEAR ADJUSTMENTS INCOME		
INCOME		
Total - A	-	-
EXPENSES		
Short Provision towards Taxation	1,26,629	56,460
Total - B	<u>1,26,629</u>	<u>56,460</u>
A-B	-1,26,629	-56,460
SCHEDULE:14		
SALES/RECEIPTS:		
Guest Accomodation	6,68,38,864	68,849,542
Food & Beverages	4,51,66,063	3,43,61,112
Healthclub	5,320	5,658
Taxi Hire	4,23,567	5,62,028
Swimming Pool Income	12,41,606	7,18,490
Service Charges	11,41,215	11,65,551
Laundry Receipts	3,90,844	2,57,220
Telephone Charges Receipts	24,20,624	16,68,096
Liquor	91,73,596	99,20,150
	<u>12,68,01,699</u>	<u>11,75,07,847</u>
SCHEDULE:15		
OTHER INCOME:		
Interest Receipts (TDS C.Y.Rs.31901 / P.Y.Rs.16398)	2,67,504	96,535
Sundry Receipts	24,81,954	9,50,157
Foreign Exchange Fluctuation Income	38,11,697	-
	<u>65,61,155</u>	<u>10,46,692</u>
SCHEDULE:16		
CONSUMPTION OF PROVISIONS & SUPPLIES		
Opening Stock	51,28,163	49,98,040
Purchases	3,27,24,469	2,66,95,690
	<u>3,78,52,632</u>	<u>3,16,93,730</u>
Less: Closing Stock	67,13,509	51,28,163
	<u>3,11,39,123</u>	<u>2,65,65,567</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

PARTICULARS	2009-10 Rs	2008-09 Rs
SCHEDULE:17		
HOUSEKEEPING AND LAUNDRY:		
Housekeeping expenses	26,31,547	28,18,218
Laundry Expenses	9,84,988	6,52,102
	<u>36,16,536</u>	<u>34,70,320</u>
SCHEDULE:18		
POWER & FUEL		
Electricity Charges	79,44,157	69,39,463
Diesel & Lubricants	34,56,524	46,55,805
Firewood	59,37,575	43,84,407
Gas	30,51,516	27,98,300
Carriage Inward	2,56,057	1,87,741
Charcoal	5,88,840	4,22,550
Water	9,79,215	9,94,430
	<u>2,22,13,884</u>	<u>2,03,82,696</u>
SCHEDULE:19		
REPAIRS & GENERAL MAINTENANCE:		
- Building	13,78,199	26,01,944
- Machinery	36,29,291	61,18,877
- Others	3,11,909	4,32,436
	<u>53,19,399</u>	<u>91,53,257</u>
SCHEDULE:20		
EMPLOYEES COST:		
Managerial remuneration	8,37,000	8,01,000
Salary & Wages	1,80,36,576	1,48,85,689
Stipend	7,500	64,160
Bonus & Exgratia	6,15,160	5,84,020
Gratuity & Leave Salary	4,75,834	1,73,815
Staff welfare expenses	5,23,696	6,11,260
Contribution to Statutory Funds	7,55,657	9,92,451
	<u>2,12,51,423</u>	<u>1,81,12,395</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2009-2010**

