



*Hotels*

**VELAN HOTELS LIMITED**

41 , Kangayam Road, Tirupur - 641604.

Phone : 0091 421 43 11 111

E-mail : [info@velanhotels.com](mailto:info@velanhotels.com)

Web : [www.velanhotels.com](http://www.velanhotels.com)

TIN : 3 3 8 7 2 4 0 1 0 4 2

CST No: 3 1 5 1 4 7 Dt. 18-11.91

CIN : L55101TZ1990PLCOO2653

November 22, 2016

Corporate Relationship Department  
Bombay Stock Exchange Limited  
Floor No.25, P.J.Towers  
Dalal Street  
Mumbai 400 001

Dear Sirs

**Sub : Submission of Annual Report for f.y. 2015-16**

With reference to the above, pls find attached the Annual Report for the financial year 2015-16 in accordance with the Regulation 34 of SEBI (LODR) Regulations, 2015 for your records.

Thanking you

Yours truly

For VELAN HOTELS LTD

*M. Srinivasan*

M.SRINIVASAN

COMPANY SECRETARY

## VELAN HOTELS LIMITED

26<sup>th</sup> ANNUAL REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016

### BOARD OF DIRECTORS

**SRI.E.V.MUTHUKUMARA RAMALINGAM**  
MANAGING DIRECTOR

**SRI.M.R.GAUTHAM**  
EXECUTIVE DIRECTOR

**SRI P.GANESAN**  
DIRECTOR

**SRI.GIRI BALASUBRAMANIAN**  
DIRECTOR

**SRI.B.A.MADHUSUDHAN**  
DIRECTOR

**SMT.M.SASIKALA**  
DIRECTOR

**SRI.K.SUBRAMANIAM**  
DIRECTOR (UPTO 29.08.2015)

**SRI.S.P.SIVANANDAM**  
DIRECTOR

**SRI.M.SRINIVASAN**  
COMPANY SECRETARY

**SMT.R.LALITHA**  
CHIEF FINANCIAL OFFICER

**CA.K.MADHAN**  
INTERNAL AUDITOR

### AUDITORS

**M/S.P.S.KRISHNAN & CO.,**  
Chartered Accountants  
40-A Apachi Nagar Main Road  
Tirupur - 641 607  
Ph : 0421-2227526-27-28-29-30  
E-Mail : pskatup@gmail.com

### REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

**SKDC CONSULTANTS LTD.**  
"Kanapathy Towers"  
3rd Floor, 1391/A-1 Sathy Road  
Ganapathy Post, Coimbatore 641 006  
Phone : 0422-6549995  
E-mail : info@skdc-consultants.com

### BANKERS

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

### REGD. & ADMINISTRATIVE OFFICE

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

### LOCATION OF HOTELS

#### VELAN HOTEL-GREENFIELDS

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

#### VELAN HOTEL

Ritz Road, Bedford, Coonoor 643 101 Tamilnadu

### LOCATION OF RESTAURANT

#### VELAN UTHARA RESTAURANT

Avanashi Road  
Behind IDBI Bank Ltd  
Tirupur 641 602

### LOCATION OF SHOPPING MALL

#### THE VELAN ESPLANADE

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

### PROJECTS IN PROGRESS

1. The Velan Esplanade - Multiplex
2. Convention & Conference Hall
3. The Velan Renewable Energy Plant (TVREP) :  
Bio-mass Based Co-Gen Renewable Energy Plant

## **NOTICE OF THE 26<sup>th</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the Members of Velan Hotels Limited will be held at the Registered Office of the Company, at 41, Kangayam Road, Tirupur 641 604 on Friday, the 30<sup>th</sup> day of September, 2016 at 12.15 p.m. to transact the following business:

### **AGENDA**

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2016 and Statement of Profit and Loss for the year ended on that date, the Reports of Directors and Auditors and the Cash Flow Statement thereon.
2. To appoint a Director in place of Mrs.M.Sasikala having DIN 01452586 who retires by rotation and being eligible, offers herself for re- appointment.
3. To appoint a Director in place of Mr.B.A.Madhusudhan, having DIN 01027496, who retires by rotation and being eligible, offers himself for re- appointment.
4. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**

**"RESOLVED THAT** pursuant to the provisions of section 139, 142 and Audit and Auditors Rules, 2014, (the rules) , ( including any statutory modification(s) or re-enactment(s) thereof for the time being in force) M/s.P.S.Krishnan & Co. Chartered Accountants, Tirupur (Registration number FRN 001532S with the Institute of Chartered Accountants of India), who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Auditors, in terms of provisions of section 141 of the Act, and rule 4 of the rules, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors in addition to out of pocket expenses as may be incurred by them during the course of the Audit for the financial year ending March 31, 2017."

#### **SPECIAL BUSINESS:**

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

**"RESOLVED THAT** subject to the provisions of Sections 196, 197 and 203 and all other applicable provisions of the Companies Act, 2013 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule V of the Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Articles of Association of the Company and subject to such approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the Authorities including the Central Government in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the re-appointment and remuneration of Mr.E.V.Muthukumara Ramalingam as the Managing Director of the Company under the Companies Act, 2013 for a further period of three years with effect from 29/06/2015 on terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors ( hereinafter referred to the "Board" which

term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and /or remuneration as it may deem fit and as may be acceptable to Mr.E.V.Muthukumara Ramalingam, subject to the same not exceeding the limits specified under Schedule V of the Companies Act, 2013 or any statutory modification(s) or re-enactments thereof;

**"RESOLVED FURTHER THAT** Mr.E.V.Muthukumara Ramalingam, shall have the right to exercise such powers of Management of the Company as may be delegated to him by the Board of Directors, from time to time"

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

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

Place : TIRUPUR

Date : 27.05.2016

## NOTES :

1. The Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013 in respect of the Special Business under item No. 5 as stated above in annexed hereto
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM OR THE MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.

In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.

3. Shareholders desiring any information as regards the Accounts are required to write to the Company at least seven days in advance of the meeting so that the information, to the extent practicable, can be made available at the meeting. Members/proxies are requested not bring any guest with them.
4. Members holding shares in physical form are requested to notify change in their address, bank mandate, e-mail address if any, to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their address / bank mandate / email ID to their

respective Depository Participants. The Company or its Registrar will not act on any request received directly from the shareholder holding shares in electronic form for any change of bank particulars or bank mandate. Such changes are to be advised only to the Depository Participant by the shareholders.

5. In pursuance to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of Directors seeking re-appointment at the forthcoming Annual General Meeting, forms integral part of the Notice. The Directors have furnished the requisite declarations for their re-appointment. Mrs.M.Sasikala and Mr.B.A.Madhusudhan - Directors retire by rotation and, being eligible, offer for re-appointment at the Annual General Meeting. A brief resume of the said directors is given below

I.	1. Name	:	Mrs. M. SASIKALA
	2. Directors Identification Number (DIN)	:	01452586
	3. Age	:	62 Years
	4. Qualification	:	B. A.
	5. Date of Appointment	:	28.03.2012
	6. Shareholding in Velan Hotels Ltd	:	21,30,743 Shares
	7. List of Directorships held in Other Companies	:	Shree Vallee Enterprises Pvt. Ltd.
	8. Membership in Other Board Committees	:	Refer to Report on Corporate Governance
II.	1. Name	:	Sri. B. A. MADHUSUDHAN
	2. Directors Identification Number (DIN)	:	01027496
	3. Age	:	40 Years
	4. Qualification	:	B.E. in Computer Engineering (from Madras University M.S. in Computer Science (from University of Kentucky)  Post - Graduate Degree in Management from IIM Ahmedabad
	5. Date of Appointment	:	28.3.2012
	6. Shareholding in Velan Hotels Ltd	:	36,296 Shares
	7. List of Directorships held in Other Companies	:	Climate Bridge Indian Private Limited Chennai Gourment Foods Private Limited
	8. Membership in Other Board Committees	:	Refer to Report on Corporate Governance

9. The equity shares of the Company are listed on Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the above said Exchange. The Annual Custody Fees due to both the Depositories are being paid.
10. 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.
11. Members are requested to register their email id and the changes therein from time to time with the Company to enable the Company to send notices/documents through email as permitted in law.
12. The Register of Members and the Share Transfer Books of the Company will remain closed from September 24, 2016 (Saturday) to September 30, 2016 (Friday) (both days inclusive).
13. Pursuant to Section 124 of the Companies Act, 2013, all unclaimed/unpaid dividends for a period of 7 years from the date of transfer to the 'Unpaid Dividend Account' are required to be transferred by the Company to the "Investor Education and Protection Fund" (IEPF) established by the Central Government. Accordingly, the unclaimed dividend paid up to the financial year ended 31st March, 2009, shall be transferred by the Company to the said Fund on the due date in 2016.
14. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
15. Members/proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
16. The Notice of the AGM along with the Annual Report of 2015-16 is being sent by electronic mode to those Members whose email addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their email addresses, physical copy is being sent by permitted mode. To support 'Green Initiative' Members who have not registered their email addresses are requested to register the same with the Company / Depository.
17. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the Annual General Meeting.
18. The Company has designated an exclusive e-mail id for investor redressal [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com) and [info@skdc-consultants.com](mailto:info@skdc-consultants.com) belongs to our Registrar and Share Transfer Agent.
19. The route map showing directions to reach the venue of the 26<sup>th</sup> AGM is given as per requirement of the Secretarial Standard-2 on General Meeting.
20. Voting through electronics means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time and Clause 44 of SEBI Listing Regulations, the Company is pleased to provide its Members facility of remote e-voting (to cast

their vote electronically from a place other than the venue of the AGM), through e-voting services provided by Central Depository Services Limited (CDSL) on all resolutions set forth in this Notice.

**Instructions for the voting through electronic means**

- i) The voting period begins on 27/09/2016 at 9.00 a.m. and ends on 29/09/2016 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 23/09/2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- iii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- iv) Click on Shareholders.
- v) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- vi) Next enter the Image Verification as displayed and Click on Login.
- vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- viii) If you are a first time user follow the steps given below :

<b>For Members holding shares in Demat Form and Physical Form</b>	
<b>PAN</b>	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>● Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>● In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
<b>Dividend Bank Details OR Date of Birth DOB</b>	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>● If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>

- ix) After entering these details appropriately, click on "SUBMIT" tab.
- x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xii) Click on the EVSN relevant to VELAN HOTELS LIMITED on which you choose to vote.
- xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can also download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- xx) Note for Non - Individual Shareholders and Custodians
  - ❖ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - ❖ A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).



- ❖ After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- ❖ The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- ❖ A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

#### **Other Instructions:**

21. The voting rights of the Members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut off date i.e. September 23, 2016. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM.
22. Any person, who acquires shares of the Company and becomes a Member of the Company after despatch of the Notice and holding shares as of the cut-off date, may cast their vote by remote e-voting or through Poll at the Meeting. However, if you are already registered with CDSL for remote e-voting then you can use existing user ID and password for casting your vote. If you forget your password you can reset your password by using Forgot Password option available on [www.evotingindia.com](http://www.evotingindia.com).
23. Mr. S.R.Baalaji, Practicing Company Secretary (Membership No.FCS 5966) has been appointed as the Scrutinizer by the Board of Directors of the Company to scrutinize the remote e-voting and the voting process at AGM in a fair and transparent manner.
24. The Members who have cast their vote by remote e-voting may also attend the meeting but shall not be entitled to cast their vote again at the Meeting. Members holding shares as on cut off date i.e. September 23, 2016 and attending the Meeting, who have not already cast their vote by remote e-voting shall be able to exercise their right at the Meeting.
25. The Scrutinizer shall immediately after the conclusion of the voting period, first count the votes at the meeting, thereafter unblock the votes through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and make not later than 2 days of the conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, forthwith to the Managing Director or any person authorised by the Managing Director in writing, who shall countersign the same and the results of the e-voting / poll at the venue, will be announced by the Company on its website - [www.velanhotels.com](http://www.velanhotels.com) within 2 days of the conclusion of the AGM.

## ANNEXURE TO THE NOTICE

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

#### ITEM NO. 5 :

Mr.E.V.Muthukumara Ramalingam has been Managing Director of the Company since incorporation of the Company. He was re-appointed as Managing Director with remuneration on 30/06/2010. The said appointment and remuneration package, as determined by the Remuneration Committee of the Board and the Board of Directors, were later approved by the Members of the Company at the 20th Annual General Meeting held on 06th September, 2010. With recommendation of the Remuneration Committee, the Board in their meeting held on November 28, 2011 increased remuneration package which was approved by the Members of the Company at 22nd Annual General Meeting held on 12th September, 2012.

