

VELAN HOTELS LIMITED

22ND ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2012

BOARD OF DIRECTORS

SRI.R.V.E.VENKATACHALAM
CHAIRMAN (UPTO 26/07/2011)

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI P.GANESAN
DIRECTOR

SRI.T.GOPALAKRISHNAN
DIRECTOR

DR. NAMASIVAYAM KARTHIKEYAN
DIRECTOR

SRI.B.A.MADHUSUDHAN
WHOLE-TIME DIRECTOR (w.e.f. 28/03/2012)

SMT.M.SASIKALA
DIRECTOR (w.e.f. 28/03/2012)

SRI.K.SUBRAMANIAM
DIRECTOR (w.e.f. 28/03/2012)

COMPANY SECRETARY

SRI.M.SRINIVASAN

AUDITORS

M/S.P.S.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
40- A, APPACHI NAGAR MAIN ROAD
TIRUPUR 641 607
PHONE : 0421-2227526 to 30
EMAIL : pskcatup@gmail.com

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

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

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

BANKERS

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

REGD. & ADMINISTRATIVE OFFICE

41 KANGAYAM ROAD
TIRUPUR 641 604
TAMIL NADU

LOCATION OF HOTELS

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

VELAN HOTEL - COONOR
RITZ ROAD, BEDFORD
COONOR 643 101
TAMILNADU

LOCATION OF RESTAURANTS

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

THE VELAN FOOD PARK
RAM NAGAR
COIMBATORE 641 009

PROJECTS IN PROGRESS

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

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NOTICE OF THE 22nd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd Annual General Meeting of the Company will be held at the Registered Office of the Company situate at 41, Kangayam Road, Tirupur - 641 604 on Wednesday, the 12th day of September 2012 at 4.45 p.m. to transact the following business :

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit & Loss Account for the year ended as on that date, the Reports of the Auditors and Directors of the Company and Cash Flow statement
2. To appoint a Director in place of Sri.P.Ganesan, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr.Namasivayam Karthikeyan who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in partial modification to the Resolution No.06 passed by the Members at the 20th Annual General Meeting held on 06th September, 2010 approving the re-appointment and terms of remuneration of Mr.E.V.Muthukumara Ramalingam as Managing Director, the Company hereby approves, in accordance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act,1956, increase in remuneration of Mr. Mr.E.V.Muthukumara Ramalingam for the remaining period of his tenure of office, with effect from December 1, 2011, as per details given below:

Salary: Rs.1,50,000/- per month. This will include dearness allowance and all other allowances."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of Mr.E.V.Muthukumara Ramalingam, Managing Director, the payment of salary, perquisites and other allowances shall be governed by the limits calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the company"

"RESOLVED FURTHER THAT all other terms and conditions of re-appointment of Mr.E.V.Muthukumara Ramalingam as approved earlier by the Members, shall remain unchanged."

"RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution"

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII as amended from time to time to the Companies Act, and other applicable provisions, if any, of the Companies Act 1956, approval of the Members be and is hereby accorded for re-appointment of Mr.M.R.Gautham as a Whole-time Director designated as Executive Director of the Company for a further period of five years w.e.f. 29th November, 2011 and for the payment of remuneration along with other terms and conditions furnished hereunder:

- I. 1. Salary: Rs.1,00,000/- per month. This will include dearness allowance and all other allowances.
2. Perquisites: In addition to the above salary, the Executive Director is entitled to the following perquisites.
- a. Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishing, gas, electricity, water and other utilities shall be borne by the Company.
- b. Expenditure on medical treatment incurred for self, wife and dependent children not exceeding one months' salary per annum or 5 months' salary over a period of 5 years.
- c. Leave travel concession for self, wife and dependent children once in a year in accordance with the rules of the Company.
- d. Fees of clubs of choice, however not exceeding 3 clubs, over and above admission fees payable.
- e. Personal accident insurance premium not exceeding Rs.25,000/- per annum.
- f. Company's contribution to Provident Fund as per rules of the Company and as laid down under the Income Tax Rules 1962.
- g. Contribution to Superannuation Fund / Annuity as per rules of the Company.
- h. Gratuity as per rules of the Company, but not exceeding half a months' salary for each completed year of service.
- i. Encashment of leave at the end of the tenure as per the rules of the Company.
- j. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

The above is subject to the fact that the aggregate of the salary and perquisites payable shall not exceed the prescribed ceiling limits of the net profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

- II. a. The Executive Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Executive Director. Provision of car with driver for use in connection with the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

- III. In case, in any financial year, during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Executive Director shall be entitled to receive minimum remuneration by way of salary, perquisites, dearness allowance and any other allowances subject to the ceiling calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the Company provided that the following perquisites shall not be included in the computation of minimum remuneration.
- a. 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
 - b. Gratuity payable at the rate not exceeding half a month's salary per each completed year of service and
 - c. Encashment of leave at the end of the tenure.
- IV. The appointment may be terminated by either side at any time by giving 3 months' notice in writing provided that in case 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 Sri.B.A.Madhusudhan who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers himself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing his candidature for the office of a Director; be and is hereby appointed as a Director of the Company, liable to retire by rotation."

"RESOLVED FURTHER THAT subject to such approvals, consents and sanction as may be necessary and further subject to such terms and conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents and sanctions, consent of the Members be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modifications or re-enactment thereof, to the appointment of Sri.B.A.Madhusudhan as a Whole Time Director of the Company for a period of 5 years with effect from March, 28, 2012 on such terms and conditions including the remuneration payable to him, as a Whole Time Director as follows:

Salary: Rs. 1,50,000/- per month"

"RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and /or vary the terms and conditions of the appointment including remuneration payable to him from time to time, provided however that the remuneration payable shall not exceed the limits specified in Schedule XIII of the Companies Act, 1956 as existing or as amended, modified or re-enacted from time to time"

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of Sri.B.A.Madhusudhan, Whole-Time Director, the payment of salary shall be governed by the limits calculated in the scale laid down in Para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 at the relevant time depending upon the effective capital of the Company"

"RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution"

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

"RESOLVED THAT Smt.M.Sasikala who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers herself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing her candidature for the office of a Director; be and is hereby appointed as a Director of the Company, liable to retire by rotation"

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

"RESOLVED THAT Sri.K.Subramaniam who was appointed by the Board of Directors as an Additional Director of the Company on 28th March, 2012 pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and being eligible offers himself for appointment and in respect of whom the Company has received notice in writing from a Member of the Company under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing his candidature for the office of a Director be and is hereby appointed as a Director of the Company, liable to retire by rotation"

For and on behalf of the Board

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 30.05.2012

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956**SPECIAL BUSINESS****ITEM NO.5**

Pursuant to the resolution passed in the 20th Annual General Meeting held on September 6, 2010, Sri.E.V.Muthukumara Ramalingam was re-appointed as a Managing Director of the Company with effect from July 01, 2010 for a period of 5 (Five) years with remuneration.

With Sri.E.V.Muthukumara Ramalingam shouldering additional responsibilities and increase in duties in respect of the various projects undertaken by the Company, in addition to the existing responsibilities, with recommendation of the Remuneration Committee, the Board in their meeting held on November, 28, 2011 felt that there needs to be an increase in remuneration in the salary payable to him. As the salary was approved at Rs.50,000/- by the Members in the Annual General Meeting held on September 6, 2010, the Directors thought that subject to the consent of the Members, there should be an increase in his salary to Rs. 1,50,000/- w.e.f. December 01, 2011,

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

Sri.E.V.Muthukumara Ramalingam is concerned or interested in this resolution as it relates to his own revision in scales of salary. Sri.M.R.Gautham and Smt.M.Sasikala being related to Sri.E.V.Muthukumara Ramalingam are concerned or interested in the resolution. None of the other Directors of the company is concerned or interested in the resolution.

ITEM NO. 6

Sri.M.R.Gautham was re-appointed as a Whole-Time Director designated as Executive Director of the Company with effect from 30th November, 2006 for a period of 5 years. On expiry of the said term, by way of a resolution dated 28th November 2011, he was re-appointed as Whole-Time Director designated as Executive Director for a further period of 5 years.

Sri.M.R.Gautham is a Commerce Graduate from the University of Western Australia. His rich industry experience would be of immense advantage to the Company, the Board of Directors of the Company has thought it fit to re-appoint Sri.M.R.Gautham as a Whole-Time Director designated as Executive Director of the Company for a further period of 5 years. The same was approved by the Remuneration Committee.