PARTICULARS	2009-10 Rs	2008-09 Rs
SCHEDULE:21		
ADMINISTRATIVE & SELLING EXPENSES:		
Advertisement	5,33,499	3,86,839
Credit Card Service Charges	14,26,254	16,44,012
Telephone Charges	9,79,365	9,09,606
Printing & Stationery	12,41,290	8,16,857
Miscellaneous Expenses	10,81,968	5,83,154
Postage & Telegrams	1,67,388	1,72,435
Periodicals & Newspapers	1,23,256	1,42,353
Discount	2,40,688	3,79,611
Donations	30,00	1,500
Professional Fees	-	1,00,000
Lease Rent	26,05,916	5,57,943
Rates, Taxes & Legal Fees	25,12,944	17,50,661
Travelling & Conveyance	5,60,887	12,27,951
Insurance	3,16,875	3,17,080
Pooja Expenses	1,49,894	1,53,301
Subscription	27,484	22,810
Remuneration to Auditors		
Statutory Audit	40,000	40,000
Tax Audit	15,000	15,000
Taxation Matters	20,000	20,000
Certification Work	19,000	26,500
Others & Service Tax	27,883	38,058
Internal Audit Fees	90,000	87,500
Loss on sale of fixed assets	3,068	2,942
Share Transfer Expenses	1,32,360	1,57,506
Business Promotion Expenses	4,60,702	4,09,818
Vehicle Running Expenses	5,54,220	8,49,288
Watch & Ward	2,21,292	5,23,795
	<u>1,35,54,233</u>	<u>1,13,36,520</u>
SCHEDULE:22		
INTEREST:		
Banks: Term Loans	59,82,056	38,32,892
Working Capital Loan	2,83,387	3,54,969
Bank Charges	1,45,686	4,94,943
Financial charges	2,44,191	1,20,917
Other Interest	16,95,982	22,90,902
	<u>83,51,301</u>	<u>70,94,623</u>

**SCHEDULE 23
NOTES ON ACCOUNTS**

1. Estimated amount of the contracts remaining to be executed on capital account and not provided for : Not ascertainable. (Previous Year not ascertainable)
2. Contingent Liabilities not provided for in the books of accounts Rs.Nil. (Previous year Rs. 150000)
3. a) Depreciation is provided under straight line method on Fixed Assets on a pro-rata basis at the rates specified in Schedule XIV to the Companies Act, 1956.
b) Depreciation on assets revalued is calculated on its revalued figure on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956.
4. Expenditure on employees who are in receipt of remuneration of not less than Rs. 24,00,000/- per annum (previous year Rs. 24,00,000/- per annum) when employed through out the year or Rs. 2,00,000/- per month (previous year Rs. 2,00,000/- per month) when employed for part of the year is nil (previous year Rs. Nil.)
5. Previous year figures have been regrouped and/or reclassified wherever necessary.
6. The figures have been rounded off to the nearest rupee.
7. Balances in Sundry Debtors, Creditors and Loans & Advances are subject to confirmation and reconciliation and are stated at the book balance thereof.
8. 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.
9. Additional information pursuant to the paragraphs 3 & 4 of the Part II of Schedule VI of the Companies, Act, 1956
 - i) In line with the order of Department of Company Affairs order (No. 46/165/2008-CL-III date 31.03.2009) under section 211 (4) of the Companies Act, 1956, quantitative details of turnover, opening and closing stock, purchase and consumption have not been furnished.
 - ii) Income of the Company includes the following :

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
Guest Accommodation	6,68,38,864	6,88,49,542
Foods & Beverage Sales	4,51,66,063	3,43,61,112
Wine & Liquor	91,73,596	99,20,150
Telephone Receipts	24,20,625	16,68,096
Others	97,63,706	37,55,639
	13,33,62,854	11,85,54,539

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
i) Opening Stock		
Provisions, & Supplies	49,51,196	48,05,850
Wine & Liquor	1,76,967	1,92,190
	<u>51,28,163</u>	<u>49,98,040</u>
ii) Closing Stock		
Provisions & Supplies	63,46,970	49,51,196
Wine & Liquor	3,66,539	1,76,967
	<u>67,13,509</u>	<u>51,28,163</u>
iii) Consumption		
Provisions & Supplies	2,84,47,887	2,34,83,274
Wine & Liquor	26,91,236	30,82,293
	<u>3,11,39,123</u>	<u>2,65,65,567</u>

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

	2009- 2010		2008-2009	
	Value Rs.	Percentage %	Value Rs.	Percentage %
PROVISIONS & SUPPLIES				
Imported	Nil	Nil	Nil	Nil
Indigenous	3,11,39,123	100%	2,65,65,567	100%

10. TERM LOANS :

1. State Bank of India & Bank of Bahrain and Kuwait, BSC.

Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonoor and Hypothecation of entire current assets of the Company. The loan is also personally guaranteed by the Chairman, Managing Director & Executive Director of the company.

2. Sundaram Finance Limited

Secured by way hypothecation of Vehicle of the Company.

