



VELAN HOTELS LIMITED

21ST ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2011

BOARD OF DIRECTORS

SRI.R.V.E.VENKATACHALAM
CHAIRMAN

SRI.E.V.MUTHUKUMARA RAMALINGAM
MANAGING DIRECTOR

SRI.M.R.GAUTHAM
EXECUTIVE DIRECTOR

SRI P.GANESAN
DIRECTOR

SRI.T.GOPALAKRISHNAN
DIRECTOR

DR. NAMASIVAYAM KARTHIKEYAN
DIRECTOR

COMPANY SECRETARY

SRI.M.SRINIVASAN

AUDITORS

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

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

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

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

BANKERS

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
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

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NOTICE OF THE 21ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st 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 Thursday, the 18th day of August, 2011 at 12.30 p.m. to transact the following business :

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 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 declare a dividend.
3. To appoint a Director in place of Sri.R.V.E.Venkatachalam, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri.T.Gopalakrishnan, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in modification of the resolution passed at the Extra-Ordinary General Meeting of the Shareholders of the Company held on 12th June, 2010, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to borrow such sums of money as may be considered fit for the purpose of the business of the company notwithstanding that the monies to be so borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital and free reserves of the Company, provided however, that the total borrowings at any one time and outstanding shall not exceed Rs.250 Crores."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper, desirable and to settle any question, difficulty or doubt that may arise in this regard."

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

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such Charges, Mortgages and Hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit,

together with power to take over the management and concern of the Company in certain events in favour of Banks/Financial Institutions and other investing agencies to secure Rupee/Foreign Currency Loans and Working capital facilities availed or proposed to be availed by the Company, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, shall not, at any time exceed the limit of Rs.250 Crores".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order 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 pursuant to Clause V of the Memorandum of Association read with Article 45 of the Articles of Association of the Company and subject to the provisions of Section 94(1)(a) and 97(1) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) the Authorised Share Capital of the Company be and is hereby increased from the present Rs.35,00,00,000/- (Rupees Thirty Five Crores only) comprising of 3,50,00,000 equity shares of Rs.10/- (Rupees Ten Only) each to Rs.50,00,00,000/- (Rupees Fifty Crores only) comprising of 5,00,00,000 equity shares of Rs.10/- (Rupees Ten Only) each"

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

- V. The Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores only) equity shares of Rs.10/- (Rupees Ten) each and the Company shall have power to increase or reduce the Capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions with voting rights or with differential rights as to dividend, voting or otherwise as permissible under law and as may be determined by the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and as the Company deems fit and necessary."

For and on behalf of the Board

R.V.E.Venkatachalam
Chairman

Place : Tirupur
Date : 28.06.2011

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

Earlier, the Company at Extra-ordinary General Meeting held on 12th June, 2010 enhanced its borrowing limit upto Rs.75 Crores. Your company may need funds from time to time for investment in on-going projects. In order to accommodate borrowings, the permission of the shareholders is sought to enable the Company to borrow a sum not exceeding Rs.250 Crores.

As per Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Public company shall not except with the consent of the Company in general meeting, borrow in excess of the aggregate of the paid up capital and its free reserves.

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

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

ITEM NO. 7

Section 293(1)(a) of the Companies Act, 1956, however, does not require approval of members for obtaining of loans by mortgaging of whole or substantially whole of undertaking except in case of usufructuary mortgage. But in practice, Financial Institutions/Banks insist for the members' approval. Keeping in view the increase in borrowing powers as well, it is felt that it may be necessary to pass an enabling resolution to mortgage and/or charge the properties of the Company present and future in favour of the Banks and Financial Institutions, Trustees etc ., for securing the requisite finance upto a maximum of Rs.250 Crores (Rupees Two Hundred Fity Crores only).

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

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

ITEM NO. 8

The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities at appropriate time in future. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs. 35 Crore to Rs.50 Crore.

Consequent to the decision for increase in Authorised Share Capital, the Capital Clause V of the Memorandum of Association relating to Capital clause has to be suitably altered.

In terms of the provisions of section 94 read with other applicable provisions, if any, of the Companies Act, 1956, the Company can alter its authorized share capital and Memorandum of Association only by passing the necessary resolution at duly convened general meeting of the shareholders of the Company.

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

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

For and on behalf of the Board

Place : Tirupur
Date : 28.06.2011

R.V.E.Venkatachalam
Chairman

NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 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 10/08/2011 (Wednesday) to 12/08/2011 (Friday) (Both days inclusive)
3. Details in respect of appointment / reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements are annexed hitherto.
4. Members holding shares in physical form are requested to notify change in their address, if any, to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their address to their respective Depository Participants.
5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. The equity shares of the Company are listed on Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the abovesaid Exchange.
7. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast seven days prior to the meeting so as to enable the management to keep the information ready.
9. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs have made it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders account, elimination of loss of instruments in transit or fraudulent encashment etc.

In view of the above:

- (i) Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete ECS form attached to this Annual Report and forward the same to the Company's Registrar and Share Transfer Agent.
 - (ii) Shareholders holding shares in Dematerialized Form are requested to provide the Bank details to their Depository Participants for incorporation in their records.
10. Equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
 11. The ISIN of the equity shares of your Company is **INE548D01014**

For and on behalf of the Board

Place : Tirupur
Date : 28.06.2011

R..V.E.Venkatachalam
Chairman

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 from next year onwards. 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 641006, E-mail ID : info@skdc-consultants.com. Such registration of e-mail address may also be made with the Company at its Registered Office as mentioned above, or at the E-mail ID : velan.greeninitiative@gmail.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

Shri.R.V.E.Venkatachalam is Chairman of the Company since 22nd July, 1991. He has been an active businessman since 1950. He is a philanthropist helping many social organizations. He was a former Chairman of Municipality of Tirupur.

Shri T Gopalakrishnan is a Chartered Accountant and a Project Management Consultant with over 30 years experience in the field of Banking, Foreign Exchange, Project Financing, Project Co-ordination and execution, Mergers and Acquisitions and Restructuring.

DIRECTORS' REPORT

To

The Shareholders,
Velan Hotels Limited

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 21st Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as on that date.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	2010-11	2009-10
Profit Before Interest, Depreciation and Tax	349.34	329.49
Less : Interest	80.64	83.51
Profit Before Depreciation & Tax	268.70	245.98
Less : Depreciation	81.94	70.54
Profit Before Tax [PBT]	186.76	175.44
Less : Tax Liability	66.89	61.81
Prior Year Adjustment	3.23	1.27
Profit After Tax	116.64	112.36
Balance b/f from previous years	107.11	62.52
Profit Available for appropriation	223.75	174.88
Less : Proposed Dividend	58.13	58.13
Less : Tax on proposed Dividend	9.43	9.65
Balance to be carried over to Balance sheet	156.20	107.11

OPERATING RESULTS AND OVERVIEW

2010 for the Hotel and Tourism Industry would be remembered as a year in which the market had a positive turning point ending two consecutive years of declining performance levels and profitability. Indian economy recovered quickly and rapidly, leading to a return of international business travel to back sustained domestic travel. India's hotel industry posted performance improvements in 2010 compared to the year prior. Increases in occupancy have generally outweighed the falls in average daily rate (ADR), resulting in improved revenue per available room. RevPAR for India as a whole was up 6.2 percent during the year 2010 compared with the year 2009.

During the year under review, the Company's Average Room Rentals (ARR) was marginally higher at 6.97% compared to the previous year. Your company's total income grew by 11.00% from Rs.1333.63 lakhs to Rs.1479.57 lakhs in 2010-11. Profit Before Taxes (PBT) increased by 6.45% from Rs.175.44 lakhs to Rs.186.76 lakhs in 2010-11 and Profit After Tax (PAT) increased by 4.61% from Rs.112.36 to Rs.116.64 lakhs in 2010-11.