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

Sri.M.R.Gautham is concerned or interested in this resolution as it relates to his own salary. Sri.E.V.Muthukumara Ramalingam and Smt.M.Sasikala being related to Sri.M.R.Gautham are concerned or interested in the resolution. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 7

The Board of Directors at their meeting held on March 28, 2012 Appointed Sri.B.A.Madhusudhan as an Additional Director of the Company. Pursuant to the provisions of section 260 of the Companies Act 1956, he would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of Section 257 of the Companies Act 1956 received a Notice in writing from a Member, proposing his candidature for the office of a Director of the Company.

He holds a B.E in Computer Engineering (from Madras University), an M.S in Computer Science (from University of Kentucky, U.S.) with specialization in Infrastructure Management and Numerical Analysis and Post-Graduate Degree in Management from the Indian Institute of Management, (IIM) Ahmedabad. His academic training also includes Applied Psychology. With experiences in several different disciplines and a strong foundation in logic, he has proven expertise in applying knowledge/ideas from one domain onto another - be it in process, products or in troubleshooting. He is also an Indian government certified Energy Auditor.

The proposed Director has rich and varied experience in operational areas, with special expertise in the area of biomass based power plant and it will be in the interest of the Company to avail advantage of his experience, with recommendation of Remuneration Committee, the Board subject to the approval of the Members, appointed Sri.B.A.Madhusudhan as a Whole Time Director of the Company for a period of 5 (Five) years w.e.f. March 28, 2012.

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

Sri.B.A.Madhusudan is concerned or interested in this resolution as it relates to his own salary. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 8

The Board of Directors at their meeting held on March 28, 2012 appointed Smt.M.Sasikala as an Additional Director of the Company. Pursuant to the provisions of Section 260 of the Companies Act 1956, she would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of Section 257 of the Companies Act, 1956 received a Notice in writing from a Member, proposing her candidature for the office of a Director of the Company.

Mrs.M.Sasikala is the wife of Shri.E.V.Muthukumara Ramalingam, Managing Director. She is a home maker and is the backbone to her husband for all his commercial ventures. The Velan Esplanade Project is, in a way, a result of her vision.

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

Smt.M.Sasikala is concerned or interested in this resolution. Sri.E.V.Muthukumara Ramalingam and Mr.M.R.Gautham being related to Smt.M.Sasikala are concerned or interested in the resolution. None of the other Directors of the Company is concerned or interested in the resolution.

ITEM NO. 9

The Board of Directors at their Meeting held on March 28, 2012 appointed Sri.K.Subramaniam as an Additional Director of the Company. Pursuant to the provisions of Section 260 of the Companies Act 1956, he would hold office upto the date of this Annual General Meeting.

The Company has in terms of provisions of section 257 of the Companies Act 1956 received a Notice in writing from a Member, proposing his candidature for the office of a Director of the Company.

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

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

Sri.K.Subramaniam is concerned or interested in this resolution. None of the other Directors of the Company is concerned or interested in the resolution.

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. CORPORATE MEMBERS ARE REQUESTED TO SEND A DULY CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORIZING THEIR REPRESENTATIVES TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING.
2. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 10/09/2012 (Monday) to 12/09/2012 (Wednesday) (Both days inclusive)
3. Details in respect of new 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 signature at the space provided and hand over the attendance slip at the place of the meeting.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast seven days prior to the meeting so as to enable the management to keep the information ready.
9. 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.
10. The ISIN of the equity shares of your Company is **INE548D01014**

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

Important Communication to Shareholders

The Ministry of Corporate Affairs vide its circular has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies. Accordingly, the Company proposes to send notices / documents including Annual Reports electronically. Shareholders holding shares in Demat form and who have not yet registered their e-mail address are requested to register their e-mail address with their respective Depository Participant at the earliest. Shareholders who hold shares in physical form are also requested to register their e-mail address with our Registrar & Share Transfer Agent- SKDC Consultants Ltd, Kanapathy Towers, 3rd Floor, 1391/A1, Sathy Road, Ganapathy, Coimbatore 641 006, E-mail ID : info@skdc-consultants.com. Such registration of e-mail address may also be made with the Company at its Registered Office or at the E-mail ID: investorrelations@velanhotels.com

In case, Members desire to receive the above mentioned documents in physical form or in case of any change in their e-mail ID, Members are requested to contact the Company or the Company's Registrar and Share Transfer Agent mentioning their Client ID and latest e-mail address.

The Annual Report of the Company and Notice convening the Annual General Meeting is also available on our website : www.velanhotels.com

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

Sri.P.Ganesan (Independent–Non-Executive Director) has a Diploma in Textile Technology from Bolton Institute of Technology, U.K. and has experiences of over 35 years in several different disciplines such as Textile, Hosiery Garment and Finance. He was the Managing Directors of Velan Textiles Pvt Ltd, a company engaged in the business of spinning and weaving.

Dr.Namasivayam Karthikeyan (Independent–Non-Executive Director) holds a Doctorate in Organizational Behavior and Human Resources from Cornell University, Ithaca, USA and was an Associate Professor at Penn State University, USA in Department of Human Resources Development. He is a Management Consultant of hotel projects, who had been involved with the Hotel Project during its implementation and presently the Board has the advantage of his wide experience in the HR field.

DIRECTORS' REPORT

To

The Shareholders,
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 22nd Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as on that date.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	2011-12	2010-11
Profit Before Interest, Depreciation and Tax	342.20	382.83
Less : Interest	102.92	92.07
Profit Before Depreciation & Tax	239.28	290.76
Less : Depreciation	89.86	88.92
Add : Exceptional Item	6.99	(15.07)
Profit Before Tax [PBT]	156.40	186.76
Less : Tax Expenses		
a) Current Tax	31.30	37.00
b) Tax relating to prior years	9.28	3.23
c) Mat Entitlement	22.49	1.90
d) Deferred Tax	(0.50)	27.99
Profit After Tax	93.83	116.64
Balance b/f from previous years	156.20	107.11
Profit Available for appropriation	250.03	223.75
Less : Proposed Dividend	---	58.13
Less : Tax on proposed Dividend	---	9.43
Balance to be carried over to Balance sheet	250.03	156.20

OPERATING RESULTS AND OVERVIEW

2011-12 has been a bit of a flat year for all sectors in general and hospitality in particular as the global economy has severely been buffeted by various natural, social and economic headwinds; the earthquake in Japan, the floods in Thailand, high interest rates, spiraling inflation, the civil unrest in the Arab countries and ongoing sovereign debt crisis in Europe Region. The Indian economy has also been severely affected by, but has withstood the turbulence caused by global economics in the past years. Vital to the performance of the hospitality sector is the economic scenario of world and domestic economy.

Due to overall slowdown, your Company's financial performance was affected significantly compared to last year. However, with patronage of loyal customers of the hotel, your Company could manage the profit margin this year as well. The Company registered a revenue of Rs. 1481 lakhs compared to Rs. 1480 Lakhs in 2010-11. Profit Before Depreciation, Interest and Tax was Rs. 342.20 Lakhs compared to Rs. 382.83 Lakhs in 2010-11 and Profit Before Tax was Rs. 156.40 Lakhs compared to Rs. 186.76 lakhs in 2010-11.

DIVIDEND:

As the surplus generated is being deployed towards executing the various projects, your Directors prefer not to recommend any dividend on share capital of the Company for the year under report.

FUTURE PROSPECTS AND EXPANSION:

Your Company is progressing in the diversification cum expansion on projects on adjoining land of existing hotel building. Due to the vast opportunities and prospects of growth in Tirupur which is hub of textile exports, the Company has already started to set up shopping and entertainment malls - India's first 100 percent Green Shopping Mall - in the City. To meet the energy requirement of the Company, a bio-mass based energy plant that used a technology approved by UNFCCC for meeting CDM benefits is being setup. The Management is taking effective steps for completion of the projects at stipulated date. Your Company continues to pursue the completion of on-going projects to achieve sustainable and profitable growth.

RIGHTS ISSUE

In order to meet the cost of funding of the various projects undertaken by the Company, the Company has raised equity share capital on Rights basis in the ratio of sixty nine equity shares at a price of Rs. 23/- per share for every twenty equity shares held. The Rights issue opened on August 24, 2011 and closed on September 22, 2011. 2,42,14,119 equity shares were allotted to eligible shareholders, in consultation with the BSE Limited (Designated Stock Exchange) on November 4, 2011. Such equity shares became eligible for trading on BSE effective from November 11, 2011.

