



## VELAN HOTELS LIMITED

Registered Office: 41, Kangeyam Road, Tirupur - 641 604

Tel: +91-0421- 431 1111; Fax: +91-0421-2424434;

Email: [accounts@velanhotels.com](mailto:accounts@velanhotels.com); Website: [www.velanhotels.com](http://www.velanhotels.com)

GSTIN : 33AAACV8449H3Z3 / CIN : L55101TZ1990PLC2653

December 2, 2020

BSE Ltd  
Corporate Relationship Dept  
Floor No.25, P.J.Towers  
Dalal Street  
Mumbai 400 001

Dear Sirs

### **Sub: Submission of Annual Report – 2019-20 – Reg**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith Notice of 30<sup>th</sup> Annual General Meeting of the Company, along with Annual Report 2019-20, as sent to the Members of the Company within the time stipulated under the Act and rules framed there-under through electronic mode.

Please take the same on record

Thanking you

Yours truly,

**For VELAN HOTELS LIMITED**

*M. Srinivasan*

**M.SRINIVASAN  
COMPANY SECRETARY**

## VELAN HOTELS LIMITED

(CIN : L55101TZ1990PLC002653)

### 30<sup>th</sup> ANNUAL REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2020

#### BOARD OF DIRECTORS

**SRI P. GANESAN**

NON-EXECUTIVE CHAIRMAN (DIN : 00049804)

**SRI. E.V. MUTHUKUMARA RAMALINGAM**

MANAGING DIRECTOR (DIN : 00046166)

**SRI. M.R. GAUTHAM**

EXECUTIVE DIRECTOR (DIN : 00046187)

**SRI. B.A. MADHUSUDHAN (Upto 18.8.2020)**

DIRECTOR (DIN : 01027496)

**SMT. M. SASIKALA**

DIRECTOR (DIN : 01452586)

**SRI. S.P. SIVANANDAM**

DIRECTOR (DIN : 01864334)

**SRI. M. SRINIVASAN**

COMPANY SECRETARY

**SMT. R. LALITHA**

CHIEF FINANCIAL OFFICER

**M/S.RANGARAJAN & CO**

INTERNAL AUDITOR

**SRI. GANESH VISWANATHAN**

SECRETARIAL AUDITOR

#### AUDITORS

**M/S. KRISHAAN & CO.,**

Chartered Accountants

Flat No.10, C-Wing, 6th Floor

Parsn Manere, 442 (602) Anna Salai

Chennai 600 006

Phone : 044 - 2827 2569

E-mail : ksr@krishaan.in

#### 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 - 4958995

E-mail : info@skdc-consultants.com

#### BANKERS

AXIS BANK LIMITED

CANARA BANK

UNION BANK OF INDIA

#### REGD. & ADMINISTRATIVE OFFICE

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

#### LOCATION OF HOTELS

**VELAN HOTEL-GREENFIELDS**

41 Kangayam Road, Tirupur - 641 604 Tamil Nadu

**VELAN HOTEL**

Ritz Road, Bedford, Coonoor 643 101 Tamilnadu

#### 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

# VELAN HOTELS LIMITED

Regd. Office : 41, Kangayam Road, Tirupur 641 604

CIN : L55101TZ1990PLC002653

## NOTICE OF THE 30th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 30<sup>th</sup> Annual General Meeting ("AGM") of the Members of the Velan Hotels Limited will be held on Saturday, 26<sup>th</sup> December, 2020 at 12.05 p.m. through Video Conferencing (VC) / Other Audio Visual Means (OAVM), to transact the following business:

### AGENDA

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2020 and Statement of Profit and Loss for the year ended on that date, the Cash Flow Statement and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.M.R.Gautham having DIN 00046187 who retires by rotation and being eligible, offers himself for re- appointment.
3. 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.

#### SPECIAL BUSINESS:

4. To consider re-appointment of Mr.M.R.Gautham (DIN: 00046187) as an Executive Director without remuneration and in this regard to consider, if thought fit, to pass, the following resolutions 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 of Mr.M.R.Gautham as the Executive Director of the Company for a further period of three years with effect from 11/11/2019 on terms and conditions 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 as it may deem fit and as may be acceptable to Mr.M.R.Gautham"

**"RESOLVED FURTHER THAT** Mr.M.R.Gautham 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"

5. To consider adoption of new set of Memorandum of Association of the Company and in this regard to consider, if thought fit, to pass, the following resolutions as a Special Resolution :

**“RESOLVED THAT** pursuant to the provisions of Section 4 and 13 of the Companies Act 2013, and all other applicable provisions, if any, of the Companies Act 2013 and the rules framed thereunder, and subject to any amendment(s) thereto or statutory modification(s) or re-enactment(s) thereof for the time being in force as may be made therein(“Companies Act”) and subject to the approval of the Registrar of Companies, Tamilnadu, Coimbatore (“ROC”) and/or of any other statutory or regulatory authority, as may be necessary from the appropriate authorities which the Board of Directors is hereby authorized to accept as may be deemed fit, consent of the members of the Company be and is hereby accorded to amend the Memorandum of Association of the Company with respect to the Object Clause (Clause III), Liability Clause (Clause IV) and Share Capital Clause (Clause V) of the Memorandum of Association of the Company and such other amendments as may be required to align the Memorandum of Association with the provisions of the Companies Act, 2013 and consequently changing the object numbering as may be appropriate”

**“RESOLVED FURTHER THAT** in accordance with the Table A of the Schedule I to the Act, Clause III-A of the existing Object Clause “The main objects to be pursued by the Company on its incorporation are” be substituted by new heading, “The Objects to be pursued by the Company on its Incorporation”

**“RESOLVED FURTHER THAT** in accordance with the Table A of the Schedule I to the Act, the Clause III (B) of the Memorandum of Association of the Company, be renamed as under:

- Clause III (B) – MATTERS WHICH ARE NECESSARY FOR FURTHERANCE OF THE OBJECTS SPECIFIED IN CLAUSE III (A) are:”

**“RESOLVED FURTHER THAT** the existing Clause III (c) – Other Objects of the Memorandum of Association of the Company be and is hereby deleted in its entirety”

**“RESOLVED FURTHER THAT** in accordance with the Table A of the Schedule I to the Act, the Clause IV of the Memorandum of Association of the Company, be altered as under:

- The liability of the members is limited and this liability is limited to the amount unpaid, if any, on the shares held by them”.

**“RESOLVED FURTHER THAT** in accordance with the Table A of the Schedule I to the Act, the Clause V of the Memorandum of Association of the Company, be altered as under:

- The Authorised Share Capital of the Company Rs.50,00,00,000/- (Rupees Fifty Crores only) divided into 5,00,00,000 ( Five Crores only) equity shares of Rs. 10/- ( Rupees Ten ) each”

**“RESOLVED FURTHER THAT** the words 'Companies Act, 1956' in the existing MOA shall be substituted with the words 'Companies Act, 2013', wherever required and reference to various Sections of the Companies Act, 1956 in the existing MOA, be replaced with the reference to the corresponding Sections of the Companies Act, 2013”

**“RESOLVED FURTHER THAT** the existing Memorandum of Association of the Company, duly modified as aforesaid, or as suggested by the appropriate authority and accepted by the Board of Directors, be adopted as the Memorandum of Association of the Company”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things and to sign all such other documents, in each case, as

they or any of them may deem necessary, proper or desirable (including without limitation making the appropriate e-filings with the Registrar of Companies/Ministry of Corporate Affairs), in connection with the alteration of Memorandum of Association of the Company, as approved by the Board and the members of the Company and/or generally to give effect to the foregoing resolutions.”

6. To consider alteration of Main Object clause of the Memorandum of Association of the Company and in this regard to consider, if thought fit, to pass, the following resolutions as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 4 and 13 of the Companies Act 2013, and all other applicable provisions, if any, of the Companies Act 2013 and the rules framed thereunder, and subject to any amendment(s) thereto or statutory modification(s) or re-enactment(s) thereof for the time being in force as may be made therein (“Companies Act”) and subject to the approval of the Registrar of Companies, Tamilnadu, Coimbatore (“ROC”) and/or of any other statutory or regulatory authority, as may be necessary from the appropriate authorities which the Board of Directors is hereby authorized to accept as may be deemed fit, consent of the members of the Company be and is hereby accorded for effecting the following modifications and amendments in the existing Object Clauses of the Memorandum of Association of the Company (the “Memorandum”)

**“RESOLVED FURTHER THAT** Clause III(A) of the Memorandum of Association of the Company be altered by inserting following sub-clauses after sub-clause 3:

4. To carry on India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power, wind power in all its branches at such place or places as may be permitted by appropriate authorities by establishments of thermal plants, gasification power plant, hydel power plants, atomic plants, wind power plants, co generation, bio mass, solar plants, Bio mass Gasifier power plants and other power plants based on any source of energy as may be developed or invented in future and also to produce electricity by non conventional method with the use of agricultural by products such as coco peat, coir, fiber and to construct, lay down, establish, operate and maintain power generation plants and stations based on conventional and non-conventional energy systems such as hydel, wind, wave, bio gas, bio fuels, vegetable oils, solar, steam, LSHS diesel, furnace oil, coal gas, hydro carbon, LPG, bio mass generated gas and all kinds of fuel facilities that are owned or leased or operated under any such arrangement including the energy saving devices and all kinds of civil engineering works.
5. To carry on the business of builders, constructors, developers, demolishers, levelers, scrapers of shopping complex, commercial complex, residential units, halls, marriage halls, hotel complexes, hospitals, theatres, multiplexes, drainage facility, roads bridges, flyovers, highways, godowns, hangers, bus stands, railway stations, shipyards, airports, platforms, subways, underground facilities for road / rail / sea transport, pipelines all infrastructural and other civil engineering works.
6. To carry on the business of process, produce. Mix, pack, preserve, freeze, extract, refine, manufacture, import, export, buy, sell, trade and deal in ready-to-eat foods, processed foods, health foods, protein foods, food products, agro foods, fast foods, packed foods, poultry products, red meat products / foods, sea foods, milk foods, health and diet drinks, extruded foods, frozen foods, dehydrated foods, precooked foods, canned foods, preserved foods, bakery products and confectionery items such as breads, biscuits, sweets, cakes, pastries, cookies, wafers, condoles, lemon drops, chocolate, toffees, tinned fruits, jams, jelly, pickles,

squashes, sausages, nutrient, health and diet foods / drinks, extruded foods, confectionery items, sweets, cereals products and any other food products in and outside India.

7. To carry on the business of letting on lease or license, alienate or transfer any land, buildings, plant, machinery, stock-in-trade, stores, rights, privileges, easements, undertakings and other movable and immovable properties belonging to the Company on lease rent, royalty, share of profits or otherwise and to grant licenses, easements and other rights in or other lawful purpose connected with the business of the Company to deal with the whole or any part of, the undertaking, land and building, property, assets rights and effects of the Company, either together or in portions to any person(s) / any entity(ies) and to extend or terminate such lease or to deal with the same in any manner as the Company may think fit”.


**“RESOLVED FURTHER THAT** the existing Memorandum of Association of the Company, duly modified as aforesaid, or as suggested by the appropriate authority and accepted by the Board of Directors, be adopted as the Memorandum of Association of the Company”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things and to sign all such other documents, in each case, as they or any of them may deem necessary, proper or desirable (including without limitation making the appropriate e-filings with the Registrar of Companies/ Ministry of Corporate Affairs), in connection with the alteration of Memorandum of Association of the Company, as approved by the Board and the members of the Company and/or generally to give effect to the foregoing resolutions.”

7. To consider to enter Related Party Transaction and in this regard to consider, if thought fit, to pass, the following enabling resolution as an Ordinary Resolution :

**“RESOLVED THAT** pursuant to Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') and Section 188 of the Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and its Powers), Rules, 2014, as amended and other applicable regulatory provisions and subject to such approvals, confirmations, no-objections that may be required, approval of the Members be and is hereby accorded to the Board of Directors (which the term shall include any Board Committee duly authorized by the Board) of the Company to enter into material related party transaction(s) by availing Unsecured Loans of upto Rs. 30 Crores, in one or more tranches, from Managing Director and/or Executive Director of the Company on such terms as detailed in the explanatory statement and any modifications/amendments thereto, from time to time, as may be approved by the Board, subject to the condition that the aggregate of principal amount of such Unsecured Loan shall not exceed an amount of Rs.50 Crores (Rupees Fifty Crores only) at any point in time, notwithstanding that the value of such transaction(s) may exceed the materiality threshold prescribed under Regulation 23 of SEBI Listing Regulations or any other regulatory requirements.”

For and on behalf of the Board



E. V. Muthukumara Ramalingam  
Managing Director  
(DIN : 00046166)

Place : Tirupur  
Date : 14.09.2020

## NOTES :

1. The AGM will be held on Saturday, 26<sup>th</sup> December, 2020 at 12:05 p.m. through Video Conferencing(VC)/Other Audio Visual Means (OAVM) in compliance with the applicable provisions of the Companies Act, 2013 read with MCA General Circular No. 14/2020, dated 08<sup>th</sup>April, 2020, MCA General Circular No. 17/2020, dated 13<sup>th</sup>April, 2020 and MCA General Circular No. 20/2020 dated 05<sup>th</sup>May, 2020.Pursuant to the provisions of Section 96(1) of the Companies Act,2013 read with Rule 12(2) of the Companies(The Registration Offices and Fees) Rules,2014(“the Rules”) and other applicable provisions of the Act and Rules made there under including any amendments thereto for the time being in force, the Company considering the difficulty to hold Annual General Meeting within the stipulated period i.e. upto September 30, 2020, moved an application to the Registrar of Companies, Tamilnadu, Coimbatore for seeking extension of time for holding AGM for the financial year ended March 31, 2020 by three months i.e. upto December 31, 2020. Accordingly, the Registrar of Companies, Tamilnadu, Coimbatore has granted extension of time for holding the 30<sup>th</sup> Annual General Meeting of the Company by a period of three months i.e., up to 31st December, 2020 under section 96(1) of the Companies Act, 2013. BSE Ltd was informed of the postponement of holding of AGM.
2. Pursuant to the General Circular No. 14/2020 dated 08<sup>th</sup> April, 2020 issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Bodies Corporates are entitled to appoint authorized representatives to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
3. Bodies Corporates whose Authorized Representatives are intending to attend the Meeting through VC/OAVM are requested to send to the Company on their email Id:investorrelations@velanhotels.com, a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting and through E-voting.
4. In view of the massive outbreak of the COVID-19 pandemic, social distancing is to be a pre-requisite and pursuant to the General Circular No. 14/2020 dated 08<sup>th</sup> April, 2020, General Circular No. 17/2020 dated 13<sup>th</sup> April, 2020 issued by the Ministry of Corporate Affairs followed by General Circular No. 20/2020 dated 05<sup>th</sup>May, 2020, physical attendance of the Members is not required. Hence, Members have to attend and participate in the ensuing AGM though VC/OAVM.