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.0.75 per equity share for the year ended 31st March, 2011

FUTURE PROSPECTS AND EXPANSION:

The company has started diversifying its activities into Mall, Multiplex and Convention Centre construction, marketing and maintenance as well as the setting up of a renewable energy plant to contribute to the high energy consuming retail and screening space.

The company's 20-year existence and goodwill has helped in attracting the experienced personnel required to implement the projects. The company is also geared up to successfully operate and manage the new business units which would be commissioned in the next 12 - 15 months.

The company's hotel facilities have been updated continuously over the past 8 - 10 years but a full-scale revamping is currently under process. This exercise will ensure that your company's flagship hotel property at Tirupur will remain the best hotel in Tirupur attracting the crème of the overseas and high net worth visitors coming into Tirupur for business purposes primarily. The company's hotel property at Coonoor is also being revamped to ensure that the day-to-day operations are able to handle the stiff competition in the tourism sector and also to cope with the ever-changing dynamics of the Nilgiris tourism market.

The company has so far relied on the hosiery-oriented Tirupur market for its business. The flagship hotel's design with its high standards of operations has helped attract and retain a good clientele base. Your company is now keenly looking at other upcoming destinations in the Tamilnadu / Kerala / Pondicherry region to expand its hotel operations in the 3-star category.

SHARE CAPITAL

Your company has undertaken various projects and proposed to issue equity shares on Rights basis. Considering the future prospects of the Company, there may be a need for more funds in the growth of the business. Hence, the Company has enhanced its Authorised Share Capital from Rs.15.50 crores to Rs.35.00 crores at the 20th Annual General Meeting of the Company held on 06th September, 2010. Further, your company proposes now to enhance its Authorised Share Capital from Rs.35 Crores to Rs.50 Crores for its future needs.

EXTRA-ORDINARY GENERAL MEETING

Members of the Company at Extra-Ordinary General Meeting held on 12th June, 2010 approved the enhancement in Authorised Share Capital of the Company upto Rs.15.50 crores and borrowing power of the Company upto Rs.75 Crores. Members also approved commencement of new business, altering the capital clause of Memorandum and Articles of the Association of the Company and charging and mortgaging of the Company's assets under Section 293(1)(a) of the Companies Act, 1956 for securing term loans sanctioned by the Banks / Financial Institutions.

RIGHTS ISSUE

Your company proposes to increase the paid up share capital by issue of equity shares on rights basis for an amount not exceeding Rs.65 crores including premium which will be utilized to part finance the cost of funding of the various projects undertaken by the Company. After completing the due diligence conducted by various intermediaries, your company has obtained in-principle approval from the Bombay Stock Exchange Ltd and permission from Securities and Exchange Board of India. Your company has started the process to complete the Rights Issue before the quarter ending 30th September, 2011.

FINANCE

During the year, your company has been sanctioned term loans and bank guarantee including take over of foreign currency term loan of Bank of Bahrain & Kuwait BSC by Allahabad Bank and Andhra Bank on multiple banking amounting to Rs.75.92 crores for part financing the integrated project of constructing Shopping Mall, Multiplex with service apartments, Convention Hall, Bio-Mass based Co-Generation plant and renovation work at Tirupur and Coonoor Hotels.

The company has started to avail term loans from both banks and deployed into its on-going projects.

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 existing hotel operations of the Company are not energy intensive. But, the upcoming mall and multiplex projects are highly energy intensive. Hence, the decision to go in for the renewable energy co-gen plant. Further, the Company has taken all possible measures to control and reduce consumption of energy. The Company is making continuous efforts to conserve and optimize energy wherever practicable by economizing on fuel and power.
- b. Since the activity of the Company is not covered under the list of specified Industries under the Schedule to the said Rules, the information to be reported in Form-A, the form for Disclosure of Particulars with respect to Conservation of Energy is not furnished.

II. TECHNOLOGY ABSORPTION:

The Company has no technical collaboration arrangement with any organization.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings And Outgo	Current Year 2010-11 [Rs.in lakhs]	Previous Year 2009-10 [Rs.in lakhs]
1. Earnings	490.12	538.91
2. Expenditure in Foreign Currency		
a) Interest on Foreign Currency Term Loan	48.52	28.86
b) Repayment of the above Term Loan fully	783.55	51.88

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, 2011 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 auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

DEPOSITS

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

DIRECTORS

Sri.R.V.E.Venkatachalam and Sri.T.Gopalakrishnan 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 existing 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.

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 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 : 28.06.2011

R.V.E. Venkatachalam
Chairman

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

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Travel and Hospitality industry bounced back from the effects of global economic slowdown of last year with 2011 poised to show a positive growth number. 2010 was the year the industry finally started to show signs of recovery. The industry experienced occupancy and revenue-per-available-room increased during the year 2010. The Hotels industry in India is going through interesting phase. The Hotel Industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fueled the growth of Indian hotel industry. The thriving economy and increased business opportunities in India have acted as a boom for Indian hotel industry. Improvement in business and leisure travel has resulted in better demand for rooms. This has led to better occupancy rates and higher room rates in hotels. On a Pan-India basis, average rates were up 5.8 in 2010 compared with the previous year. Despite the occupancy and room rates being higher compared to the past few quarters, higher costs dented profits of the hotel industry.

One of the major reasons for the increase in demand for hotels rooms in the country is the boom in the overall economy and return of growth in sectors like information technology, telecom, retail and real estate. As per a report published by the World Travel and Tourism Council, India stood 18th position as far as business travel was concerned and the top 5 most visited destinations in 2010. According to the India Tourism Ministry, 4.40 million tourists visited India in 2009 and the figure went upto almost 10 million in 2010.

B. OPPORTUNITIES & THREATS:

OPPORTUNITIES

According to a study conducted by the World Travel and Tourism Council, the hospitality industry in India is all set to grow at a steady rate of 15 percent per annum. India is currently ranked 12th in the Asia Pacific region and 68th overall in the list of the world's attractive destinations, according to the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum. In the long run, the hotel industry in India has latent potential for growth. This is because India is an ideal destination for tourists as it is the only country with the most diverse topography. For India, the inbound tourists are a mere 0.49% of the global figures. This number is expected to increase at a phenomenal rate thus pushing up the demand for the hotel industry. The ongoing year would be a bonanza for the travel and tourism industry as passenger traffic to popular destinations in India and across the globe is likely to increase by 24 to 35 percent as compared to last year. This 2011-12 year is going to be upbeat for the travel and tourist industry, the number of tourists visiting India to go up by 17 to 20 percent which would be a boon for the industry which has had few bad years in the past. With tremendous pull of opportunity, India has become a destination for hotel chains looking for growth.

THREATS

In terms of threats, the hotel industry would continue to witness a pressure on profit margins due to rising costs. It is estimated that the hotel industry is facing severe human resource shortage which has led to higher wage and salary cost.

Rising interest rates are likely to dent profits.

Supply of rooms is expected to rise at a rapid pace. This would exert slight pressure on the average room rates.

Guest houses are a constant threat to the room occupancy in hotels. This is a growing trend in the west and is now catching up in India also, thus diverting the hotel traffic.

The economic conditions of a country and political turbulence in the area reduce tourist traffic and thus the business of the Hotels. Changing trends in the West demand similar changes in the Indian market as well, which result in a constant need to invest in Capex to ensure the marketability of the hotel properties.

In Union Budget, 2011, the Finance Minister imposed Rs.50 service tax on domestic air travel and Rs.250 on international air travel. The Finance Minister has also imposed 10 percent with abatement of 50 percent service tax on hotel accommodation in excess of Rs.1000 per day and 10 percent on AC restaurants serving liquors. This is beginning to have a serious impact on the tourism and hospitality industry in India.

C. SEGMENTWISE PERFORMANCE:

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

D. RISKS AND CONCERNS:

A large proportion of hotel revenue has historically been derived from our hotel in Tirupur region. Your hotel business, financial conditions and results of operation could be materially harmed by factors such as an economic downturn, performance of the garment export business at Tirupur region, and any events that may negatively impact the garment industry.