The Company was implementing major projects within the Hotel Compound. The Company has been suffering very badly owing to inability to complete project within stipulated time on ground that non-mobilization of finance in time and other related reasons. At this crucial juncture, the continued services of Mr.E.V.Muthukumara Ramalingam are considered essential for successful completion of the Project and achieve smooth operations thereafter. It is also essential for the Company to have his continued services for its future growth.

In view of the liquidity crunch in the company and insufficient funds for repayment of its debts due to banks, Company cannot pay any remuneration.

With view of the above situation, the Board of Directors, at their Meeting held on 29/06/2015, considered and decided to entrust Mr.E.V.Muthukumara Ramalingam with increased role and responsibility by appointing him as Managing Director of the Company. However at present, no remuneration is proposed to be paid to Mr.E.V.Muthukumara Ramalingam for his term pursuant to such re-appointment as Managing Director of the Company. The term of his appointment as Managing Director will be for a period of three years from 29.06.2015 to 28.06.2018.

Details of terms and condition of appointment is as below :

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

#### **Brief resume of Mr. E.V. Muthukumara Ramalingam is given below :**

Mr E.V. Muthukumara Ramalingam aged 62 is a commerce graduate from Madras University. He is a director ever since incorporation of the Company. He started his career as a bus fleet operator and diversified into finance business and later into hospitality business. Under his able leadership the Company has been growing step by step and expanding its network from where it started in 1991.

He holds Directorship in Shree Vallee Enterprises Pvt Ltd and Sarju International Ltd. He holds 1,26,78,383 equity shares of the company by himself, representing 39.66% of total shareholding and 1,29,03,351 equity shares held by his immediate relatives, representing 40.37% of shareholding of the Company.



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

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

Sri.E.V.Muthukumara Ramalingam is concerned or interested in this resolution as it relates to his re-appointment. Sri.M.R.Gautham and Smt.M.Sasikala being related to Sri.E.V.Muthukumara Ramalingam may be deemed to be concerned or interested in the resolution. None of the other Director, Key Managerial Personnel or their respective relatives is concerned or interested, financial or otherwise in the Resolution.

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

Place : TIRUPUR

Date : 27.05.2016

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

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting their 26<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2016.

**FINANCIAL HIGHLIGHTS**

(Rs. in lakhs)

<b>PARTICULARS</b>	<b>2015 - 16</b>	<b>2014 - 15</b>
Profit Before Interest, Depreciation and Tax	199.52	238.09
Less : Interest	1589.87	1438.70
Profit/Loss Before Depreciation & Tax	(1390.35)	(1200.61)
Add : Depreciation	207.52	220.75
Add : Exceptional Item / Other Adjustments	-4.23	3.29
<b>Loss Before Tax [LBT]</b>	<b>(1602.10)</b>	<b>(1418.07)</b>
Less : Tax Expenses	—	—
Current Tax	—	—
Tax relating to prior years	(2.41)	—
Mat Entitlement	(14.50)	—
Deferred Tax	(18.54)	23.33
<b>Profit / (Loss) After Tax</b>	<b>(1637.55)</b>	<b>(1394.74)</b>
Balance b/f from previous years	(1019.76)	374.98
<b>Balance to be carried over to Balance sheet</b>	<b>(2657.31)</b>	<b>(1019.76)</b>

**OPERATIONAL REVIEW:**

During the year under consideration, the gross receipts of your company decreased to Rs.1369.57 Lacs against Rs.1493.31 Lacs registered in the previous year. Profit before Interest, Depreciation and Taxation was Rs. 199.52 lacs against Rs. 238.09 Lacs recorded in the previous year. Similarly, the Loss After Tax for the year ended March 31, 2016 stood at Rs.1637.55 lacs as against a Loss of Rs.1394.74 lacs of the previous year. During the year under review, the performance of hotels operations registered a muted growth and all the borrowing cost for various components of the stalled projects debited in the P&L A/c.

**STATE OF THE COMPANY'S AFFAIRS**

During the previous year, the Company's account was classified as NPA and the Company was served Notices under Section 13(2) and 13(4) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI ACT") by Allahabad Bank, Tirupur and Andhra Bank, Coimbatore branch as the lenders of company's projects to recover of outstanding liability together with interest and all other incidental expenses. Thereafter the Lenders filed Original Application for the recovery for the same before the Debt Recovery Tribunal ("DRT") at Coimbatore. Since the Lenders started taking various steps including release of E-Auction Notices to sell the properties through E-Auction route and the auctions were conducted on 19-03-2015, 07-10-2015, 21-12-2015 and 27-04-2016, the Company was forced to seeking remedies through

legal avenues to safeguard the interest of the Company. Your Company filed Writ petitions and appeals against the said notices issued by the Banks / Order issued by DRT at various forums and challenged the legality and validity of these notices/orders. However, the intention of the Company was not to find out solutions for its heavy debt burden in the corridor of Courts. Parallely, the Company has offered an One-Time Settlement proposal with the lenders. The company is committed to adopt all avenues practicable to maneuver the present situation. The Company is in consultation with its legal advisers to take other steps as may be advised by the legal advisers to protect your Company's interests in these proceedings and the matter is sub-judice. It is submitted that the company is trying hard and undertaking several steps to successfully going through this tough time.

#### **DIVIDEND:**

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

#### **SHARE CAPITAL:**

The Authorised Share Capital of the Company is Rs.5000 lakhs and the paid up equity capital as on March 31, 2016 was Rs. 3196.41 Lakhs.

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

The Company has not made any purchase or provision of its own shares by employees or by trustees for the benefit of employees during the financial year 2015-16.

#### **TRANSFER OF AMOUNT TO RESERVE**

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

#### **FIXED DEPOSITS**

During the year under review, your Company did not accept any deposits in terms of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014. During the year, no amounts were outstanding which were classified as 'Deposits' under the applicable provisions of the Companies Act, 1956 and hence, the requirement for furnishing of details of deposits which are not in compliance with the Chapter V of the Companies Act, 2013 is not applicable.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013. During the year under review, the company has not made any investments.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

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

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

**CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

**CONSERVATION OF ENERGY**

- a) The operations of the Company are not energy intensive. However, the Company ensures that all the operations are conducted in the manner whereby optimum utilisation and maximum possible savings of energy is achieved.
- b) No specific investment has been made in reduction in energy consumption.
- c) As the impact of measures taken for conservation and optimum utilisation of energy are not quantitative, its impact on cost cannot be stated accurately.

**TECHNOLOGY ABSORPTION**

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

**FOREIGN EXCHANGE EARNINGS AND OUT-GO**

(Rs. in lakhs)

Foreign Exchange Earnings And Outgo	Current Year 2015-16	Previous Year 2014-15
1. Earnings	307.94	373.02
2. Expenditure in Foreign Currency	Nil	Nil

**INDUSTRIAL RELATIONS**

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

**DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr.E.V.Muthukumara Ramalingam has been re-appointed as Managing Director of the Company w.e.f 29/06/2015 without remuneration. The details of his appointment and resume reported elsewhere in the Annual Report.

Sri K. Subramaniam has resigned from the board as a Director due to his busy schedule. The Board conveys its deep sense of appreciation for the service rendered by him during his tenure as Member of the Board and other Committees.

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum & Articles of Association of the Company, both Directors namely Mrs.M.Sasikala and Mr.B.A.Madhusudhan retire by rotation and, being eligible, offer themselves for re appointment. The Directors recommend Mrs.M.Sasikala and Mr.B.A.Madhusudhan for their re-appointment.

During the year, Mr.B.A.Madhusudhan has been re-designated as Non-Executive Director from Whole-Time Director owing to his unwillingness to continue to perform as Whole-Time Director due to his busy schedule. The Board places on record its appreciation for the assistance and guidance provided by Mr.B.A.Madhsudhan during his tenure as Whole-Time Director of the Company.

During the year under review, Sri.E.V.Muthukumara Ramalingam, Managing Director, Sri.M.R.Gautham, Executive Director, Smt.R.Lalitha, Chief Financial Officer and Sri.M.Srinivasan, Company Secretary are other KMPs as per the provisions of the Act and were already in the office. None of the KMPs resigned during the year except Mr.B.A.Madhusudhan who has ceased as Whole-Time Director.

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

### **DECLARATION BY AN INDEPENDENT DIRECTOR(S)**

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

### **FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS**

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

### **CHANGE IN THE NATURE OF BUSINESS**

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

### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

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

### **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and under regulation 25 of the SEBI (Listing obligations and disclosure requirements) Regulations, 2015, evaluation of every Director's performance was done by Nomination and Remuneration Committee. The performance evaluation of Non-Independent Directors and the Board as a whole, Committees thereof and Managing Director of the Company was carried out by the Independent Directors. Evaluation of Independent Directors was carried out by the entire Board of Directors, excluding the Director being evaluated. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the evaluation such as adequacy of the size and composition of the Board and Committee thereof with regard to skill, experience, independence, diversity; attendance and adequacy of time given by the Directors to discharge their duties; Corporate Governance practices etc. The Directors expressed their satisfaction with the evaluation process.

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

**MEETINGS**

During the year 09 Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

**DIRECTOR'S RESPONSIBILITY STATEMENT:**

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

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

**RELATED PARTY TRANSACTIONS :**

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

Even though the transaction relating to renting of immovable properties to the Company owned by Sri.E.V.Muthukumara Ramalingam, who is a related party, is an ordinary course of business and on an arm's length basis, the Members of the Company passed a resolution in respect of leasing of properties. However, in view of the financial difficulties experienced by the Company, he decided to forego and waive the Lease Rentals payable to him.

Further, the Company's policy on Related Party Transactions is uploaded in the Company's website under Investor Relation Page.

**MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN MARCH 31, 2016 AND MAY 27, 2016 (DATE OF THE REPORT)**

There were no significant material changes and commitments affecting the financial position of the Company between the end of financial year and the date of the Report (May 27, 2016)



## **SUBSIDIARY COMPANIES**

The Company does not have any subsidiary.

## **CODE OF CONDUCT**

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

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

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

## **VIGIL MECHANISM / WHISTLE BLOWER POLICY**

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

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

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

## **PREVENTION OF INSIDER TRADING:**

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

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

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

1. Response to Auditor's Report :
  - a. The Board is of the view that there are delays in the payment of income tax, service Tax, provident fund & ESI, however, with improved business scenario and settles the dues with existing bankers; the Company will be able to meet its obligations in time. The Board is hopeful and committed to their level best to streamline the same in future.
  - b. As the Company was not extended timely support by the existing Bankers in terms of additional funding and non-mobilization of additional funds in time from other Financial Institutions, the Company has been suffering very badly owing to inability to complete project within the stipulated time and hence no revenue to be generated from the stalled projects. In this challenging phase, cash-flows of the company

have been adversely impacted and there were certain delays/default in timely repayment of dues (including interest) to existing Bankers in respect of term loans. It is submitted that the company endeavors to streamline its future operations and discharge the said liabilities in time.

2. Response to Secretarial Audit Report :

- a. The company and the promoters are in the process to take action to comply with the regulations of Securities and Exchange Board of India related to Minimum public Shareholding (MPS) to increase the public shareholding to 25%.

### **AUDITORS**

The Auditors of the Company, P.S.Krishnan & Co, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Confirmation has been received from the Auditors that, if reappointed, the appointment will be within the prescribed limits. The Directors recommend the re-appointment of P.S.Krishnan & Co as Auditors of the Company for the Financial Year 2016-17.

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

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. No complaints were received during the year 2015-16.

### **SECRETARIAL AUDIT**

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

### **EXTRACT OF ANNUAL RETURN**

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

### **BUSINESS RISK MANAGEMENT**

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

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

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

During the year under review, there are no employees drawing remuneration of more than Rs.60 lacs per annum or drawing remuneration of Rs.5 lacs per month if employed part of the year. Hence, the report required under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) rules 2014 is not applicable.

### **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORTS**

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

### **CAUTIONARY STATEMENT**

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

### **ACKNOWLEDGEMENTS**

Your Company and its Directors wish to extend their sincere thanks to the Members of the Company, Bankers, State Government, Local Bodies, Customers, Suppliers, Executives, Staff and Workers at all levels for their continuous co-operation and assistance.