11. WORKING CAPITAL LOANS

State Bank of India (Upto the date of Settlement)

Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonoor and Hypothecation of entire current assets of the Company. The loan was also personally guaranteed by the Chairman, Managing Director & Executive Director of the Company.

12.

Earning in Foreign Exchange (As reported by the management to the Department of Tourism but not verified by the Auditors)	2009-10	2008-09
		Rs. 538.91 Lakhs

13. CIF Value of Imports

	2009-10	2008-09
Capital Goods	Rs. 11.95 Lakhs	Nil
Others(Forex Loan)	Rs.828.00 Lakhs	Nil

14. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act,2006. Since the relevant information is not readily available, no disclosures have been made in these Financial Statements. However, in the considered view of the management and as relied upon by the auditors, impact of interest, if any that may be payable in accordance with the provisions of this Act is not material.

15. A sum of Rs.5,70,000/- has been paid to Sri E.V.Muthukumara Ramlingam, Managing Director of the company as remuneration and a sum of Rs.2,67,000/- has been paid to Sri. M.R. Gautham, Executive Director of the company as remuneration.

16. During the year a sum of Rs.29,80,000/- has been provided in the books of accounts towards income tax after taking into consideration the provisions of Section 115JB of the Income Tax Act.

17. Earning per share :

- 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.
- The following reflects the income and share data used by the company for this calculation of basic earnings per share :-

		31. 03. 2010 Rs.	31. 03. 2009 Rs.
Net Profit for the year		1,75,43,652	1,62,75,469
Net Profit for the year attributable to equity share holders.	(A)	1,12,36,011	1,06,13,766
No. of equity shares (In Numbers)	(B)	77,50,000	77,50,000
Earnings per share		1.45	1.37
Nominal value per share		10/-	10/-

18. Net Deferred Tax in respect of the year ending 31st March 2010 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2010 are computed as below :

A. DEFERRED TAX LIABILITY

Rs.in Lakhs

S.No	Particulars	Opening Balance	Provided during the year	Closing Balance
1	Depreciation on account of difference in Depreciation under income tax and books of accounts	267.54	11.57	279.11
	TOTAL (A)	267.54	11.57	279.11

B. DEFERRED TAX ASSETS

Rs.in Lakhs

S.No	Particulars	Opening Balance	Provided during the year	Closing Balance
1	Unabsorbed Depreciation	75.68	50.24	25.44
	TOTAL (B)	75.68	50.24	25.45
	Net Deferred Tax Liability (A - B)	191.86	61.81	253.67

19. The Company is exclusively engaged in the business of Hoteling. This, in context of Accounting Standard 17 on Segment Reporting issued by The Institute of Chartered Accountants of India (ICAI) is considered to constitute one single primary segment and accordingly no segment information as required under Accounting Standard 17 is furnished.

20. Related Party Transactions.

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

(Amount in Lakhs)

Sl. No.	Name of Party	Relation Ship	Nature of Transactions	Amount	Amount out standing As on 31.03.10	Amount W/ Off or W/ Back During The Period
1.	E.V.Muthukumara Ramalingam	Key Management Personnel	Remuneration	5.70	Nil	Nil
2.	M.R.Gautham	Key Management Personnel	Remuneration	2.67	Nil	Nil
3.	Shree Vallee Enterprises Pvt.Ltd	Associated Concern	Interest	16.96	10.42	Nil
4.	Shree Vallee Enterprises Pvt.Ltd	Associate Concern	Finance Receipts	Nil	108.50	31.50
5.	E.V.Muthukumara Ramalingam	Key Management Personnel	Finance Receipts	41.01	61.40	Nil

21. Payment of preclosure, processing and documentation charges incurred for availing foreign currency term from M/s.Bank of Bahrain and Kuwait, BSC and settling rupee term loan from M/s.State bank of India is shown as exceptional item of Expenditure.

22. Schedules 1 to 24 form an integral part of annual accounts.

SCHEDULE 24**SIGNIFICANT ACCOUNTING POLICES****1. 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 India (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.

2. 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.

3. 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.

4. 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.