Higher commodity costs, inflows of capital and the extra cash in the economy from a stimulus program started in late 2008 have added to inflation risks. Thus, the profit margin of Food & Beverage of your hotel could be affected due to high inflation in food articles.

A large part of earnings of the Company is in foreign exchange and the exchange rate between the Indian Rupee and other foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. The strengthening of the Rupee means lower local currency realizations impacting the average room rates.

E. OUTLOOK:

2011-12 should deliver better results, with sustained business travel, continued growth of the Indian and international economy, attraction of foreign investments into different sectors and improved leisure sector performance.

Domestic tourism is very huge in the country, promoted by various intents. Pilgrim and leisure tourism are two very important sectors in our country. With the rising economic status of middle class and affluent population, outbound travel is on the rise. Foreign tourist arrivals in the country have increased substantially during the past decade motivated by both, business and leisure needs and are further expected to grow at a CAGR of around 8% during 2011-2014. Government initiatives, both at center and state level have facilitated rapid development in the sector and expected to continue in future as well.

Medical tourism in India has emerged as the fastest growing segment of tourism industry. India share in the global medical tourism industry is expected to reach around 3 percent by the end of 2013.

In 2011-12, India would maintain and strengthen its positioning as a world tourism destination due to the government and tourism initiatives like 'Incredible India' and other such campaign. The industry is anticipating an increase in corporate travel in the year 2011-12 which would be boost in customer demand for the hospitality and travel sectors.

Therefore, the Company believes that overall performance metrics are on the upswing, a trend expected to continue as the national and international economics strengthen and elicit more travel. Therefore, the company's outlook for 2011-12 is optimistic.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

G. BUSINESS PERFORMANCE:

Results of operations for the year ended March 31, 2011

i. Revenues:

Total income marginally stands increased by 11.00% from Rs.1333.63 lakhs in 2009-10 to Rs.1479.57 lakhs in 2010-11. Average Room Rate (ARR) which increased by 6.97% to Rs.5064/- as against Rs.4734/- for the previous year. The Occupancy Rate increased marginally to 56%.

ii. Operating Expenses:

The total expenditure stands increased by 12.56% from Rs.1004.14 lakhs in 2009-10 to Rs.1130.24 lakhs in 2010-11. The increase is largely on account of increase in Administrative Expenses, power & fuel and other operating expenses.

iii. Earnings Before Interest, Depreciation, Tax

The PBIDT Rs.349.34 lakhs for the financial year 2010-11 is 6.02% higher than Rs.329.49 lakhs in 2009-10.

iv. Interest Cost:

During the year under review, the Interest cost stands Rs.80.64 lakhs as compared to Rs.83.51 lakhs in the previous year.

v. Profit Before Tax:

Profit before Extra-ordinary & Exceptional items and Tax at Rs.186.76 lakhs was higher by 6.45 % as compared to Rs.175.44 lakhs in 2009-10.

vi. Profit After Tax:

Profit after Tax for 2010-11 stands at Rs.116.64 lakhs is higher than Rs.112.36 lakhs in 2009-10.

G. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

(Rs. in Lakhs)

Particulars	31 st March, 2011	31 st March, 2010	31 st March, 2009	31 st March, 2008	31 st March, 2007
I OPERATING RESULTS :					
1.Total Income	1479.57	1333.63	1184.64	1147.43	1074.03
2. Profit Before Interest & Depr.	349.34	329.49	311.79	346.92	292.85
3. Interest	80.64	83.51	87.39	107.63	109.83
4. Depreciation	81.94	70.54	68.63	65.92	60.86
5. Tax Liability	69.22	63.07	56.62	21.60	16.50
6. Net Profit After Tax	117.54	112.36	106.14	158.76	112.65
7.Dividend %	7.5	7.5	5	3	-
Dividend Amt	58.13	58.13	38.75	23.25	-
Dividend Tax-	9.65	9.65	5.99	3.95	-
8.ARR in Rs.	5064	4734	4513	4011	3579
II PERFORMANCE PARAMETERS:					
1. Share capital	775.00	775.00	775.00	775.00	775.00
2. Reserves & Surplus [Revaluation Reserve)	809.94	767.16	729.56	675.15	681.06
3.Secured & Unsecured loans	2272.73	883.88	670.97	638.74	788.28
4.Fixed Assets (Gross Block)	3659.39	3494.22	3057.71	3001.36	2943.52
6.Accumulated Depreciation	1037.14	949.24	871.88	803.53	737.62
8. Net Current Assets	513.30	102.88	61.89	25.21	35.29

H. HUMAN RESOURCES:

Industrial Relations remained cordial throughout the year. The Company strongly believes that its intrinsic strength lies in the quality of its dedicated and motivated employees. Employees at all levels are being motivated so that they contributed to perform par excellence.

The HR policy is designed so as to give thrust on a transparent and performance driven work culture which ensures challenges and opportunities for the deserving. The company in fact adopts intensive process to ensure that best talents with great attitude are recruited so that the culture of team work and dedication remain intact.

CAUTIONARY STATEMENT:

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

REPORT ON CORPORATE GOVERNANCE

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

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

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

a. Present Composition of Board of Directors.

Sl.No.	Name of the Directors	Position	Executive / Non-Executive / Independent
1.	Sri.R.V.E.Venkatachalam	Chairman	Non-Executive / Non-Independent
2.	Sri.E.V.Muthukumara Ramalingam	Managing Director	Executive / Non-Independent
3.	Sri.M.R.Gautham	Executive Director	Executive / Non-Independent
4.	Sri.P.Ganesan	Director	Non-Executive / Independent
5.	Sri.T.Gopalakrishnan	Director	Non-Executive / Independent
6.	Dr.Namasivayam Karthikeyan	Director	Non-Executive / Independent

b. Board Meetings and attendance

During the year 12 Board meetings were held and the gap between two meetings did not exceed four months. The Board meetings were held on 22/04/2010, 05/05/2010, 30/06/2010, 12/07/2010, 16/07/2010, 23/07/2010, 28/07/2010, 13/09/2010, 23/10/2010, 17/12/2010, 28/01/2011 and 04/03/2011.

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

Directors	Board Meetings	Audit Committee	Share Transfer/ Shareholders/ Investors Grievance Committee	Rights Issue & Allotment Committee	Last AGM Attended (Yes/No)	No. of shares Held by Non-Executive Directors
Sri.R.V.E.Venkatachalam	12	5	31	-	Y	372700
Sri.E.V.Muthukumara Ramalingam	12	-	31	1	Y	N.A.
Sri.M.R.Gautham	12	-	31	1	Y	N.A.
Sri.P.Ganesan	12	5	-	1	Y	33050
Sri.T.Gopalakrishnan	11	5	-	-	N	100
Dr Namasivayam Karthikeyan	2	-	-	-	N	NIL

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

c. Directorship and Membership held in other companies

Name	Company Name
Sri.R.V.E.Venkatachalam	Shree Vallee Enterprises Pvt Ltd
Sri.E.V.Muthukumara Ramalingam	1.Shree Vallee Enterprises Pvt Ltd 2.Velan Agri-Energy India Pvt Ltd 3. Sarju International Limited
Sri.M.R.Gautham	1.Shree Vallee Enterprises Pvt Ltd 2.Velan Agri-Energy India Pvt Ltd
Sri.P.Ganesan	Shiva Hi-Tech Infrastructure Ltd.
Sri.T.Gopalakrishnan	Susira Industries Ltd
Dr.Namasivayam Karthikeyan	Nil

3. CODE OF CONDUCT

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

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

4. DETAILS OF REMUNERATION PAID OR PAYABLE TO DIRECTORS DURING 2010-11

The remuneration paid / payable to Managing Director and Executive 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

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

b. Terms of reference:

- Overseeing of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the external auditors that is the statutory auditors, the fixation of audit fees.
- Approval for payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, focusing primarily on;
- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries based on estimates, sufficient and credible and on exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of the audit findings.
- Compliance with listing and other legal requirements relating to financial statements
- 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 over age 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, 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 24/04/2010, 23/07/2010, 28/07/2010, 23/10/2010 and 28/01/2011.