For and on behalf of the Board  
**E. V. Muthukumara Ramalingam**  
Managing Director  
&  
**M. R. Gautham**  
Executive Director

Place : TIRUPUR  
Date : 27.05.2016

**Annexure A to Board's Report**

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

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

**Form No. MR-3****SECRETARIAL AUDIT REPORT****For the Financial Year Ended on 31<sup>st</sup> March, 2016**

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

To,  
The Members,  
Velan Hotels Limited

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the company has during the audit period covering the Financial Year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and compliances-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

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

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. Velan Hotels Limited (the Company) for the Financial Year ended on 31st March, 2016 according to the applicable provisions of :

- i) The Companies Act, 2013 (the Act) and the rules made thereunder ;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under ;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under ;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings ;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (upto 14th May, 2015) and Securities Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015 (effective from 15th May 2015)

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

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

- i) Secretarial Standards with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India and made effective from 1st July, 2015
- ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with effect from December 01, 2015.

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

- 1. Non- compliance with the requirement of Minimum Public Shareholding (MPS) under Clause 40A of the listing agreement under SEBI Act, 1992 with Section 12A of the Securities Contracts (Regulation) Act, 1956.

**I further report that:**

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

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

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

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

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

## ANNEXURE - 1

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

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

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

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

**ANNEXURE B TO BOARD'S REPORT**
**Form No. MGT-9**
**EXTRACT OF ANNUAL RETURN**

 as on the financial year ended on 31<sup>st</sup> March, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN : L55101TZ1990PLC002653
- ii) Registration Date : 21.3.1990
- iii) Name of the Company : VELAN HOTELS LIMITED
- iv) Category / Sub-Category of the Company : Company Limited by Shares
- v) Address of the Registered office and contact details : 41 Kangayam Road, Tirupur 641 604 - Tamil Nadu  
Ph : 0421-431 1111 - Fax : 0421-2424434  
E-mail : accounts@velanhotels.com
- vi) Whether listed company : Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent : S K D C Consultants Limited  
Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road  
Ganapathy, Coimbatore, Tamilnadu-641006  
Ph : 0422 - 6549995, 2539835-836  
E-mail : info@skdc-consultants.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

SI No	Name and Description of main products	NIC Code of the Product / service	% to total turnover
1	Lodging	55101	46.13%
2	Restaurants & Bars	56301	53.87%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

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

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**i) Category-wise Share Holding**

S No	Category of shareholders	No. of shares held at the beginning of the year (As on 31-3-2015)				No. of shares held at the end of the year (As on 31-3-2016)				% of change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A.	Promoters									
	a) Individual/HUF	22791096	Nil	22791096	71.302	22791096	Nil	22791096	71.302	Nil
	b) Central Govt.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	c) State Govt. (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	d) Bodies Corp.	2826934	Nil	2826934	8.844	2826934	Nil	2826934	8.844	Nil
	e) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	f) Any Other....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-total (A) (1):-	25618030	Nil	25618030	80.146	25618030	Nil	25618030	80.146	Nil
2)	Foreign									
	a) NRIs - Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	c) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	d) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	e) Any Other....	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-total (A) (2):-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total shareholding of Promoter (A) = (A)(1)+(A)(2)	25618030	Nil	25618030	80.146	25618030	Nil	25618030	80.146	Nil
B.	Public Shareholding									
	a) Mutual Funds/ Banks/FI	Nil	7000	7000	0.022	Nil	7000	7000	0.022	Nil
	b) Central Govt.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	c) State Govt.(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	d) Venture Capital funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	e) Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	g) FIs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	i) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-total (B)(1):-	Nil	7000	7000	0.022	Nil	7000	7000	0.022	Nil
2.	Non-Institutions									
	a) Bodies Corp.									
	i) Indian	185422	79500	264922	0.829	59714	79500	139214	0.436	-0.393
	ii) Overseas	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	b) Individuals									
	i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	1155964	864615	2020579	6.320	1178410	853815	2032225	6.357	-0.037
	ii) Individualshareholders holding nominal share capital in excess of Rs 1 lakh	2555985	226800	2782785	8.706	3225221	235300	3460521	10.826	2.120
	c) Others									
	1. Directors & their relative	560000	62550	622550	1.948	0	62650	62650	0.196	-1.752
	2. Non-Resident	5155	15200	20355	0.064	6118	15200	21318	0.067	0.003
	3. Overseas Corporate Bodies	0	1000	1000	0.003	0	1000	1000	0.003	Nil
	4. Clearing Members	65067	Nil	65067	0.204	49837	0	49837	0.156	-0.048
	5. HUF	561831	Nil	561831	1.758	572324	0	572324	1.791	0.033
	Sub-total (B)(2):-	5089424	1249665	6339089	19.832	5091624	1247465	6339089	19.832	Nil
	Total Public Shareholding (B)=(B) (1) +B( 2)	5089424	1256665	6346089	19.832	5091624	1254465	6346089	19.854	Nil
C.	Shares held by Custodian for SDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Grand Total (A+B+C)	30707454	1256665	31964119	100	30709654	1254465	31964119	100	Nil



**ii) Shareholding of Promoter**

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

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

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

There is no change in the total shareholding of Promoters between 01.04.2015 and 31.03.2016.

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

S No	For Each of the Top 10 shareholders	Shareholding at the Beginning of the year		Shareholding at the End of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Kaliappagounder Subramaniam	560000	1.752	560000	1.752
2	Prithviraj	505000	1.580	505000	1.580
3	Mahender Agarwal	500000	1.564	500000	1.564
4	Kanku	250000	0.782	250000	0.782
5	Mahaveer Chand	215000	0.673	215000	0.673
6	Kishore Kumar Salecha	212442	0.665	212442	0.665
7	P. S. Kathiresan	195500	0.612	195500	0.612

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

S No	For Each of the Top 10 shareholders	Shareholding at the Beginning of the year		Shareholding at the End of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
8	Nirmal	145078	0.454	-	-
9	Vibha Prashant Bamb	143961	0.450	143961	0.450
10	Amit Jain	127427	0.398	151521	0.474
11	Bamb Prashant Ishwardas	113276	0.354	113276	0.354

S. No. 1 - Mr. K. Subramaniam resigned from the Board during the year. Hence, his name included in this list.

v) Shareholding of Directors and Key Managerial Personnel:

S No	Name of the Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Changing in Shareholding		Shareholding at the end of the year	
		No. of shares	% of share holding	Increase	Decrease	No. of shares	% of share holding
1.	Sri. E. V. Muthukumara Ramalingam	12678383	39.664	-	-	12678383	39.664
2.	Sri. M. R. Gautham	6420750	20.087	-	-	6420750	20.087
3.	Mrs. M. Sasikala	2130743	6.666	-	-	2130743	6.666
4.	Sri. K. Subramaniam #	560000	1.752	-	-	560000	1.752
5.	Sri. B. A. Madhusudhan	36296	0.114	-	-	36296	0.114
6.	Sri. P. Ganesan	33050	0.103	-	-	33050	0.103
7.	Sri. S. P. Sivanandam	100	0.000	-	-	100	0.000
8.	Sri. Giri Balasubramanian	-	-	-	-	-	-
9.	Mrs. R.Lalitha – CFO	-	-	-	-	-	-
10.	Sri. M. Srinivasan – Company Secretary	-	-	-	-	-	-

# Mr. K. Subramaniam resigned from the Board during the year. Hence, his name included in this list.

**V. INDEBTEDNESS**

**Indebtedness of the Company including interest outstanding / accrued but not due for payment**

(Rs. In Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	81,13,66,104	5,22,67,656	-	86,36,33,760
ii) Interest due but not paid	16,84,06,230	-	-	16,84,06,230
iii) Interest accrued but not due	-	22,25,675	-	22,25,675
Total (i+ii+iii)	97,97,72,334	5,44,93,331	-	103,42,65,665
Change in Indebtedness during the financial year				
* Addition - Principal + Interest	15,70,99,316	3,00,000	-	15,73,99,316
* Reduction - Principal + Interest Paid	11,14,940	23,55,500	-	34,70,440
Net Change Indebtedness	15,74,73,481	-20,55,500	-	15,54,17,981
At the end of the financial year				
i) Principal Amount	81,03,36,359	4,95,41,753	-	85,98,78,112
ii) Interest due but not paid	32,54,16,139	-	-	32,54,16,139
iii) Interest accrued but not due	-	1,70,175	-	1,70,175
Total (i + ii + iii)	<b>113,57,56,710</b>	<b>4,97,11,928</b>	-	<b>118,54,68,638</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager :**

(Rs. In Lakhs)

S No	Particulars of remuneration	Name of MD / WTD / Manager		Total Amount
		Sri.E.V.Muthukumara Ramalingam Managing Director	Sri.M.R.Gautham Executive Director	
1	Gross salary	4.40	6.00	10.40
	a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961			
	b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	-	-	-
	c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others, specify...			
5	Others, please specify	-	-	-
	Total (A)	4.40	6.00	10.40
	Ceiling as per the Act	-	-	(*)

(\*) Minimum Remuneration as per Schedule XIII of the Companies Act, 1956.

**B. Remuneration to other directors**

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

S No	Particulars of remuneration	Name of Directors			Total Amount
		Mr. P. Ganesan	Mr. S.P. Srivanandam	Mr. Giri Balasubramanian	
1	Independent Directors Fee for attending Board / Committee Meetings				
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)				
2	Other Non-Executive Directors	Sri M. Sasikala	Sri B.A. Madhusudhan	Sri K. Subramaniam *	
	Fee for attending Board / Committee Meetings	-	-	-	-
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)	-	-	-	-
	Total (B)=(1+2)	-	-	-	-
	Total Managerial Remuneration	-	-	-	-
	Overall Ceiling as per the Act	Not Applicable			

\* Resigned from the Board on 29.8.2015

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

(Rs. In Lakhs)

S No	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total Amount
1	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	6.31	2.64	8.95
	b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	-	-	-
	c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	others, specify...	-	-	-
5	Others, please specify	-	-	-
	1. Company's Contribution to P.F.	0.22	-	0.22
	Total ( c )	6.53	2.64	9.17

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties / punishment / compounding of offences against the Company, Directors and other Officers in Default under provisions of the Companies Act, 2013 during the year ended 31<sup>st</sup> March 2016.

### Annexure - C

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

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

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

Name	Designation	Ratio
Sri E. V. Muthukumara Ramalingam	Managing Director	2.78
Sri M. R. Gautham	Executive Director	3.79

For this purpose, median is calculated on the Cost to the Company (CTC) of active employees as on March 31, 2016.

Even though Independent Directors and Non-Executive Directors are eligible to receive sitting fees for attending the Board / Committee meeting, no payment in this regard was made during the year.

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

During the year, the Managing Director received managerial remuneration upto 29/06/2016 and he is not eligible to receive any managerial remuneration after his re-appointment as Managing Director in terms of the provisions of the Companies Act, 2013.

In view of the financial difficulties experienced by the Company, the Executive Director has decided to forego and waive the salary payable to him for the period starting from 1st October, 2015.

During the year, no Directors including Independent Directors were paid any amount including sitting fees.

The percentage increase in remuneration of CFO and Company Secretary were 15.11% and 3.12% respectively.

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

The percentage decrease in the median remuneration of the employees in the financial year was around 13.96% owing to employees who were in receipt of higher salary left from the service of employment. The calculation of percentage decrease in Median Remuneration is done based on comparable employees. For this we have excluded employees who were not eligible for any increment.

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

The number of on-roll employees is 73 including trainees. Out of this, there were 52 permanent employees as on March 31, 2016.

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

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

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

The average increase in the remuneration of the employees during the year 2015-16 was around 5.27%.

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

The total remuneration of Key Managerial Personnel decreased from Rs.39.23 lakhs in 2014-15 to 19.57 lakhs in 2015-16 whereas the Loss before Tax increased to Rs.1602.10 lakh.

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

a. Market Capitalisation :

Particulars	As at 31.03.2016	As at 31.03.2015	Increase / Decrease(%)
Closing Price at BSE –in Rs.	6.45	6.82	(5.73)
Market Capitalization - in lakh	2061.69	2179.95	(5.73)

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

c. The Company's stock price as at March 31, 2016 has decreased by 71.95% to Rs.6.45/- over the last public offering, i.e. Rights Issue in November 2011 at the issue price of Rs.23/- per share.

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

The average percentage increase made in the salaries of total employees other than the Key Managerial Personnel during the FY2015-16 is around 4.98%, while the average decrease in the remuneration of the Key Managerial Personnel was 50.12%. This increment to Employees is in line with the factors outlined in point (5) above.