Those Shareholders whose email IDs are not registered can get their Email ID registered as follows:

- ❖ Members holding shares in demat form can get their E-mail ID registered by contacting their respective Depository Participant.
  - ❖ Members holding shares in the physical form can get their E-mail ID registered by contacting our Registrar and Share Transfer Agent namely SKDC Consultants Limited on their email id:info@skdc-consultants.com or by sending the duly filled in E-communication registration form enclosed with this Notice to our RTA on their email id:info@skdc-consultants.com.
5. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. Instructions and other information for members for attending the AGM through VC/OAVM are given in this Notice under Note No. 24.
  6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

7. As the Annual General Meeting of the Company is held through Video Conferencing/OAVM, the members are therefore requested to submit questions in advance relating to the business specified in this Notice of AGM on the Email-ID [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com)
8. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 21<sup>st</sup> December, 2020 to Saturday 26<sup>th</sup> December 2020 (both days inclusive) in terms of the provisions of Section 91 of the Companies Act, 2013.
9. The information regarding the Director who is proposed to be re-appointed, as required to be provided under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard on General Meetings issued, is annexed in Sl.No. 29.
10. An explanatory Statement setting out details relating to the special business to be transacted at the Annual General meeting pursuant to Section 102(1) of the Companies Act, 2013, is annexed hereto.
11. As per the provisions of Clause 3. A. II. of the General Circular No. 20/2020 dated May 05, 2020, the matters of Special Business as Item Nos.4 to 7 of the accompanying Notice, are considered to be unavoidable by the Board and hence, forming part of this Notice.
12. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN details to the Company or to the Registrar and Share Transfer Agent.
14. Members desiring any information as regards to Accounts are requested to send an email to [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com) 7 days in advance before the date of the meeting to enable the Management to keep full information ready on the date of AGM.
15. Members who wish to inspect the Register of Directors and Key Managerial Personnel and their shareholding maintained under section 170 of Companies Act, 2013 and Register of Contracts or arrangements in which directors are interested maintained under section 189 of the Companies Act, 2013 and relevant documents referred to in this Notice of AGM and explanatory statement on the date of AGM in electronic mode can send an email to [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com).
16. The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means. Instructions and other information relating to e-voting are given in this Notice under Note No. 23.
17. 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.
18. The Annual Report along-with the Notice of AGM will be placed on the Company's website on [www.velanhotels.com](http://www.velanhotels.com)
19. As per the MCA General Circular 20/2020 dated 05<sup>th</sup> May, 2020, the Annual Report will be sent through electronic mode to only those Members whose email IDs are registered with the Registrar and Share Transfer Agent of the Company/ Depository participant.



20. Shareholders of the Company holding shares either in physical form or in Dematerialised forms as on Benpos date i.e. 27<sup>th</sup> November, 2020 will receive Annual Report for the financial year 2019-20 through electronic mode only.
21. Members are requested to notify any changes in their address to the Company's Registrar & Share Transfer Agent, M/s. SKDC CONSULTANTS LTD "Kanapathy Towers" 3rd Floor, 1391/A-1 Sathy Road Ganapathy Post, Coimbatore 641 006 - Phone : 0422 - 4958995 E-mail : info@skdc-consultants.com.
22. Members are requested to quote their Folio No. or DP ID / Client ID, in case shares are in physical / dematerialized form, as the case may be, in all correspondence with the Company / Registrar and Share Transfer Agent.

**23. INFORMATION AND OTHER INSTRUCTIONS RELATING TO E-VOTING ARE AS UNDER:**

- a. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), the Company is providing facility of remote e-voting to its Members in respect of the businesses to be transacted at the AGM. The Company has engaged the services of Central Depository Services Limited ("CDSL") as the Agency to provide e-voting facility. The facility of casting votes by a member using remote e-voting system as well as e-voting on the date of the AGM will be provided by CDSL.
- b. The Board of Directors of the Company has appointed Mr. S.Ganesh Viswanathan, Practicing Company Secretary, as the Scrutinizer, to scrutinize the e-voting and remote e-voting process in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.
- c. Voting rights shall be reckoned on the paid-up value of shares registered in the name of the member /beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. 19<sup>th</sup> December, 2020.
- d. 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, i.e. 19<sup>th</sup> December, 2020 only shall be entitled to cast their vote either through remote e-voting or through E-voting at the AGM.
- e. The Results declared along-with the report of the Scrutinizer shall be placed on the website of the Company [www.velanhotels.com](http://www.velanhotels.com) and on the website of CDSL after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be forwarded to the BSE Limited.
- f. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. 26<sup>th</sup> December, 2020.
- g. Once the vote on a resolution is cast by a member, the member shall not be allowed to change it subsequently or cast the vote again.

**The Instructions for Members for Remote E-Voting are as under:-**

- i) The voting period begins on 23<sup>rd</sup> December, 2020 at 9.00 a.m. and ends on 25<sup>th</sup> December, 2020 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 19/12/2020 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. (or)  
 Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from Login-Myeasi using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically
- 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>	
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <p>Members who have not updated their PAN with the Company / Depository Participant are requested to use the sequence number sent by company / RTA or contact company / RTA.</p>
Dividend Bank Details  OR  Date of Birth DOB	<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> <p>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).</p>

- 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 Custodians 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 emailed 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), duly signed and executed in favor 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).

**The Instructions for Members for E-Voting on the day of the AGM are as under:-**

- i) The procedure for E- Voting is same as the instructions mentioned above for remote e-voting.
- ii) Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and

have not casted their vote on the Resolutions through Remote E-Voting and are otherwise not barred from doing so, shall be eligible to vote through E Voting system in the AGM.

- iii) Members who have voted through Remote E-Voting will be eligible to attend the AGM and participate thereat. However, they will not be eligible to vote at the AGM. In case any Member who had voted through Remote E-voting, casts his vote again at the E- Voting provided during the AGM, then the Votes cast during the AGM through E-voting shall be considered as Invalid.
- iv) Members are requested to follow the instructions, if any, provided during the currency of the AGM for E-Voting.
- v) The details of the person who may be contacted for any grievances connected with the facility for e-voting during the AGM shall be the same person mentioned for Remote e-voting.

**Process for those shareholders whose email addresses are not registered with the depositories for obtaining login credentials for e-voting for the resolutions proposed in this notice:**

- 1. For Physical shareholders- Please provide necessary details like Folio No., Name of shareholder, Scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to our RTA M/s. SKDC CONSULTANTS LTD on their email ID [info@skdc-consultants.com](mailto:info@skdc-consultants.com).
- 2. For Demat shareholders - Please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, Client master or Copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to our RTA M/s. SKDC CONSULTANTS LTD on their email ID [info@skdc-consultants.com](mailto:info@skdc-consultants.com).
- 3. The RTA shall co-ordinate with CDSL and provides the login credentials to the above mentioned shareholders.

**24. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

- a. Shareholders will be provided with a facility to attend the AGM through VC/ OAVM and for e-voting by CDSL. Shareholders may access the same at <https://www.evotingindia.com> under Shareholders/ Members login by using the remote e-voting credentials. The link for VC/OAVM will be available in Shareholder/Members login where the EVSN of Company will be displayed. Please note that the Shareholders need to use their 16-digit Demat Account Number or Folio Number as User ID. In case any shareholder forgets their password, they can retrieve the same by clicking on 'forgot password' option. System will then prompt for some validation and shareholders will then get the password on their registered E-mail ID.
- b. Large shareholders (i.e. shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, Chairman/Chairpersons of Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. are allowed to attend the AGM without restriction on account of first-come-first-serve basis.
- c. Members whose email IDs are already registered with the Depository Participant/ Registrar and Share Transfer Agent of the Company and who are desirous to attend the AGM through VC/OAVM can apply at [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com) requesting for participation in the AGM, by giving their name as registered in the records of the Company, DPID/Client ID or Folio Number and the Registered email ID.

- d. Members who are desirous of attending the AGM through VC/OAVM and whose email IDs are not registered with the RTA of the Company /DP, may get their email IDs registered as per the instructions provided in point No. 4 of this Notice.
- e. Shareholders who would like to express their views / ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 10 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at investorrelations@velanhotels.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **10 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at investorrelations@velanhotels.com. These queries will be replied to by the company suitably by email.
- f. Those shareholders who have registered themselves as a speaker will only be allowed to express their views / ask questions during the meeting.
- g. Members who are desirous of attending the AGM may send their request by 15<sup>th</sup> December, 2020. On successful registration with the company, the invitation to join the AGM will be sent to the Members on their registered email IDs latest by 16<sup>th</sup> December, 2020. This will be done on first come first served basis, limited to 1000 members only. Due to security reason the invitation link to participate in the AGM will be shared on the registered email id of the member only after successful registration with the Company.
- h. Members may attend the AGM, by following the invitation link sent to their registered email ID. Members will be able to locate Meeting ID/ Password/ and JOIN MEETING tab. By Clicking on JOIN MEETING they will be redirected to Meeting Room via browser or by running Temporary Application. In order to join the Meeting, follow the step and provide the required details (mentioned above – Meeting Id/Password/Email Address) and Join the Meeting. Members are encouraged to join the Meeting through Laptops for better experience.
- i. In case of Android/I-phone connection, Participants will be required to download and Install the appropriate application as given in the mail to them. Application may be downloaded from Google Play Store/App Store.
- j. Further Members will be required to allow Camera and use Internet audio settings as and when asked while setting up the meeting on Mobile App.
- k. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- l. The helpline number for joining the Meeting through Electronic Mode will be provided in the Meeting Invitation which will be sent to the eligible applicants.
- m. Institutional Shareholders are encouraged to participate at the AGM through VC/OAVM and vote thereat.
- 25. Any person, who acquires shares of the Company and become member of the Company after sending the Notice of AGM through electronic mode and holding shares as on the cut-off date, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com.

26. In line with the Ministry of Corporate Affairs General Circular No. 17/2020 dated 13<sup>th</sup> April, 2020, the Notice calling AGM has been uploaded on the website of the Company at [www.velanhotels.com](http://www.velanhotels.com). The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and the AGM Notice is also available on the website of CDSL (agency for providing the Remote e-Voting facility) i.e. [www.evotingindia.com](http://www.evotingindia.com).
27. If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, 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) or contact Mr. Nitin Kunder (022-23058738 ) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).
28. All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL, ) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call on 022-23058542/43.
29. Reference to Sl. No. 9, the particulars of appointment /re-appointment of the Directors at the forthcoming Meeting are annexed:

I	1. Name	: Mr. M.R. GAUTHAM
	2. DIN	: 00046187
	3. Age	: 44 Years
	4. Qualification	: Graduation in Commerce and Finance from the University of Western Australia
	5. Date of Appointment	: 01.12.2001
	6. Experience	: 20 years in Hotel Industry
	7. Shareholding in Velan Hotels Ltd	: 64,20,750 Shares
	8. List of Directorships held in Other Companies	: Shree Vallee Enterprises Pvt. Ltd
	9. Membership in Other Board Committees, if any	: Nil

II	1. Name	: Mrs. M. Sasikala
	2. Directors Identification Number (DIN)	: 01452586
	3. Age	: 65 Years
	4. Qualification	: Bachelor of Arts
	5. Date of Appointment	: 28.3.2012
	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	: Available in Report on Corporate Governance

30. The Annual Accounts for the financial year ended 31st March, 2020 were approved at the meeting of Board of Directors held on 31/07/2020 and Auditors' Report, Compliance Certificate as required under Part-B of Schedule II of Regulation 17(8) and 33 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and Secretarial Audit Report were issued on the same day.

The Notice of Annual General Meeting, Directors Report with its Annexures, the Corporate Governance and Management Discussion & Analysis Report and certificates of compliance of corporate governance and Non-Disqualification of Directors issued by Practicing Company Secretary were approved at the meeting of Board of Directors held on 14/09/2020.

## ANNEXURE TO THE NOTICE

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

#### ITEM NO. 4

Sri.M.R.Gautham was re-appointed as a Whole-Time Director designated as Executive Director of the Company with effect from 12<sup>th</sup> November, 2016 for a period of 3 years. On expiry of the said term, by way of a resolution of the Board dated 11<sup>th</sup> November 2019, he was re-appointed as Whole-Time Director designated as Executive Director for a further period of 3 years.

In view of the liquidity crunch being faced by the Company, the Company cannot pay any remuneration under applicable provisions of Sections 196 & 197 of the Companies Act, 2013 read with Schedule V to the Companies Act, 2013. At this crucial juncture, the continued services of Mr.M.R.Gautham are considered essential for successful completion of One-time Settlement ("OTS") offer with RARE Asset Re-construction Limited ("RARE ARC") and achieve smooth operations thereafter. It is also essential for the Company to have his continued services for its future growth.

With the view of the above situation, the Board of Directors, at their Meeting held on 11<sup>th</sup> November, 2019, considered and decided to entrust Mr.M.R.Gautham with increased role and responsibility by appointing him as an Executive Director of the Company. However, at present, no remuneration is proposed to be paid to Mr.M.R.Gautham for his term pursuant to such re-appointment as Executive Director of the Company. The term of his appointment as Executive Director will be for a period of three years from 11.11.2019 to 10.11.2022.

Details of terms and condition of appointment are 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.

#### **A brief resume of Mr. M.R.Gautham is given below :**

Mr.M.R.Gautham is 44 years of age with an active business involvement of over 20 years. He is basically from a family of philanthropists into agriculture and holding large commercial Land banks, and is the sixth generation at Tirupur region.

He is a Commerce and Finance Graduate from the University of Western Australia. His rich industry experience is of immense advantage to the Company, he was appointed as Executive Director of the Velan Hotels Limited since 2001. He is primarily instrumental in structuring its finance, and along with his father, is primarily responsible for the day-to-day activities of the Velan Group of Companies. The same was approved by the Nomination & Remuneration Committee.

He holds 64,20,750 equity shares of the Company by himself, representing 20.09% of total shareholding and 1,91,60,984 equity shares held by his immediate relatives and associates representing 59.95% of the shareholding of the Company. He holds Directorship in Shree Vallee Enterprises Pvt Ltd as well.

In terms of the provisions of the Companies Act, 2013, consent of the shareholders is required for re-appointment of Mr.M.R.Gautham as Executive 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.M.R.Gautham, Executive 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 the 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.

Mr.M.R.Gautham is concerned or interested in this resolution as it relates to his re-appointment. Mr.E.V.Muthukumara Ramalingam and Smt.M.Sasikala being related to Mr.M.R.Gautham 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 recommends the ordinary resolutions set out at the Item No. 4 of the Notice for members' approval of the Company.

#### **ITEM NO. 5**

With introduction of the Companies Act, 2013 w.e.f. 1<sup>st</sup> April 2014 many provisions of the Companies Act, 1956 have undergone changes with few of them have even become redundant. The present Memorandum of Association of the Company contains many matters which are required to be aligned with the requirements under the new Companies Act, 2013.

Accordingly, the existing Clause III A, Clause III B and Clause III C of the Memorandum of Association of the Company are proposed to be replaced by substituting and inserting Clause III A and Clause III B with new numbering of the clauses as per the Memorandum of Association as submitted before the meeting and more particularly enumerated in the resolution.

It is proposed to delete the other businesses, which were earlier stated in "Other Objects" and not proposed to be carried out by the Company in the near future and also to make it in line with the Companies Act, 2013.

Thus, the Board of Directors of the Company at its meeting held on September 14, 2020 had approved (subject to the approval of members) the amendment in the Memorandum of Association of the Company with respect to the following:

- a. Clause III. A – "MAIN OBJECTS TO BE PURSUED ON INCORPORATION" heading is deleted and replaced with the heading "THE OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:";
- b. Clause III. B – "THE OBJECTS INCIDENTAL OR ANCILLARY TO THE ATTAINMENT OF THE ABOVE MAIN OBJECTS ARE" heading is deleted and replaced with the heading "MATTERS WHICH ARE NECESSARY FOR THE FURTHERANCE OF THE OBJECTS SPECIFIED IN CLAUSE III.A ARE:" and amendments by way of insertion(s) / deletion(s) / alteration(s);
- c. Clause III. C – "OTHER OBJECTS" have been deleted;
- d. Clause IV – The liability of the members is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.
- e. Clause V – The Authorised Share Capital of the Company Rs.50,00,00,000/- (Rupees Fifty Crores only) divided in to 5,00,00,000 ( Five Crores only) equity shares of Rs. 10/- ( Rupees Ten ) each
- f. Other amendments required to align the existing Memorandum of Association with the provisions of the Companies Act, 2013.



As per the provisions of Section 13 of the Companies Act, 2013 and other applicable provisions, the Company requires the members' approval by way of Special Resolution for making alteration to the Memorandum of Association of the Company.