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

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

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

a. Composition

The Share Transfer and Shareholders / Investors' Grievance Committee which comprises of Sri.R.V.E.Venkatachalam, Sri.E.V.Muthukumara Ramlingam and Sri.M.R.Gautham.

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 31 times in 2010-11 which approved the share transfer and reviewed the grievances/complaints received and the action taken on the grievances / complaints.

Complaints' status: 01.04.2010 to 31.03.2011

- Number of shareholders' complaints received during the year : 6
- Number not solved to the satisfaction of shareholders : Nil
- Number of pending complaints : Nil

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

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

7. REMUNERATION COMMITTEE

a. Composition

This Committee reconstituted on 21/04/2009 which comprises entirely of Independent-Non-Executive Directors from the Board. It presently comprises with 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 whenever appointment / re-appointment of Managing Director / Executive Directors with remuneration took place in the past.

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 of out of the Rights Issue.

c) Committee Meetings :

The committee met on 17th December, 2010 to approve the Draft Letter of Offer of the Rights Issue filed with SEBI and Bombay Stock Exchange Ltd.

9. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
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 th Day of September, 2009	04.45 P.M.
2008	Regd. Office at 41, Kangayam Road, Tirupur 641 604	1 st Day of September, 2008	04.45 P.M.

Extra-Ordinary General Body Meeting was held as per details shown below :

Year	Location	Date	Time
2010	Velan Hotels Ltd. Bedford, Coonor	12 th June, 2010	10.40 A.M.

ii. Special Resolutions:

At the Extra-Ordinary General Meeting held on 12th June, 2010 as special resolutions have been passed pursuant to provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956 for commencement of new businesses proposed in sub-clauses 12 & 13 covered under the Object Clause of the Memorandum of Association of the Company and, alteration of Clause 3 of Articles of Association of the Company under Section 31 of the Companies Act, 1956. Besides, a special resolution was also put through postal ballot during June, 2010 for alteration of Object Clause of the Memorandum of the 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 during the Annual General Meetings held on 24th September, 2009 and 1st September, 2008.

iii) Postal Ballot:

Details of Resolutions passed through Postal Ballot, the person who conducted the Postal Ballot exercise and details of the voting pattern :

During the year ended 31st March, 2011, the following resolution was passed by the shareholders of the Company through Postal Ballot.

- 1) Special Resolution: Section 17 of the Companies Act, 1956 for amendment to the Object Clause of the Memorandum of Association of the Company.

Sri.S.R.Baalaji, Company Secretary in whole-time practice, Scrutinizer was appointed by the Board for conducting the Postal Ballot process. The procedure prescribed under Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for the Postal Ballot conducted for the resolution mentioned above. Based on the Scrutinizer's report the following results of the Postal Ballot were declared on 12th June, 2010 and advertised in the news papers.

	Resolution	
	No. of postal ballot forms	No. of shares
Total postal ballots Received	298	4568484
Number of invalid postal ballots	6	600
Number of valid postal ballots	292	4567884
Votes in favour of the Resolution	287	4567284 (99.99 %)
Votes against the Resolution	5	600 (0.01%)

The above resolution was passed with requisite majority.

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, 2011.
4. The Company has scrupulously complied with all the mandatory requirements and the Company has at present not adopted the non mandatory requirements of corporate governance except for certain clauses regarding Remuneration Committee. However in line with its policy to ever improve the good corporate governance practices it is proposed to adopt all such practices in due course of time.
5. The Company has established a whistle blower mechanism to provide an avenue to raise concerns, in line with the Company's commitment to the highest possible standards of ethical, moral and legal business conduct.
6. Accounting Standards and Treatment: The accounting treatment as prescribed in the Accounting Standards (AS) has been followed in the preparation of financial statements.

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 either in Business Line or Trinity Mirror in English and Makkal Kural or Dinamalar in Tamil. The Annual Reports are sent by post to the shareholders. Furthermore, the Annual Reports and quarterly results are also sent to those who request for the same.

12. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting
 - a. Date : 18-08-2011 (Thursday)
 - b. Time : 12.30 p.m.
 - c. Venue : Registered Office at 41 Kangayam Road, Tirupur 641 604
2. Financial Calendar :

Financial reporting for the quarter ended September 30, 2011	: Before November 15, 2011
Financial reporting for the quarter ending December 31, 2011	: Before February 15, 2012
Financial reporting for the quarter ending March 31, 2012	: Before May 15, 2012
Financial reporting for the quarter ending June 30, 2012	: Before August 15, 2012
3. Date of Book Closure : 10.08.2011 to 12.08.2011 (Both days inclusive)
4. Dividend payment : The dividend, if approved at AGM, will be paid within 30 days thereof i.e. on or before 17th September, 2011

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 2010-11 on Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
April 2010	44.60	29.85
May 2010	33.75	22.00
June 2010	28.20	21.25
July 2010	27.40	22.80
August 2010	26.00	22.05
September 2010	27.90	19.30
October 2010	34.00	22.15
November 2010	34.30	21.50
December 2010	27.00	19.20
January 2011	30.40	20.55
February 2011	26.50	20.30
March 2011	24.65	16.50

7. Categories of Shareholders as on 31/03/2011

Category of Shareholder	No.of Shareholders	No.of shares	% of Holding
Promoters Shareholding			
Individuals/ Hindu Undivided Family	11	4125926	53.24
Bodies Corporate	1	241500	3.12
Sub Total - A	12	4367426	56.35
Public shareholding			
Institutions			
Mutual Funds/ UTI	2	7600	0.10
Non-institutions			
Bodies Corporate	141	288284	3.72
Resident Individuals	8721	2888025	37.27
Non-Resident Indians	9	27815	0.36
Hindu Undivided Family	47	22064	0.28
OCB & Clearing Members	37	149386	1.92
Sub Total - B	8957	3382574	43.65
GRAND TOTAL A+B	8969	7750000	100.00

8. Registrar and Transfer Agents.

Both physical and Demat segments are handled by the Company's Registrar & Share Transfer Agent namely SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A1, Sathy Road, Ganapathy Post, Coimbatore 641 006.

9. Share Transfer System

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

10. Distribution of Shareholdings as on 31/03/2011

Range (Value)	No. of Shareholders	%held (% No. of persons)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	8157	90.93	11183650	14.43
5001 to 10000	406	4.53	3326300	4.26
10001 to 20000	199	2.22	3081120	3.98
20001 to 30000	66	0.74	1713900	2.21
30001 to 40000	30	0.33	1112850	1.44
40001 to 50000	28	0.31	1311240	1.69
50001 and 100000	36	0.40	2530010	3.26
100001 and above	47	0.55	53240930	68.70
TOTAL	8969	100.00	77500000	100.00

11. Demat information as on 31/03/2011

- a. No. of shares dematerialized - 55,32,570
- b. % Total Capital - 71.39%
- c. No. of share certificates dematerialised - 21,215
- d. % of Total certificates - 64.85%

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

No funds have been raised from public in the last three years.

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

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

- 15. Location of Hotels :
 - 1. Velan Hotel Greenfields
41 Kangayam Road
Tirupur 641 604
 - 2. Velan Hotel
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
Velan.greeninitiative@gmail.com

Website : www.velanhotels.com

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

For and on behalf of the Board.

Place : Tirupur
Date : 28.06.2011

R.V.E.VENKATACHALAM
CHAIRMAN

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

As the Managing Director of Velan Hotels Limited and as required pursuant to Clause 49 1(D)(ii) of the Listing Agreement, I hereby declare and certify that all the Board Members and Senior Management Personnel of Velan Hotels Limited have affirmed compliance with the Code of Conduct adopted by the Company for the year 2010-11

For and on behalf of the Board.