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

Please refer point no. (6)

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

The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee(NRC) as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

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

As the Managing Director and Executive Director have received salary for a part of the year, CFO received the highest salary compared to Managing Director and Executive Director.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **A. INDUSTRY STRUCTURE AND DEVELOPMENTS:**

The fortunes of the hospitality industry are closely linked to the tourism industry and hence tourism is one of the most important growth drivers. In addition, all factors that aid growth in the tourism industry also apply to the hospitality industry.

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. The second-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly US\$ 295.7 billion or 19.20 % to the Gross Domestic Product (GDP) in 2015-16, while growing at 8.9 per cent year-on-year. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

Pan-India occupancies have grown by 5% during FY2016 to around 63% (from 60% in FY2015); ARRs however continue to be at previous-year levels leading to a 5% growth in Revenue per Available Room (RevPAR) during FY2016. Demand grew by over 10%-12% in FY 2016 following 6% and 8% during FY 2014 and FY2015, respectively.

### **B. OPPORTUNITIES**

As one of the only countries to not suffer a growth downgrade by the IMF, India has emerged as one of the stars of the otherwise modestly growing world economy. India is one of the fastest growing economies in the world.

The industry is expected to generate 13.45 million jobs! across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). Attractiveness of India has encouraged foreign players to set up their operational facilities in the country.

The country has experienced a change in consumption patterns. The middle class population with higher disposable incomes has caused the shift in spending pattern, with discretionary purchases forming a substantial part of total consumer spending. Increased affordability and affinity for leisure travel are driving tourism in India and in turn aiding growth of the hospitality industry.

The tourism and hospitality sector is among the top 15 sectors in India to attract the highest Foreign Direct Investment (FDI), according to the data released by Department of Industrial Policy and Promotion (DIPP).

The launch of several branding and marketing initiatives by the Government of India such as Incredible India! and Athiti Devo Bhava have provided a focused impetus to growth. The Indian government has also released a fresh category of visa - the medical visa or M visa, to encourage medical tourism in the country. India's hotel industry is primarily driven by demand from business travelers. The government initiatives such as Make in India, Digital India and the e-visa scheme will further drive demand. E-visa scheme refers to the electronic visa facility made available by the government to citizens of certain countries.

Domestic demand for hotels in India has historically been higher than demand from foreigners. The depreciation of the rupee against the US dollar has also made international travel less viable for domestic tourists, who are now substituting foreign vacations with domestic ones. Going forward, domestic tourism is likely to witness strong growth and will be the real driving force for this industry over the next decade or so.

India, after China, is considered as one of the most lucrative hotel markets in the world and has the second largest construction pipeline in Asia. Growing affluence, potential for economic growth, increases in disposable incomes and the burgeoning middle class are expected to drive both leisure and business travel in the coming years that they are safe.

**C. SEGMENTWISE PERFORMANCE:****HOTEL DIVISION:**

Due to weak conditions prevailing in the Garments industry in Tirupur during the year - the performance of the Hotel entirely depends on the prospectus of exports of garments - the Hotel segment witnessed a setback in performance levels in this year. The Profit before Interest and Tax of the Hotel segment is Rs.119.06 lakhs as compared to Rs.144.15 lakhs for the previous year.

**SHOPPING ARCADE DIVISION:**

During the year under review, as no income derived from the Shopping Mall component and entire borrowing cost and other operational expenses charged to this segment, the Loss before Interest and Tax of the Shopping Arcade segment is Rs.127.05 lakhs as compared to Rs.126.82 lakhs loss for the previous year.

**D. RISKS AND CONCERNS:**

The hotel industry is sensitive to economic cycles and witnesses cyclicity, accentuated both by supply and demand. The Indian hotel industry normally experiences high demand during October-April, followed which the monsoon months entail low demand.

Quality of manpower is important in the hospitality industry. In India, the average employee-to-room ratio is much higher than that for hotels across the world. Hotel owners in India tend to "over-spec" their hotels, leading to higher manpower requirement.

The rising land prices in India and the high financing costs have resulted in high room tariffs and long gestation periods for achieving break even.

The recognition of the hospitality sector with an 'infrastructure status' has been a long pending demand. This recognition will facilitate availing loans at lower interest rates, extend other fiscal benefits under the Income-tax Act, 1961 and ease the utility of ECB regulations.

As oil prices are a fraction of what they were just two years ago, the airlines have benefited from low oil prices and any dramatic upward spike would surely hurt airlines' bottom line. Similarly, consumers are more likely to take driving vacations-which benefit hotels, restaurants, and all manner of leisure attractions-when gas prices are low. If prices rise, fewer families may "hit the road" in 2017. Conversely, a sustained period of "low oil" is often viewed as a deflationary sign of a global economic slowdown, which may flow into Tourism & Hotel industry.

Recent acts of global terrorism have heightened safety concerns and could reduce overall travel numbers in 2016-17

Cost overruns / delays in completion of projects of the Company; increase in fixed cost elements beyond entity control and highly litigious nature of the industry / adverse consequences of litigation against company are major concerns of the company.

Risks due to high dependence on performance of Garment industry at Tirupur city and geographic concentration of business, primarily in the city of Tirupur and Coimbatore region.



Risks arising from the development in the regulatory environment that could impact the Hotel/Tourism Industry.

**E. OUTLOOK:**

By the ambitious deadline of April 2017, the government aims to decide upon supplanting all the indirect taxes on all goods and services with the GST, making the tax base wide-ranging, transparent and inclusive.

Given the government's commitment to restructuring and development, after many years of low economic growth, India has emerged as one of the fastest growing economies in the world, making the outlook for the macroeconomic scenario hopeful. India is projected to be the fastest growing nation in the wellness tourism sector in the next five years, clocking over 20 per cent gains annually through 2017. Lower inflation coupled with healthy wage hikes (under pay commission) would boost discretionary leisure travel.

Domestic demand outlook is expected to be strong with pickup in economic activity and increase in urban disposable incomes (following the Seventh Pay Commission payouts). FTAs are however expected to be weak during FY2017, given the weak global economic outlook and heightened security concerns worldwide. With revival in the global economy, international tourist inflow into the country is expected to rise.

With a pan-India occupancy increase, revenue growth would continue; margins exhibit marginal uptick and the industry growth is expected to be around 15%. Revenue growth is expected to improve in FY2018 to 15-17%, aided by stronger domestic demand, pickup in FTA and the return of pricing power as supply additions slow down.

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

**G. BUSINESS PERFORMANCE:**

Results of operations for the year ended March 31, 2016

**i. Revenues:**

The total income stands decreased by 8.29% from Rs.1493.31 lakhs in 2014-15 to Rs.1369.57 lakhs in 2015-16.

**ii. Operating Expenses:**

The total expenditure except Interest and Depreciation stands decreased by 6.79% from Rs. 1255.22 lakhs in 2014-15 to Rs.1170.04 lakhs in 2014-15. The decrease is largely on account of decrease in expenses of Fuel and Repairs and Maintenance.

**iii. Earnings Before Interest, Depreciation and Tax:**

The PBIDT Rs.199.52 lakhs for the financial year 2015-16 is 16.19% lower than Rs.238.09 lakhs in 2014-15.

**iv. Interest Cost:**

During the year under review, the Interest cost stands Rs.1589.87 lakhs as compared to Rs. 1434.52 lakhs in the previous year. The increase is largely on account of the borrowing cost in respect of all the component of project.

**v. Profit / Loss Before Tax :**

Loss Before Tax at Rs.1602.10 lakhs against loss of Rs.1414.62 lakhs in 2014-15.

**vi. Profit/Loss After Tax:**

Loss after Tax for 2015-16 stands increased to Rs.1637.54 lakhs from loss of Rs. 1391.30 lakhs in 2014-15.

**H. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

Particulars	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
<b>OPERATING RESULTS</b>					
1. Total Income	1369.57	1493.31	1575.43	1445.95	1481.11
2. Profit Before Depre. Int & Tax	199.52	238.08	403.72	271.23	330.26
3. Interest	1589.87	1438.70	224.70	81.26	90.99
4. Depreciation	207.52	220.75	118.46	91.56	89.86
5. Tax Liability	35.44	(23.33)	3.69	44.28	63.07
6. Net Profit After Tax	(1637.54)	(1391.30)	63.86	61.09	93.83
<b>PERFORMANCE PARAMETERS</b>					
1. Share capital	3196.41	3196.41	3196.41	3196.41	3196.41
2. Reserves & Surplus	1109.13	2753.42	4154.91	4098.04	4040.93
3. Secured & Unsecured loans	12088.56	10638.11	9715.79	8178.53	5695.91
4. Fixed Assets (Gross Block)	13264.58	12818.75	12812.05	7827.02	7737.21
5. Accumulated Depreciation	1741.84	1535.04	1310.84	1199.22	1107.67
6. Net Block	11522.74	11283.71	11501.21	6627.80	6629.54

**I. HUMAN RESOURCES**

Your Company, operating in a competitive and dynamic environment, places great importance in the overall training and development of its employees, who make the decisive difference in the hotel industry.

Industrial Relations throughout the year continued to remain cordial.

## **REPORT ON CORPORATE GOVERNANCE**

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

### **PHILOSOPHY :**

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

### **BOARD OF DIRECTORS**

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

As on 31st March 2016, the total Board strength comprises of seven (7) Directors. The Company is in compliance with the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations pertaining to composition of the Board as on 31st March, 2016.

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

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

**Present Composition of Board of Directors.**

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

(\*) Resigned from Directorship on 29/08/2015 (#) Re-designated as Non-Executive Director from Whole-Time Director.

**a. Board Meetings and Attendance**

The Board normally meets four times in a year and as and when required. The time gap between two Board Meetings has not exceeded the limit of one hundred and twenty days as specified under the Companies Act, 2013 and Regulations 17 of the Listing Regulations. During the financial year 2015-16, 9 Board meeting were held. There were held on 28/05/2015, 29/06/2015, 10/08/2015, 31/08/2015, 29/09/2015, 06/11/2015, 05/12/2015, 13/02/2016 and 31/03/2016.

Directors	Board Meetings	Last AGM Attended (Yes/No)	No. of shares held by Non-Executive Directors
Sri. E.V.Muthukumara Ramalingam	9	Yes	N.A.
Sri. M.R.Gautham	9	Yes	N.A.
Sri. P.Ganesan	5	No	33050
Sri. B.A.Madhusudhan	9	Yes	36296
Smt. M.Sasikala	9	Yes	2130743
Sri. K.Subramaniam (*)	3	No	560000
Sri. Giri Balasubramanian	2	No	Nil
Sri. S.P.Sivanandam	9	Yes	100

(\*) Resigned from the Board on 29/08/2015.

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

**b. Changes in the composition of Directors**

During the year, Sri.K.Subramanian resigned as Director with effect from 29.08.2015 and Sri.B.A.Madhusudhan has been re-designated as Non-Executive from Whole-Time Director.

**COMMITTEES OF THE BOARD**

**AUDIT COMMITTEE**

**i) Terms of Reference:**

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

**ii) Composition:**

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

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

During the year, Sri.K.Subramanian resigned as Director from the Board, Smt.M.Sasikala has been inducted in place of Sri.K.Subramanian in the committee.

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

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

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

During the financial year 2015-16, 4 committee meetings were held. There were held on 28/05/2015, 10/08/2015, 06/11/2015 and 13/02/2016.

Name of The Member	Designation	No. of Meetings of Attended
Sri.P.Ganesan	Chairman	3
Smt.M.Sasikala	Member	2
Sri.K.Subramanian	Member	2
Sri.S.P.Sivanadam	Member	4

As the Chairman of the Audit Committee went abroad due to his profession, the other members of the Committee were present at the last Annual General Meeting.

**NOMINATION & REMUNERATION COMMITTEE AND POLICY :**

**a. Composition**

The Nomination & Remuneration Committee for Appointment & Remuneration of the Directors and Key Managerial Personnel was re-constituted on 31/08/2015 as Sri.K.Subramaniam, Member of the Committee resigned from the office of Director from the Board, Sri. Giri Balasubramanian has been inducted in place of Sri.K.Subramaniam in the Committee. The Committee comprises entirely of three Non-Executive / Independent Directors.

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

**b. Terms of Reference**

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

**c. Committee Meetings**

During the year under review, two meetings held on June 29, 2015 to consider the appointment of Managing Director and on 31st March, 2016 evaluated the performance of the Independent Directors, Non-Independent Directors and the Board as per the prescribed criteria.