The draft copy of the Memorandum of Association of the Company as altered is available on website of the Company at [www.velanhotels.com](http://www.velanhotels.com) and is also being available at the Company's Registered Office during working hours for the perusal of the members.

None of the Directors, Key Managerial Personnel or their relatives is in any way concerned or interested, financially or otherwise in this resolution.

The Board recommends the special resolutions set out at the item no. 5 of the Notice for members' approval of the Company.

#### **ITEM NO. 6**

Members of the Company gave an approval for the sale of movable and immovable assets of the Company at the 29<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September, 2019 in order to monetize the assets and repay the company's debt obligations including pending payment of statutory dues. During the year under review, the Company has not been able to attract / identify suitable buyers to sell the properties.

The existing main Object Clause of the Memorandum of Association of the Company (MoA) covers all the activities carried on by the Company but in order to diversify/add new business venture connected with the business of the company, it has to be altered. In purview of the above, your directors are considering leasing out the movable and immovable properties as mentioned in the resolution till the proposed slump sale of Company's assets / undertakings takes place. The alteration in the Objects Clause of the memorandum of association as set out in the resolution is to facilitate this leasing / diversification.

It is proposed to amend the Main objects of the Company partially to align the same with the present business activities and would include matters which are necessary for furtherance of main objects in Clause IIIA.

The Board of Directors at their meeting held on 14<sup>th</sup> September, 2020 had approved (subject to the approval of members) the amendment in the Memorandum of Association of the Company as aforesaid. In terms of Section 4 and 13 of the Act, the consent of the Members by way of a Special Resolution is required for alteration in objects clause of the Memorandum of Association of the Company.

The draft copy of the Memorandum of Association of the Company is available on website of the Company at [www.velanhotels.com](http://www.velanhotels.com) and is also being available at the Company's registered office during working hours for the perusal of the members.

None of the Directors, Key Managerial Personnel or their relatives is in any way concerned or interested, financially or otherwise in this resolution.

The Board recommends the special resolutions set out at the Item No. 6 of the Notice for members' approval of the Company.

#### **ITEM NO. 7**

Pursuant to Section 188 of the Companies Act, 2013 ('the Act') read with the Companies (Meetings of Board and its Powers) Rules, 2014 ('Rules'), the Company is required to obtain consent of the Board of Directors and prior approval of the members by way of ordinary resolution, in case certain transactions with related parties exceeds such sum as is specified in the Rules. The aforesaid provisions are not applicable in respect of transactions which are in the ordinary course of business and on arm's length basis.

It is explicitly stated in Section 2(76) of the Companies Act 2013, that any director or key managerial personnel is a related party. However, lending money by Directors to a Company does not fulfill the criteria of related party transactions as per Section 188 of the Companies Act 2013. Therefore, there is no need to

follow the compliance and legal requirements of Section 188 of the Companies Act, 2013 in respect of unsecured loan provided by directors of a Company. However, Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') defines term related party transactions which include a transfer of resources. Transferring a resource means giving away or selling a resource i.e. giving away cash to another person is a transfer of resources. With a view to the above explanation, the unsecured loan from Directors to the Company may be deemed to be a related party transaction in purview of the said Regulation.

The Members of the Company gave an approval at the 29<sup>th</sup> AGM held on 27<sup>th</sup> September, 2019 to enter into transaction / transactions with the related parties if the aggregate value of material transaction exceeds 10% of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company. The transactions may be continued in the financial year 2020-2021 and are expected to exceed the threshold limits under the Listing Regulations and other laws as may be applicable from time to time so as to qualify as material related party transactions. Going forward also, the Company intends to continue such transactions with the Managing Director / Executive Director. Accordingly, as per Regulation 23 of the SEBI Listing Regulations, ratification of the Members is sought for the material related party transaction undertaken whether by way of continuation/extension/renewal/ modification of earlier material related party transactions (RPT) to be undertaken by the Company.

Accordingly, the Company proposes to obtain approval of its Members for ratifying as also for giving further approval to the Board for carrying out/continuing with the transactions with the Managing Director / Executive Director, as this proposed amounts to RPT falling within the purview of the SEBI Listing Regulations and all these transactions in aggregate, are material RPT under the SEBI Listing Regulations.

All the related parties shall abstain from voting, irrespective of whether the entity or person is a party to the particular transaction or not, pursuant to Regulation 23(7) of SEBI (LODR).

The transactions going to be made with such parties as stated below are 'Related Parties' of the Company as per Section 2(76) of the Companies Act, 2013.

SI. No.	Name of Related Party	Name of the director or key managerial personnel who is related, if any	Nature of Relationship	Maximum Value of Transactions	Nature, material terms, monetary value and particulars of the contract or arrangement
1.	Mr. E. V. Muthukumara Ramalingam	Mrs. M. Sasikala & Mr. M. R. Gautham	Managing Director	Not exceeding Rs.15 Crores together with the unsecured loan already lent, if any.	Providing Unsecured Loan to the Company with interest at a rate not more than the bank rate declared by RBI from time to time or without interest
2.	Mr. M. R. Gautham	Mr.E.V.Muthukumara Ramalingam & Mrs.M.Sasikala	Executive Director	Not exceeding Rs.15 Crores together with the unsecured loan already lent, if any.	Providing Unsecured Loan to the Company with interest at a rate not more than the bank rate declared by RBI from time to time or without interest

The particulars required to be provided under Clause 3 of the Explanation to Rule 15 Sub-Rule 3 of the Companies (Meetings of Board and its Power) Rules, 2014 are given below:

Name of the related party	As per table above
Name of the director or key managerial personnel who is related, if any	Mr.E.V.Muthukumara Ramalingam, Mrs.M.Sasikala & Mr.M.R.Gautham
The Nature, material terms, monetary value and particulars of the contract or arrangement	As per table above
Nature of relationship	As per table above
Any other information relevant or important for the members to take a decision on the proposed Resolution	None

Your Board feels that Unsecured Loan proposed to be availed by the Company from the Directors would be beneficial to the Company.

Mr. E. V. Muthukumara Ramalingam and Mr. M. R. Gautham are interested in the resolution as set out at Item No. 7 of the Notice. The relatives of Mr. E. V. Muthukumara Ramalingam and Mr. M. R. Gautham (as per table above) may be deemed to be interested in the resolution set out at Item No.7 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except above, none of the Directors / Key Managerial Personnel of the Company / their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.

The Board recommends the ordinary resolution set out at the Item No. 7 of the Notice for public shareholders' approval of the Company. (i.e. Shareholders other than those forming part of Promoter and Promoter Group and other related parties).

For and on behalf of the Board



E. V. Muthukumara Ramalingam  
Managing Director  
(DIN : 00046166)

Place : Tirupur  
Date : 14.09.2020

**E-COMMUNICATION REGISTRATION FORM**  
(Only for members holding shares in physical form)

Date:

To,

SKDC CONSULTANTS LTD  
"Kanapathy Towers"  
3rd Floor,  
1391/A-1 Sathy Road  
Ganapathy Post,  
Coimbatore 641 006

**UNIT – VELAN HOTELS LIMITED**

Dear Sir,

**Sub: Registration of E-mail ID for serving of Notices / Annual Reports through electronic mode by Company**

I / We hereby register my/our E-mail ID for the purpose of receiving the notices, Annual Reports and other documents / information in electronic mode to be sent by the Company.

Folio No. :	
E-mail ID :	
Name of the First / Sole Shareholder :	
Signature :	

Note: Shareholder(s) are requested to notify the Company as and when there is any change in the e-mail address.

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors are in presenting their 30th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2020.

### FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

PARTICULARS	2019 - 20	2018 - 19
Profit / (Loss) Before Interest, Depreciation and Tax	(126.64)	(19.46)
Add : Finance Cost	13.19	23.28
Profit / (Loss) Before Depreciation & Tax	(139.83)	(42.74)
Add : Depreciation	177.20	180.07
Profit / (Loss) Before Tax [PBT]	(317.55)	(222.81)
Less : Tax Expenses		
- Current Tax	—	—
- Tax relating to prior years	—	—
- Deferred Tax	—	—
<b>Profit / (Loss) After Tax</b>	<b>(317.55)</b>	<b>(222.81)</b>
Balance b/f from previous years	(5076.47)	(4853.66)
<b>Balance to be carried over to the Balance sheet</b>	<b>(5394.02)</b>	<b>(5076.47)</b>

### OPERATIONAL REVIEW :

In the Financial year 2019-20, there was a steep decline in RevPAR (Revenue per available Room) growth and in room occupancy rate. The Company took all the necessary steps on marketing strategy as well as consistent sales effort to increase room occupancy and ARR. The Hotel was stuck in a crack due to competition and a slowdown in demand due to macro-economic issues at Tirupur region. In line with the downward trend in the last few years, given depressed market conditions, your Company revenues declined every year sharply.

During the year under consideration, the gross receipts of your company decreased to Rs.339.22 Lacs from Rs.644.05 Lacs registered in the previous year. Profit/(Loss) before Interest, Depreciation and Taxation was Rs.(126.64) lacs against Rs. (19.46) Lacs recorded in the previous year. Similarly, the Loss after Tax for the year ended March 31, 2020 stood at Rs.317.55 lacs as against a Loss of Rs. 222.81 lacs registered in the previous year.

### STATE OF THE COMPANY'S AFFAIRS

The Tourism & Hospitality sector across the globe is undoubtedly the biggest casualty of the COVID-19 pandemic. Several countries have issued travel advisories and are in lock down mode, with all major global business, social and sporting events getting cancelled since February, 2020. The biggest collateral damage of worldwide lock downs can now be clearly seen on travel and hospitality industry and India is no exception. Hotel demand has

rapidly dropped to virtually zero in a matter of just weeks beginning Mid- March, 2020. Due to outbreak of Corona Virus epidemic, your company stopped its operations with effect from 24<sup>th</sup> March, 2020 keeping in mind the guidelines issued by Central Government / State Government. The business of the Hotel is mainly depending upon the domestic / foreign guests visit to Tirupur, the textile town popularly known as the Banian City or the Knit City. Although during the slow-down period, business in all sectors is affected in general, in particular the Hospitality business has been severely affected and practically there is no business at all. Since then there is no inflow of domestic and foreign visitors to Tirupur and thus business of the Company has affected badly and practically there is no revenue during this period. Even if the Hotel operation is allowed to resume its operation in future, the improvement / revival of the Company business is depending on the improvement of other manufacturing and service sectors and availability of huge cash reserve in hand.

Members may be aware that the Banks assigned the entire debts of the Company along-with all underlying security interest, all rights, titles & benefits to RARE Asset Reconstruction Limited (RARE ARC) (previously known as Raytheon Asset Reconstruction Company) under the applicable provisions of the SARFAESI Act. The Members of the Company gave an approval for the sale of movable and immovable assets of the Company at the 29<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September, 2019 in order to monetize the assets and repay the company's debt obligations including pending payment of statutory dues. Since then, the Company has been making best possible efforts for sale of the movable and immovable assets of the Company but such sale process is taking so long time due to the overall slowdown in the economy coupled with factors like the NBFC crisis, developer defaults, bankruptcies and COVID19 pandemic have slackened the sentiments of the real estate sector of India. The real estate sector, as a whole, is passing through tough time and your Company is also facing this heat. In this challenging phase, your company was not able to monetize the assets and repay the company's debt obligations in time. The Company has not been able to attract any outside investment/debt financing into our Company over the last few years owing to the Company's account became NPA and high requirements of capital expenditure to modernize the hotel properties at Tirupur and Coonoor. Besides, given the poor performance of the Company in recent financial years, and the current state of the garment industry and competition at Tirupur where the Company's operations are carried at, the Company was not able to find suitable buyers in the last financial year. In current financial year, due to concerted and constant efforts of the promoters, the Company is in advanced stage of negotiation with a leading Indian chain of hypermarkets to sell the entire property of Shopping Mall and part of Multiplex owned by the Company. The proper due-diligence both the legal and technical is being carried out by the said hypermarket company as of now and it is expected that a deal will be reached soon between the parties. As far as Hotel property at Coonoor is concerned, the Company has identified a new buyer who is interested in the property and the negotiation is in well advanced stage to finalize the deal successfully in the best interest of the Company. As a result of possible outcome of the above sale process, the sale proceeds thereof shall be utilized for repayment of the part of debt obligation. As all the properties of the Company are in symbolic possession with RARE ARC as assigned by the Banks, all the proposed sale transactions are subject to approvals / permission to be granted by the said RARE ARC for which the Company has engaged a Facilitator to deal with the said RARE ARC in order to find a mutually acceptable outcome including revised One-Time Settlement (OTS) which would need to be a win-win for both parties.

The Company has struggled over the last 5 years and in the context of the pessimism surrounding the health of the Company's business at this point in time, and given that we are unlikely to be able to achieve the growth and performance without considerable investment by the shareholders or outside investment/debt financing in the near future. In post Covid-19 scenario, the Company will need a huge amount of money in the form of working capital to restart the operation of hotel. The Board is of the opinion that till the proposed slump sale of Company's assets / undertakings takes place, the leasing the properties (Hotel operation) of the Company, with the land and building, which holds significant value, the Company will be in a position to earn significant revenue with little cost. The location and nature of the land will also increase value on investment through normal market appreciation of

land and the directors see this as an opportunity to cash in on the business and provide value to shareholders. The leasing of the movable and immovable properties of the Company, is proposed to be made to one or more person(s) / bodies corporate(s) / entities not being “related parties” as defined under the Act and/or the Listing Regulations, as determined by the Board after a thorough search and review process to identify the best value proposition for the Company. The minimum lease price will be determined by the Board closer to the date of lease, thus maximizing any market appreciation in rental amounts. The Board believes that all revenue gained from leasing of the land and immovable properties of the Company will be at minimal cost, thereby providing significant profits and cash reserves available to set off accumulated losses in future years. In this regard, the Board put a special resolution before the members of the Company for their approval in the ensuing AGM to amend the object clause in the Memorandum of Association of the Company to give effect.

COVID-19 has affected every sector across the globe, and the hotel industry is among the hardest hit. Given the current situation that being faced by the Company due to forced closure of hotel operations at Tirupur and Coonoor from 24<sup>th</sup> March, 2020 in the wake of lockdown imposed by Central/State Governments to contain the spread of COVID-19 and distressed financial situation experienced by the Company for the past 5 financial years as well, all the eligible / permanent employees of the Company have voluntarily left the service after announcement of lock down and therefore, no eligible / permanent employees are in the Company's payroll as on 31<sup>st</sup> March, 2020. The provision for liability in respect of all the pending dues (Gratuity and Earned Leave) of all the permanent employees who left the service is made in the books of account. Till then, the Company is liable to function just to comply with the statutory obligations with the Registrar of Companies, Stock Exchange etc and safe guarding the assets of the Company as well. Then, the Company has engaged a few causal staffs on need basis to carry out the above works which led to a substantial reduction in employee cost at a time when the Company earns nil revenue. The Company shall hire more personnel as soon as the company's operation is resumed after the lifting the lockdown and improvement in macro-economic situations in Tirupur region.

#### **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, 2020 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 2019 - 20.

#### **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.

The details of the unsecured loan received from the Directors of the Company are reported elsewhere in the Annual Report and declarations are furnished by them as per requirement of proviso of Rule 2(1)(c)(viii) of Companies (Acceptance of Deposits) Rules, 2014.

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

During the under review, the Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013 and has not made any investments.

Hence, the details of loans and advances which are required to be disclosed in the Annual Report pursuant to Regulation 34(3) read with Schedule V of the SEBI Listing Regulations are not furnished.

## **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 are 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.

## **REPORTING OF FRAUDS**

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of the Act and the rules made there under.

## **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Under Section 135 of the Companies Act, 2013, every company having net worth of at least Rs 500 crore, turnover of Rs 1,000 crore or more, or a minimum net profit of Rs. 5 crores during the immediately preceding financial year has to make CSR expenditure.