E.V.Muthukumara Ramalingam
Managing Director

Place : Tirupur
Date : 28.06.2011

P.S.Krishnan & Co
Chartered Accountants

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

COMPLIANCE CERTIFICATE FROM THE AUDITORS OF THE COMPANY

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

We have reviewed the implementation of Corporate Governance procedures by M/s. Velan Hotels Limited, Tirupur during the year ended 31st March 2011 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 of the Company to the Investors Grievances Committee, as on March 31, 2011, 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 : 28.06.2011

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

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

P.S.Krishnan & Co
Chartered Accountants

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

AUDITOR'S REPORT

To
The Members of Velan Hotels Ltd.,
Tirupur.

We have audited the attached Balance Sheet of M/s. VELAN HOTELS LIMITED, TIRUPUR as at 31st March, 2011 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 2011 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 (vi) above the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 ;
 - (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 : 28.06.2011

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

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

P.S.Krishnan & Co
Chartered Accountants

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

Annexure Referred to in Paragraph No.3 of our Report of even date.

- (i) In respect of Fixed Assets :
- (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) The Fixed Assets have been physically verified by the management at reasonable intervals and we are informed that no material discrepancies have been noticed on such verification.
 - (c) During the year, there is no disposal of any substantial portion of fixed assets of the Company.
- (ii) In respect of Inventories :
- (a) The stock of stores, provisions, crockeries, beverage, etc., have been physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The company is maintaining proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- (iii) (a) The Company has not granted any loan to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. and hence the provisions of clause 4(iii)(b),(c)&(d) are not applicable.
- (b) The company has taken loans (unsecured) from companies, firms, or other parties covered in the Register maintained u/s 301 of the Act.
- | | | |
|----|------------------|-------------------|
| 1. | No. of Parties | : 3 |
| 2. | Aggregate amount | : Rs. 68.67 Lakhs |
- (c) In our opinion, the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the company.
- (d) The company is regular in the payment of both the principal and the interest.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of Inventory and Fixed Assets and for the Sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions during the year, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public and hence clause 4(vi) of the Order is not applicable.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records for the products of the company under section 209(1)(d) of the Companies Act, 1956.
- (ix) In respect of statutory dues:
- (a) Except in the case of Provident Fund and Employees State Insurance, the company is regular in depositing the undisputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Customs Duty and Cess and other statutory dues with appropriate authorities.
- (b) In our opinion and according to the information and explanations given to us, there are no disputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Customs Duty and Cess as at the year end.
- (x) The company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to Banks.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a Chit Fund or a Nidhi/Mutual Fund/Society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks/financial institutions during the year.
- (xvi) During the year new term loans have been used for the purpose for which the loan is availed.
- (xvii) In our opinion and according to the information and explanations given to us and also on an overall examination of the Balance Sheet of the Company, the funds raised during the year on short term basis have not been used for long term investments.



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

Place: Tirupur
Date : 28.06.2011

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

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

BALANCE SHEET AS AT ON 31.03.2011

PARTICULARS	SCHEDULE NO.	2010-11 Rs	2009-10 Rs
I.SOURCES OF FUNDS:			
i) A.SHARE HOLDERS FUNDS:			
a) Share Capital	1	7,75,00,000	7,75,00,000
b) Funds Received for Pending Allotment of Shares		7,26,65,000	0
c) Reserves & Surplus	2	8,09,25,834	7,67,15,633
ii) LOAN FUNDS:			
a) Secured loans	3	22,04,07,041	6,90,36,320
b) Unsecured loans	4	68,66,860	1,93,52,394
iii) Deferred Tax Liability	5	2,81,65,200	2,53,66,538
Total		<u>48,65,29,935</u>	<u>26,79,70,885</u>
II. APPLICATION OF FUNDS:			
A. FIXED ASSETS:			
	6		
Gross Block		36,59,39,271	34,94,22,842
Less: Depreciation		10,37,13,728	949,24,546
Net Block		26,22,25,543	25,44,98,296
Add: Capital Work in Progress		16,75,42,534	31,84,205
		<u>42,97,68,077</u>	<u>25,76,82,501</u>
B. INVESTMENTS:			
		----	----
C. CURRNET ASSETS,LOANS & ADVANCES:			
i) CURRENT ASSETS:			
a) Inventories	7	79,81,988	67,13,509
b) Sundry Debtors	8	29,54,612	24,95,349
c) Cash & Bank Balances	9	49,86,504	1,17,04,975
d) Loans & Advances	10	8,32,46,544	1,45,26,146
		<u>9,91,69,647</u>	<u>3,54,39,979</u>
ii) Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	11	2,72,92,325	1,31,08,978
b) Provisions:	12	1,51,15,465	1,20,42,617
		<u>4,24,07,790</u>	<u>2,51,51,595</u>
Net Current Assets		5,67,61,858	1,02,88,384
Total		<u>48,65,29,935</u>	<u>26,79,70,885</u>
NOTES ON ACCOUNTS	23		
ACCOUNTING POLICIES	24		

Schedules 1 to 24 form part of Annual Accounts

"As per our report of even date"

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

Place: Tirupur

Date : 28.06.2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2011

PARTICULARS	SCHEDULE NO.	2010-11 Rs	2009-10 Rs
INCOME:			
Sales / Receipts	14	14,60,40,741	12,68,01,699
Other Income	15	19,16,550	65,61,155
Total		14,79,57,291	13,33,62,854
EXPENDITURE:			
Consumption of Provisions & Supplies	16	3,41,85,992	3,11,39,123
Housekeeping & Laundry	17	35,66,276	36,16,535
Power & Fuel	18	2,42,17,560	2,22,13,884
Repairs & General Maintenance	19	61,02,429	53,19,399
Employees' cost	20	2,48,15,357	2,12,51,423
Administrative & Selling Expenses	21	1,79,29,901	1,35,54,233
Exceptional Items		22,06,000	33,19,520
		11,30,23,515	10,04,14,117
Profit before Interest and Depreciation		3,49,33,776	3,29,48,737
Interest	22	80,64,167	83,51,302
Profit before Depreciation		2,68,69,609	2,45,97,435
Depreciation (Net)		81,93,623	70,53,783
Profit before Tax		1,86,75,986	1,75,43,652
Tax Liability			
Current Tax		-37,00,000	-29,80,000
Deferred Tax		-27,98,662	-61,81,012
MAT Entitlement		-1,90,000	29,80,000
Prior Years Exp / Income		-3,22,826	-1,26,629
Profit After Tax		1,16,64,498	1,12,36,011
Add: Balance Profit B/F. from the Previous year		1,07,10,720	62,52,084
		2,23,75,218	1,74,88,095
Proposed Dividend		-58,12,500	-58,12,500
Tax on Proposed Dividend		-9,42,933	-9,64,875
Balance profit carried to Balance Sheet		1,56,19,785	1,07,10,720
Earning Per Share - Basic(Face Value of Rs.10) (Vide Note No: 16 of Notes on Accounts)		1.51	1.45
Notes on Accounts	23		
Accounting policies	24		

Schedules 1 to 24 form part of Annual Accounts

"As per our report of even date"

For **P.S. KRISHNAN & Co.,**
Chartered Accountants (FRN 001532S)**G. Krishnamurthi**
Partner (Membership No: 23896)**R.V.E. Venkatachalam**
Chairman**M.R. Gautham**
Executive Director**E.V. Muthukumara Ramalingam**
Managing Director**M. Srinivasan**
Company SecretaryPlace: Tirupur
Date : 28.06.2011