Consequent to allotment of the aforesaid shares, the Paid-Up Equity Share Capital of the Company stands increased from Rs. 775 lakhs to Rs.3196.41 lakhs with effect from November 4, 2011.

FINANCE

Your Company is executing various projects through its equity, internal accruals and borrowings from Andhra Bank and Allahabad Bank. The total borrowings from the financial institutions as on 31st March, 2012 are Rs.58.21 crores.

CORPORATE GOVERNANCE

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

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

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

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

I. CONSERVATION OF ENERGY:

- a. The operations of the Company are not energy intensive. However, the Company has taken all possible measures to control and reduce consumption of energy. The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.
- b. As 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 2011-12 [Rs.in lakhs]	Previous Year 2010-11 [Rs.in lakhs]
1. Earnings	291.39	490.12
2. Expenditure in Foreign Currency		
a) Interest on Foreign Currency Term Loan	--	48.52
b) Repayment of the above Term Loan fully	--	783.55
c) Import of machinery & Equipments	39.36	--

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

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

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

The Board of Directors Report that:

- i) Your Directors have followed the applicable accounting standards, in the preparation of Annual Accounts.
- ii) Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2012 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.
- v) The financial statements have been audited by M/s.P.S.Krishnan & Co., Chartered Accountants, the Statutory Auditors.
- vi) The Audit Committee meets periodically with internal auditor and the statutory auditors to review the manner in which the auditors are discharging their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditor have full and free access to the Members of the Audit Committee to discuss any matter of substance.

DEPOSITS

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

DIRECTORS

With profound grief and sorrow we inform you that Mr.R.V.E.Venkatachalam, who was the Chairman of the Company, passed away on July 26, 2011. We sincerely place on record his contribution to the growth of the Company during his tenure as Chairman.

The Board had appointed Smt.M.Sasikala and Sri.K.Subramaniam as members of the Board in the capacity of Non-Executive Directors and Sri. B.A.Madhusudhan as Member of the Board in the capacity of Whole-Time Director. The said Directors have been inducted as Additional Directors pursuant to the provisions of Section 260 of the Companies Act, 1956 to hold office till the conclusion of this Annual General Meeting. Mr.B.A.Madhusudhan, Smt.M.Sasikala and Mr. K.Subramaniam are proposed to be appointed as Directors in this Annual General Meeting scheduled to take place on 12/09/2012 and notice under Section 257 of the Companies Act 1956 have been received from a Member proposing their appointments. The brief profiles of said Director's are reported elsewhere in the Annual Report for the reference of Members.

Sri. P.Ganesan and Dr.Namasivayam Karthikeyan retire 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 present Auditors are to retire at the ensuing Annual General Meeting and being eligible for reappointment, they have consented to continue to be the Auditors of the Company.

BANKERS

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

SAFETY AND SECURITY

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

Tourism is presently the most important civil industry in the world. The tourism and hospitality industry is second only to the global oil industry in terms of turnover and large employer around the world. Ten percent of the world's work force is in the tourism industry and ten percent of the world's GNP comes from tourism. The hotel industry alone comprises a major chunk of the tourism industry. The Hotel industry consists of broad category of fields within the service industry that includes lodging, restaurants, event planning, theme parks, transportation, cruise line and additional fields within the tourism industry. It is a several billion-dollar industry that mostly depends on the availability of leisure time and disposable income. The fortunes of the hospitality industry have always been linked to the prospects of the tourism industry and tourism is the foremost demand driver of the Hotel industry. Hospitality and tourism industry play a vital role in the overall economic growth of the country. It has become possible through its linkage with other sectors of the economy.

Indian tourism and hospitality sector has reached new heights today. The boom in the tourism industry has resulted in the immense growth of hotel industry in India. It is attracting tourists from across the world. Indian travel and tourism sector is the third largest foreign exchange earner accounting for almost 6% of the GDP. It also makes a direct contribution to economy with significant linkages to agriculture, horticulture, handicrafts and construction. Despite lagging in the basic infrastructure that supports the tourism industry; Indian tourism sector has been showing an impressive double digit growth.

Foreign Tourist Arrivals (FTAs) to India increased from 59.53 lakhs in financial year 2010-11 to 64.62 lakhs in financial year 2011-12, thereby resulting in an increase of 8.55% YoY basis. Tourism continues to play an important role as a foreign exchange earner for the country. In 2011-12, foreign exchange earning (FEE) from tourism were Rs.83,607 crores as compared to Rs.66,095 in 2010-11, registering a growth of 26.50%

B. OPPORTUNITIES & THREATS:

OPPORTUNITIES

The hospitality industry is one of the most exciting and challenging industry with enormous growth potential. The Indian tourism industry is now witnessing exponential growth and it has outperformed the global tourism industry in terms of growth in the volume of international tourists as well as in terms of revenue. The key driver for this growth in Indian tourism industry has been a fast growing economy for the last 2-3 years.

India has seen a change in consumption patterns. The middle class population, with higher disposable incomes, has caused the shift in spending pattern, with discretionary purchases forming a substantial part of total consumer spending. Increased affordability and affinity for leisure travel are driving tourism in India and in turn, aiding growth of the domestic hospitality industry. Emergence of credit culture and easier availability of personal loans have also driven travel and tourism growth, and thus the hospitality industry.

According to the statistics by World Travel and Tourism Council, India ranks 18th in business travel and will be among the top 5 in this decade. With such growth, sources estimate, demand is going to exceed supply by at least 100% in coming years.

The World Tourism Organisation (UNWTO) forecasts that the international tourism will grow at the average annual rate of 4% [Source - Long term prospects: Tourism 2020 Vision, World Tourism]. Many countries have attempted to build their international tourism industry because of its potential to contribute to the national economy through foreign exchange earnings. As per the World Travel and

Tourism Council, the tourism industry in India is likely to generate US\$121.4 billion by 2015 and Hospitality sector has the potential to earn US\$ 24 billion in foreign exchange by 2015.

Under the Incredible India campaign, the government had introduced the Tourist Visa on Arrival Scheme to establish the country's image as a tourist-friendly nation. Initially extended to five countries namely Finland, Japan, New Zealand, Singapore and Luxembourg, the scheme was extended to an additional six countries now. This has facilitated easy travel and planning at short notices for tourists.

The educational tourism sector in India is gaining ground due to the cost-effectiveness of courses and for offering higher level of training standards.

THREATS

The global economic and political environment, especially in key regions like the USA, Europe and West Asia, remains uncertain and adverse development there can slow down business and tourist arrivals into India, thereby affecting demand.

Despite the long term fundamentals remaining strong, the sector is highly dependent on external factors which could possibly mar its performance.

Inflation, year-on-year, as measured by the Wholesale Price Index (WPI) has remained at elevated levels and has been on an upward trajectory since December 2009. Steadily rising prices of manufactured products, food grains and oil in the past few months have contributed towards persistently high inflation. The high inflation may have an adverse effect on the profit margins of the hotels. A spate of interest rate increases aimed at reducing such inflation and weak global conditions are cause of concern for growth of Tourism and thus the hospitality industry.

Tirupur is the seventh largest city in Tamil Nadu popularly referred to as "Dollar City" or "Small Japan" or "Banian City" and excels in knitted ready-made garments. The whole city is dependent on this business. A major portion of hotel revenue has historically been derived from hotel in Tirupur. In recent days, the garment exporting units have been facing various problems like decline of demand from EU and US due to recession, increase in processing charges, wages, bank interest rates, transportation cost apart from closure of dyeing units in Tirupur due to pollution problem and severe power cut situation in the State of Tamilnadu which may negatively impact the garment industry and thus the hotel revenue. To obviate the above difficulties faced by the Garment industry, the Governments of India and Tamilnadu have taken initiatives such as granting interest free loan facility to dyeing units to setup Zero Discharge units, up gradation of infrastructure facility in Tirupur region and, ensuring availability of cotton and yarns at affordable price in the Indian market.

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:

The Indian hospitality industry is now on the path of recovery and the domestic traveller has spearheaded its growth. Following the success of religious and medical tourism in India, the domestic travel industry is seeing a surge in a new set of tourists. Segments such as Leisure, Commercial and MICE witnessed a renewed interest from the domestic traveller with rising disposable incomes and improving air and road infrastructure.

In the long-term, the outlook for the sector is very promising. Demand levels are likely to improve as steady economic growth gathers momentum in India and companies increase spending on travel. With expectations of healthy salary increases within the corporate world, discretionary spending is expected to increase further, especially on leisure travel.