Since the Company is continuously incurring losses, no CSR policy has been devised.

## **DIVIDEND DISTRIBUTION POLICY**

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosures) Regulations 2015, only top 500 listed companies (based on market capitalization of every financial year) shall formulate a Dividend Distribution Policy, which shall be disclosed in their annual reports and on their website as well.

Since your company does not fall under the above policy, no such report is provided in the Annual Report.

## **BUSINESS RESPONSIBILITY REPORT**

Regulation 34(2) of SEBI Listing Regulations, *inter alia*, provides that the Annual Report of the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year), shall include a Business Responsibility Report ("BRR").

Your Company, not being one of such top 500 listed entities, has not included BRR, as part of the Annual Report.

## **CONSERVATION OF ENERGY**

- a. The operation of your company is not power intensive. However, adequate operational measures have been initiated to reduce energy consumption.
  - ❖ Energy efficient lighting and high efficient HVAC System used/retrofitted extensively in the hotel has reduced electrical consumption.



- ❖ Air conditioning system and system boiler have been tuned for best efficiency to conserve energy.
  - ❖ All the areas of hotel are replacing CFL & LED lightings gradually instead of conventional lightings, which also reduced the consumption of energy.
  - ❖ The water used by the guests and in other areas is recycled by in-house treatment plants and the recycled water is being used for gardening. Rainwater harvesting system is adopted to recharge the wells within Hotel premises. Wastes are segregated at source, such as de-gradable, non-gradable and hazardous wastages, and disposed off thoroughly as per norms issued by the concerned regulator / Local Authority. Effective water management gadgets are in place to minimize the usage of water in toilets and other places.
- b. No specific investment has been made in the reduction in energy consumption.
- c. As the impact of measures taken for conservation and optimum utilisation of energy is 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 2019 - 20	Previous Year 2018 - 19
1. Earnings	50.16	120.00
2. Expenditure in Foreign Currency	Nil	Nil

## INDUSTRIAL RELATIONS

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

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

### a. Retirement by rotation :

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 Mr. M.R.Gautham and Mrs.Sasikala retire by rotation and being eligible, offer themselves for re-appointment. The Directors recommend Mr. M.R.Gautham and Mrs. M. Sasikala for their re-appointment.

### b. Status of KMP:

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.

## c. Cessation:

Mr.B.A.Madhusudhan, Non-Executive –Non-Independent Director resigned from the Board with effect from 18<sup>th</sup> August 2020 due to personal reasons. The Board wishes to place on record its appreciation for the invaluable services rendered by Mr.B.A.Madhusudhan during his tenure as Director of the Company.

## BOARD INDEPENDENCE

Based on the confirmation/ disclosures received from the Independent Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Regulation 16 of SEBI (LODR) Regulations, 2015 and Section 149(6) of the Companies Act, 2013;

1. Mr. P. Ganesan
2. Mr. S.P. Sivanandam

In compliance with Schedule IV of the Companies Act, 2013 and Rules thereunder, the Independent Directors met on 23<sup>rd</sup> March 2020 and discussed issues as prescribed under the Schedule IV of the Companies Act, 2013 and also discussed various other issues.

## DECLARATION BY AN INDEPENDENT DIRECTORS

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.

## COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD MEETINGS AND GENERAL MEETINGS

The Company has complied with Secretarial Standard issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.

## FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company has also adopted a structured program 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. Your Company follows a structured orientation and familiarization program through various reports / codes / internal policies for all the Directors with a view to update them on the Company's policies and procedures on a regular basis at all the Board Meetings held during the year. Periodic presentations are made at the every Board Meetings on business and performance, long term strategy, initiatives, etc. The details of the familiarization program can be viewed at

<https://www.velanhotels.com/pdf/Details%20of%20familiarzation%20program.pdf>

## 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 pending Appeal / Petitions / Application filed by the Company with DRT, Coimbatore and DRAT, Chennai.

## BOARD EVALUATION

Pursuant to the applicable provisions of the Act, the Listing Regulations and SEBI's Guidance Note on Board Evaluation, the Board has carried out an Annual Evaluation of its own performance, performance of the Directors and the working of its Committees based on the evaluation criteria defined by Nomination and Remuneration Committee (NRC) for performance evaluation process of the Board, its Committees and Directors.

The Board's functioning was evaluated on various aspects, including *inter-alia* the Structure of the Board, Meetings of the Board, Functions of the Board, Degree of fulfillment of key responsibilities, Establishment and delineation of responsibilities to various Committees, Effectiveness of Board Processes, information and functioning.

The Committees of the Board were assessed on the degree of fulfillment of key responsibilities, adequacy of Committee composition and effectiveness of meetings. The Directors were evaluated on aspects such as attendance, contribution at Board/Committee Meetings and guidance/support to the Management outside Board/Committee Meetings.

The performance assessment of Non-Independent Directors, Board as a whole and the Chairman were evaluated in a separate meeting of Independent Directors. The same was also discussed in the meetings of NRC and the Board. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

The NRC and Board in their meetings held on 11<sup>th</sup> November, 2019 and 23<sup>rd</sup> March, 2020 respectively has discussed its overall performance on the parameters as laid down in the Nomination and Remuneration Policy and concluded that the Board and its Committees have been performing efficiently.

## MEETINGS

During the year, seven 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, all the applicable Accounting Standards have been followed along with proper explanation relating to material departures; (\*)
- 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 unless it is inappropriate to presume that the Company will continue in business.

- 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 a proper system to ensure compliance with the provisions of all applicable laws and that such system was adequate and operating effectively.

(\*) In response to Auditors' Qualification on Gratuity, pls refer the page of State of the Company's Affairs and Sl.No. 6(a) of explanation or comments on qualification reported elsewhere in the Directors' Report.

## **RELATED PARTY TRANSACTIONS:**

In line with the requirements of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has formulated a Policy on Related Party Transactions which is also available on the following weblink at :

<https://www.velanhotels.com/pdf/Velan%20Hotels%20-%20Related--Party-Transactions-Policy-2.pdf>

The Policy intends to ensure that proper reporting; approval and disclosure processes are in place for all transactions, if any between the Company and Related Parties.

All Related Party Transactions that were entered during the financial year under review were on an arm's length basis and in the ordinary course of business and is in compliance with the applicable provisions of the Act and the Listing Regulations. There were no materially significant Related Party Transactions i.e. not exceeding 10% of the annual turnover of the Company as per the last audited financial statements, made by the Company during the year that required shareholders' approval under Regulation 23 of the Listing Regulations.

None of the transactions entered with related parties falls under the scope of Section 188(1) of the Act. Details of transactions with related parties as required under Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 are provided in Annexure - A in Form AOC-2 and forms part of this Report.

## **MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN MARCH 31, 2020 AND SEPTEMBER 14, 2020 (DATE OF THE REPORT)**

The following are the material changes affecting the financial position of the Company, being engaged in a Hotel business, having occurred since the end of the year and till the date of the Report:

- a. The impact of the COVID-19 pandemic and continuity of lockdown has severely impacted the Indian Hospitality sector in the March quarter (Q1) of Calendar year 2020.
- b. Post performance in 2019, the Corona Virus outbreak and containment measure announced by the Central / State Governments has led to a steep drop in foreign and domestic travel, across both business and leisure segments.
- c. Glimpses of travel decline started in late February, and by March, there was a perception that hotels would be facing a toughest test since the global financial crisis. However, with the slowdown of hotel developments, financial assistance is needed to help hotels sustain until demand returns.
- d. The hotel business has been severely impacted on account of COVID-19. Your company closed its operation since the mandated lockdown from March 24, 2020. The Hotels is expected to become operational in a staggered manner depending upon the business environment.

- e. The effect of such changes and commitments and an estimate of their financial impact cannot be provided at this stage.

## **SUBSIDIARY COMPANIES**

Your Company has no subsidiary as on date of this balance sheet. Hence, a statement containing the salient features of financial statements of the Company's subsidiaries in Form AOC-1 is not applicable.

## **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 :

<https://www.velanhotels.com/pdf/CODE/Code%20of%20Conduct%20for%20Board%20of%20Directors%20including%20KMP%20&%20SMP.pdf>

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**

In accordance with the applicable provisions of the Companies Act, 2013, SEBI-LODR Regulations and Regulation 9A(6) SEBI (PIT) Regulations, 2015 as amended, the Company has a vigil mechanism named "Vigil Mechanism / Whistle Blower Policy" to deal with instances of fraud and mismanagement, if any. The VM/WB 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.

During the year 2019, the Company has revised the said Whistle-Blower policy to insert "reporting of incidents of leak or suspected leak of Unpublished Price Sensitive Information (UPSII)" in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time. The said policy is available on the Company's website at [https://www.velanhotels.com/pdf/Velan%20Hotels%20Vigil\\_Mechanism\\_Whistle-blowerPolicy.pdf](https://www.velanhotels.com/pdf/Velan%20Hotels%20Vigil_Mechanism_Whistle-blowerPolicy.pdf)

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

## **CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

A revised Code of Conduct to regulate, monitor and report Trading by Insiders ("the Code") in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (The PIT Regulations). The Code can be viewed at <https://www.velanhotels.com/pdf/Velan%20Hotels%20Code-of-Conduct-for-prevention-of-Insider-Trading.pdf>

The revised Code, which was adopted by the Board during the March, 2019, is applicable to Promoters, Member of Promoter's Group, all Directors and such Designated Employees who are expected to have access to unpublished price sensitive information relating to the Company. The Company Secretary is the Compliance Officer for monitoring adherence to the said PIT Regulations.

The Company has also formulated 'The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)' in compliance with the PIT Regulations. The Company has also formulated policies for procedure of inquiry in case of leak of Unpublished Price Sensitive Information in case of leak of UPSI and Policy for Determination of Legitimate Purposes as well, as a part of the Code of Practices and Procedures for Fair Disclosure. This Code is displayed on the Company's website viz.

<https://www.velanhotels.com/pdf/Velan%20-Code%20of%20Conduct%20&%20Procedure%20of%20Fair%20Diclosure.pdf>

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

## INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (the Rules), as amended from time to time, all unpaid or unclaimed dividends are required to be transferred by every Company to the IEPF established by the Government of India, after completion of seven years. Further, according to the Rules, the shares on which dividend had remained unpaid or unclaimed by the shareholders for seven consecutive years or more are also to be transferred to the demat account of the IEPF Authority.

For the financial year 2019-2020, the Company was not liable to transfer any unpaid / unclaimed dividend and/or the shares.

The Shareholders are entitled to claim their shares including all the corporate benefits accruing on such shares, if any, from the IEPF Authority by submitting an online application in Form IEPF-5 and sending a physical copy of the Form IEPF-5 duly signed by all the joint shareholders, if any, along with requisite documents enumerated in the Form IEPF-5, to the Company's RTA. The Rules and Form IEPF-5, as prescribed, for claiming back the shares, are available on the website of the IEPF [www.iepf.gov.in](http://www.iepf.gov.in). It may please be noted that no claim shall lie against the Company in respect of share(s) transferred to IEPF pursuant to the said Rules.

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

### A. Response to Qualification on Audit Report :

Sl. No.	Qualification, Reservation or Adverse Remarks	Board's explanation
1.	Ability of the Company continuing as 'a going concern'	<p>The Company has incurred losses before tax of Rs.3,17,54,568 (FY-18-19: Rs.2,22,81,198) for the year ended March, 31, 2020. The Company's cash balance as at March, 31, 2020 was Rs.64,631 (FY-18-19: Rs.13,19,505) whilst its working capital was negative.</p> <p>Since 24<sup>th</sup> March, 2020 onwards, the Hotel stopped its operation as per the Central/ State Governments directions. Revenue for the Quarter (1st April 2020 to 30th June, 2020) of Financial Year 2020-21 of the Company has been severely affected during this period as well as for the period till the operation of the Hotel is allowed to continue and becomes normal. In view of the prolonged lockdown</p>



Sl. No.	Qualification, Reservation or Adverse Remarks	Board's explanation
		<p>and consequent travel restrictions to avoid spread of COVID-19 pandemic imposed by the Government of India as well other countries globally almost all business segments i.e. Corporate, Leisure, MICE and Direct business were severely impacted. In these unforeseen and uncertain times, it is difficult to predict when business conditions will normalize.</p> <p>The Term Loan Liabilities of the Company due to M/s. Allahabad Bank, Tirupur and M/s. Andhra Bank, Coimbatore was acquired by M/s. RARE Asset Reconstruction Limited (RARE ARC), Ahmedabad – 380009 as of March 31, 2017. As no definitive agreement has been concluded with RARE ARC till date, the Interest on the term loans has not been provided. Due to the above, the quantum of any Interest payable on the outstanding debt taken over by the said RARE ARC is not ascertained. Besides, due to non-availability of confirmation statement for outstanding debt from the said ARC in respect of term loans taken over by it from the Banks, any provisions to be made for the variations in carrying amounts of outstanding balance of debt, cannot be quantified as well as the quantum of adjustment if any, required to be made remains unascertained.</p> <p>Due to the uncertainty surrounding the above matters and there is material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the following events occurring:</p> <ol style="list-style-type: none"> <li>i) A consensus needs to be reached between the Company and RARE ARC on the Company's revised One-Time Settlement offer.</li> <li>ii) Successful completion of an advanced stage of sale process of Shopping Mall and part of Multiplex Properties situate at Tirupur, Tamilnadu and Hotel Property at Coonoor, Tamilnadu as early as possible.</li> <li>iii) Payment of debt obligation to RARE ARC and other statutory liabilities as early as possible.</li> <li>iv) Availability of surplus amount after the payment of debt obligations in the form of working capital to resume the operation of the hotel after the lifting of the lockdown.</li> </ol>

Sl. No.	Qualification, Reservation or Adverse Remarks	Board's explanation
		<p>v) The improvement / revival of Hospitality industry is depending on the improvement of other macro economic factors and improvement in Hosiery industry in Tirupur region as well.</p> <p>vi) To find a suitable Lessee(s) / business partner to lease out the Hotel property at Tirupur till the sale process of the assets takes place.</p> <p>Even though, there is uncertain about occurrence of the events as referred above, the Directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis which contemplates the continuity of normal business activity, realization of assets and settlement of liabilities in the normal course of business.</p>
2	Confirmation of balance of outstanding debt	As the project loans turned as Non-Performing Assets, there is no correspondence from RARE ARC towards confirmation of outstanding amount of loans; hence as a result, the Company could not provide amounts of outstanding balance of debt.
3	Non- provision of Interest Expense	As the project loans turned as Non-Performing Assets, there is no correspondence from RARE ARC regarding the interest provision, hence as a result, the company could not provide for the interest expense during the year.
4	Impairment of Assets :	The test for the impairment of assets tied to the Borrowing has not been carried out as on date of the report due to the fact that the definitive agreement with ARC has not yet been concluded. In developing the assumptions and estimates relating to the future uncertainties in the economic conditions because of this COVID-19 pandemic, the Company has used internal and external sources of information and based on current estimates, expects to recover the carrying amounts of the assets and do not foresee any impairment in the values of the assets, thus no loss is recognized on account of potential impairment.
5	Delays in remittance of Statutory Dues	As the cash flows of the Company have been adversely impacted due to gradual decline in volume of turnover over the past 5 years, there are delays in the remittance of TDS, GST, contributions to Employees Provident Fund and ESI corporation, however, with improved business environment after resuming the hotel operation and particularly in the challenging Hospitality industry, the Company will be able to meet its obligation in time. The





Sl. No.	Qualification, Reservation or Adverse Remarks	Board's explanation
		Management is hopeful and committed to their level best to streamline in coming days.
6	Gratuity and Earned Leave	<p><b>a. Gratuity:-</b></p> <p>Actuarial valuations are required at the end of every accounting period for the purpose of preparation of financial statements. However, forced closure of hotel operations at Tirupur and Coonoor in the wake of lockdown imposed by Central / State Governments to contain the spread of COVID-19 and distressed financial situation experienced by the Company for the past 5 financial years as well, all the eligible/permanent employees of the Company except KMPs have voluntarily left the service during the month of March, 2020 and therefore no permanent employees are in the Company's payroll as on 31<sup>st</sup> March, 2020 and thus no comparable data of employees is available in the current year with the preceding financial year to recognize the liability for Gratuity. As a result of this occurrence, there will be no liability for recognizing the employee benefits (Gratuity) to be paid in future years.</p> <p>Provision for Gratuity is made in the books of account on actual basis for the financial year 2019-20. The Board is of the opinion that the same will not affect the result of the Company significantly.</p> <p><b>b. Earned Leave :</b></p> <p>The Leaves that cannot be carried forward (non-accumulating privilege leaves) do not require an actuarial valuation as there is no cost implication in the future years due to the leave entitlement in the current year. As the eligible / permanent employees of the Company have voluntarily left the service during the month of March, 2020 and no permanent employees are in the Company's payroll as at the end of the accounting period 2019-20.</p> <p>As the Company made a provision in the books of account for payment of all outstanding Earned Leave on actual basis for the financial year 2019-20, non-accumulating earned leave are not outstanding as at the balance sheet date. Hence, no actuarial valuation was warranted. The Board is of the opinion that the same will not affect the result of the Company significantly.</p>

## B. Response to comments on Secretarial Audit Report :

Sl. No.	Qualification, Reservation or Adverse Remarks	Board's explanation
1	Non-compliance of Minimum Public Shareholding	The Company and the promoters are in the process taking action to comply with the regulations of Securities and Exchange Board of India relating to Minimum public Shareholding (MPS) to increase the public shareholding to 25% in terms of Regulation 38 of SEBI (LODR) Regulations, 2015.