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

PARTICULARS	2010-11 Rs	2009-10 Rs
SCHEDULE:1		
SHARE CAPITAL:		
Authorised:		
3,50,00,000 / 85,00,000 Equity Shares of Rs.10/- each	<u>35,00,00,000</u>	<u>8,50,00,000</u>
Issued, Subscribed, Called Up & Paid up:		
77,50,000 Equity Shares of Rs.10/- each fully called up and paid up	<u>7,75,00,000</u>	<u>7,75,00,000</u>
	<u>7,75,00,000</u>	<u>7,75,00,000</u>
SCHEDULE:2		
Reserves & Surplus:		
Revaluation Reserve		
(Reserves created out of revaluation of Land & Building situate at Tirupur)	7,16,83,901	7,16,83,901
Less: Depreciation on revalued Assets	<u>63,77,852</u>	<u>56,78,988</u>
	<u>6,53,06,049</u>	<u>6,60,04,913</u>
Balance in Profit & Loss Account	<u>1,56,19,785</u>	<u>1,07,10,720</u>
	<u>8,09,25,834</u>	<u>7,67,15,633</u>
SCHEDULE:3		
SECURED LOANS:		
(I) Term Loan From Bank	21,97,36,434	8,50,000
(II) Foreign Currency Term Loan - From Banks	0	6,71,49,045
(III) OTHERS		
Sundaram Finance Limited	<u>6,70,607</u>	<u>10,37,275</u>
	<u>22,04,07,041</u>	<u>6,90,36,320</u>
SCHEDULE:4		
UNSECURED LOANS:		
From Managing Director	1,37,968	61,40,165
From Directors	1,20,515	13,20,515
Inter Corporate Deposit	52,94,528	1,08,50,000
Interest accrued and due	<u>13,13,849</u>	<u>10,41,714</u>
	<u>68,66,860</u>	<u>1,93,52,394</u>
SCHEDULE:5		
DEFERRED TAX LIABILITY		
Opening Balance	2,53,66,538	1,91,85,526
For the Year	<u>27,98,662</u>	<u>61,81,012</u>
	<u>2,81,65,200</u>	<u>2,53,66,538</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

**SCHEDULE NO:6
FIXED ASSETS**

PARTICULARS	COST			DEPRECIATION			NET VALUE			
	AS ON 01.04.2010	ADDITIONS	DEDUCTION	AS ON 31.03.2011	UP TO 31.03.2010	FOR THE YEAR	WITHDRAWN	UP TO 31.03.2011	AS ON 31.03.2011	
LAND	49111900			49111900				0	49111900	49111900
BUILDING	192158143	11497853		203655996	35210442	3211460		38421902	156947701	165234094
PLANT & MACHINERY	67088175	3701658	108742	70681091	44995978	2672683	103305	47565356	22092197	23115735
FURNITURE & FIXTURES	33892146	775898		34668044	12373743	2349053		14722796	21518403	19945248
VEHICLES	7172478	649762		7822240	2344383	659291		3003674	4828095	4818566
TOTAL	349422842	16625171	108742	365939271	94924546	8892487	103305	103713728	254498296	262225543
Capital WIP									3184205	167542534
									257682501	429768077

	2010-11	2009-10
Depreciation as per schedule	8892487	7752647
Less : Depreciation Recouped	698864	698864
	<u>8193623</u>	<u>7053783</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

PARTICULARS	2010-11 Rs	2009-10 Rs
SCHEDULE:7		
INVENTORIES:		
(Valued at lower of cost or market price and as certified by the Management)		
Provisions & Supplies	<u>79,81,988</u>	<u>67,13,509</u>
	<u>79,81,988</u>	<u>67,13,509</u>
SCHEDULE:8		
SUNDRY DEBTORS		
A. Debts due from concerns in which Directors and / or their Relatives are interested		
B. OTHERS:		
i. Outstanding for a period exceeding six months	<u>2,66,773</u>	3,13,469
ii. Others	<u>26,87,839</u>	<u>21,81,880</u>
	<u>29,54,612</u>	<u>24,95,349</u>
SCHEDULE:9		
CASH & BANK BALANCES :		
Cash in hand	<u>6,01,285</u>	8,25,519
Balance with Scheduled Banks		
In Current account	<u>32,53,619</u>	11,65,753
In Fixed Deposit	<u>11,31,600</u>	<u>97,13,703</u>
	<u>49,86,504</u>	<u>1,17,04,975</u>
SCHEDULE:10		
LOANS AND ADVANCES:		
(Unsecured - considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
Income Receivable	0	29,100
Advance for capital goods	<u>6,81,13,480</u>	0
Advance Payment of Tax	<u>11,47,645</u>	8,08,253
MAT Entitlement	<u>81,80,000</u>	83,70,000
Other Advances	<u>28,20,523</u>	24,79,533
Prepaid Expenses	<u>8,99,392</u>	7,98,955
Deposits	<u>20,85,504</u>	20,40,305
	<u>8,32,46,544</u>	<u>1,45,26,146</u>
SCHEDULE:11		
CURRENT LIABILITIES AND PROVISIONS:		
CURRENT LIABILITIES :		
Sundry Creditors	<u>76,87,106</u>	59,59,698
Sundry Creditors - Capital Goods	<u>1,15,16,318</u>	0
Other Current Liabilities	<u>58,69,662</u>	54,11,717
Statutory Liabilities	<u>21,36,856</u>	17,02,766
Advance /progress payments from customers	<u>82,383</u>	34,797
	<u>2,72,92,325</u>	<u>1,31,08,978</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

PARTICULARS	2010-11 Rs	2009-10 Rs
SCHEDULE:12		
PROVISIONS:		
Provision for taxation - Income Tax	37,00,000	29,80,000
Proposed Dividend	67,57,097	63,50,560
Provision for Gratuity & Leave Wages	37,15,435	17,47,182
Tax on Dividend Distributable	9,42,933	9,64,875
	<u>1,51,15,465</u>	<u>1,20,42,617</u>
SCHEDULE:13		
PRIOR YEAR ADJUSTMENTS		
INCOME		
Total - A	0	0
EXPENSES		
Short Provision towards Taxation	3,22,826	1,26,629
Total - B	<u>3,22,826</u>	<u>1,26,629</u>
A-B	<u>-3,22,826</u>	<u>-1,26,629</u>
SCHEDULE:14		
SALES/RECEIPTS:		
Guest Accomodation (TDS C.Y.182805/P.Y.123735)	7,55,43,002	6,68,38,864
Food & Beverages	5,72,34,994	4,51,66,063
Healthclub	3,178	5,320
Taxi Hire	3,88,659	4,23,567
Swimming Pool Income	9,80,550	12,41,606
Service Charges	11,52,175	11,41,215
Laundry Receipts (TDS C.Y.4016/P.Y.Nil)	4,07,128	3,90,844
Telephone Charges Receipts	7,09,937	24,20,624
Liquor	96,21,118	91,73,596
	<u>14,60,40,741</u>	<u>12,68,01,699</u>
SCHEDULE:15		
OTHER INCOME:		
Interest Receipts (TDS C.Y.Rs.35498 / P.Y.Rs.31901)	4,05,623	2,67,504
Sundry Receipts	15,10,927	24,81,954
Exchange Rate Difference	0	38,11,697
	<u>19,16,550</u>	<u>65,61,155</u>
SCHEDULE:16		
CONSUMPTION OF PROVISIONS & SUPPLIES		
Opening Stock	67,13,509	51,28,163
Purchases	3,54,54,471	3,27,24,469
	<u>4,21,67,980</u>	<u>3,78,52,632</u>
Less: Closing Stock	79,81,988	67,13,509
	<u>3,41,85,992</u>	<u>3,11,39,123</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