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

Name of The Member	Designation	No. of Meetings Attended
Sri. P. Ganesan	Chairman	1
Sri. K. Subramanian	Member	1
Sri. S.P. Sivanadam	Member	2
Sri. Giri Balasubramanian	Member	1

**REMUNERATION TO MANAGING DIRECTOR / EXECUTIVE DIRECTOR**

In view of the financial difficulties experienced by the Company, the Executive Director has decided to forego and waive the salary payable to him by the Company for the period starting from 1st October, 2015 till the end of currency of his tenure or till such time the Company settles its dues with the Banks.

The details of remuneration for the year ended March 31, 2016 to the Managing/Executive Directors are reported elsewhere in the Annual Report.

## **POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION**

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

### **Criteria of selection of Non Executive Directors**

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

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

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

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

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

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

### **Remuneration**

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

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

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

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

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

### **Remuneration for Managing Director & Whole-Time Director**

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

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

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

### **Remuneration Policy for the Senior Management Employees**

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

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

### **STAKEHOLDERS RELATIONSHIP COMMITTEE**

#### **a. Composition**

The Company's Stakeholders Relationship Committee functions under the Chairmanship of Sri.P.Ganesan. Mr.S.P.Sivanandam, Non-Executive Director and Mr. E.V.Muthukumara Ramalingam, Managing Director of the Company are the other members of the Committee.

During the year, the Committee was re-constituted as Sri.K.Subramaniam, Member of the Committee resigned from the office of Director from the Board, Mr.S.P.Sivanandam has been inducted in place of Sri.K.Subramaniam in the committee.

Sri. M. Srinivasan, Company Secretary, is the Compliance Officer of the Company.

#### **b. Terms of reference**

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

#### **c. Committee meetings**

During the year under review, the Stakeholders Relationship Committee met 15 times and approved the share transfer and transmission, issue of duplicate share certificates and split of share certificate.

#### **The details of meeting held during the year as follows :**

18/04/2015, 25/04/2015, 13/06/2015, 04/07/2015, 29/08/2015, 05/09/2015, 10/10/2015, 07/11/2015, 14/11/2015, 28/11/2015, 05/12/2015, 19/12/2015, 26/12/2015, 13/02/2016 and 31/03/2016.



Complaints'status	:	1.4.2015 to 31.3.2016
Number of shareholders'complaints received during the period	:	Nil
Number not solved to the satisfaction of shareholders	:	Nil
Number of pending complaints	:	Nil

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

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

Member	Committee Meeting attended
Sri. E.V. Muthukumara Ramalingam	15
Sri. P. Ganesan	9
Sri. K. Subramaniam	5
Sri. S.P. Sivanandam	10

#### **Amounts Transferred to IEPF**

As per the provisions of Section 124 read with Section 125 of the Companies Act, 2013, the Company is required to transfer unpaid dividends remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

During the year under review, an amount of Rs.210153/- in respect of unpaid/unclaimed dividend pertaining to the financial year 2007-08 was transferred to IEPF of the Central Government.

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

#### **CORPORATE SOCIAL RESPONSIBILTY (CSR) COMMITTEE:**

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

#### **INDEPENDENT DIRECTORS MEETING:**

Independent Directors of the Company separately met March 31, 2016 as required under Schedule IV to the Companies Act, 2013 (Code for Independent Directors) and Regulation 25(3) of the Listing Regulations. None of the Non-Independent Directors and members of the Management were present at the meeting.

1. Evaluation of the performance of Non Independent Directors and the Board of Directors as a Whole;
2. Evaluation of the performance of the Managing Director of the Company, taking into account the views of the Executive and Non Executive Directors.
3. Evaluation of the quality, content and timelines of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the independent Directors were present at the meeting.

## SHAREHOLDERS:

### 1. Means of Communication:

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

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

No presentations have been made to Institutional Investors or to analysts

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

### Ministry of Corporate Affairs (MCA)

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

### SEBI Complaints Redress System (SCORES)

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

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

### 2. Share Transfers Agents:

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

### 3. Share Transfer System:

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

**4. GENERAL BODY MEETINGS :**

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

Year	Location	Date	Time
2015	Regd. Office at 41, Kangayam Road, Tirupur 641 604	29 <sup>th</sup> September, 2015	04.45 p.m.
2014	Regd. Office at 41, Kangayam Road, Tirupur 641 604	29 <sup>th</sup> September, 2014	12.15 p.m.
2013	Regd. Office at 41, Kangayam Road, Tirupur 641 604	25 <sup>th</sup> September, 2013	04.45 p.m.

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

No Extra - Ordinary General Meeting was held during the year 2015-16.

**iii. Special Resolutions:**

One special resolution was passed at the 25th Annual General Meeting for alteration of Articles of Association of the Company and three special resolutions were passed at the 24th Annual General Meeting held on 29th September, 2015 viz., Increase in borrowing power of the Company, creation of charges on the assets of the Company and Alteration of Articles of Association of the Company and no special resolutions passed at the Annual General Meeting held on 25th September, 2013.

**iv. Postal Ballot:**

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

**5. DISCLOSURES**

- There were no material individual transactions with related parties that were not in the ordinary course of business and at arm's length during the Financial year ended 31st March, 2016
- There were no materially significant transactions during the Financial Year with related parties such as the promoters, directors, key managerial personnel, relatives that could have potential conflict of interest with the Company;
- The Board of Directors receives, from time to time, disclosures relating to financial and commercial transactions, if any, from key managerial personnel of the Company, where they and/ or their relatives have personal interest.
- The Company has not adopted a treatment different from that prescribed in Accounting Standards. While preparing the financial statements of the Company for the year ended 31st March, 2016, the management has ensured that all Accounting Standards have been properly followed and there has been no deviation from this practice.
- The Company has in place a mechanism to inform the Board members about the risk assessment and mitigation plans and periodical review to ensure that the critical risks are controlled by the executive management through means of a properly defined framework.
- The Company has not come out with any public issue or right issue etc. during the financial year under review.
- The Company has complied with all the applicable requirements of the Listing Regulations. The Company has adopted a suitable reporting system on compliances of all major laws applicable to the Company, which is placed before the Board of Directors of the Company at its periodic meeting.

- h. The Company has not adopted the non-mandatory requirements of the Listing Regulations.
- i. The Company has a Code of Conduct for prevention of insider trading in the shares of the Company for directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- j. The Company has a Whistleblower Policy in place which can be accessed on the Company's website. It is affirmed that no personnel has been denied access to the Chairman of the Audit Committee in terms of the policy. During the year, the Company did not receive any complaints;
- k. No penalties / strictures were imposed on the Company by Stock Exchange or SEBI or any other statutory authorities on any matter relating to the shareholders' complaints, any other matter on account of Non-compliance of any requirements, legal and otherwise during the last three years except a Show Cause Notice was issued by SEBI with regard to non compliance of Minimum Public Shareholding. A detailed explanation was reported in the Report of Board of Directors.
- l. Accounting Standards and Treatment: The accounting treatment as prescribed in the Accounting Standards (AS) has been followed in the preparation of financial statements.
- m. The Managing Director and CFO of the Company have issued necessary Certificate to the Board at its meeting held on 27th May, 2016 in respect of the financial year ended 31st March, 2016 pursuant to the Schedule II of Regulation 17(8) of the Listing Regulations and the same is attached and forms part of the Annual Report.

## 6. GENERAL SHAREHOLDER INFORMATION

### a. Annual General Meeting

- i. Date : 30.9.2016
- ii. Time : 12.15 p.m.
- iii. Venue : Registered Office at 41 Kangayam Road, Tirupur - 641 604

### b. Financial Calendar :

- Financial reporting for the quarter ended September 30,2016 : Before November 15, 2016
- Financial reporting for the quarter ending December 31,2016 : Before February 15, 2017
- Financial reporting for the Annual for March 31, 2017 : Before May 30, 2017
- Financial reporting for the quarter ending June 30, 2017 : Before August 14, 2017

- c. Date of Book Closure : 24.9.2016 to 30.9.2016 (Both days inclusive)
- d. Dividend payment : No dividend is recommended.
- e. Listing on Stock Exchange : Bombay Stock Exchange Ltd.,  
& Stock Code 526755

### f. Stock price data.

High / Low prices of the share of the Company quoted during the financial year 2015-16 at Bombay Stock Exchange Ltd.

**f. Stock price data.**

Month & Year		High (Rs.)	Low (Rs.)
April	2015	8.00	6.66
May	2015	8.40	6.66
June	2015	7.97	6.26
July	2015	8.04	6.56
August	2015	7.68	6.14
September	2015	7.33	5.66
October	2015	7.30	5.51
November	2015	6.80	5.33
December	2015	7.19	5.73
January	2016	7.19	5.77
February	2016	7.16	4.80
March	2016	6.95	4.92

g. To avoid repetition of the report of shareholding pattern, the categories of Shareholders as on 31.03.2016 is reported in the Annexure-B to the Board' report

**h. Distribution of Shareholdings as on 31.03.2016**

Range (Value)	No. of Shareholders	%held (% No. of persons)	Face value of shares	(Rs.)% held (% Value)
Up to 5000	7309	90.44	9778950	3.06
5001 to 10000	369	4.57	3040680	0.95
10001 to 20000	175	2.17	2712130	0.85
20001 to 30000	64	0.79	1613030	0.50
30001 to 40000	33	0.41	1183680	0.37
40001 to 50000	31	0.38	1458120	0.46
50001 and 100000	35	0.43	2420380	0.76
100001 and above	66	0.82	297434220	93.05
<b>TOTAL</b>	<b>8082</b>	<b>100.00</b>	<b>319641190</b>	<b>100.00</b>

**i. Demat information as on 31.03.2016**

No. of shares dematerialized	: 30709654
% Total Capital	: 96.08
No. of share certificates dematerlised	: 22467
% of Total certificates	: 69.93

**j. Reconciliation of Share Capital Audit**

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

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

During the said period, no fund has been raised.

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

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

**m. Compliance Certificate of the auditors**

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

- n. Location of the Hotels** → Velan Hotels-Greenfields, 41 Kangayam Road, Tirupur 641 604  
 → Velan Hotel, Bedford, Ritz Road, Coonoor - 643 101

- o. Location of the Restaurants** ←→ Velan Uthra Restaurant, Avanashi Road, Behind IDBI Bank Ltd, Tirupur 641 602

- o. Location of Shopping Mall** → The Velan Esplanade, 41 Kangayam Road, Tirupur 641 604

- p. Address for correspondence** → Velan Hotels-Greenfields  
 41 Kangayam Road, Tirupur 641 604 Tamil Nadu  
 Ph Nos : (+91/0)(421) 2424426 to 30 & 4311111  
 Fax Nos : (+91/0)(421) 2424434 & 2424444  
 E-mail : accounts@velanhotels.com & investorrelations@velanhotels.com  
 Website : www.velanhotels.com

- q. Compliance Officer** : Sri. M. Srinivasan - Company Secretary

For and on behalf of the Board  
**E. V. Muthukumara Ramalingam**  
 Managing Director  
 &  
**M. R. Gautham**  
 Executive Director

Place : TIRUPUR  
 Date : 27.05.2016

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

In accordance with para D of Schedule V of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them, for the financial year ended March 31, 2016.

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

Place : TIRUPUR

Date : 27.05.2016

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

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

**Sub : Compliance Certificate furnished by Managing Director and CFO of the Company as for the quarter ended (Q4) and financial year ended 31st March, 2016 as per Part-B of Schedule II of Regulation 17(8) and 33 of SEBI(Listing Obligations and Disclosures Requirements) Regulations, 2015.**

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

- a) We have reviewed the Financial Statements, Financial Result and Cash Flow Statement for the year ended 31st March, 2016 :
  - i. These statements do not contain any materially untrue or false statement or omit any material fact or contain statements that might be misleading.
  - ii. These statements together present true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable Laws & Regulations.
  - iii) No major accounting entry, based on exercise of judgment by management, has been passed in the above Audited Financial Statements.
- b) That, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violating the Company's code of conduct.
- c) We are responsible for establishing & maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control system, if any, and that we have taken the required steps to rectify these deficiencies.
- d) We have indicated, based on our evaluation, wherever applicable, to the Auditors and the Audit Committee:
  - i. Significant changes, if any, in internal control over financial reporting during the year ;
  - ii. Significant changes, if any, in accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
  - iii) instances of fraud which we have become aware and the involvement therein, if any, of management or an employee having significant role in the Company's internal control system over financial reporting.