### DETAILS OF REVISION OF FINANCIAL STATEMENT OR THE REPORT

Your Company has not revised its financial statement or the Report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority.

### AUDITORS

M/s. Krishnaan & Co, Statutory Auditors of the Company who shall hold office for a period of five consecutive years from the conclusion of the 27th Annual General Meeting till the conclusion of 32<sup>nd</sup> Annual General Meeting of the Company. The requirement of seeking ratification of the members for the re-appointment of Statutory Auditors has been withdrawn from the statute in terms of Section 139 of the Companies Act, 2013 by the Companies (Amendment) Act, 2017 effective from May 07, 2018, In a view of the above, ratification of members for continuance of their appointment at this Annual General Meeting is not being sought.

The Statutory Auditors have given a confirmation to the effect that they are eligible to continue with their appointment and that they have not been disqualified in any manner from continuing as Statutory Auditors.

### INTERNAL AUDITOR

Pursuant to Section 138 of the Companies Act, 2013, the Company has re-appointed M/s. Rangarajan & Co. as the Internal Auditor of the Company for the financial year 2019-20.

### MAINTENANCE OF COST RECORDS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost records and Audit) Rules, 2014 as amended from time to time, the Company is not required to maintain Cost Records under the said rules.

### CREDIT RATING

The Company has not availed any credit rating for the financial year 2019-2020.

### LISTING REQUIREMENTS:

Your Company's Equity shares are listed on the BSE Limited. Listing fees have been paid to this Stock Exchange for the financial year 2019-2020. The Listing fees pertaining to the financial year 2020-21 shall be paid soon.

## **AUDIT COMMITTEE**

Audit Committee consists of the Directors namely Sri.P.Ganesan, Mrs.M.Sasikala and Sri.S.P.Sivanandam. Sri.P.Ganesan is the Chairman of the Committee. The Company Secretary acts as the Secretary to the Committee.

There is no such incidence where Board has not accepted the recommendation of the Audit Committee during the year under review.

## **NOMINATION AND REMUNERATION COMMITTEE**

The Board has, in accordance with the provisions of sub-section (3) of Section 178 of the Companies Act, 2013, formulated the policy setting out the criteria for determining qualifications, positive attributes, independence of a Director and policy relating to remuneration for Directors, Key Managerial Personnel and other employees.

The Nomination and Remuneration Policy as revised in 2019 based on recommendation of Nomination and Remuneration Committee and the salient features of the Remuneration Policy along with the major gist and changes therein are attached as 'Annexure - B' and the Remuneration Policy is available on Company's website and can be accessed in the link provided herein below: <https://www.velanhotels.com/pdf/Velan%20Hotels-%20Remuneration%20Policy-on-Selection-and-Appointment-of-Directors-and-their-Remuneration-2.pdf>

## **STAKEHOLDERS' RELATIONSHIP COMMITTEE**

The Board has in accordance with Section 178(5) of the Companies Act, 2013 constituted Stakeholder Relationship Committee to resolve the grievances of the Stakeholders of the Company. The composition of members and a details function of the same are reported elsewhere in the Annual Report.

## **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. Disclosure in relation to the said as follows :

- a. Number of Complaints filed during the financial year : Nil
- b. Number of Complaints disposed of during the financial year : Nil
- c. Number of complaints pending as at the end of the financial year : Nil

## **SECRETARIAL AUDITOR**

Mr.S.Ganesh Viswanathan, Company Secretary in Practice, has been appointed to conduct the Secretarial Audit of the Company pursuant to the provisions of Section 204 of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the SEBI (LODR) Regulations, 2015 as amended. The Report of the Secretarial Auditor is appended to this Report as "**Annexure C**".

## **SECRETARIAL STANDARD**

The Company complies with all applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for the financial year ended 31st March, 2020.

## **EXTRACT OF ANNUAL RETURN**

The Annual Return of your Company for the Financial Year 2019-20, shall be hosted on the website of your Company, i.e. [www.velanhotels.com](http://www.velanhotels.com) under the Head 'Annual Returns' in the Investor page, post filing of the same with the Registrar of Companies, Ministry of Corporate Affairs.

The details forming part of the extract of the Annual Return in Form No.MGT-9 as per Sections 92(3) and 134(3) of the Act read with the Rules framed there-under are given as Annexure -D, which forms part of this Report.

## **BUSINESS RISK MANAGEMENT**

Pursuant to Section 134 (3) (n) of the Companies Act, 2013, the Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The full Board of the Company formally reviews such risks at least annually. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. 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.

The salient features of the Risk Management Policy along with the major gist and changes therein is available on Company's website and can be accessed in the link provided herein below:

<https://www.velanhotels.com/pdf/POLICIES/Policy%20for%20Risk%20Managment.pdf>

## **RISK MANAGEMENT COMMITTEE:**

Pursuant to the Regulation 21 of SEBI Listing Regulations, the provisions of this regulation shall be applicable to top 500 listed entities vide SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, dated May 09, 2018 effective from April 01, 2019, determined on the basis of Market capitalization, as at the end of the immediate previous financial year.

As the Company does not fall under the top 500 listed entities, the Risk Management Committee has not been established.

## **PARTICULARS OF EMPLOYEES AND DETAILS PERTAINING TO REMUNERATION AND OTHER DETAILS AS REQUIRED UNDER SECTION 197(12) OF THE ACT READ WITH RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

- A. 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 as follows :



**i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20:**

As the Company has incurred operating losses, none of the Directors was paid any remuneration.

**ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager in the financial year :**

None of the Directors were paid any remuneration. There was no increase in remuneration of CFO and Company Secretary during the financial year.

**iii) The percentage increase in the median remuneration of employees in the financial year :**

There was no increase in remuneration of employees during the year

**iv) The number of permanent employees on the roles of the Company:**

As on 31<sup>st</sup> March, 2020, there were no eligible /permanent employees except KMPs in the Company's payroll since all the employees have voluntarily left from the service due to distressed financial position of the company and uncertain of resuming the hotels operation owing to lockdown imposed by the Governments in the wake of COVID-19 pandemic.

**v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the past financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

There was no increase in the salaries of employees or other managerial personnel, hence no comparison is possible.

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

B. During the year under review, there are no employees drawing remuneration of more than Rs.102 lacs per annum or drawing remuneration of Rs.8.50 lacs per month if employed part of the year. Hence, the statement required under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is not appended to the report.

## **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 Annexure, together with the Certificate from the Company Secretary in Practice 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.

## APPRECIATION

Your Company and its Directors wish to extend their sincere thanks to the Members of the Company, Bankers, M/s.RARE Asset Reconstruction Ltd, Central /State Governments, Local Bodies, Customers, Suppliers, Executives, Staff and Workers at all levels of their continuous co-operation and assistance.

For and on behalf of the Board



**E. V. Muthukumara Ramalingam**  
Managing Director  
(DIN : 00046166)

Place : TIRUPUR  
Date : 14.09.2020



**M. R. Gautham**  
Executive Director  
(DIN : 00046187)

## Annexure A to Board's Report

### Form No. AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:


**1. Details of contracts or arrangements or transactions not at arm's length basis:**

All transactions entered into by the Company during the year with related parties were on an arm's length basis.

**2. Details of material contracts or arrangement or transactions at arm's length basis:**

The transactions entered into by the Company during the year with related parties on an arm's length basis were not material in nature.

For and on behalf of the Board

  
**E. V. Muthukumara Ramalingam**  
Managing Director  
(DIN : 00046166)

  
**M. R. Gautham**  
Executive Director  
(DIN : 00046187)

Place : TIRUPUR

Date : 14.09.2020

## Annexure B to Board's Report

### POLICY ON SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

The Nomination & Remuneration Committee (NRC) has prepared a "Terms of Reference" (ToR), which, *inter alia*, deals with laying down the criteria for selection of Non-Executive Directors (NEDs), based on the requirements of the organization, including the qualifications and determining the independence of Directors. The NRC has also laid down the criteria for evaluation of performance of the Board and guidelines for determining the remuneration of Directors. This Policy is based on the above ToR of NRC:

**1. Criteria for selection and appointment of Directors:**

- a. The Director shall have relevant expertise and experience commensurate with the requirements of the Company to discharge the duties as a Director.
- b. While selecting a Director, the emphasis be given on qualifications, experience, personal and professional standing of the incumbent.

- c. Assess the independence, nature of the appointment as Director vis-à-vis any conflict of interest with respect to any pecuniary relationship and procure necessary declaration.
- d. A Director is not disqualified for appointment u/s. 164 of the Companies Act, 2013.
- e. The tenure / term of the Non-Executive Director shall be as per the terms of appointment even after attaining the age of 75 years subject to passing of a special resolution by the members of the Company at General Meeting. The tenure / term of other than Non-Executive Directors shall be the age of 70 years and a special resolution is required in case of the tenure / term exceeds 70 years.
- f. In case of re-appointment of Director, due emphasis be given to the performance evaluation of the Director during his tenure.

## 2. Remuneration:

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees for attending the meetings of the Board as well as the Committees and profits related commission as mentioned below. The Directors shall also be eligible to receive reimbursement of expenses for participation in the Board and Committee Meetings.

The overall remuneration shall be in accordance with Sec. 197 and other applicable provisions & rules made there-under from time to time.

- a. A Non-Executive Director shall be entitled to receive sitting fees for attending meetings of the Board and Committees of such amount as may be approved by the Board of Directors, within the overall limits prescribed by the Companies Act, 2013 and rules made thereunder.
- b. The Non-Executive Director will also be entitled to receive a commission on the Net Profits of the Company, on a yearly basis. The amount of commission payable will be as approved by the Board of Directors, based on the recommendation of the NRC.
- c. The NRC may recommend payment of commission on a uniform basis to all NEDs as it deems fit.
- d. The NRC may recommend higher commission to the NEDs who are the Chairman of the Board or various Committees, taking into consideration the higher responsibilities taken by them.
- e. The NRC, while determining the quantum of commission of NEDs may consider the membership of the Director on the Board & Committees, their attendance at the various Board & Committee Meetings, the overall performance of the Company.
- f. The overall commission payable to the Directors shall not exceed 1% of the Net Profits of the Company.
- g. The NRC may recommend a payment of pro-rata commission to a NED who occupies the office for the part of the year.

## 3. Criteria for selection of Managing Director & Executive Director :

For the purpose of selection of the Managing Director & Executive Director, the N&R 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.



#### **4. Remuneration for Managing Director & Executive Director:**

- i. At the time of appointment or re-appointment, the Managing Director & Executive Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the N&R Committee and the Board of Directors) and the Managing Director & Executive Director within the overall limits prescribed under the Companies Act, 2013.
- ii. The remuneration shall be subject to the approval of the Members of the Company in General Meeting.
- iii. The remuneration of the Managing Director & Executive Director is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retiral benefits. The variable component comprises performance bonus.
- iv. In determining the remuneration (including the fixed increment and performance bonus) the N&R Committee shall ensure / consider the following:
  - a. the relationship of remuneration and performance benchmarks is clear;
  - b. balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
  - c. responsibility required to be shouldered by the Managing Director & Executive Director, the industry benchmarks and the current trends;
  - d. the Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.

#### **5. Remuneration Policy for Senior Management:**

The NRC, while determining the remuneration of Senior Management shall ensure the following:

- a. The remuneration is divided into fixed component & Variable Component.
- b. The division is based on the fixed salary and performance bonuses.

## Annexure C to Board's Report

Form No. MR-3

### SECRETARIAL AUDIT REPORT

For the Financial Year Ended on 31st March, 2020

[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, Tirupur

(CIN : L55101TZ1990PLC002653)

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 with 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 31st March, 2020 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 31st March, 2020 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, 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 the 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 issued by The Institute of Company Secretaries of India.
- ii) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I further report that the applicable financial laws such as the Direct and Indirect Tax Laws, have not been reviewed under my audit as the same falls under the review of statutory audit by other designated professionals.

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 Regulation 38 of SEBI (LODR) Regulations, 2015 and Section 12A of the Securities Contracts (Regulation) Act, 1956 read with Rule 19(2) and 19A of the Securities Contracts (Regulation) Rules, 1957.

I further report that :

The Board of Directors of the Company is duly constituted with the 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.