PARTICULARS	2010-11 Rs	2009-10 Rs
SCHEDULE:17		
HOUSEKEEPING AND LAUNDRY:		
Housekeeping expenses	26,25,112	26,31,547
Laundry Expenses	<u>9,41,163</u>	<u>9,84,988</u>
	<u>35,66,276</u>	<u>36,16,535</u>
SCHEDULE:18		
POWER & FUEL		
Electricity Charges	94,26,031	79,44,157
Diesel & Lubricants	19,51,826	34,56,524
Firewood	72,20,519	59,37,575
Gas	36,70,870	30,51,516
Carriage Inward	1,52,640	2,56,057
Charcoal	8,25,666	5,88,840
Water	<u>9,70,008</u>	<u>9,79,215</u>
	<u>2,42,17,560</u>	<u>2,22,13,884</u>
SCHEDULE:19		
REPAIRS & GENERAL MAINTENANCE:		
- Building	13,67,931	13,78,199
- Machinery	42,91,649	36,29,291
- Others	<u>4,42,849</u>	<u>3,11,909</u>
	<u>61,02,429</u>	<u>53,19,399</u>
SCHEDULE:20		
EMPLOYEES COST:		
Managerial remuneration	8,73,000	8,37,000
Salary & Wages	1,97,42,426	1,80,36,576
Stipend	0	7,500
Bonus & Exgratia	6,84,680	6,15,160
Gratuity & Leave Salary	20,48,290	4,75,834
Staff welfare expenses	5,31,405	5,23,696
Contribution to Statutory Funds	<u>9,35,556</u>	<u>7,55,657</u>
	<u>2,48,15,357</u>	<u>2,12,51,423</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 2010-2011**

PARTICULARS	2010-11 Rs	2009-10 Rs
SCHEDULE:21		
ADMINISTRATIVE & SELLING EXPENSES:		
Advertisement	3,53,804	5,33,499
Credit Card Service Charges	16,02,811	14,26,254
Exchange Rate Difference	11,42,935	0
Filing Fee	14,59,226	16,650
Telephone Charges	11,09,602	9,79,365
Printing & Stationery	11,79,757	12,41,290
Miscellaneous Expenses	11,94,977	10,81,968
Postage & Telegrams	3,61,726	1,67,388
Periodicals & Newspapers	1,20,964	1,23,256
Discount	2,30,771	2,40,688
Donations	78,501	3,000
Professional Fees	1,27,000	0
Lease Rent	24,99,400	26,05,916
Rates, Taxes & Legal Fees	22,06,005	24,96,294
Travelling & Conveyance	7,76,948	5,60,887
Insurance	2,44,494	3,16,875
Pooja Expenses	1,25,486	1,49,894
Subscription	30,555	27,484
Remuneration to Auditors		
Statutory Audit	50,000	40,000
Tax Audit	25,000	15,000
Taxation Matters	50,000	20,000
Certification Work	71,000	19,000
Others & Service Tax	19,130	27,883
Internal Audit Fees	1,01,000	90,000
Loss on sale of fixed assets	0	3,068
Share Transfer Expenses	1,47,251	1,32,360
Business Promotion Expenses	5,78,894	4,60,702
Vehicle Running Expenses	14,14,202	5,54,220
Security Service Charges	6,28,462	2,21,292
	<u>1,79,29,901</u>	<u>1,35,54,233</u>
SCHEDULE:22		
INTEREST:		
Banks: Term Loans	62,28,357	59,82,056
Working Capital Loan	13,054	2,83,387
Bank Charges	4,63,645	1,45,686
Financial charges	1,66,552	2,44,191
Other Interest	11,92,559	16,95,982
	<u>80,64,167</u>	<u>83,51,302</u>

SCHEDULE 23
NOTES ON ACCOUNTS

1. Estimated amount of the contracts remaining to be executed on capital account and not provided for :
Not ascertainable.(Previous Year not ascertainable)
2. Contingent Liabilities not provided for in the books of accounts Rs.Nil. (Previous year Rs. Nil)
3. a). Depreciation is provided under straight line method on Fixed Assets on a pro-rata basis at the rates specified in Schedule XIV to the Companies Act, 1956.
b). Depreciation on assets revalued is calculated on its revalued figure on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956.
4. Expenditure on employees who are in receipt of remuneration of not less than Rs. 60,00,000/- per annum (previous year Rs. 24,00,000/- per annum) when employed through out the year or Rs. 5,00,000/- per month (previous year Rs. 2,00,000/- per month) when employed for part of the year is nil (previous year Rs. Nil.)
5. Previous year figures have been regrouped and/or reclassified wherever necessary.
6. The figures have been rounded off to the nearest rupee.
7. Balances in Sundry Debtors, Creditors and Loans & Advances are subject to confirmation and reconciliation and are stated at the book balance thereof.
8. In the opinion of the Management, the Current Assets, Loans & Advances will fetch the amount as stated, if realized in the ordinary course of its business.
9. i. Quantitative details of turnover, opening and closing stock, purchase and consumption have not been furnished, in view of general exemption u/s.211 vide Press Note No:2/2011 dated 08.02.2011 issued by Ministry of Corporate Affairs, Government of India.
ii. Income of the Company includes the following :

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Guest Accommodation	7,55,43,002	6,68,38,864
Foods & Beverage Sales	5,72,34,994	4,51,66,063
Wine & Liquor	96,21,118	91,73,596
Telephone Receipts	7,09,937	24,20,624
Others	48,48,240	97,63,707
	14,79,57,291	13,33,62,854
i) Opening Stock		
Provisions, & Supplies	63,46,970	49,51,196
Wine & Liquor	3,66,539	1,76,967
	67,13,509	51,28,163
ii) Closing Stock		
Provisions & Supplies	77,14,797	63,46,970
Wine & Liquor	2,67,191	3,66,539
	79,81,988	67,13,509

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
iii) Consumption		
Provisions & Supplies	3,13,77,490	2,84,47,887
Wine & Liquor	28,08,502	26,91,236
	3,41,85,992	3,11,39,123

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

	2010- 2011		2009-2010	
	Value Rs.	Percentage %	Value Rs.	Percentage %
PROVISIONS & SUPPLIES				
Imported	Nil	Nil	Nil	Nil
Indigenious	3,41,85,992	100%	3,11,39,123	100%

10. TERM LOANS :

- Allahabad Bank, Andra Bank , & Bank of Bahrain and Kuwait (upto the date of Closure)
Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonoor and Hypothecation of entire current assets of the Company. The loan is also personally guaranteed by the Chairman, Managing Director & Executive Director of the Company.
- Sundaram Finance Limited
Secured by way hypothecation of Vehicle of the Company.

11.

Earning in Foreign Exchange (As reported by the management to the Department of Tourism but not verified by the Auditors)	2010-11	2009-10
	Rs. 490.12 Lakhs	Rs. 538.91 Lakhs

12. CIF Value of Imports

	2010-11	2009-10
Capital Goods	Nil	Rs. 11.95 Lakhs
Others(Forex Loan)	Rs. 783.55 Lakhs	Rs.828.00 Lakhs

- The Company has called for details from trade parties regarding applicability of 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 regarding liability under Micro, Small and Medium Enterprises Development Act, 2006.

14. A sum of Rs.5,94,000/- has been paid to Sri E.V.Muthukumara Ramalingam, Managing Director of the Company as remuneration and a sum of Rs.2,79,000/- has been paid to Sri. M.R. Gautham, Executive Director of the Company as remuneration.
15. During the year a sum of Rs.37,00,000/- has been provided in the books of accounts towards income tax.
16. Earning per share :
- Basic earnings per share are calculated by dividing the net profit attributable to the share holders by the weighted average number of ordinary shares outstanding during the year.
 - The following reflects the income and share data used by the company for this calculation of basic earnings per share :-

		31. 03. 2011 Rs.	31. 03. 2010 Rs.
Net Profit for the year		1,86,75,986	1,75,43,652
Net Profit for the year attributable to equity share holders.	(A)	1,16,64,498	1,12,36,011
No. of equity shares (In Numbers)	(B)	77,50,000	77,50,000
Earnings per share		1.51	1.45
Nominal value per share		10/-	10/-

17. Net Deferred Tax in respect of the year ending 31st March 2011 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2011 are computed as below :

A. DEFERRED TAX LIABILITY

Rs.in Lakhs

S.No	Particulars	Opening Balance	Provided during the year	Closing Balance
1	Depreciation on account of difference in Depreciation under Income Tax Act and books of accounts	279.11	2.54	281.65
	TOTAL (A)	279.11	2.54	281.65

B. DEFERRED TAX ASSETS

Rs.in Lakhs

S.No	Particulars	Opening Balance	Reversed during the year	Closing Balance
1	Unabsorbed Depreciation	25.44	25.44	0.00
	TOTAL (B)	25.44	25.44	0.00
	Net Deferred Tax Liability (A - B)	253.67	27.98	281.65

18. The Company is exclusively engaged in the business of Hoteling. This, in the 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.