Strong growth in the service industry in the past few years has led to increased corporate spending on business travel in the country. According to a report of World Travel and Tourism Council, India will be a tourism hot-spot from 2009 to 2018, having the highest 10-year growth potential and the tourism sector is expected to contribute around US\$ 77.00 billion by 2021.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

F. BUSINESS PERFORMANCE:

Results of operations for the year ended March 31, 2012

i. Revenues:

Total income marginally stands increased by 0.10% from Rs.1479.57 lakhs in 2010-11 to Rs.1481 lakhs in 2011-12.

ii. Operating Expenses:

The total expenditure except Interest and Depreciation stands increased by 3.84% from Rs.1097 lakhs in 2010-11 to Rs.1139 lakhs in 2011-12. The increase is largely on account of increase in Repairs & Maintenance, employee cost and other operating expenses.

iii. Earnings Before Interest, Depreciation and Tax

The PBIDT Rs.342.20 lakhs for the financial year 2011-12 is 10.61% lower than Rs.382.83 lakhs in 2010-11.

iv. Interest Cost:

During the year under review, the Interest cost stands Rs.102.93 lakhs as compared to Rs.92.07 lakhs in the previous year.

v. Profit Before Tax:

Profit after Extra-ordinary & Exceptional items but before Tax at Rs.156.40 lakhs was lower by 16.25 % as compared to Rs.186.76 lakhs in 2010-11.

vi. Profit After Tax:

Profit after Tax for 2011-12 stands at Rs.93.83 lakhs is lower than Rs.116.64 lakhs in 2010-11.

G. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

(Rs. in Lakhs)

Particulars	31 st March, 2012	31 st March, 2011	31 st March, 2010	31 st March, 2009	31 st March, 2008
I OPERATING RESULTS :					
1.Total Income	1481.11	1479.57	1333.63	1184.64	1147.43
2. Profit Before Interest & Depreciation	342.20	382.83	329.49	311.79	346.92
3. Interest	102.93	92.07	83.51	87.39	107.63
4. Depreciation	89.86	88.92	70.54	68.63	65.92
5. Tax Liability	62.57	70.11	63.07	56.62	21.60
6. Net Profit After Tax	93.83	116.64	112.36	106.14	158.76
7.Dividend %	--	7.5	7.5	5	3
Dividend Amt	--	58.12	58.12	38.75	23.25
Tax on Dividend	--	9.65	9.65	5.99	3.95
II PERFORMANCE PARAMETERS:					
1. Equity Share Capital	3196.41	775.00	775.00	775.00	775.00
2. Reserves & Surplus	4030.36	809.26	767.16	729.56	675.15
3. Secured & Unsecured loans	5695.91	2272.73	883.88	670.97	638.74
4. Fixed Assets (Gross Block)	7737.21	3659.39	3494.22	3057.71	3001.36
6. Accumulated Depreciation	1107.67	1037.14	949.24	871.88	803.53
8. Net Block	6629.54	2622.26	2544.91	2185.83	2197.83

H. HUMAN RESOURCES:

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

CAUTIONARY STATEMENT:

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

REPORT ON CORPORATE GOVERNANCE

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

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

The Composition of the Board of Directors is governed by the provisions of the 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.E.V.Muthukumara Ramalingam	Managing Director	Executive / Non-Independent
2.	Sri.M.R.Gautham	Executive Director	Executive / Non-Independent
3.	Sri.B.A.Madhusudhan	Whole-Time Director	Executive / Non-Independent
4.	Smt.M.Sasikala	Director	Non-Executive / Non-Independent
5.	Sri.P.Ganesan	Director	Non-Executive / Independent
6.	Sri.T.Gopalakrishnan	Director	Non-Executive / Independent
7.	Dr.Namasivayam Karthikeyan	Director	Non-Executive / Independent
8.	Sri.K. Subramaniam	Director	Non-Executive / Independent

b. Board Meetings and attendance

During the year, 10 Board meetings were held and the gap between two meetings did not exceed three months. The Board meetings were held on 29/04/2011, 28/06/2011, 29/07/2011, 04/08/2011, 05/09/2011, 28/10/2011, 28/11/2011, 19/12/2011, 28/01/2012 and 28/03/2012.

The names and categories of the Directors on the Board, the attendance at Board/Committee 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	Remuneration Committee	Rights Issue & Allotment Committee	Last AGM Attended (Yes/No)	No. of shares Held by Non-Executive Directors
Sri.R.V.E.Venkatachalam (Expired on 26/07/2011)	1	1	5	-	-	#	-
Sri.E.V.Muthukumara Ramalingam	10	-	22	-	3	Y	N.A.
Sri.M.R.Gautham	10	-	22	-	3	Y	N.A.
Sri.P.Ganesan	9	5	-	2	3	Y	33050
Sri.T.Gopalakrishnan	9	5	-	2	-	N	Nil
Dr Namasivayam Karthikeyan	8	3	17	2	-	Y	Nil
Sri.B.A.Madhusudhan	1	-	-	-	-	*	N.A.
Smt.M.Sasikala	1	-	-	-	-	*	2130743
Sri.K.Subramaniam	1	-	-	-	-	*	560000

(*) inducted on 28/03/2012 - (#) passed away on 26/07/2011

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

c. Directorship and Membership held in other companies

Name	Company Name
Sri.E.V.Muthukumara Ramalingam	Shree Vallee Enterprises Pvt Ltd Sarju International Limited
Sri.M.R.Gautham	Shree Vallee Enterprises Pvt Ltd
Sri.P.Ganesan	Shiva Hi-Tech Infrastructure Ltd
Sri.T.Gopalakrishnan	Susira Industries Ltd
Dr.Namasivayam Karthikeyan	Nil
Sri.B.A.Madhusudhan	Nil
Smt.M.Sasikala	Shree Vallee Enterprises Pvt Ltd
Sri.K.Subramaniam	Statex Engineering Pvt Ltd Dhansu Engineering Pvt Ltd

3. CODE OF CONDUCT

- a) The Company has adopted the Code of Conduct for Directors and Senior Management. This Code of Conduct helps to maintain the standards of business conduct for the Company and ensures compliance with legal requirements by the Company. All the Board Members and Senior Management personnel have affirmed compliance with the Code on an annual basis and same has been posted on the Website of the Company.

b) CEO /CFO Certification

CEO/CFO certification under clause 41 and 49 of the listing agreement entered by the Company with stock exchange has been submitted to the Board by the Managing Director

4. DETAILS OF REMUNERATION PAID OR PAYABLE TO DIRECTORS DURING 2011-12

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

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

During the year, Dr.Namasivayam Karthikeyan was inducted in the Committee to replace the vacancy caused by the demise of Late Sri.R.V.E.Venkatachalam, Member of the Committee. The Audit Committee presently consists of three Independent-Non-Executive Directors viz.Sri.P.Ganesan, Dr.Namasivayam Karthikeyan and Sri.T.Goplakrishnan as Members. Sri.P.Ganesan is the Chairman of the Committee.

b. Terms of reference:

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

d. Committee meetings

The Committee met 5 times during the year on 29/04/2011, 06/06/2011, 29/07/2011, 28/10/2011 and 28/01/2012.

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

Member	Committee meetings attended
Sri.P.Ganeshan	5
Sri.R.V.E.Venkatachalam	1
Sri.T.Gopalakrishnan	5
Dr.Namasivayam Karthikeyan	3

The Chairman of the Committee Sri.P.Ganesan was present at the Annual General Meeting held on 18th August, 2011.

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

a. Composition

During the year, Dr.Namasivayam Karthikeyan was inducted to replace the vacancy caused by the demise of Late Sri.R.V.E.Venkatachalam, Member of the Committee. The Share Transfer and Shareholders / Investors' Grievance Committee which comprises of Sri.E.V.Muthukumara Ramlingam, Sri.M.R.Gautham and Dr.Namasivayam Karthikeyan.

b. Terms of reference

This committee approves transfers, deletion of the names of deceased share holders, transmission of shares, issue of duplicate share certificates, issue of fresh share certificates as a result of splitting of share certificates and encompasses formulation of shareholders'/investors' servicing policies, looking into redressal of shareholders and investors complaints viz. transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc.,

c. Committee meetings

The Share Transfer & Shareholders'/Investors' Grievances Committee met 22 times in 2011-12 which approved the share transfer and reviewed the grievances/complaints received and the action taken on the grievances / complaints.

Complaints' status: 01.04.2011 to 31.03.2012

- Number of shareholders' complaints received during the period : 3
- 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.