Place : TIRUPUR

Date : 27.05.2016

**E. V. Muthukumara Ramalingam**  
Managing Director

**R. Lalitha**  
Chief Financial Officer

**P.S. Krishnan & Co.**  
Chartered Accountants

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

## **AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To

The Members  
Velan Hotels Limited

We have examined the compliance of conditions of Corporate Governance by Velan Hotels Limited for the year ended on March 31, 2016 as stipulated in clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchange for the period April 01, 2015 to November 30, 2015 and as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations for the period 1st December 2015 to March 31, 2016.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement / Listing Regulations, as applicable.

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

Place : TIRUPUR  
Date : 27.05.2016

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

Sd/-

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





**P.S. Krishnan & Co.**  
Chartered Accountants

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

## **AUDITOR'S REPORT**

### **REPORT TO THE SHAREHOLDERS OF VELAN HOTELS LIMITED.**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of M/s.Velan Hotels Limited which comprise the Balance Sheet as at 31st March 2016, the Statement of Profit and Loss and Cash Flow Statement for the year ended and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

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

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2016;
- ii) in the case of Statement of Profit and Loss , of the loss for the year ended on that date; and
- iii) in the case of Cash Flow Statement, of the Cash Flow for the year ended on that date

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016, as amended, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet , Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014.
  - e. on the basis of written representations received From the Directors as on 31st March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016, from being appointed as a Director in terms of sub-section(2) of Section 164 of the Companies Act, 2013.
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - 1) The company has disclosed the impact of pending litigations on its financial statement- refer Note No. P in Note No.27.
    - 2) The Company has entered into any long term contract and provision is made for any material foreseeable losses thereon as on date and the Company did not have any derivative contracts during the year and ;
    - 3) During the year, the company has transferred to Investor Education and Protection Fund Rs. 210153/-, the amount of unclaimed / unpaid dividend pertaining to the Financial Year 2007 - 08.

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

Sd/-

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

Place : TIRUPUR  
Date : 27.05.2016

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

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

- i) In respect of Fixed Assets :
  - a) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - b) The Fixed Assets have been physically verified by the Management at reasonable intervals and we are informed that no material discrepancies have been noticed on such verification.
  - c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii) In respect of Inventories :
  - a) The Company has carried out physical verification of inventory at reasonable intervals. No material discrepancies were noticed on such physical verification.
- iii) The Company has not granted any loans, secured or unsecured to Companies/ firms, Limited Liability Partnership or other parties covered in the registered maintained under section 189 of the Companies Act, 2013.
- iv) In our opinion and according to the information and explanations given to us, the company has not made any loan to any of its Directors.
- v) The Company has not accepted any deposit covered by section 73 to 76 of the Companies Act, 2013 and the rules framed thereunder.
- vi) The Central Government has not prescribed for the maintenance of cost records U/s 148(1) of the Act. Hence clause (vi) of the Order is not applicable.
- vii) In respect of statutory dues :
  - a) The Company is not generally regular in depositing the undisputed statutory dues, i.e. Provident Fund, Employees State Insurance, Income tax, Sales Tax, Service Tax, Duties of Customs, Duty of Excise, Value Added Tax, Cess and any other statutory dues with appropriate authorities and the arrear of outstanding dues amounting to Rs. 1.18 crores is standing as arrears as on the last date of financial year concerned for a period of more than six months from the date they become payable.
  - b) In our opinion and according to the information and explanations given to us, there are no disputed statutory dues including Income tax, Sales Tax, Wealth Tax, Service Tax, Duties of Customs, Duty of Excise, Value Added Tax, Cess as at the year end.

viii) The Company has defaulted in repayment of term loans dues to Banks, which has been classified as NPA, since 01.04.2014 :

Name of Bank	Balance due (Rs. in Crore) Principal	Balance due (Rs. in Crore) Interest
Allahabad Bank - Tirupur Branch	39.39	15.56
Andhra Bank - Coimbatore Branch	36.49	14.02

- ix) During the year under consideration, the Company did not raise any money by way of public offer. The Term Loan availed have been applied for the purpose for which they were raised, hence Clause ix of the Order is not applicable.
- x) According to the information and explanations given to us, no fraud on or by the Company or by its officers/employees has been noticed or reported during the course of our audit.
- xi) The managerial remuneration paid to the Managing Director and other directors are in accordance with the provisions of Section 197 read with Rule 5 to the Companies Act, 2013.
- xii) Since the company is not a Nidhi Company, Clause xii of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 & 188 of the Act wherever applicable and details of such transactions have been disclosed in the financial statements as required by the applicable Accounting Standards.
- xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv) The Company has not entered into any non-cash transactions with Directors or persons connected with him. Accordingly clause xv of the Order is not applicable.
- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Hence Clause xvi is not applicable.

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

Sd/-

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

Place : TIRUPUR  
Date : 27.05.2016



**P.S. Krishnan & Co.**  
Chartered Accountants

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

## **ANNEXURE - B**

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

We have audited the internal financial controls over financial reporting of M/s. Velan Hotels Limited, Tirupur as on 31st March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

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

### **Auditors' Responsibility**

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

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

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

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : TIRUPUR

Date : 27.05.2016

**P.S.KRISHNAN & CO**

Chartered Accountants

FRN 001532S

Sd/-

**(S. SUBRAMANIAN)**

Partner

(Membership No. : 020327)

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2016**

Particulars	Note No.	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	<b>31,96,41,190</b>	31,96,41,190
(b) Reserves and Surplus	2	<b>11,09,13,136</b>	27,53,41,970
<b>(2) Non Current Liabilities</b>			
(a) Deferred Tax Liabilities (Net)	3	<b>2,94,07,010</b>	2,75,53,469
(b) Long Term Borrowings	4	<b>101,94,07,398</b>	87,37,25,736
(c) Other Long Term Provisions	5	<b>63,03,568</b>	80,61,328
(d) Others	6	<b>5,80,00,000</b>	5,80,00,000
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	7	<b>1,30,65,121</b>	1,30,78,368
(b) Trade Payables	8	<b>1,37,39,465</b>	1,31,98,166
(c) Other Current Liabilities	9	<b>25,53,35,048</b>	25,12,69,247
(d) Short - Term Provisions	10	-	-
<b>Total</b>		<b>182,58,11,937</b>	183,98,69,474
<b>II. ASSETS</b>			
<b>(1) Non Current assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	11	<b>115,22,73,631</b>	112,83,71,412
(ii) Capital work-in-Progress		<b>64,41,20,220</b>	66,98,12,580
(b) Long-Term Loans and Advances	12	<b>1,34,28,054</b>	1,49,41,732
<b>(2) Current Assets</b>			
(a) Inventories	13	<b>76,04,578</b>	87,74,526
(b) Trade Receivables	14	<b>25,74,253</b>	1,26,12,280
(c) Cash and Cash Equivalents	15	<b>47,93,157</b>	44,47,248
(d) Short-Term Loans and Advances	16	<b>10,18,044</b>	9,09,696
<b>Total</b>		<b>182,58,11,937</b>	183,98,69,474
<b>Additional Notes on Accounts</b>	27		
<b>Significant Accounting Policies</b>	28		

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

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

Chartered Accountants(FRN 001532S)

Sd/-

**(S. SUBRAMANIAN)**

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 27.05.2016

Sd/-

**E.V. Muthukumara Ramalingam**

Managing Director

Sd/-

**M. R. Gautham**

Executive Director

Sd/-

**M. Srinivasan**

Company Secretary

Sd/-

**R. Lalitha**

Chief Financial Officer

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2016**

Particulars	Note No.	Year ended 31.3.2016 Rs.	Year ended 31.3.2015 Rs.
<b>I. Revenue from operations (Gross)</b>	17	<b>13,01,03,454</b>	14,24,53,415
Less : Excise duty		-	-
Revenue from operations (Net)		<b>13,01,03,454</b>	14,24,53,415
<b>II. Other Income</b>	18	<b>68,53,749</b>	68,77,711
<b>III. Total (I + II )</b>		<b>13,69,57,203</b>	14,93,31,125
<b>IV. Expenses</b>			
Cost of Supplies consumed	19	<b>3,11,03,517</b>	3,09,37,007
House keeping & Laundry expenses	20	<b>18,12,588</b>	18,77,980
Power & Fuel	21	<b>2,44,25,953</b>	2,80,43,195
Employee benefits expenses	22	<b>3,06,27,563</b>	3,43,16,620
Repairs and General maintenance	23	<b>99,27,860</b>	1,12,90,915
Finance Cost	24	<b>15,89,87,454</b>	14,34,52,019
Other Expenses	25	<b>1,91,06,899</b>	1,94,75,093
Depreciation	26	<b>2,07,52,498</b>	2,20,75,466
Total Expenses		<b>29,67,44,332</b>	29,14,68,296
<b>V. Profit / Loss before Exceptional Item and Tax(III-IV)</b>		<b>-15,97,87,129</b>	-14,21,37,171
<b>VI. Exceptional Items</b>		<b>-4,23,280</b>	6,74,560
<b>VII. Profit / Loss before Tax (V+VI)</b>		<b>-16,02,10,409</b>	-14,14,62,611
<b>VIII. Extra - ordinary Items</b>		-	-
<b>IX. Less: Tax Expenses</b>			
1) Current Tax		-	-
2) Tax relating to prior years		<b>2,40,324</b>	-
3) MAT Entitlement		<b>14,50,000</b>	-
4) Deferred Tax		<b>18,53,541</b>	23,32,788
<b>X. Profit / Loss for the year</b>		<b>-16,37,54,274</b>	-13,91,29,823
<b>XI. Earning per share (of Rs.10/- each)</b>			
(a) Basic / Weighted Average		<b>-5.12</b>	-4.35
(b) Diluted		-	-
<b>Additional Notes on Accounts</b>	27		
<b>Significant Accounting Policies</b>	28		

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

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

Chartered Accountants(FRN 001532S)

Sd/-

**(S. SUBRAMANIAN)**

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 27.05.2016

Sd/-

**E.V. Muthukumara Ramalingam**

Managing Director

Sd/-

**M. Srinivasan**

Company Secretary

Sd/-

**M. R. Gautham**

Executive Director

Sd/-

**R. Lalitha**

Chief Financial Officer



**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015 - 2016**

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>NOTE 1 : SHARE CAPITAL</b>		
AUTHORISED		
5,00,00,000 Equity Shares of Rs.10/- each	<b>50,00,00,000</b>	50,00,00,000
	<b>50,00,00,000</b>	50,00,00,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
3,19,64,119 Equity Shares of Rs.10/- each	<b>31,96,41,190</b>	31,96,41,190
Total	<b>31,96,41,190</b>	31,96,41,190
a) <b>Reconciliation of Number of Shares</b>		
- Shares outstanding as at 01.04.2015/01.04.2014	<b>3,19,64,119</b>	3,19,64,119
- Issued during the year	-	-
- Shares outstanding as at 31.03.2016/31.03.2015	<b>3,19,64,119</b>	3,19,64,119
b) <b>List of shareholders holding more than 5% of the total number of shares issued by the Company:</b>		
<b>Name of the Share holders</b>		
1. Sri. E. V. Muthukumara Ramalingam	<b>1,26,78,383</b>	1,26,78,383
2. Sri. M. R. Gautham	<b>64,20,750</b>	64,20,750
3. M/s. Shree Vallee Enterprises Private Limited	<b>28,26,934</b>	28,26,934
4. Smt. M. Sasikala	<b>21,30,743</b>	21,30,743
c) The Company has only one class of shares i.e. equity shares with equal voting rights.		
<b>NOTE 2 : RESERVES AND SURPLUS</b>		
a) <b>Capital Reserve</b>		
Revaluation Reserve	<b>7,16,83,901</b>	7,16,83,901
(Reserves created out of revaluation of Land & Building Situated at Tirupur)		
Less: Depreciation on revalued assets	<b>98,23,564</b>	91,49,004
	<b>6,18,60,337</b>	6,25,34,897
b) <b>Surplus in Statement of Profit and Loss</b>		
Opening balance	<b>-10,19,76,474</b>	3,74,98,014
Add : Profit / Loss for the year	<b>-16,37,54,274</b>	-13,91,29,823
	<b>-26,57,30,748</b>	-10,16,31,809
Less: Adjustments	-	-3,44,665
Closing balance	<b>-26,57,30,748</b>	-10,19,76,474
c) <b>Other Reserve</b>		
Security Premium Account	<b>31,47,83,547</b>	31,47,83,547
	<b>31,47,83,547</b>	31,47,83,547
Total (a + b + c)	<b>11,09,13,136</b>	27,53,41,970