5. 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 revaluation is deducted from revaluation reserve and credited to the Profit and Loss Account.

6. Valuation of Inventory :

Provisions and Supplies are valued at cost or net realizable value. Cost Include 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.

7. 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.

8. 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

9. Contingent Liabilities

Contingent liabilities are not provided for in the books of accounts. However these have been disclosed by way of a note.

10. Net Profit for the period, Prior period items and changes in Accounting Polices

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

11. 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.

12. 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 of in the balance sheet.

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit for the Year	17543652	16275469
Add:Extra Ordinary Items		
Loss on Sale of Assets	3068	2942
	<u>3068</u>	<u>2942</u>
	17546720	16278411
Less:Extra Ordinary Items		
Short Provision towards Taxation	126629	56460
	<u>126629</u>	<u>56460</u>
Net Profit before tax and extra ordinary items	<u>17420091</u>	<u>16221951</u>
Adjusments for		
Depreciation	7053783	6163692
Interest	<u>8351301</u>	<u>8738634</u>
	15405084	14902326
Operating Profit before working capital changes	32825175	31124277
Adjustments for		
Trade & other receivables	-836995	211901
Inventories	-1585346	-130123
Loans & advances	5857263	-7755007
Trade payables	<u>2893968</u>	<u>2335327</u>
	6328890	-5337902
	<u>39154065</u>	<u>25786375</u>
Less :		
Interest paid	8351301	8738634
Direct Tax paid	1956476	1893439
Dividend Tax Paid	598688	395134
Dividend Paid	3649361	2012579
Gratuity & Leave Wages ,Bonus Paid	<u>294753</u>	<u>459814</u>
NET CASH FROM OPERATING ACTIVITES (A)	<u>24303486</u>	<u>12286775</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	34948326	17412057
Sale of Fixed Assets	<u>59500</u>	<u>5000</u>
	-34888826	-17407057
NET CASH USED IN INVESTING ACTIVITIES (B)	<u>-10585338</u>	<u>-5120283</u>
C. CASH FLOW FROM FINACING ACTIVITIES		
Proceeds from cash credit	3617752	243622
Availment of term loan	-24749146	-18512309
Availment of other finance	87579	249896
Availment of unsecured loans	<u>-247671</u>	<u>14796379</u>
NET CASH USED IN FINANCING ACTIVITIES (C)	<u>21291486</u>	<u>3222412</u>
NET INCREASE IN CASH & CASH EQUIVALANTS.(A+B+C)	<u>10706146</u>	<u>-1897871</u>
Cash & cash equivalants at the beginning of the year	998829	2896700
Cash & cash equivalants at the end of the year	<u>11704975</u>	<u>998829</u>

Schedules 1 to 24 form part of Annual Accounts

"As per our report of even date"

For **P.S. KRISHNAN & Co.,**
Chartered Accountants (FRN 001532S)

R.V.E. Venkatachalam
Chairman

E.V. Muthukumara Ramalingam
Managing Director

G. Krishnamurthi
Partner (Membership No: 23896)

M.R. Gautham
Executive Director

M. Srinivasan
Company Secretary

Place: Tirupur

Date : 23.07.2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details :-

Registration No.	181 2653	State Code	18
Balance Sheet	31. 03. 2010		

II. Position Raised During the Year (Amount in Rs. Thousands)

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount Rs. Thousands)

Total Liabilities	Total Assets
293122	293122

Sources of Funds :

Paid up capital	Reserves & Surplus
77500	76716
Secured Loans	Unsecured Loans
69036	19352
	Deferred Tax Liability
	25367

Application of Funds :

Net Fixed Assets	Investments
257683	Nil
Net Current Assets	Misc. Expenditure
10288	Nil
Accumulated Losses	
Nil	

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
126802	109258
Profit before tax	Profit after tax
17544	11236
Earning per share in Rs.	Dividend rate 7.5%
Rs.1.45	

V. General Name of Three Principal Product

(As per monetary terms		
item Code No. (ITC Code)	5 9 1 0 0 1 0 0 6	3 9 0 0 0 1 0 0 2
Production Description	HOTEL	RESTAURANT