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

Member	Committee meetings attended
Sri.R.V.E.Venkatachalam	5
Sri.E.V.Muthukumara Ramalingam	22
Sri.M.R.Gautham	22
Dr.Namasivayam Karthikeyan	17

7. REMUNERATION COMMITTEE

a. Composition

This Committee reconstituted on 21/04/2009 which 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 including pension rights and any compensation payments.

c. Committee Meetings.

The Committee met on 28/11/2011 and 28/03/2012.

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

Member	Committee meetings attended
Sri.P.Ganeshan	2
Sri.T.Gopalakrishnan	2
Dr.Namasivayam Karthikeyan	2

8. RIGHTS ISSUE AND ALLOTMENT COMMITTEE

a) Composition:

The Rights Issue and Allotment Committee of the Board constituted on 16th July, 2010 which comprises of the following Directors:

Sri.E.V.Muthukumara Ramalingam - Chairman
Sri.P.Ganesan - Member
Sri.M.R.Gautham - Member

The quorum for the meeting is presence of atleast two members. The Company Secretary is the Secretary to the Committee.

b) Terms of reference:

The role of this committee is to do all the matters relating to Rights Issue and Allotment of shares and/or securities arising out of the Rights Issue.

c) Meetings and attendance:

The Committee met 3 times during the year on 18/07/2011, 05/09/2011 and 04/11/2011

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

Member	Committee meetings attended
Sri.E.V.Muthukumara Ramalingam	3
Sri.M.R.Gautham	3
Sri.P.Ganeshan	3

As the Rights Issue Committee had fulfilled the tasks of Rights Issue assigned to them at the time of its establishment, the Board has placed on record its appreciation for the invaluable contribution made by it. As completion of procedures of the Rights Issue, the Committee was dissolved by the Board of Directors of the Company at their meeting held on 28th November, 2011.

9. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2011	Regd. Office at 41, Kangayam Road, Tirupur 641 604	18 th Day of August, 2011	12.30 P.M.
2010	Regd. Office at 41, Kangayam Road, Tirupur 641 604	6 th Day of September, 2010	04.45 P.M.
2009	Regd. Office at 41, Kangayam Road, Tirupur 641 604	24 st Day of September, 2009	04.45 P.M.

ii. Special Resolutions:

At the 21st Annual General Meeting of the Company held on 18th August, 2011, special resolutions have been passed in respect of increase in borrowing power in terms of Section 293(1)(d), creation of charge in terms of Section 293(1)(d) and alteration of Capital Clause of Memorandum of Association of the Company.

At the 20th Annual General Meeting of the Company held on 06th September, 2010, a special resolution has been passed pursuant to provisions of Section 81(1) and other applicable provisions of the Companies Act, 1956 for issue of further shares on Rights basis.

No special resolutions were passed at the 19th Annual General Meetings held on 24th September, 2009.

10. DISCLOSURES

1. Disclosure on related party transactions i.e. transactions of the Company with its Promoters, Directors or the Management, Relatives, Bodies Corporate in which the Directors are interested etc., are annexed elsewhere in the Annual Report. There is no materially significant related party transaction that would have been a potential conflict with the interests of the Company at large.
2. 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, 2012.
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 certain clauses regarding Remuneration Committee. However, in line with its policy to ever improve the good corporate governance practices, it is proposed to adopt all such practices in due course of time.
5. The Company has established a whistle blower mechanism to provide an avenue to raise concerns, in line with the Company's commitment to the highest possible standards of ethical, moral and legal business conduct.
6. Accounting Standards and Treatment: The accounting treatment as prescribed in the Accounting Standards (AS) has been followed in the preparation of financial statements.

11. 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 in Business Line / Business Standard or Trinity Mirror in English and Makkal Kural or Dinamalar / Dinamani 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.

12. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting
 - a. Date : 12-09-2012 (Wednesday)
 - 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, 2012 : Before November 15, 2012
 - Financial reporting for the quarter ending December 31, 2012 : Before February 15, 2013
 - Financial reporting for the quarter ending March 31, 2013 : Before May 15, 2013
 - Financial reporting for the quarter ending June 30, 2013 : Before August 15, 2013
3. Date of Book Closure : 10.09.2012 to 12.09.2012 (Both days inclusive)
4. Dividend payment : Nil
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 2011-12 on Bombay Stock Exchange Ltd is shown below :

Month & Year	High (Rs.)	Low (Rs.)
April 2011	21.95	17.05
May 2011	18.90	14.25
June 2011	19.00	14.05
July 2011	24.60	16.05
August 2011	22.00	14.40
September 2011	22.50	16.15
October 2011	18.90	15.05
November 2011	18.10	13.50
December 2011	17.35	14.11
January 2012	21.45	15.55
February 2012	23.00	17.55
March 2011	25.90	17.10

7. Categories of Shareholders as on 31/03/2012

Category of Shareholders	No. of Shareholders	No. of shares	% of Holding
Promoters Shareholding			
Individuals/ Hindu Undivided Family	6	22791696	71.304
Bodies Corporate	1	2826934	8.844
Sub Total –A	7	25618630	80.148

7. Categories of Shareholders as on 31/03/2012 (Contd.)

Category of Shareholder	No. of Shareholders	No. of shares	% of Holding
Public shareholding			
Institutions			
Mutual Funds/ UTI	2	7000	0.022
Non-Institutions			
Bodies Corporate	118	306522	0.959
Resident Individuals	8467	5839371	18.269
Non-Resident Indians	6	19718	0.062
Hindu Undivided Family	55	103420	0.324
OCB & Clearing Members	30	69458	0.217
Sub Total - B	8678	6345489	19.852
GRAND TOTAL A+B	8685	31964119	100.000

8. Registrar and Transfer Agents.

Both physical and Demat segments are handled by the Company's Registrar & Share Transfer Agent namely SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy Post, Coimbatore 641 008.

9. Share Transfer System

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

10. Distribution of Shareholdings as on 31/03/2012

Range (Value)	No. of Shareholders	% held (% No. of persons)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	7899	90.95	10709080	3.35
5001 to 10000	387	4.46	3163900	0.99
10001 to 20000	185	2.13	2823090	0.88
20001 to 30000	61	0.70	1567220	0.49
30001 to 40000	32	0.37	1154290	0.36
40001 to 50000	20	0.23	647570	0.30
50001 and 100000	41	0.47	3046790	0.95
100001 and above	60	0.69	296229250	92.68
TOTAL	8685	100.00	319641190	100.00

11. Demat information as on 31/03/2012

a. No. of shares dematerialized	-	3,06,42,654
b. % Total Capital	-	95.87%
c. No. of share certificates dematerialised	-	21,843
d. % of Total certificates	-	67.82%

12. Reconciliation of Share Capital Audit

The Company gets the Report of Reconciliation of Share Capital Audit done by a Practising 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 Report of Reconciliation of Share Capital Audit is placed before the Board of Directors on a quarterly basis and is also sent to the Bombay Stock Exchange Ltd where the Company's shares are listed.

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

During the year under review, fund has been raised through Rights issue.

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 Hotels : 1. Velan Hotel-Greenfields
41 Kangayam Road, Tirupur 641 604
2. Velan Hotel-Coonoor
Bedford, Ritz Road, Coonoor - 643 101

16. Location of 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) 2424426 to 30 & 4311111
Fax Nos: (+91/0)(421) 2424434 & 2424444
E-Mail : accounts@velanhotels.com &
investorrelations@velanhotels.com
Website : www.velanhotels.com

18. Compliance Officer : Mr.M.Srinivasan
Company Secretary

For and on behalf of the Board

Place : Tirupur
Date : 30.05.2012

E.V. Muthukumara Ramalingam
Managing Director

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 2011-12

For and on behalf of the Board.