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015 - 2016**

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>NOTE 3 : DEFERRED TAX LIABILITIES</b>		
Opening Balance	2,75,53,469	2,98,86,257
Provision / (Reversal)	18,53,541	-23,32,788
Closing Balance	<b>2,94,07,010</b>	2,75,53,469
<b>NOTE 4 : LONG-TERM BORROWINGS</b>		
a) Term Loans - From Banks	95,93,67,647	80,26,83,696
b) Loans and Advances from Related parties	3,94,47,712	3,94,47,711
c) Security Deposit from Tenants	2,05,92,039	3,15,94,329
	<b>101,94,07,398</b>	87,37,25,736
<b>NOTE 5 : OTHER LONG TERM PROVISIONS</b>		
a) Provision for Employee Benefits	37,43,132	53,04,576
b) Provision for Taxation - Income Tax (Net)	25,60,436	27,56,752
	<b>63,03,568</b>	80,61,328
<b>NOTE 6 : OTHERS</b>		
a) Others	5,80,00,000	5,80,00,000
	<b>5,80,00,000</b>	5,80,00,000
<b>NOTE 7 : SHORT TERM BORROWINGS</b>		
a) Working Capital Loan from Bank	1,30,65,121	1,30,78,368
	<b>1,30,65,121</b>	1,30,78,368
<b>NOTE 8 : TRADE PAYABLES</b>		
Trade Payable	1,37,39,465	1,31,98,166
	<b>1,37,39,465</b>	1,31,98,166
<b>NOTE 9 : OTHER CURRENT LIABILITIES</b>		
a) Current maturities of long-term debt	8,92,49,389	8,98,71,714
b) Interest accrued and due on borrowing	8,71,35,463	8,71,35,463
c) Unpaid dividend	10,63,830	13,10,575
d) Statutory liabilities	1,33,12,416	93,74,349
e) Other Payables	90,24,320	82,53,509
f) Capital Goods Liability	5,51,45,566	5,51,24,059
g) Advance / Progress Payments from Customers	4,04,064	1,99,578
	<b>25,53,35,048</b>	25,12,69,247
<b>NOTE 10 : SHORT -TERM PROVISIONS</b>	<b>0</b>	0
	<b>0</b>	0

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015-2016**
**NOTE 11 : FIXED ASSETS**

Description of Assets	Gross Block				Depreciation				Net Block	
	As at 1.4.2015	Additions	Deletions	As at 31.3.2016	Up to 31.3.2015	For the year	With drawn	Up to 31.3.2016	As at 31.3.2015	As at 31.3.2016
Land	45,01,50,385	0		45,01,50,385	0	0		0	45,01,50,385	45,01,50,385
Building	63,99,75,804	4,41,20,688		68,40,96,492	6,10,89,605	98,65,983		7,09,55,588	57,88,86,199	61,31,40,904
Plant & Machinery	14,58,98,529	4,98,157	0	14,63,96,686	6,30,64,840	63,18,807	0	6,93,83,647	8,28,33,689	7,70,13,039
Furniture & Fittings	3,51,90,369	29,415		3,52,19,784	2,55,42,633	33,26,486		2,88,69,119	96,47,736	63,50,665
Vehicles	1,06,60,288	34,500	1,00,219	1,05,94,569	38,06,886	12,41,222	72177	49,75,931	68,53,402	56,18,638
	<b>128,18,75,376</b>	<b>4,46,82,760</b>	<b>1,00,219</b>	<b>1,32,64,57,916</b>	<b>15,35,03,964</b>	<b>2,07,52,498</b>	<b>0</b>	<b>17,41,84,285</b>	<b>112,83,71,412</b>	<b>115,22,73,631</b>

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>NOTE 12 : LONG-TERM LOANS AND ADVANCES</b> (Unsecured, considered good)		
a) Capital Advances	0	40,000
b) Deposit with others	28,51,326	26,44,740
c) Other Non Current Assets	8,96,540	12,25,121
d) MAT Entitlement	52,63,540	67,13,540
e) Balance with Revenue Authorities	35,67,151	35,67,151
f) Other Bank Balance -Deposit	8,49,497	7,51,180
	<b>1,34,28,054</b>	<b>1,49,41,732</b>
<b>NOTE 13 : INVENTORIES</b> (a) Stores and Provisions (Valued at Lower of cost or market price and as certified by the Management)	<b>76,04,578</b>	<b>87,74,526</b>
	<b>76,04,578</b>	<b>87,74,526</b>
<b>NOTE 14 : TRADE RECEIVABLES</b> <b>UNSECURED, CONSIDERED GOOD</b> (*Includes an amount of Rs.103983 (P.Y..52024) outstanding for a period exceeding six months from the date they are become due)	<b>25,74,253</b>	<b>1,26,12,280</b>
	<b>25,74,253</b>	<b>1,26,12,280</b>
<b>NOTE 15 : CASH AND CASH EQUIVALENTS</b> <b>Cash on hand</b>	<b>28,53,315</b>	<b>23,36,665</b>
Balance with bank - Current accounts	8,76,012	7,99,307
- unpaid dividend accounts	10,63,830	13,11,276
	<b>47,93,157</b>	<b>44,47,248</b>
<b>NOTE 16 : SHORT-TERM LOANS AND ADVANCES</b> <b>UNSECURED, CONSIDERED GOOD</b> (Advances recoverable in cash or kind or for value to be received)		
(a) Advances (others)	1,80,862	2,12,959
(b) Prepaid Expenses	8,37,182	6,96,737
	<b>10,18,044</b>	<b>9,09,696</b>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015 - 2016

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>NOTE 17 : SALE OF SERVICES</b>		
a) Guest Accomodation	5,72,57,230	6,81,45,630
b) Others	2,31,000	1,88,250
c) Rental Income - Shopping Arcade	0	0
<b>Sale of Products</b>		
a) Food & Beverage	5,63,87,522	5,67,84,804
b) Liquor	1,07,40,519	1,07,82,397
<b>Other Operative Services</b>		
a) Taxi hire	0	72,145
b) Swimming Pool Income	18,82,010	27,00,470
c) Service charges	10,71,922	12,26,062
d) Laundry receipts	11,50,099	6,01,592
e) Telephone charges receipts	13,83,154	19,52,065
	<b>13,01,03,454</b>	<b>14,24,53,415</b>
<b>NOTE 18 : OTHER INCOME</b>		
a) Interest receipts	2,15,338	1,37,429
b) Misc.Income	62,52,759	65,00,030
c) Sundry Balance w/back	1,91,326	1,50,019
d) Other income	1,46,230	77,667
e) Rounded off	1,049	2,018
f) Commission	34,827	10,547
g) Profit on sale of asset	12,220	0
	<b>68,53,749</b>	<b>68,77,711</b>
<b>NOTE 19 : COST OF SUPPLIES CONSUMED</b>		
Opening Stock	87,74,526	80,64,423
Add : Purchases	2,99,33,569	3,16,47,110
	<b>3,87,08,095</b>	<b>3,97,11,533</b>
Less : Closing Stock	76,04,578	87,74,526
	<b>3,11,03,517</b>	<b>3,09,37,007</b>
<b>NOTE 20 : HOUSEKEEPING AND LAUNDRY EXPENSES</b>		
Housekeeping expenses	15,12,260	15,89,518
Laundry expenses	3,00,328	2,88,462
	<b>18,12,588</b>	<b>18,77,980</b>
<b>NOTE 21 : POWER &amp; FUEL</b>		
Electricity charges	1,11,63,440	1,04,08,063
Diesel & Lubricants	28,99,174	54,58,297
Firewood	68,45,099	65,51,015
Gas	21,54,652	36,21,600
Charcoal	4,47,458	5,72,550
Water	9,16,130	14,31,670
	<b>2,44,25,953</b>	<b>2,80,43,195</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015 - 2016**

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>NOTE 22 : EMPLOYEE BENEFITS EXPENSES</b>		
Salary & Wages	2,68,28,496	2,68,54,460
Director Remuneration	10,40,000	31,00,000
Bonus & Exgratia	6,83,272	7,95,354
Gratuity & Leave salary	46,400	16,95,294
Staff welfare expenses	9,87,281	9,31,778
Contribution to Statutory Funds	10,42,114	9,39,734
	<b>3,06,27,563</b>	<b>3,43,16,620</b>
<b>NOTE 23 : REPAIRS AND GENERAL MAINTENANCE</b>		
Building	26,67,952	30,30,145
Machinery	69,28,565	78,68,027
Others	3,31,343	3,92,744
	<b>99,27,860</b>	<b>1,12,90,915</b>
<b>NOTE 24 : FINANCE COST</b>		
Term Loan Interest	15,65,06,055	14,10,56,433
Working Capital Loan Interest	20,39,403	20,54,763
Financial Charges	4,41,996	3,40,824
	<b>15,89,87,454</b>	<b>14,34,52,019</b>
<b>NOTE 25 : OTHER EXPENSES</b>		
<b>a) Selling Expenses</b>		
Advertisement	3,03,205	2,02,208
Credit Card Service Charges	1,46,100	79,345
Business Promotion Expenses	14,69,932	15,89,331
Discount	1,45,472	3,05,022
<b>b) Administrative expenses</b>		
Bank Charges	20,00,168	18,13,461
Filing Fee	21,800	43,468
Telephone Charges	12,80,537	9,48,890
Printing & Stationery	6,55,902	7,26,498
Misc.Expenses	3,49,908	4,73,697
Postage & Telegram	2,40,906	2,07,843
Periodicals & New Papers	1,28,294	1,47,377
Carriage Inward	3,28,667	2,50,984
Professional Fees	11,05,877	12,63,505
Lease Rent	8,97,580	19,64,430
Legal Fees	4,30,000	33,800
Loss on sale of asset	8,677	0
Rates & Taxes	43,11,923	32,18,315
Travelling & Conveyance	19,53,337	17,28,121
Insurance	6,55,147	7,94,201
Pooja Expenses	80,035	85,883

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2015 - 2016

Particulars	As at 31.3.2016 Rs.	As at 31.3.2015 Rs.
<b>b) Administrative expenses (Contd.)</b>		
Meeting Expenses	0	10,000
Subscription	58,220	37,505
Remuneration to Auditors :-		
- Statutory Audit	75,000	75,000
- Tax Audit	25,000	25,000
- Taxation Matters	50,000	75,000
- Certification work	75,420	1,34,095
- Others & Service Tax	21,000	21,630
Internal audit fee	3,31,200	3,16,800
Luxury Tax	71,621	0
Share Transfer Expenses	2,24,329	87,638
Vehicle running expenses	11,53,459	16,28,251
Security service charges	1,94,564	5,16,908
Service Tax Reversal	3,13,620	6,70,887
	<b>1,91,06,899</b>	<b>1,94,75,093</b>
<b>NOTE 26 : DEPRECIATION</b>		
Building	98,65,983	1,07,76,253
Plant & Machinery	63,18,807	64,31,480
Furniture & Fittings	33,26,486	36,16,739
Vehicles	12,41,222	12,50,994
	<b>2,07,52,498</b>	<b>2,20,75,466</b>

**NOTE 27 : ADDITIONAL NOTES**

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

**i. Income of the Company includes the following :**

Particulars	31.3.2016 Rs.	31.3.2015 Rs.
Guest Accommodation	5,72,57,230	6,81,45,630
Foods & Beverage Sales	5,63,87,522	5,67,84,804
Wine & Liquor	1,07,40,519	1,07,82,397
Telephone Receipts	13,83,154	19,52,065
Others	1,11,88,778	1,16,66,229
	<b>13,69,57,203</b>	<b>14,93,31,125</b>
<b>i) Opening Stock</b>		
Provisions, & Supplies	83,72,670	77,22,389
Wine & Liquor	4,01,856	3,42,034
	<b>87,74,526</b>	<b>80,64,423</b>
<b>ii) Closing Stock</b>		
Provisions & Supplies	58,75,883	83,72,670
Wine & Liquor	17,28,695	4,01,856
	<b>76,04,578</b>	<b>87,74,526</b>
<b>iii) Consumption</b>		
Provisions & Supplies	2,84,69,583	2,76,41,882
Wine & Liquor	26,33,934	32,95,125
	<b>3,11,03,517</b>	<b>3,09,37,007</b>