The 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 GANESH VISWANATHAN** M.Com., ACS,  
Company Secretary in Practise  
Membership No. ACS 55207  
CP. No. 20421  
UDIN: A055207B000530165

Place : TIRUPUR

Date : 31.07.2020

**ANNEXURE - 1**  
**TO SECRETARIAL AUDIT REPORT**

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 a 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. Wherever 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 the 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 GANESH VISWANATHAN** M.Com., ACS,  
Company Secretary in Practise  
Membership No. ACS 55207  
CP. No. 20421  
UDIN: A055207B000530165

Place : TIRUPUR  
Date : 31.07.2020

**ANNEXURE - D****Form No. MGT-9****EXTRACT OF ANNUAL RETURN**AS ON THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH, 2020

[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  
E-mail : info@velanhotels.com
- vi) Whether listed company : Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : S K D C Consultants Limited  
Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road  
Ganapathy, Coimbatore, Tamilnadu-641006  
Ph : 0422 - 4958995, 2539835-36  
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 / services	NIC Code of the Product / service	% to total turnover of the company
1	Lodging	55101	49.97%
2	Restaurants & Bars	56301	50.03 %

**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.					
2.					
3.					
4.					

Not Applicable

## 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 01-04-2019)				No. of shares held at the end of the year (As on 31-3-2020)				% of change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A.	Promoter									
	1) Indian									
	a) Individual/ HUF	22791096	-	22791096	71.302	22791096	-	22791096	71.302	-
	b) CentralGovt	-	-	-	-	-	-	-	-	-
	c) State Govt(s)	-	-	-	-	-	-	-	-	-
	d) Bodies Corp	2826934	-	2826934	8.844	2826934	-	2826934	8.844	-
	e) Banks / FI	-	-	-	-	-	-	-	-	-
	f) Any Other	-	-	-	-	-	-	-	-	-
	Sub-total(A)(1):-	25618030	-	25618030	80.146	25618030	-	25618030	80.146	-
	2) Foreign									
	g) NRIs-Individuals	-	-	-	-	-	-	-	-	-
	h) Other-Individuals	-	-	-	-	-	-	-	-	-
	i) Bodies Corp.	-	-	-	-	-	-	-	-	-
	j) Banks / FI	-	-	-	-	-	-	-	-	-
	k) Any Other....	-	-	-	-	-	-	-	-	-
	Sub-total(A)(2):-	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter & Promoter Group A=(A)(1)+(A)(2)	25618030	-	25618030	80.146	25618030	-	25618030	80.146	-
B.	Public Shareholding									
	1. Institutions	-	-	-	-	-	-	-	-	-
	a) Mutual Funds	-	-	-	-	-	-	-	-	-
	b) Banks / FI	-	-	-	-	-	-	-	-	-
	c) Central Govt	-	-	-	-	-	-	-	-	-
	d) State Govt(s)	-	-	-	-	-	-	-	-	-
	e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
	f) Insurance Companies	-	-	-	-	-	-	-	-	-
	g) FIs	-	-	-	-	-	-	-	-	-
	h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
	i) Others (specify)	-	-	-	-	-	-	-	-	-
	j) Foreign Portfolio inv	-	-	-	-	-	-	-	-	-
	Sub-total(B)(1)	-	-	-	-	-	-	-	-	-
	2. Non Institutions									
	a) Bodies Corp.									
	i) Indian	268793	9300	278093	0.870	17343	9300	26643	0.083	-0.787
	ii) Overseas	-	-	-	-	-	-	-	-	-
	b) Individuals									
	i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	1239809	424670	1664479	5.208	1251202	417570	1668772	5.221	0.013
	ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	3685266	39800	3725066	11.654	3984920	39800	4024720	12.591	0.937
	c) Others(Specify)									
	i) Directors & Relatives	-	62650	62650	0.196	-	62650	62650	0.196	0.000
	ii) NRI	5359	5359	-	0.016	5459	0	5459	0.017	0.001
	iii) OCB	-	1000	1000	0.000	-	1000	1000	0.000	0.000
	iv) Clearing Members	64669	-	64669	0.202	4472	0	4472	0.014	-0.188
	v) HUF	74153	-	74153	0.232	81753	0	81753	0.256	0.024
	vi) IEPF Authority	470720	-	470720	1.473	470720	-	470720	1.473	0.000
	Sub-total (B) (2)	5808769	537320	6346089	19.854	5815869	530220	6346089	19.854	0.000
	Total Public Shareholding (B)=(B)(1)+(B)(2)	5808769	537320	6346089	19.854	5815869	530220	6346089	19.854	0.000
C.	Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	<b>Grand Total (A+B+C)</b>	<b>31426799</b>	<b>537320</b>	<b>31964119</b>	<b>100.00</b>	<b>31433899</b>	<b>530220</b>	<b>31964119</b>	<b>100.00</b>	<b>0.000</b>

## ii) Shareholding of Promoter

S No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% 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
	<b>Total</b>	<b>25618030</b>	<b>80.145</b>	<b>Nil</b>	<b>25618030</b>	<b>80.145</b>	<b>Nil</b>	<b>Nil</b>

(\*) Resigned on 18.8.2020

## 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

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

S No	Name of the Top 10 shareholders	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	Kaliappagounder Subramaniam	560000	1.752		
	Increase/Decrease during the year	---	---		
	At the end of the year			560000	1.752
2	Prithviraj	505000	1.580		
	Increase/Decrease during the year	---	---		
	At the end of the year			505000	1.580



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

S No	Name 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
3	Investor Education Protection Fund	470720	1.473		
	Increase/Decrease during the year	—	—		
	At the end of the year			470720	1.473
4	Kanku	250000	0.782		
	Increase/Decrease during the year	—	—		
	At the end of the year			250000	0.782
5	Mahaveer Chand	215000	0.673		
	Increase/Decrease during the year	—	—		
	At the end of the year			215000	0.673
6	Kishore Kumar Salecha	212442	0.665		
	Increase/Decrease during the year	—	—		
	At the end of the year			212442	0.665
7	Ashok Kumar Vijan	66998	0.210		
	Increase/Decrease during the year	135718	0.425		
	At the end of the year			202716	0.634
8	P.S. Kathiresan	195500	0.612		
	Increase/Decrease during the year	—	—		
	At the end of the year			195500	0.612
9	Darshan Kumar Sharma	—	—		
	Increase/Decrease during the year	179690	0.562		
	At the end of the year			179690	0.562
10	Amit Jain	151522	0.474		
	Increase/Decrease during the year	—	—		
	At the end of the year			151522	0.474
11	Master Capital Services Ltd	155159	0.485		
	Increase/Decrease during the year	(155159)	(0.485)		
	At the end of the year			—	—
12	Shivangi Agarwal	150000	0.469		
	Increase/Decrease during the year	(150000)	(0.469)		
	At the end of the year			—	—

## v) Shareholding of Directors and Key Managerial Personnel:

S No	Name of Directors and Key Managerial Personnel	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	Mr.E.V.Muthukumara Ramalingam	12678383	39.664		
	Increase/Decrease during the year	—	—		
	At the end of the year			12678383	39.664
2	Mr.M.R.Gautham	6420750	20.087		
	Increase/Decrease during the year	—	—		
	At the end of the year			6420750	20.087
3	Mrs. M. Sasikala	2130743	6.666		
	Increase/Decrease during the year	—	—		
	At the end of the year			2130743	6.666
4	Mr. B.A. Madhusudhan (*)	36296	0.114		
	Increase/Decrease during the year	—	—		
	At the end of the year			36296	0.114
5	Mr. P. Ganesan	33050	0.103		
	Increase/Decrease during the year	—	—		
	At the end of the year			33050	0.103
6	Mr. S.P. Sivanandam	100	0.000		
	Increase/Decrease during the year	—	—		
	At the end of the year			100	0.000
8	Smt. R. Lalitha - Chief Financial Officer	—	—		
	Increase/Decrease during the year	—	—		
	At the end of the year			—	—
9	Mr. M. Srinivasan - Company Secretary	—	—		
	Increase/Decrease during the year	—	—		
	At the end of the year			—	—

(\*) Resigned on 18.8.2020

## vi. INDEBTEDNESS

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

(in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	81,03,36,359	5,52,75,867	—	86,56,12,226
ii) Interest due but not paid	50,57,64,605	—	—	50,57,64,605
iii) Interest accrued but not due	—	1,22,945	—	1,22,945
<b>Total (i+ii+iii)</b>	<b>131,61,00,964</b>	<b>5,53,98,812</b>	<b>—</b>	<b>137,14,99,776</b>
<b>Change in Indebtedness during the financial year</b>				
- Addition	—	—	—	—
- Reduction	—	61,73,407	—	61,73,407
<b>Net Change - Indebtedness</b>	<b>—</b>	<b>(61,73,407)</b>	<b>—</b>	<b>(61,73,407)</b>
<b>Indebtedness at the end of the financial year</b>				
I. Principal Amount	81,03,36,359	4,92,25,406	—	85,95,61,765
ii. Interest due but not paid	50,57,64,605	—	—	50,57,64,605
iii. Interest accrued but not due	—	—	—	—
<b>Total (i+ii+iii)</b>	<b>131,61,00,964</b>	<b>4,92,25,406</b>	<b>—</b>	<b>136,53,26,370</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the year, no remuneration was paid to Managing Director / Executive Director

### B Remuneration to other directors:

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

## C. Remuneration to Key Managerial Personnel Other Than MD / Manager / WTD

(in Rs.)

S No	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total Amount
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	2,88,000	7,81,703	10,69,703
	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 Contribution to Employees Provident Fund	—	21,600	21,600
	Total	2,88,000	8,03,303	10,91,303

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

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The tourism industry is a significant contributor to economic growth of a country. In consequence, massive investments have been made across the world for development of tourism and reap benefits therefrom. The industry not only provides jobs at all levels requiring different sets of skills in urban centers but it also creates diverse earning opportunities for the rural population. According to the Ministry of Tourism (MOT) annual report for 2019-20, over 87 million people in the country were employed in the sector in 2018-19. India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognized as a destination for spiritual tourism for domestic and international tourists.

Total contribution by tourism sector which include Travel & Hospitality to India's GDP is expected to increase from Rs 15.24 lakh crore (US\$ 234.03 billion) in 2017 to Rs 32.05 lakh crore (US\$ 492.21 billion) in 2028. Total earning from the sector in India is targeted to reach US\$ 50 billion by 2022. During 2019, foreign tourist arrivals (FTAs) in India stood at 10.89 million, achieving a growth rate of 3.20 per cent y-o-y. During 2019, FEEs from tourism increased 4.8 per cent y-o-y to Rs 1,94,881 crore (US\$ 29.96 billion). In 2019, arrivals through e-Tourist Visa increased by 23.6 per cent y-o-y to 2.9 million.

The hospitality sector depends on performance of travel, trade and tourism for its business and sustenance. The Hotel industry, forms part of Tourism sector, is stuck in a crack due to oversupply, disruptions through technological innovations and a slowdown in demand due to macroeconomic issues. In the financial year 2019-20, there was a decline in RevPAR (Revenue per available Room) growth and in room occupancy rate. The rapidly falling occupancy rates will have a devastating impact on jobs.

On March 11, 2020, the WHO (World Health Organization) declared Covid-19 outbreak as a pandemic. Undoubtedly, the hardest hit industry is aviation, hospitality and tourism which are interdependent on each other. The lockdowns and restrictions imposed on various activities due to COVID-19 pandemic have posed challenges to the Hospitality industry. The Tourism & Hospitality sector across the globe is undoubtedly the biggest casualty of the COVID-19 pandemic.

### B. OPPORTUNITIES

The short term economic recovery is expected to be accelerated by an increase in government expenditure in key sectors of the economy and the implementation of stimulus packages announced by the government as part of its response to mitigate the hardships faced by both the economy and the people due to the lockdown.

In Union Budget 2019-20, the Government introduced a Tax Refund for Tourists (TRT) scheme in line with countries like Singapore to encourage tourists to spend more in India and boost tourism. The Government of India also announced to develop 17 iconic tourist sites in India into world-class destinations as per Union Budget 2019-20. Over the long term, a healthy saving culture among Indians, higher proportion of a young working population and policy reforms are expected to drive India's economic growth. The soft food inflation trend is expected to continue, given the increased agricultural productivity in the country.

The challenges posed by the COVID-19 pandemic are expected to be short term under the existing scenario, where severe infection is limited to certain geographies, with many states already experiencing a flat curve in terms of infection rate. However, uncertainty on how the infectivity would evolve in the future would largely dictate the time required for the economic growth to regain normalcy.

Though COVID-19 is unique in that there's no clear end in sight or economic model to predict how long the virus will pose a risk, the travel and hospitality industry has weathered many catastrophic events, such as 9/11 and the Great Recession, and in every circumstance, the industry always climbed back and flourished. It will take no less than 24 months for the hospitality, travel, tourism, and aviation sectors to bounce back, but for sure, the industry will bounce back hard. The revival of this sector would largely depend on effective containment measures and treatments.

## C. SEGMENTWISE PERFORMANCE :

### Segment-wise Revenue, Result and capital employed for the year ended 31st March 2020 & 2019

(Rs. in lakhs)

Particulars	Year ended	
	Audited	Audited
	31.3.2020	31.3.2019
<b>1 Segment Revenue</b>		
(Net sales/Income)		
a) Hotel	328.59	634.92
b) Shopping Arcade	—	—
Total	328.59	634.92
Less : Intersegment Revenue	—	—
Net sales / Income from operations	328.59	634.92
<b>2 Segment results</b>		
(profit/loss before interest & tax)		
a) Hotel	(189.48)	(85.22)
b) Shopping Arcade	(114.87)	(114.31)
Total	(304.35)	(199.53)
Less: i) interest	(13.19)	(23.28)
ii) Other unallocable expenditure net off	—	—
iii) Un-allocable income	—	—
Total profit / (Loss) Before tax	(317.54)	(222.81)
<b>3 Capital Employed</b>		
(Segment Assets-Segment Liabilities)		
Segment Assets :		
a) Hotel	6311.15	6551.40
b) Shopping Arcade	4591.38	4694.06
c) Unallocated	6479.92	6,479.92
Total Segment Assets	17382.45	17725.38
Segment Liabilities :		
a) Hotel	12656.36	12,670.64
b) Shopping Arcade	2730.01	2,741.12
c) Unallocated	437.58	437.58
Total Segment Liabilities	15823.95	15,849.35

**D. THREATS, RISKS AND CONCERNS :**

Unlike the 2009 crisis which primarily impacted the financial sector, there are both supply-side and demand-side constraints due to COVID-19 pandemic. Though economic activities have resumed in India in a phased manner after a longer period of lockdown imposed by Central / State Governments to contain the spread of Covid-19, the degree of negativity in various growth parameters such as the IIP and PMI numbers has become lower, infections continue to spread in the country, making things very uncertain.

All over the world, many countries started the clinical trials to discover a vaccine to prevent / cure Corona Virus. Any delay or setback in the clinical trials could lead to economic turmoil further.

In the wake of Covid-19, the cities witnessing reverse migration to villages / small towns – people are moving back to places where they came from. The Government has taken various initiatives to provide employment to migrant workers post-lockdown near their hometowns. This has been made possible due to the Work-From-Home (WFH) phenomenon. With more and more workers opting to work from remote locations, many activities in the cities such as hotels, restaurants, entertainment centers, shops, multiplex theatres and shopping malls are going to see a drop in footfalls.

The hotel business is dependent on global and domestic economic conditions. Further, your Company has the risk of heavy dependence on performance of Garment Industry in Tirupur where your hotel property is located. There is also the risk of dependence mainly on higher luxury segment. The Company is currently operating Hotel properties at Tirupur and Coonoor and expects all of its hotels to become operational in a staggered manner once the lockdown and other related restrictions are lifted. However, revenues are expected to be softer, both during the lockdown and for some time after the lifting of the lockdown, mainly due to lower occupancies arising out of reduced business and leisure travel.

**E. OUTLOOK:**

The near-term impact on business is contingent upon various factors such as lifting of the lockdown, travel restrictions and the revival of the economy. With the opening of the domestic market and air travel, the Company expects business to improve slowly and gradually. Given the uncertainty, the final impact on your Company's operations in future may differ from the estimations. The management will continue to review the plans from time to time, and based on the assessment of the materiality of the issues. Your Company will continue to pay close attention to the development of COVID-19 and will further evaluate and actively respond to such impact on the financial position and financial performance of the Company.

**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, 2020**

**i. Revenues:**

The total income stands decreased by 47.33% from Rs.644.05 in 2018-19 to Rs.339.23 lakhs in 2019-20.

**ii. Operating Expenses:**

The total expenditure except Interest and Depreciation stands decreased by 29.79% from Rs.663.51 lakhs in 2018-19 to Rs.465.87 lakhs in 2019-20.

### iii. Earnings /(Loss) Before Interest, Depreciation and Tax:

During the year under review, the PBIDT is Rs.(126.64) lakhs whereas in 2018-19 the PBIDT was Rs.(19.45) lakhs.

### iv. Interest Cost:

During the year under review, the Interest cost stands Rs.13.18 lakhs as compared to Rs.23.28 lakhs in the previous year.

### v. Profit / Loss Before Tax :

Loss Before Tax at Rs.317.55 lakhs against loss of Rs.222.81 lakhs registered in 2018-19.

### vi. Profit / Loss After Tax :

During the under review, the Loss after Tax for 2019-20 stood at Rs.317.55 lakhs from loss of Rs.222.81 lakhs reported in 2018-19.