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 30.05.2012

P.S.Krishnan & Co
Chartered Accountants

40A, Appachinagar Main Road ,
Tirupur 641 607.
Phone: 0421 - 2227526 to 30

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, 2012 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 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 to the Company to the Investors Grievances Committee, as on March 31,2012, there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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

Place : Tirupur
Date : 30.05.2012

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 to 30

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, 2012 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 2012, from being appointed as directors in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ;
- (vi) 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(iv) 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, 2012 ;
 - (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 : 30.05.2012

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 to 30

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) The Fixed assets disposed off during the year, in our opinion, do not constitute a substantial portion of fixed assets of the Company.
- (ii) In respect of Inventories :
- (a) Stock of stores, provisions, crockeries, beverage, etc., have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- (iii) (a) The Company has not granted any loan to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and hence the provisions of clause 4(iii)(b), (c)&(d) are not applicable.
- (b) The company has taken loans (unsecured) from companies, firms, or other parties covered in the register maintained u/s 301 of the Act.
- | | | |
|---------------------|---|-----------------|
| 1. No. of Parties | : | 2 |
| 2. Aggregate amount | : | Rs. 28.31 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 repayment of both the principal and the interest.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of Inventory and Fixed Assets and for the Sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

- v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions during the year made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) 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, term loans raised 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) We have verified the end use of money raised by public issue as disclosed in the additional notes - point no (u) to the financial statement.
- (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 : 30.05.2012

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

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

BALANCE SHEET AS AT ON 31.03.2012

PARTICULARS	NOTE NO.	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	1	319641	77500
(b) Reserves and Surplus	2	404394	80926
(c) Funds received pending allotment of shares		0	72665
(2) Non-Current Liabilities			
(a) Deferred Tax Liabilities (Net)	3	28115	28165
(b) Long Term Borrowings	4	575315	208695
(c) Other Long Term Liabilities	5	0	0
(d) Other Long Term Provisions	6	3705	3715
(3) Current Liabilities			
(a) Short Term Borrowings	7	16199	17286
(b) Trade Payables	8	5769	7687
(c) Other Current Liabilities	9	45805	16549
(d) Loans and Advances from Related Parties	10	0	5295
(e) Short -Term Provisions	11	3130	10455
Total		1402072	528938
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	12	662954	262226
(ii) Intangible Assets		0	0
(iii) Capital Work-in-Progress		589037	167543
(b) Non Current Investments		0	0
(c) Long-Term Loans and Advances	13	104351	80018
(2) Current Assets			
(a) Current Investments		0	0
(b) Inventories	14	5377	7982
(c) Trade Receivables	15	3209	2572
(d) Cash and Cash Equivalents	16	33490	4977
(e) Short-Term Loans and Advances	17	3656	3621
Total		1402072	528938
Additional Notes	28		
Significant Accounting Policies	29		

Schedules 1 to 29 form part of Annual Accounts

"As per our report of even date"

For **P.S. KRISHNAN & Co.,**
Chartered Accountants (FRN 001532S)**E.V. Muthukumara Ramalingam**
Managing Director**M.R. Gautham**
Executive Director**G. Krishnamurthi**
Partner (Membership No: 23896)**M. Srimivasan**
Company SecretaryPlace: Tirupur
Date : 30.05.2012

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2012

PARTICULARS	NOTE NO.	YEAR ENDED ON 31.03.2012 Rs. in '000'	YEAR ENDED ON 31.03.2011 Rs. in '000'
I. Revenue from Operations (Gross)	18	146980	146295
Less : Excise Duty		0	0
Revenue from Operations (Net)		146980	146295
II. Other Income	19	1131	1663
III. Total (I + II)		148111	147957
IV. Expenses			
Cost of Supplies Consumed	20	35211	34186
House Keeping & Laundry Expenses	21	3169	3566
Power & Fuel	22	24262	24065
Employee Benefits Expenses	23	26355	24815
Repairs and General Maintenance	24	7777	6102
Finance Cost	25	10293	9207
Other Expenses	26	17116	16940
Depreciation	27	8986	8892
Total Expenses		133170	127774
V. Profit Before Exceptional Item and Tax (III-IV)		14941	20183
VI. Exceptional Items		699	1507
VII Profit Before Tax (V+VI)		15640	18676
VIII. Extra-Ordinary Items		0	0
IX Less: Tax Expenses			
1) Current Tax		3130	3700
2) Tax relating to prior years		928	323
3) MAT Entitlement		2249	190
4) Deferred tax		(50)	2799
X. Profit for the year		9383	11664
XI. Earning per share (Rs.10/- per share)			
(a) Basic / Weighted Average		0.53	1.51
(b) Diluted		0.00	0.00
Additional Notes	28		
Significant Accounting Policies	29		

Schedules 1 to 29 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)Place: Tirupur
Date : 30.05.2012**E.V. Muthukumara Ramalingam**
Managing Director**M. Srinivasan**
Company Secretary**M.R. Gautham**
Executive Director

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

PARTICULARS	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE: 1		
SHARE CAPITAL		
AUTHORISED		
5,00,00,000(P.Y.3,50,00,000) Equity Shares of Rs.10/- each	<u>500000</u>	<u>350000</u>
	<u>500000</u>	<u>350000</u>
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
3,19,64,119(P.Y.77,50,000) Equity Shares of Rs.10/- each	<u>319641</u>	<u>77500</u>
Total	<u>319641</u>	<u>77500</u>
(a) Reconciliation of Number of Shares	No. of Shares	No. of Shares
- Shares outstanding as at 01.04.2011/01.04.2010	7750000	7750000
- Issued during the year	24214119	0
- Shares outstanding as at 31.03.2012/31.03.2011	31964119	7750000
(b) List of shareholders holding more than 5% of the total number of shares issued by the Company:		
Name of the Share holders :		
1. Sri.E.V.Muthukumararamalingam	12678383	2785566
2. Sri.M.R.Gautham	6420750	N.A
3. M/s. Shree Vallee Enterprises Private Limited	2826934	N.A
4. Smt.M.Sasikala	2130743	395770
(c) The Company has only one class of shares i.e. equity shares with equal voting rights.		
NOTE : 2		
RESERVES AND SURPLUS		
(a) Capital Reserve		
Revaluation Reserve	71684	71684
(Reserves created out of revaluation of Land & Building situated at Tirupur)		
Less: Depreciation on revalued assets	<u>7077</u>	<u>6378</u>
	<u>64607</u>	<u>65306</u>
(b) Surplus in Statement of Profit and Loss		
Opening balance	15620	10711
Add: Profit for the year	<u>9383</u>	<u>11664</u>
	<u>25003</u>	<u>22375</u>
Less: Appropriations		
i) Proposed Dividend - Rate Per Share Rs.Nil (P.Y.Rs.0.75 Per Share)	0	5813
ii) Dividend Distribution Tax	0	943
Closing balance	<u>25003</u>	<u>15620</u>
(c) Other Reserve		
Security Premium Reserve	<u>314784</u>	0
	<u>314784</u>	0
Total (a+b+c)	<u>404394</u>	<u>80926</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

PARTICULARS	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE : 3		
DEFERRED TAX LIABILITY		
Opening Balance	28165	25367
Provision / (Reversal)	(50)	2799
Closing Balance	<u>28115</u>	<u>28165</u>
NOTE : 4		
LONG-TERM LIABILITIES		
a) Term Loans - From Banks	566453	204151
From Others	306	284
b) Loans and Advances from Related parties	2832	258
c) Deposits	5724	4001
d) Provision for Employee Benefits	0	0
	<u>575315</u>	<u>208695</u>
NOTE : 5		
OTHER LONG TERM LIABILITIES	<u>0</u>	<u>0</u>
NOTE : 6		
OTHER LONG TERM PROVISIONS		
a) Provision for Employee Benefits	3705	3715
	<u>3705</u>	<u>3715</u>
NOTE : 7		
SHORT TERM BORROWINGS		
(a) Current maturities of long-term debt	16149	15972
(b) Interest accrued and due on borrowing	50	1314
	<u>16199</u>	<u>17286</u>
NOTE : 8		
TRADE PAYABLES		
Trade Payable	5769	7687
	<u>5769</u>	<u>7687</u>
NOTE : 9		
OTHER CURRENT LIABILITIES		
(a) Unpaid Dividend	1318	945
(b) Statutory Liabilities	2378	2137
(c) Other Payables	6966	5630
(d) Capital Goods Liability	34974	7755
(f) Advance / Progress Payments from Customers	169	82
	<u>45805</u>	<u>16549</u>
NOTE : 10		
SHORT - TERM LOANS AND ADVANCES		
(a) Loans and Advance from Related Parties	0	5295
	<u>0</u>	<u>5295</u>
NOTE : 11		
SHORT -TERM PROVISIONS		
(a) Provision for Taxation - Income Tax	3130	3700
(b) Proposed Dividend	0	5813
(c) Tax on Dividend	0	943
	<u>3130</u>	<u>10455</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