19. Related Party Transactions.

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

(Amount in Lakhs)

Sl. No.	Name of Party	Relation Ship	Nature of Transactions	Amount	Amount out standing As on 31.03.11	Amount W/ Off or W/ Back During The Period
1.	E.V.Muthukumara Ramalingam	Key Management Personnel	Remuneration	5.94	Nil	Nil
2.	E.V.Muthukumara Ramalingam	Key Management Personnel	Finance Receipts	168.09	1.38	Nil
3.	E.V.Muthukumara Ramalingam	Key Management Personnel	Lease Rent	3.53	Nil	Nil
4.	Shree Vallee Enterprises Pvt.Ltd	Associated Concern	Interest	11.93	13.14	Nil
5.	Shree Vallee Enterprises Pvt.Ltd	Associate Concern	Finance Receipts	Nil	52.94	Nil
6.	M.R.Gautham	Key Management Personnel	Remuneration	2.79	1.21	Nil

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

SCHEDULE 24**SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Presentation :**

The financial statements have been prepared under the historical cost convention, on an accrual basis and in accordance with generally accepted accounting principles generally accepted in 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.

2. Revenue Recognition :

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

3. Foreign Currency Transactions :

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

4. Fixed Assets

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

5. Depreciation

- a. Depreciation is provided under straight line method on assets on pro-rata basis at the rates specified in Schedule XIV to the Companies Act, 1956.
- b. Depreciation on assets revalued in the year is calculated on its revalued figure on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. The additional charge of depreciation on account of revaluation is deducted from revaluation reserve and credited to the Profit and Loss Account.

6. Valuation of Inventory :

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

7. Employee Benefits

1. Defined Contribution Plan
Contributions to Provident and Other Statutory Funds are recognized in the Profit & loss account
2. Defined Benefit Plan
Company's liabilities towards gratuity and leave encashment are determined on actuarial valuation basis. Obligation is measured at the year end as present value of future cash flows using a discounted rate.

8. Contingencies and events occurring after the date of Balance sheet

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

9. Contingent Liabilities

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

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

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

11. Borrowing Cost

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

12. Taxation

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

	2010-2011	2009-2010
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit for the Year	18675986	17543652
Add: Extra Ordinary Items		
Loss on Sale of Assets	<u>0</u>	<u>3068</u>
	18675986	17546720
Less: Extra Ordinary Items		
Short Provision towards Taxation	322826	126629
Profit on sale Assets	<u>4563</u>	<u>0</u>
	18348597	17420091
Net Profit before tax and extra ordinary items		
Adjustments for		
Depreciation	8193623	7053783
Interest	<u>8064167</u>	<u>8351301</u>
	34606387	32825175
Operating Profit before working capital changes		
Adjustments for		
Trade & other receivables	-459263	-836995
Inventories	-1268479	-1585346
Loans & advances	-68509393	5857263
Trade payables	<u>16231637</u>	<u>2893968</u>
	-19399111	39154065
Direct Tax paid	3381005	1956476
Dividend Tax Paid	964875	598688
Dividend Paid	5405963	3649361
Gratuity & Leave Wages , Bonus Paid	80037	294753
NET CASH FROM OPERATING ACTIVITIES (A)	-29230991	32654787
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	180983501	34948326
Sale of Fixed Assets	<u>10000</u>	<u>59500</u>
NET CASH USED IN INVESTING ACTIVITIES (B)	-180973501	-34888826
	-210204491	-2234040
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from cash credit	-	3617752
Availment of term loan	-151737389	-24749146
Share Application Money Received	-72665000	0
Interest Paid	8064167	8351301
Availment of other finance	366668	87579
Availment of unsecured loans	<u>12485534</u>	<u>-247671</u>
NET CASH USED IN FINANCING ACTIVITIES (C)	203486020	12940185
NET INCREASE IN CASH & CASH EQUIVALANTS.(A+B+C)	-6718472	10706145
Cash & cash equivalents at the beginning of the year	11704975	998829
Cash & cash equivalents at the end of the year	4986504	11704975

Schedules 1 to 24 form part of Annual Accounts

"As per our report of even date"

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

G. Krishnamurthi
Partner (Membership No: 23896)

R.V.E. Venkatachalam
Chairman

M.R. Gautham
Executive Director

E.V. Muthukumara Ramalingam
Managing Director

M. Srinivasan
Company Secretary

Place: Tirupur
Date : 28.06.2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**I. Registration Details :-**

Registration No.	181 2653	State Code	18
Balance Sheet	31. 03. 2011		

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

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

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

Total Liabilities	528937	Total Assets	528937
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Sources of Funds :

Paid up capital	77500	Reserves & Surplus	80926
Secured Loans	220407	Unsecured Loans	6867
Share Application Money	72665	Deferred Tax Liability	28165

Application of Funds :

Net Fixed Assets	429768	Investments	Nil
Net Current Assets	56762	Misc. Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover	146041	Total Expenditure	127365
Profit before tax	18676	Profit after tax	11664
Earning per share in Rs.	Rs.1.51	Dividend rate	7.5%

V. General Name of Three Principal Product

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

VELAN HOTELS LIMITED

41 Kangayam Road, Tirupur 641 604. Tamil Nadu
Phone Nos: (+91/0)(421) 4311111 & 2424426 to 30
Fax Nos: (+91/0)(421) 2424434 & 2424431
E-Mail : accounts@velanhotels.com & investorrelations@velanhotels.com
Website: www.velanhotels.com

Dear Shareholder,

RE: PAYMENT OF DIVIDEND THROUGH ELECTRONIC CLEARING SERVICE (ECS)

The Securities and Exchange Board of India (SEBI) has advised companies to mandatorily use ECS facility wherever available for distributing dividends to the investors. This facility provides instant credit of dividend amount to your bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility, the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book /statement of account. We would be issuing an advice to you directly after the transaction is effected.

In respect of shareholders holding shares in dematerialized form, the Company will make payment through ECS if the bank account details are furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. In case you are holding shares in demat form and the bank details have so far not been furnished to the depository participant or the bank details furnished to the depository participant are desired to be altered, we would request you to kindly submit the same to the **depository participant immediately**.

In case you are holding the Company's shares in physical form, you may kindly return the ECS Mandate form given overleaf duly completed and signed by you immediately to 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

In locations where ECS facility is not available, the Company will print the bank account details on the Payment Instrument, on receipt of the same.

Thanking you,

Yours faithfully,
For **VELAN HOTELS LTD**

Place : Tirupur
Date : 28-06-2011

E.V. Muthukumara Ramalingam
Managing Director



**Electronic Clearing Service (Credit Clearing) ECS Mandate form
for payment of dividend on equity Shares**

1. First Shareholder's Name (In Block Letters) _____

2. Shareholders Folio No. _____

3. Particulars of Bank Account

A. Bank Name _____

B. Branch Name & Address _____

C. Account No. _____
(as appearing on the cheque book)

D. Account Type _____

(SB Account/Current A/c or Cash Credit)
(tick the correct box)

S.B		Current		Cash Credit	
-----	--	---------	--	-------------	--

E. 9 Digit Code No. of the Bank & Branch appearing on the MICR Cheque issued by the bank

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Important : Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number

I, hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information given as above, the Company will not be held responsible.

Date :

Place :

Signature of the First Shareholder

Note :

Incase the Scheme does not meet with the desired response or due to any other operational reasons it is found to be unviable, the Company reserves the right to pay dividend by issue of Warrants.