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

Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2017	31 <sup>st</sup> March, 2016
<b>OPERATING RESULTS</b>					
1. Total Income	339.23	644.05	870.87	1238.42	1369.57
2. Profit Before Depre. Int & Tax	(126.64)	(19.46)	36.92	195.42	199.52
3. Interest	13.19	23.28	24.29	1850.67	1589.87
4. Depreciation	177.72	180.07	184.69	195.81	207.52
5. Tax Liability	--	--	75.47	67.02	35.44
6. Net Profit /(Loss) After Tax	(317.55)	(222.81)	(247.53)	(1959.16)	(1637.54)
<b>PERFORMANCE PARAMETERS</b>					
1. Share capital	3196.41	3196.41	3196.41	3196.41	3196.41
2. Reserves & Surplus	(1637.92)	(1320.37)	(1097.56)	(850.03)	1109.13
3. Secured & Unsecured loans	13653.26	13714.99	13681.90	13719.77	12088.56
4. Fixed Assets (Gross Block)	13199.01	13103.38	13132.57	13096.16	13264.58
5. Accumulated Depreciation	2251.15	2124.06	1974.18	1789.49	1741.84
6. Net Block	10757.19	10979.32	11158.39	11306.66	11522.74



## I. FINANCIAL RATIOS :

Following are ratios for the current financial year and their comparison with preceding financial year, along with explanations where the change has been 25% or more when compared to immediately preceding financial year :

Sl. No.	Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019	Change %	Explanation
1	Debtors Turnover (in days)	2.32	7.49	(69%)	Recovery during the year is high
2	Inventory Turnover (in days)	32.68	38.38	(15%)	Changes is less than 25%, not applicable
3	Interest Coverage Ratio	(4.33)	(2.22)	(95%)	The Difference is due to reduction in occupancy rate
4	Current Ratio	0.22	0.43	(49%)	Lower volume of sales
5	Debt Equity Ratio	8.75	8.45	4%	Changes is less than 25%, not applicable
6	Operating Profit Margin (%)	(12%)	(8%)	50%	Lower sales volume due to reduction in occupancy rate
7	Net Profit Margin (%)	(97%)	(35%)	177%	Lower sales volume due to reduction in occupancy rate
8	Return on Net Worth (%)	(20%)	(12%)	67%	Lower sales volume due to reduction in occupancy rate

## J. HUMAN RESOURCES

An organization's success depends largely on its human resources, its management and good industrial relations. Your Company has always viewed human resource development as a critical activity for achieving its business goals. Your Company understands the importance of having the right people with right skills, to deliver the strong and exceptional service and also requisite expertise, which is the basis of our relationships with the guests.

Industrial Relations throughout the year continued to remain cordial. The Company enjoys a harmonious relationship with its employees.

## 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).

### 1. PHILOSOPHY :

The Company's philosophy on Corporate Governance revolves around fair and transparent governance and disclosure practices in line with the principles of Good Corporate Governance. This philosophy is backed by principles of Concern, Commitment, Ethics, Excellence and Learning in all its acts and relationships with Stakeholders, Clients, Associates and Community at large. The Company respects the inalienable rights of the shareholders to information on the performance of the Company. The Company's Corporate governance policies ensures, among others, the accountability of the Board of Directors and the importance of its decisions to all its participants viz. employees, investors, customers, regulators etc. The Company believes that the good Corporate Governance is a continuous process and strives to improve the Corporate Governance practices to meet shareholder's expectations.

The Company has complied with the requirements of Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of which are as under:

### 2. BOARD OF DIRECTORS

As on report date, the composition of the Board of Directors of the Company is presently governed by the provisions of Companies Act, 2013, the Articles of Association of the Company and the SEBI (LODR) Regulations, 2015. As on 31<sup>st</sup> March, 2020, the Board was comprised of six Directors, both Executive and Non-Executive. Mr.P.Ganesan is the Independent-Non-Executive Chairman. The day-to-day operations of the Company are managed by Mr.E.V.Muthukumara Ramalingam, Managing Director and Mr.M.R.Gautham - Executive Director, under the active guidance of the Chairman / Board.

#### Independent - Non-Executive Director

Mr.P.Ganesan and Mr.S.P.Sivanandam are Non-Executive, Independent Directors who constitute 1/3 of the total strength of the Board where the Chairman of the Board is Non-Executive -Independent Director.

#### Non-Independent Director

Mr.E.V.Muthukumara Ramalingam, Mr.M.R.Gautham, Mrs.M.Sasikala and Mr.B.A.Madhusudhan are Non-Independent Directors. Both Mrs.M.Sasikala and Mr.B.A.Madhusudhan are also Non-Executive Directors. Hence, the Board has not less than fifty percent of the board of directors comprises of Non-Executive Directors in terms of the provisions of the listing regulation.

In accordance with Regulation 26 of the Listing Regulations, none of the Directors are members in more than 10 committees excluding private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 or act as Chairperson of more than 5 committees across all listed entities in which he / she is a Director. The Audit Committee and Stakeholders' Relationship Committee are only considered in computation of limits. Further, every Director informs the Company about the Committee position he / she occupies in other companies and notifies the changes as and when they take place.



**a. The details of Directorship on the Board of Listed entities, other than Velan Hotels Ltd, of above directors :**

None of the Directors of the Company held any position including Directorship in listed entity other than Velan Hotels Limited as on 31<sup>st</sup> March 2020.

**b. Attendance of each director at the meeting of Board of Directors and the last Annual General Meeting.**

Name of Director(s)	Designation / Category of Directorship	Board Meetings attended	Attendance at last AGM	No. of other Directorships held	No. of other Company's Committees of which Member / Chairman	No. of shares held by Non-Executive Directors
Mr. P. Ganesan	Chairman/ Independent- Non-Executive	7	Yes	Nil	Nil	33050
Mr. E.V. Muthukumara Ramalingam	Managing Director/Non-Independent-Executive	7	Yes	2	Nil	N.A
Mr. M.R. Gautham	Executive Director/Non-Independent-Executive	7	Yes	1	Nil	N.A.
Mrs. M. Sasikala	Non-Executive Director / Non-Independent	7	Yes	1	Nil	2130743
Mr. B.A. Madhusudhan (*)	Non-Executive Director / Non-Independent	7	No	1	Nil	36296
Mr. S. P. Sivanandam	Independent-Non-Executive	7	Yes	1	Nil	100

(\*) Resigned from the Board on 18/08/2020

**c. Board Meetings and Attendance**

The Board looks at strategic planning and policy formulation. The Board meets at least once in every quarter to review the Company's operations and the intervening gap between the meetings is within the period prescribed under the Companies Act 2013. During the year under review, the Board met seven (7) times. There were held on 30/05/2019, 12/08/2019, 27/09/2019, 11/11/2019, 12/11/2019, 12/02/2020 and 23/03/2020. The agenda of the Board meeting is circulated to all the Directors well in advance and contains all the relevant information.

**d. Disclosure of relationship between directors inter-se**

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.

**e. Weblink of where the details of familiarisation programmes imparted to independent directors.**

The details of the familiarization program imparted to Independent Directors during the year 2019-20 can be viewed at: <https://www.velanhotels.com/pdf/Details%20of%20familiarization%20program.pdf>

**f. List of skills / expertise / competencies required to function the business effectively.**

- i. The following list of core skills / expertise / competencies are identified by the Board of Directors as required in the context of Business(es) and sector(s) for it to function effectively and those actually available with the Board of Directors

<b>Integrity and Judgment</b>	Directors should have the highest level of integrity, ethical character and the ability to exercise sound business judgment on a broad range of issues consistent with the Company's values.
<b>Qualification &amp; Knowledge</b>	Directors should be financially literate and have a sound understanding of business strategy, corporate governance and board operations.
<b>Diversity</b>	Directors should be capable of representing the multi-cultural nature with consideration being given to a diverse board in terms of gender and ethnic membership. In addition, the Committee shall take into account diversity in professional experience, skills and background.
<b>Independence</b>	Directors who are not current or former management should meet the spirit as well as the letter of the applicable independence standards. In addition, all Directors should be independent in their thought and judgment so that they represent the long-term interests of all shareholders of the Company.
<b>Experience and Accomplishments</b>	Directors should have significant experience and proven superior performance in professional endeavors whether this experience is in business, government and academic or with non-profit organizations.
<b>Board Interaction</b>	Directors should value board and team performance over individual performance, demonstrate respect for others and facilitate superior board Performance. Directors should be willing and able to devote the time required to become familiar with Company's business and to be actively involved in the Board and its decision-making.
<b>Skills</b>	Directors should have expertise in one or more of the areas such as accounting and finance, technology, management, compensation, legal, HR, corporate governance, strategy, industry knowledge and general business matters.

**ii) Key skills and Competencies of the Board**

The Board comprises qualified members who bring in the required skills, competence, and expertise that allow them to make effective contribution to the Board and its committees. The core competencies identified by the Board of Directors to be possessed by the Directors for the effective functioning of the business are broad understanding of Hospitality business, sufficient knowledge on the regulatory environment applicable to the Company and its business, strategy and governance. All the Directors of the Company possess the core competencies identified by the Board.

**g. Confirmation of Independence**

In the opinion of the Board that the Independent Directors fulfill the conditions specified under Regulation 34(3) and 53(f) of SEBI (LODR) Regulations, 2015 and are independent of the management.

**h. Reasons for the resignation of an Independent Director**

During the year period under review, Mr. Giri Balasubramanian, Independent Director has resigned before the expiry of his tenure due to personal reasons. He confirmed that his resignation is due to his own personal grounds and did not have any material reasons to state.

**COMMITTEES OF THE BOARD**

The Company has constituted various committee(s) in compliance with the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

The Company Secretary acts as the Secretary to all the Committees. Minutes of the Committee meetings are circulated to the Directors and placed before the Board meeting for noting thereat.

**3. 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 Regulation 18 of SEBI (LODR) Regulations 2015 as regards composition of Audit Committee.

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

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

The Audit Committee invites the executives including CFO of the Company, as it considers appropriate, representatives of Statutory Auditor and representatives of the Internal Auditor at its

meetings. The Company Secretary acts as the Secretary to 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 :**

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

During the year under review, there were 4 committee meetings held. There were held on 30/05/2019, 12/08/2019, 12/11/2019 and 12/02/2020.

<b>Name of the Member</b>	<b>Designation</b>	<b>No. of Meetings of Attended</b>
Sri. P. Ganesan	Chairman	4
Smt. M. Sasikala	Member	4
Sri. S. P. Sivanadam	Member	4

The Chairman of the Audit Committee was present at the last Annual General Meeting.

## 4. **NOMINATION & REMUNERATION COMMITTEE:**

### a. **Composition**

The Composition of Nomination and Remuneration Committee is in accordance with the provisions of Section 178(1) of the Companies Act, 2013 and Regulation 19 of the Listing Regulations which comprises entirely of three Non-Executive Directors and two-thirds of them are Independent Directors.

<b>Name of the Member</b>	<b>Designation</b>
Mr. S.P. Sivanadam	Chairman
Mr. P. Ganesan	Member
Mrs.M.Sasikala (#)	Member
Mr. Giri Balasubramanian (*)	Member

(\*) Resigned from the Board on 23/05/2019.

(#) Inducted as member of the Committee in place of Mr.Giri Balasubramanian who resigned from the Board.

In accordance with the applicable provisions of the Companies Act, 2013 and applicable regulations of the SEBI-LODR, 2015, Mr.P.Ganesan was elected as the Chairman of the Board and thus Committee was reshuffled. Accordingly, Mr.S.P.Sivanandam was elected as the Chairman of the Committee as per circular resolution passed by the Committee on 10/05/2019.

**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 the 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, in addition to circular resolution passed on 10/05/2019, one meeting was held on 11<sup>th</sup> November, 2019. They evaluated the performance of the Independent Directors, Non-Independent Directors and the Board as per the prescribed criteria and recommended to the Board for re-appointment of Executive Director.

**d Performance evaluation criteria for Independent Directors**

Each Independent Director's performance was evaluated as required by Schedule IV of the Act having regard to the following criteria of evaluation viz. (i) Qualification (ii) Experience (iii) Availability and Attendance (iv) Integrity (v) Commitment (vi) Governance (vii) Independence (viii) Communication (ix) Preparedness (x) Participation and (xi) Value Addition.

**e. Remuneration to Managing Director / Executive Director / Other Directors**

During the year under review, no remuneration was paid to Managing Director / Executive Director in view of the loss incurred by the Company. In addition, there is no other material pecuniary relationship or transactions by the Company with the Directors.

**f. Remuneration of Directors / Remuneration Policy**

The Board has, on the recommendation of the Nomination & Remuneration Committee, framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The performance criteria for payment of remuneration are stated in the Policy on selection and appointment of Directors and their Remuneration. The said Policy is annexed in the Directors Report page as Annexure-B. The said policy is hosted on the following weblink : <https://www.velanhotels.com/pdf/Velan%20Hotels-%20Remuneration%20Policy-on-Selection-and-Appointment-of-Directors-and-their-Remuneration-2.pdf>

**g. Service Contracts:**

In accordance with the applicable provisions of the Companies Act, 2013, the members of the Company approved the re-appointments of Managing Director / Executive Director without any managerial remuneration due to loss made by the Company. No service contracts entered into between the Company and Directors.

**h. Notice Period:**

The terms of appointments of Managing Director/ Executive Director of the Company is such that it requires ninety days 'notice periods by either parties.

**i. Severance / Compensation fees:**

The Nomination and Remuneration Committee is entrusted with the role of reviewing the compensation of Directors as and when the Company turns profit.

**j. Payment and other consideration to independent directors:**

An independent director shall not be entitled to any stock option and is entitled to receive remuneration only by way of sitting fees and reimbursement of expenses for participation in meetings of the Board or committee thereof.

**5. STAKEHOLDERS RELATIONSHIP COMMITTEE**

**a. Composition**

The Company's Stakeholders Relationship Committee functions under the Chairmanship of Mr.P.Ganesan, Independent Director of the Board. 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.

Mr. 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 and transmission, issue of duplicate share 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 on 07<sup>th</sup> September, 2019 and approved the share transfer and transmission, issue of duplicate share certificates and split of share certificate.

<b>Complaints Status</b>		<b>01-04-2019 to 31-03-2020</b>
Number of shareholders' compliants received during the period	:	Nil
Number not solved to the satisfaction of shareholders	:	Nil
Number of pending compliants	:	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.

Name of the Member	Designation	No. of Meetings of Attended
Mr. P. Ganesan	Chairman	1
Mr. S. P. Sivanandam	Member	1
Mr. E.V. Muthukumara Ramalingam	Member	1

**d. 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.

**e. 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.

**CORPORATE SOCIAL RESPONSIBILITY (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:**

The Company's Independent Directors met on 23<sup>rd</sup> March 2020 without the presence of the Managing Director, Executive Director, Non-Executive-Non-Independent Directors and the Management representatives. The meeting was attended by all the Independent Directors and was conducted informally to enable the Independent Directors to discuss matters pertaining to the Company's affairs and put forth their combined views to the Board of Directors of the Company.

Further, the Independent Directors also reviews the performance of the Chairman, Non-Independent Directors, Managing Director (after taking into account the views of Executive and Non-Executive Directors) and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**SHAREHOLDERS:**

**1. Means of Communication:**

The quarterly results, reports, statements, documents, filing and any other pieces of information are filed with the electronic platform of the BSE Ltd immediately after they are approved by the Board. These are also published in Financial Express, an English daily newspaper having all India circulation and in Tamil Murusu / 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 corporate.

No presentations have been made to Institutional Investors or to analysts.

## 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:

SEBI has amended relevant provisions of SEBI(Listing Obligations and Disclosure Requirements)(Fourth Amendment) Regulations, 2018 to disallow listed companies from accepting request for transfer of securities which are held in physical form with effect from April 1,2019. The shareholders, who continue to hold shares and other types of securities of listed companies in physical form even after this date, are not able to lodge the shares with the company for further transfer. They will need to convert them to demat form compulsorily if they wish to effect any transfer. Only the requests for transmission and transposition of securities in physical form are accepted by the listed companies.