NOTE NO:12
FIXED ASSETS

Description of Assets	Gross Block			Depreciation					Net Block	
	As at 01.04.2011	Additions	Deletions	As at 31.03.2012	Upto 31.03.2011	For the year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Land	49112	401038	0	450150	0	0	0	0	450150	49112
Building	203656	5885	0	209541	38422	3355	0	41777	167764	165234
Plant & Machinery	70681	3694	32	74343	47565	2747	15	50298	24045	23116
Furniture & Fittings	34668	219	0	34887	14723	2340	0	17063	17824	19945
Vehicles	7822	1014	4037	4799	3004	544	1919	1629	3170	4819
TOTAL	365939	411851	4069	773721	103714	8986	1933	110767	662954	262226

PARTICULARS

	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE : 13		
LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
(a) Capital Advances	91740	68113
(b) Deposit with others	5389	2086
(c) Other Non-Current Assets	1281	1629
(d) MAT Entitlement	5931	8180
(e) Other bank balance -Deposits	10	10
	<u>104351</u>	<u>80018</u>
NOTE : 14		
INVENTORIES		
(a) Stores and Provisions	5377	7982
(Valued at Lower of cost or market price and as certified by the management)		
	<u>5377</u>	<u>7982</u>
NOTE : 15		
TRADE RECEIVABLES		
Unsecured, considered good*	3209	2572
(*Includes an amount of Rs.5,74,500 (P.Y.2,66,773) outstanding for a period exceeding six months from the date they became due)	<u>3209</u>	<u>2572</u>
NOTE : 16		
CASH AND CASH EQUIVALENTS		
Cash on hand	210	601
Balance with bank - Current accounts	27495	2316
- Unpaid Dividend Accounts	1311	937
Other bank balances - Deposits	4473	1122
	<u>33490</u>	<u>4977</u>
NOTE : 17		
Short-Term Loans and Advances		
Unsecured, considered good		
(Advances recoverable in cash or kind or for value to be received)		
(a) Advances - others	1683	2474
(b) Advance Income Tax and Tax Deducted at Source	663	1148
(c) Balance with Revenue Authorities	1309	0
	<u>3656</u>	<u>3621</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

PARTICULARS	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE : 18		
REVENUE FROM OPERATIONS		
Sale of Services		
a) Guest Accomodation (TDS Rs.60009/- L.Y.Rs.182805)	61612	75543
b) Others	185	254
Sale of Products		
a) Food & Beverage	66264	57235
b) Liquor	11048	9621
Other Operative Services		
a) Healthclub	0	3
b) Taxi Hire	249	389
c) Swimming Pool Income	3843	981
d) Service Charges	1116	1152
e) Laundry Receipts (TDS Rs.10266/- L.Y.Rs.4016)	1177	407
f) Telephone Charges Receipts	1486	710
	<u>146980</u>	<u>146295</u>
NOTE : 19		
OTHER INCOME		
a) Interest Receipts (TDS Rs.55159/ L.Y.Rs35498/-)	458	406
b) Miscellaneous Income	518	410
c) Sundry Balance w/back	26	793
d) Other Income	49	45
e) Profit on Sale of Assets	32	5
f) Rounded Off	4	4
g) Forex Gain	24	0
h) Commission	20	0
	<u>1131</u>	<u>1663</u>
NOTE : 20		
COST OF SUPPLIES CONSUMED		
Opening Stock	7982	6714
Purchases	32607	35454
	<u>40589</u>	<u>42168</u>
Less: Closing Stock	5377	7982
	<u>35211</u>	<u>34186</u>
NOTE : 21		
HOUSEKEEPING AND LAUNDRY EXPENSES		
Housekeeping Expenses	2302	2625
Laundry Expenses	866	941
	<u>3169</u>	<u>3566</u>
NOTE : 22		
POWER & FUEL		
Electricity Charges	8725	9426
Diesel & Lubricants	2172	1952
Firewood	7183	7221
Gas	4056	3671
Charcoal	764	826
Water	1362	970
	<u>24262</u>	<u>24065</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

PARTICULARS	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE : 23		
EMPLOYEE BENEFITS EXPENSES		
Salary & Wages	22045	20615
Bonus & Ex-Gratia	770	685
Gratuity & Leave Salary	2038	2048
Staff Welfare Expenses	621	531
Contribution to Statutory Funds	881	936
	<u>26355</u>	<u>24815</u>
NOTE : 24		
REPAIRS AND GENERAL MAINTENANCE		
Building	1752	1368
Machinery	5617	4292
Others	409	443
	<u>7777</u>	<u>6102</u>
NOTE : 25		
FINANCE COST		
Term Loan Interest	8473	6228
Working Capital Loan Interest	13	13
Financial Charges	114	167
Other Interest	404	1193
Exchange Rate Difference	0	1143
Bank Charges	1289	464
	<u>10293</u>	<u>9207</u>
NOTE : 26		
OTHER EXPENSES		
a) Selling Expenses		
Advertisement	600	354
Credit card service charges	22	1603
Business promotion expenses	896	579
Discount	733	231
b) Administrative expenses		
Filing Fee	890	1459
Telephone Charges	1175	1110
Printing & Stationery	1177	1180
Miscellaneous Expenses	467	1195
Postage & Telegram	243	362

FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2011 - 2012

PARTICULARS	AS AT 31.03.2012 Rs. in '000'	AS AT 31.03.2011 Rs. in '000'
NOTE : 26 (Contd.)		
Periodicals & News papers	110	121
Carriage Inward	194	153
Donation	1	79
Professional Fees	195	127
Lease Rent	2737	2499
Rates, Taxes and Legal Fee	2850	2206
Travelling & Conveyance	933	777
Insurance	469	244
Pooja Expenses	99	125
Subscription	31	31
Remuneration to Auditors :		
Statutory Audit	50	50
Tax Audit	25	25
Taxation Matters	40	50
Certification work	35	71
Others & Service Tax	12	19
Internal Audit Fee	119	101
Loss on Sale of Assets	9	0
Share Transfer Expenses	127	147
Vehicle Running Expenses	2115	1414
Security Service Charges	766	628
	17116	16940
NOTE : 27		
DEPRECIATION		
Building	3355	3211
Plant & Machinery	2747	2673
Furniture & Fittings	2340	2349
Vehicles	544	659
	8986	8892

Schedules 1 to 29 form part of Annual Accounts

"As per our report of even date"

For **P.S. KRISHNAN & Co.,**
Chartered Accountants (FRN 001532S)**G. Krishnamurthi**
Partner (Membership No: 23896)**E.V. Muthukumara Ramalingam**
Managing Director**M.R. Gautham**
Executive Director**M. Srinivasan**
Company SecretaryPlace: Tirupur
Date : 30.05.2012

NOTE : 28
ADDITIONAL NOTES

- a. Estimated amount of the contracts remaining to be executed on capital account and not provided for :
Not ascertainable. (Previous Year - not ascertainable)
- b. The Company has not given any guarantees.
- c. Contingent Liabilities not provided for in the books of accounts Rs.Nil. (Previous year Rs. Nil)
- d. Expenditure on employees who are in receipt of remuneration of not less than Rs. 60,00,000/- per annum (previous year Rs. 60,00,000/- per annum) when employed throughout the year or Rs. 5,00,000/- per month (previous year Rs. 5,00,000/- per month) when employed for part of the year is Nil (previous year Rs. Nil.)
- e. Previous year figures have been regrouped and/or reclassified wherever necessary, to conform to the requirement of revised Schedule VI of the Companies Act, 1956.
- f. The figures have been rounded off to the nearest thousands, except otherwise stated.
- g. Balances in Sundry Debtors, Creditors and Loans & Advances are subject to confirmation and reconciliation and are stated at the book balance thereof.
- h. In the opinion of the Management, the Current Assets, Loans & Advances will fetch the amount as stated, if realized in the ordinary course of its business.
- i. Income of the Company includes the following :

Particulars	2011-12 Rs. in '000'	2010-11 Rs. in '000'
Guest Accommodation	61612	75543
Foods & Beverage Sales	66264	57235
Wine & Liquor	11048	9621
Telephone Receipts	1486	710
Others	7701	4848
	<u>148111</u>	<u>147957</u>
i) Opening Stock		
Provisions, & Supplies	7715	6347
Wine & Liquor	267	367
	<u>7982</u>	<u>6714</u>
ii) Closing Stock		
Provisions & Supplies	4972	7715
Wine & Liquor	405	267
	<u>5377</u>	<u>7982</u>
iii) Consumption	31626	31377
Provisions & Supplies	3585	2809
Wine & Liquor	35211	34186

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

	2011- 2012		2010-2011	
	Value Rs.	Percentage %	Value Rs.	Percentage %
PROVISIONS & SUPPLIES				
Imported	Nil	Nil	Nil	Nil
Indigenous	35211	100%	34186	100%

j TERM LOANS :

1. Allahabad Bank and Andhra Bank :

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 loans are also personally guaranteed by the Managing Director & Executive Director of the Company.