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

	2015- 2016		2014- 2015	
	Value Rs.	Percentage %	Value Rs.	Percentage %
<b>PROVISIONS &amp; SUPPLIES</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	3,11,03,517	100%	3,09,37,007	100%

j. **TERM LOANS :**

1. Allahabad Bank , Andhra Bank & Axis Bank Limited.  
Secured by way of Hypothecation of entire fixed assets of the Company both existing and future, Equitable Mortgage of hotel properties at Tirupur and Coonoor and Hypothecation of entire current assets of the Company. The loan is also personally guaranteed by the Managing Director & Executive Director of the Company.
2. Axis Bank Limited - Vehicle Loan  
Secured by way of hypothecation of the Vehicle of the Company.

k. **EARNING IN FOREIGN EXCHANGE**

(As reported by the Management to the Department of Tourism but not verified by the Auditors)	2015 - 2016	2014 - 2015
		Rs. 307.94 Lakhs

l. **CIF VALUE OF IMPORTS**

Capital Goods	2015 - 2016	2014 - 2015
		Rs. Nil

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

n. Earning per share :

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

Particulars	31.3.2016 Rs.	31.3.2015 Rs.
Profit / Loss before Tax for the year	-15,97,87,129	-14,21,37,171
Net Profit / Loss for the year attributable to equity share holders (A)	-16,37,54,274	-13,91,29,823
No. of equity shares (In Numbers) (B)	3,19,64,119	3,19,64,119
Earnings per share/ Weighted Average (A) / (B)	-5.12	-4.35
Nominal value per share	10/-	10/-



- o. Net Deferred Tax in respect of the year ending 31st March 2016 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2016 are computed as below :

**DEFERRED TAX LIABILITY**

Rs. in Lakhs

S. No.	Particulars	Opening Balance	Reversal during the year	Closing Balance
1.	Depreciation on account of difference in Depreciation under Income Tax Act and books of accounts	275.53	18.54	294.07
	Total (A)	275.53	18.54	294.07

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

**q. Related Party Transactions.**

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

**1. List of related parties and nature of relationships :**

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

**a. Interested Concerns**

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

**b. Key Management Personnel :**

I	Sri. E.V. Muthukumara Ramalingam, Managing Director
II	Sri. M.R. Gautham, Executive Director
III	Sri. K. Subramaniam, Director (upto 29/08/2015)
IV	Sri. P. Ganesan, Director
V	Smt. Sasikala, Director
VI	Sri. Giri Balasubramaniam, Director
VII	Sri. B. A. Madhusudhan, Director
VIII	Sri. S.P.Sivanandam, Director
IX	Sri.Srinivasan - Company Secretary
X	Smt.R.Lalitha - CFO.

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

S.No.	Name of the party	Relation ship	Nature of transactions	Amount (in Rs.)	Amount outstanding as on 31.03.2016	Amount w/o during the year
1.	Sri. E.V. Muthukumara Ramalingam, Managing Director	Key Managerial personnel	Director Remuneration	4,40,000	28,00,903(Cr)	Nil
			Fuel Purchase	24,07,922		
2.	Sri.M.R.Gautham Executive Director	Key Managerial personnel	Director Remuneration	6,00,000	3,66,46,808(Cr)	Nil
3.	Sri. Srinivasan Company Secretary	Key Managerial personnel	Salary	2,64,000	Nil	Nil
4.	Smt.R.Lalitha-CFO.	Key Managerial personnel	Salary	6,52,736	Nil	Nil

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

#### **NOTE 28 : SIGNIFICANT ACCOUNTING POLICES**

##### **a) Basis of Presentation :**

The financial statements have been prepared under the historical cost convention, on an accrual basis and in accordance with generally accepted accounting principles generally accepted in India (Indian GAAP) and comply with mandatory Accounting Standards notified by the Central Government of India under the Companies (Indian Accounting Standards) Rules 2015 and the relevant provisions of the Companies Act,2013 to the extent applicable except for certain fixed assets which have been revalued. The Accounting is on the basis of a going concern concept.

##### **b) Revenue Recognition :**

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

##### **c) Foreign Currency Transactions :**

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

##### **d) Fixed Assets**

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

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

**e) Depreciation**

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

**f) Valuation of Inventory :**

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

**g) Employee Benefits**

1. Defined Contribution Plan

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

2. Defined Benefit Plan

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

3. Short Term Benefits

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

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

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

**i) Contingent Liabilities**

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

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

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

**k) Borrowing Cost**

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

**l) Taxation**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016

Particulars	Year ended on 31.3.2016 Rs.		Year ended on 31.3.2015 Rs.	
	<b>A. Cash Flow from operating Activities</b>			
Net Profit / (Loss) Before Tax		-16,02,10,409		-14,14,62,611
Add: Extra Ordinary Items	4,23,280		3,44,665	
Loss on sale of assets	8,677	4,31,957	0	3,44,665
Less: Extra Ordinary Items		-15,97,78,452		-14,11,17,946
Short provision towards taxation	2,40,324		0	
Profit on sale of assets	12,220	2,52,544	0	0
		-16,00,30,996		-141117946
<b>Adjustment for :</b>				
Depreciation	2,07,52,498		2,14,00,906	
Interest Receipts	2,15,338		1,37,429	
Finance cost	15,89,87,454	17,99,55,290	14,38,70,297	16,54,08,632
Operating Profit before working Capital changes		1,99,24,294		2,42,90,687
(Increase)/Decrease in Trade Receivables	1,00,38,027		-15,80,608	
(Increase)/Decrease in Inventories	11,69,948		-7,10,103	
(Increase)/Decrease in Short term loans&Advances	-1,08,348		1,95,860	
(Increase)/Decrease in Long term loans&Advances	-1,32,638		-79,827	
Increase/(Decrease) in Trade Payables	5,41,299		-13,99,471	
Increase/(Decrease) in Other Payables	50,17,961	1,65,26,250	-63,63,953	-99,38,102
Cash generated from operations		3,64,50,544		1,43,52,585
Taxes paid	27,40,324		0	
Gratuity and Leave salary and Bonus paid	6,09,284	33,49,608	4,68,510	4,68,510
		3,31,00,936		1,38,84,075
<b>B. Cash flow from investing activities</b>				
Capital Expenditure	1,90,05,490		1,98,76,457	
Advance Received against Fixed assets	0		5,80,00,000	
Proceeds from sale of fixed assets	31,585	1,89,73,905	0	-3,81,23,544
Net cash used in investing activities		1,41,27,031		5,20,07,618
<b>C. Cash from Financing Activities</b>				
Finance Cost	15,89,87,454		14,38,70,297	
Interest receipts	2,15,338		1,37,429	
Dividend Paid	2,46,745		525	
Dividend tax paid	0		0	
Proceeds from Long term borrowings	-14,56,81,662		-7,39,58,053	
Proceeds from short term borrowings	13,247		-1,82,73,093	
Proceeds from Short term loan others	0	1,37,81,122	13,402	5,17,90,508
Net increase / Decrease in cash /cash equivalents		3,45,909		2,17,110
Cash and cash equivalents opening as on 01.04.2015 / 01.04.2014		44,47,248		42,30,138
Cash and cash equivalents closing as on 31.03.2016/31.03.2015		47,93,157		44,47,248

Notes 1 to 28 form part of Annual Accounts

"As Per our report of even date"

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

Chartered Accountants(FRN 001532S)

Sd/-

**(S. SUBRAMANIAN)**

Partner

(Membership No. : 020327)

Place : Tirupur

Date : 27.05.2016

Sd/-

**E.V. Muthukumara Ramalingam**

Managing Director

Sd/-

**M. Srinivasan**

Company Secretary

Sd/-

**M. R. Gautham**

Executive Director

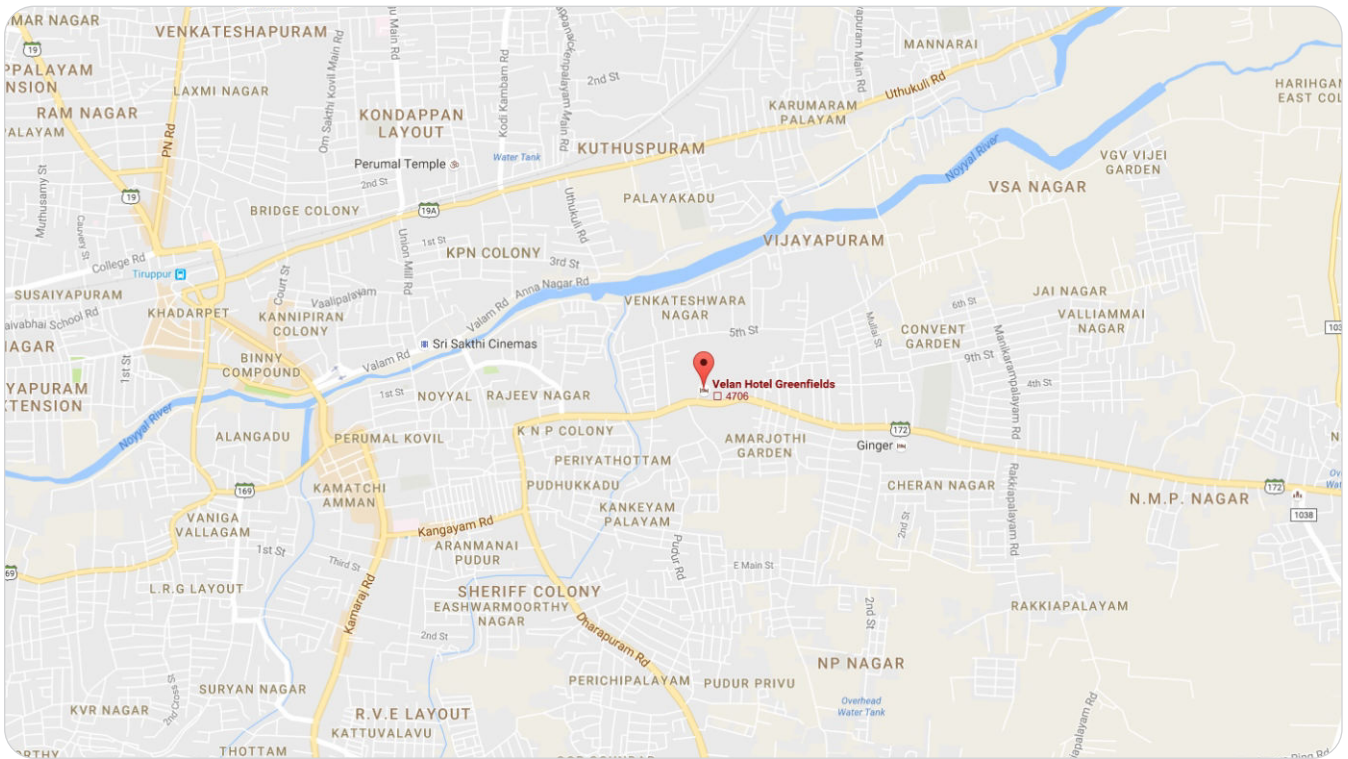
Sd/-

**R. Lalitha**

Chief Financial Officer

**Velan Hotel Limited 2016**

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





# VELAN HOTELS LTD

CIN : L55101TZ1990PLC002653

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

## ATTENDANCE SLIP

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

Name & Address of the Shareholder

SEQUENCE No:

FOLIO No :

DP.ID :

Client ID :

I hereby record my presence at the 26<sup>th</sup> ANNUAL GENERAL MEETING at 41, Kangayam Road, Tirupur - 641 604 on Friday, 30<sup>th</sup> September, 2016 at 12.15 p.m.

Signature of the Member or Proxy

No. of Share held

### Form No. MGT-11

## PROXY FORM

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

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

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

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

1	Name	
	Address	
	E-mail ID	
	Signature	

or failing him

2	Name	
	Address	
	E-mail ID	
	Signature	

or failing him

3	Name	
	Address	
	E-mail ID	
	Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 26<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 30<sup>th</sup> September, 2016 at 12.15 p.m. at 41, Kangayam Road, Tirupur - 641 604 and at any adjournment thereof in respect of such resolutions as are indicated below :

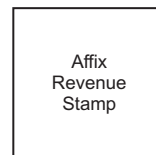
Resolution No. ( )

1	
2	
3	
4	
5	

Signed this ..... day of ..... 2016.

Signature of shareholder :

Signature of Proxy holder(s) :



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