2. Sundaram Finance Limited

Secured by way hypothecation of Vehicle of the Company.

k. EARNING IN FOREIGN EXCHANGE

(As reported by the management to the Department of Tourism but not verified by the Auditors)	2011-12	2010-11
		Rs. 291.39 Lakhs

l. CIF Value of Imports

	2011-12	2010-11
a) Capital Goods	Rs. 39.36 Lakhs	Nil
b) Interest on Foreign Currency Term Loan	Nil	Rs. 48.52 Lakhs
c) Repayment of the above Term Loan fully	Nil	Rs. 783.55 Lakhs

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

n. During the year, a sum of Rs.31,30,000/- has been provided in the books of accounts towards income tax.

o. Earning per share :

a. Basic earnings per share are calculated by dividing the net profit attributable to the share holders by the weighted average number of ordinary shares outstanding during the year.

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

	31. 03. 2012 Rs. in '000'	31. 03. 2011 Rs. in '000'
Net Profit for the year	15,640	18,676
Net Profit for the year attributable to equity share holders.	9,383	11,664
No. of equity shares (In Numbers)	3,19,664	7,750
Earnings per share/ Weighted Average (Rs.)	0.53	1.51
Nominal value per share (Rs.)	10/-	10/-

- p. Net Deferred Tax in respect of the year ending 31st March, 2012 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2012 are computed as below :

DEFERRED TAX LIABILITY

Rs.in Lakhs

S.No	Particulars	Opening Balance	Reversed during the year	Closing Balance
1	Depreciation on account of difference in Depreciation under Income Tax Act and books of accounts	281.65	0.50	281.15
	TOTAL (A)	281.65	0.50	281.15

- q. 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.

r. Related Party Transactions.

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

(Rs. in Lakhs)

Sl. No.	Name of Party	Relationship	Nature of Transactions	Amount	Amount out standing As on 31.03.12	Amount W/Off or W/Back During the Period
1.	Sri. E.V.Muthukumara Ramalingam	Key Management Personnel	Remuneration	10.10	Nil	Nil
2.	Sri. M.R.Gautham	Key Management Personnel	Remuneration	5.92	Nil	Nil
3.	M/s.Shree Vallee Enterprises Pvt. Ltd.	Associated Concern	Interest	4.04	13.14	Nil
4.	M/s.Shree Vallee Enterprises Pvt. Ltd.	Associate Concern	Finance Receipts	Nil	52.94	52.94
5.	Sri. E.V.Muthukumara Ramalingam	Key Management Personnel	Finance Receipts	1.38	25.87	Nil
6.	Sri. E.V.Muthukumara Ramalingam	Key Management Personnel	Lease Rent	3.53	2.44	Nil

- s. Notes 1 to 29 form an integral part of the annual accounts.
- t. Payments to Auditors included under "Capital Work in Progress" on account of Certification work is Rs. 31545/-.
- u. Utilisation of public issue proceeds (Rs. in '000')

Particulars	Projection as per the document	Utilization Upto 31st March 2012
Purchase of Land for the new projects	395538	401038
Advance/expenses made for new projects	161387	155887
Rights issue expenses	6000	-
Internal Accrual	-	6000
Total	562925	562925

NOTE - 29

SIGNIFICANT ACCOUNTING POLICES

a) Basis of Presentation :

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

b) Revenue Recognition :

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

c) Foreign Currency Transactions :

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

d) Fixed Assets

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

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

e) Depreciation

- a. Depreciation is provided under straight line method on assets on pro-rata basis at the rates specified in Schedule XIV to the Companies Act, 1956.

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

f) Valuation of Inventory :

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

g) Employee Benefits

1. Defined Contribution Plan
Contributions to Provident and Other Statutory Funds are recognized in the Profit & loss account
2. Defined Benefit Plan
Company's liabilities towards gratuity and leave encashment are determined on actuarial valuation basis. Obligation is measured at the year end as present value of future cash flows using a discounted rate.
3. Short Term Benefits
Short term employee benefits are recognized as expenses as per the company's scheme based on expected obligation on undiscounted basis.

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

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

i) Contingent Liabilities

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

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

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

k) Borrowing Cost

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

m) Taxation

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

PARTICULARS	YEAR ENDED ON 31.03.2012 Rs. in '000'		YEAR ENDED ON 31.03.2011 Rs. in '000'	
A. Cash Flow from operating Activities				
Net Profit Before Tax		15640		18676
Add : Extra Ordinary Items				
Loss on sale of assets	9	9	0	0
Less: Extra Ordinary Items		15649		18676
Short provision towards taxation	928		323	
Profit on sale of assets	32	960	5	327
		14689		18349
Adjustment for :				
Depreciation	8287		8194	
Interest Receipts	458		406	
Finance cost	10293	19038	9207	17806
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		33727		36155
Adjustment for changes in				
1) (Increase)/Decrease in Trade Receivables	-637		-76	
2) (Increase)/Decrease in Inventories	2605		-1268	
3) (Increase)/Decrease in Short term loans & Advances	-34		-1708	
4) (Increase)/Decrease in Long term loans & Advances	-26588		-67185	
5) Increase/(Decrease) in Trade Payables	-1918		1727	
6) Increase/(Decrease) in Other Payables	30921	4348	10503	-58006
Cash generated from operations		38075		-21851
Less : Taxes paid	3694		3381	
Gratuity and Leave salary and Bonus paid	2048	5742	80	3461
NET CASH FLOW FROM OPERATING ACTIVITIES(A)		32333		-25312
B. CASH FLOW FROM INVESTING ACTIVITIES				
Capital Expenditure	833345		180984	
Proceeds from sale of fixed assets	2156	831189	10	180974
NET CASH USED IN INVESTING ACTIVITIES (B)		-798855		-206286

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

PARTICULARS	YEAR ENDED 31.03.2012 Rs. in '000'		YEAR ENDED 31.03.2011 Rs. in '000'	
	C. CASH FROM FINANCING ACTIVITIES			
Finance Cost	10293		9207	
Interest Receipts	458		406	
Dividend Paid	5439		5406	
Dividend tax paid	943		965	
Proceeds from Long term borrowings	-366620		-148676	
Proceeds from short term borrowings	-1086		234	
Proceeds from Rights issue/Application money	-484260		-72665	
Proceeds from Short term loan others	5293	-827368	5555	-199568
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		-827368		-199568
NET INCREASE / DECREASE IN CASH / CASH EQUIVALENTS		28513		-6718
Cash and cash equivalents opening as on 01.04.2011 / 01.04.2010		4977		11695
Cash and cash equivalents closing as on 31.03.2012/31.03.2011		33490		4977

Schedules 1 to 29 form part of Annual Accounts

"As per our report of even date"

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

E.V. Muthukumara Ramalingam
Managing Director

M.R. Gautham
Executive Director

M. Srinivasan
Company Secretary

Place: Tirupur
Date : 30.05.2012



VELAN HOTELS LIMITED

Regd. & Admn. Office :41 Kangayam Road, Tirupur 641 604. Tamil Nadu

**22nd ANNUAL GENERAL MEETING
ADMISSION SLIP**

NAME & ADDRESS OF THE MEMBER

PLEASE COMPLETE THE SLIP AND
HAND IT OVER AT THE ENTRANCE
TO THE MEETING HALL

I hereby record my presence at the 22nd Annual General Meeting of the Company at Registered Office of the Company situate at 41, Kangayam Road, Tirupur - 641 604 on Wednesday, the 12th September, 2012 at 4.45 p.m.

Name of the Shareholder / Proxy*

Signature of the Shareholder / Proxy*

* Strike out whichever is not applicable

VELAN HOTELS LIMITED

Regd. & Admn. Office :41 Kangayam Road, Tirupur 641 604. Tamil Nadu

PROXY FORM

Folio No. / Client ID No.

I / We.....

being a Member / Members of Velan Hotels Limited, hereby appoint.....

of..... in the district of

or failing him / her.....of

in the district of as my / our Proxy to vote for me / us on my / our behalf at the 22nd Annual General Meeting of the Company to be held on Wednesday, the 12th September, 2012 at 4.45 p.m. and at any adjournment thereof.

Signed thisday of2012.

Name:

Address:

.....

.....

Signature :

Re. 1/-
Revenue
Stamp

N.B: The proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting. The proxy need not be a Member of the Company.