## 4. GENERAL BODY MEETINGS :

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

Year	Location	Date	Time
2019	Regd. Office at 41, Kangayam Road, Tirupur 641 604	27th September, 2019	12.05 p.m.
2018	Regd. Office at 41, Kangayam Road, Tirupur 641 604	28th September, 2018	12.05 p.m.
2017	Regd. Office at 41, Kangayam Road, Tirupur 641 604	27th September, 2017	11.45 a.m.

### ii. Extra-Ordinary General Meeting :

No Extra -Ordinary General Meeting was held during the year 2019 - 20.

### iii. Special Resolutions passed during last three Annual General Meetings

Year	Date	Meeting	Matters passed
2019	27/09/2019	AGM	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr.P.Ganesan as an Independent Director and continuation of holding office as a Non-Executive Director for a further period of five years.</li> <li>2. Re-appointment of Mr.S.P.Sivanandam as an Independent Director for a further period of five years.</li> <li>3. To consider sale of movable and immovable assets of the Company</li> </ol>
2018	28/09/2018	AGM	No special were resolutions passed
2017	27/09/2017	AGM	No special were resolutions passed

**iv. Postal Ballot:**

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

**6. GENERAL SHAREHOLDER INFORMATION**

**a. Annual General Meeting**

- i. Date : 26.12.2020
- ii. Time : 12.05 p.m.
- iii. Venue : 41 Kangayam Road, Tirupur - 641 604

**b. Financial Calendar**

- Financial reporting for the quarter ending September 2020 : Before November 14, 2020
- Financial reporting for the quarter ending December 2020 : Before February 14, 2021
- Financial reporting for the Annual for March 31, 2021 : Before May 30, 2021
- Financial reporting for the quarter ending June, 2021 : Before August 14, 2021

**c. Date of Book Closure**

: 21/12/2020 to 26/12/2020

**d. Dividend payment**

: No dividend is recommended.

**e. Listing on Stock Exchange**

: BSE Limited  
& Stock Code 526755

**f. Stock price data.**

High / Low prices of the share of the Company quoted during the financial year 2019-20 at BSE Ltd.

Month & Year		High (Rs.)	Low (Rs.)
April	2019	5.20	3.75
May	2019	4.85	3.28
June	2019	4.00	2.90
July	2019	3.99	2.49
August	2019	4.41	2.90
September	2019	4.60	2.95
October	2019	3.87	3.02
November	2019	3.84	3.00
December	2019	3.73	2.92
January	2020	3.64	3.00
February	2020	3.53	2.50
March	2020	2.52	2.28

g. As the share price of the Company quoted below the par value, the performance in comparison to broad-based indices such BSE Sensex is not reported.

**h. Distribution of Shareholdings as on 31.03.2020**

Range (in Nos.)	No. of Shareholders	%held (% No. of persons)	Face value of shares (Rs.)	% held (% Value)
Up to 500	4575	86.73	6222960	1.95
501 to 1000	312	5.91	2595900	0.81
1001 to 2000	167	3.17	2545940	0.80
2001 to 3000	55	1.04	1406700	0.44
3001 to 4000	32	0.61	1130060	0.35
4001 to 5000	28	0.53	1318010	0.41
5001 and 10000	37	0.70	2512460	0.79
10001 and above	69	1.31	301909160	94.45
<b>TOTAL</b>	<b>5275</b>	<b>100.00</b>	<b>319641190</b>	<b>100.00</b>

**i. Categories of Shareholding as on 31st March 2020:**

Sl. No.	Category	No. of shareholder	No. of shares	% of holding
<b>1.</b>	<b>Promoters Group</b>			
a.	Individual	6	22791096	71.30
b.	Bodies Corporate	1	2826934	8.84
<b>2.</b>	<b>Public Shareholding</b>			
a.	Individual	5151	5693492	17.81
b.	Directors/Directors relatives	3	62550	0.20
c.	Bodies Corporate	35	26643	0.08
d.	Non-Resident Indian (NRI)	10	5459	0.02
e.	Overseas Corporate Bodies	1	1000	0.00
f.	Clearing Members	11	4472	0.01
g.	HUF	56	81753	0.25
h.	IEPF	1	470720	1.47
	<b>Total</b>	<b>5275</b>	<b>319641190</b>	<b>100.00</b>

**j. Dematerialization of shares and Liquidity as on 31.03.2020**

Dematerilised form in CDSL	-	16257853
Dematerilised form in NSDL	-	15176046
Total shares in demat form	-	31433899
% of total share capital	-	98.341
No.of shares in physical form	-	530220
% of total share capital	-	1.659

**k. 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.

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

During the last three years, no fund has been raised.

**m. 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.

**n. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities**

The Company is not dealing / trading in any commodities / exchanges, hence does not have any exposure to commodity price risk.

**o. As the Company not issued any debt instruments or any fixed deposit program or any scheme or proposal, obtaining of credit ratings is not applicable to the Company.**

**p. Location of the Hotels** 
{

→ Velan Hotels-Greenfields, 41 Kangayam Road, Tirupur 641 604  
→ Velan Hotel, Bedford, Ritz Road, Coonoor - 643 101

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

**r. Address for correspondence** 
→
  
 Velan Hotel - 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

**s. Compliance Officer** 
→ Sri. M. Srinivasan - Company Secretary

## 5. OTHER DISCLOSURES

### a. Related Party Transactions:

During the year, there were no material related party transactions i.e. transactions of the Company of a material nature with its promoters, the Directors or the management or relatives etc. that may have a potential conflict with the interests of the Company at large. The details of Related Party Transactions are given in Annexure to the Directors Report.

### b. Compliances

The Company believes that it has complied with all the regulations of Stock Exchanges, SEBI or other statutory authority/ties on matters related to capital markets.

BSE Ltd vide their letter No.LIST/COMP/Reg.27(2) & Reg.17 to 21/Mar-19/526755/37/2019-20 dated 2<sup>nd</sup> May 2019 imposed the Company a fine of Rs.2,12,400 (Inclusive of 18% GST) for the period ended 31<sup>st</sup> March, 2019 under provisions of the Standard Operating Procedures issued by SEBI through various circulars in respect of non-compliance of Regulation 19(2) of SEBI-LODR-2015 - the Chairman of the Board also chaired the Nomination & Remuneration Committee - The Company has remitted the said amount to BSE Ltd.

### c. Vigil Mechanism or Whistle-Blower Policy:

Pursuant to Section 177 of the Companies Act, 2013, the Regulation 22 of SEBI (LODR) Regulation, 2015 and Regulation 9A (6) of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 2015, the Company has a Whistle-Blower Policy for establishing a vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct and Ethics policy. The said mechanism also provides for adequate safeguards against victimization of persons who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases. We affirm that no employee of the Company was denied access to the Audit Committee. The said Whistle-Blower Policy has been hosted on the website of the Company at [https://www.velanhotels.com/pdf/Velan%20-%20Vigil\\_Mechanism\\_Whistle-blower\\_Policy.pdf](https://www.velanhotels.com/pdf/Velan%20-%20Vigil_Mechanism_Whistle-blower_Policy.pdf)

### d. Web link of policy on dealing with related party transactions:

The policy on dealing with related party transactions can be viewed at <https://www.velanhotels.com/pdf/Velan%20Hotels%20-%20Related--Party-Transactions-Policy-2.pdf>.

### e. Disclosure of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards (\*) referred to in Section 133 of the Companies Act, 2013. The significant accounting policies which are consistently applied are set out in the Notes to the Financial Statements.

(\*) In response to Auditors' Qualification on Gratuity, pls refer the page of State of the Company's affairs and Sl.No. 6(a) of explanation or comments on qualification reported elsewhere in the Directors' Report.

### f. Risk Management

The Company has in place a mechanism to inform the Board members of the risk assessment and mitigation plans and periodical review to ensure that the critical risks were controlled by the executive management through means of a properly defined framework.

**g. Commodity price risk and Commodity hedging activities**

The Company does not have material exposure of any commodity and accordingly, no hedging activities for the same are carried out. Therefore, there is no disclosure to offer in terms of SEBI circular No. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated November 15, 2018.

**h. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A).**

Not applicable

**i. A certificate from a Company Secretary in practice that none of the directors on the board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority.**

The Certificate of Company Secretary in practice is annexed herewith as a part of the report.

**j. Where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant financial year.**

Not Applicable

**k. Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the Statutory Auditor and all entities in the network firm/network entity of which the Statutory Auditor is a part.**

The details relating to fees paid to the Statutory Auditors are given in Note No. 30(b) to the Standalone Financial Statements.

**l. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

The details of number of complaints filed and disposed of during the year and pending as on March 31, 2020 is given in the Directors' report.

**m. Code of Conduct**

The Board of Directors has laid-down a 'Code of Conduct' (Code) for all the board members and senior management personnel of the Company and this Code is posted on the website of the Company. Annual declaration is obtained from every associate covered by the Code. The declaration of the Managing Director, as required under SEBI (LODR) Regulations, 2015, is published elsewhere in the Annual Report.

**n. Details of compliance with mandatory and non-mandatory requirements**

❖ **Mandatory**

As the Company is committed to highest levels of Corporate Governance, the Company has complied with all mandatory requirements specified in Regulations 17 to 27 and clause (b) to (i) of sub regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements), 2015

## THE DISCLOSURES OF THE COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS SPECIFIED IN REGULATION 17 TO 27 AND REGULATION 46(2) AS ON 31ST MARCH, 2020.

Sr. No.	Particulars	Regulations	Brief Descriptions of the Regulations	Compliance Status (Yes / No / N.A.)
1	Board of Directors	17(1)	Composition of Board	Yes
		17(2)	Meeting of Board of Directors	Yes
		17(3)	Review of Compliance Reports	Yes
		17(4)	Plans for orderly succession for appointments	Yes, as and when applicable
		17(5)	Code of Conduct	Yes
		17(6)	Fees/Compensation	Yes, as and when applicable
		17(7)	Minimum Information to be placed before the Board	Yes
		17(8)	Compliance Certificate	Yes
		17(9)	Risk Assessment & Management	Yes
		17(10)	Performance Evaluation	Yes
2	Audit Committee	18(1)	Composition of Audit Committee & Presence of the Chairman of the Committee at the Annual General Meeting	Yes
		18(2)	Meeting of Audit Committee	Yes
		18(3)	Role of the Committee and Review of information by the Committee	Yes
3	Nomination and Remuneration Committee	19(1)	Composition of Nomination and Remuneration Committee	Yes
		19(2)	The Chairman of the Board shall not be the Chair of the Committee	Yes
		19(3)	Presence of the Chairman of the Committee at the Annual General Meeting	Yes
		19(4)	Role of the Committee	Yes
4	Stakeholders Relationship Committee	20(1), (2) & (3)	Composition of Stakeholder Relationship Committee	Yes
		20(4)	Role of the Committee	Yes
5	Risk Management Committee	21(1),(2) &(3)	Composition of Risk Management Committee	N.A(#)
		21(4)	Role of the Committee	N.A(#)
6	Vigil Mechanism	22	Formulation of Vigil Mechanism for Directors and Employee	Yes
7	Related Party Transaction	23(1),(5),(6),(7) &(8)	Policy for Related Party Transaction	Yes
		23(2)&(3)	Approval including omnibus approval of Audit Committee for all Related Party Transactions and review of transaction by the Committee	Yes
		23(4)	Approval for Material Related Party Transactions.	Yes



Sr. No.	Particulars	Regulations	Brief Descriptions of the Regulations	Compliance Status (Yes / No / N.A.)
8	Subsidiaries of the Company	24(1)	Composition of Board of Directors of Unlisted Material Subsidiary	N.A
		24(2),(3),(4),(5) & (6)	Other Corporate Governance requirements with respect to Subsidiary including Material Subsidiary of listed entity	N.A
9	Obligations with respect to Independent Directors	25(1)&(2)	Maximum Directorship & Tenure	Yes
		25(3)	Meeting of Independent Directors	Yes
		25(4)	Review of Performance by the Independent Directors	Yes
		25(7)	Familiarisation of Independent Directors	Yes
10	Obligations with respect to Directors and Senior Management	26(1)&(2)	Memberships & Chairmanship in Committees	Yes
		26(3)	Affirmation with compliance to code of conduct from members of Board of Directors and Senior Management Personnel	Yes
		26(4)	Disclosure of Shareholding by Non- Executive Directors	Yes
		26(5)	Disclosures by Senior Management about potential conflicts of Interest	Yes
11	Other Corporate Governance Requirements	27(1)	Compliance of Discretionary Requirements	Yes
		27(2)	Filing of Quarterly Compliance Report on Corporate Governance	Yes
12	Disclosures on Website of the Company	46(2)(b)	Terms and conditions of appointment of Independent Directors	Yes
		46(2)(c)	Composition of various committees of Board of Directors	Yes
		46(2)(d)	Code of Conduct of Board of Directors and Senior Management Personnel	Yes
		46(2)(e)	Details of establishment of Vigil Mechanism / Whistle Blower policy	Yes
		46(2)(f)	Criteria of making payments to Non-Executive Directors	Yes
		46(2)(g)	Policy on dealing with Related Party Transactions	Yes
		46(2)(h)	Policy for determining Material Subsidiaries	N.A
		46(2)(i)	Details of familiarisation programmes imparted to Independent Directors	Yes

(#) As the Company is not a top 500 listed entities, determined on the basis of market capitalisation, not applicable.

## ❖ Non-mandatory requirements

Adoption of non-mandatory requirements of the Listing Regulations is being reviewed by the Board from time-to-time.

The status of compliance with the non-mandatory (discretionary) requirements under Regulation 27 of the Listing Regulations is provided below:

**i. The Board**

The Chairman of the Board is a Non-Executive Director and his position is separate from that of the Managing Director. The Chairman is entitled to maintenance of office and reimbursement of expenses for performing his duties.

**ii. Shareholders rights**

The Company has not adopted the practice of sending out half-yearly declaration of financial performance to shareholders. Quarterly results as approved by the Board are disseminated to BSE Ltd and updated on the website of the Company.

**iii. Modified opinion(s) in audit report**

There are modified opinions in the audit report.

**iv. Reporting of Internal Auditor**

In accordance with the provisions of Section 138 of the Companies Act, 2013, the Company has appointed an Internal Auditor who reports to the Audit Committee. Quarterly internal audit reports are submitted to the Audit Committee which reviews the audit reports and suggests necessary action.

**o. Disclosure with respect to demat suspense account / unclaimed suspense account:**

Not applicable

**p. Compliance Certificate of Managing Director / CFO**

The Managing Director and the Chief Financial Officer of the Company have given certification on financial reporting and internal controls for the financial year 2019-20 to the Board of Directors at their meeting held on 31<sup>st</sup> July, 2020, as required under Regulation 17(8) of SEBI (LODR), Regulations, 2015.

**q. Code of Conduct for prohibition of Insider trading**

The Company has adopted a Code of conduct as per SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended in 2019. All Directors, Senior Management Personnel, person forming part of Promoter(s) / Promoter(s) Group(s) and such other Designated Employees who could have access to the Unpublished Price Sensitive Information of the Company are governed by this Code. The web link of the code of conduct is available on the board's report. The Company Secretary of the Company is appointed as the Compliance Officer by the Board to ensure compliance and effective implementation of the Insider Trading Code.



**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, 2020.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read "E. V. Muthukumara Ramalingam".

**E. V. Muthukumara Ramalingam**  
Managing Director  
(DIN : 00046166)

Place : TIRUPUR

Date : 14.09.2020

## CERTIFICATE OF MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF 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, 2020 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 respective capacities as Managing Director and CFO of Velan Hotels Ltd to the best of our knowledge and belief certify that:

- A. We have reviewed the Financial Statement for the financial year ended 31st March 2020 and that to the best of our knowledge and belief:
- These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - These Statements together present a true and fair view of the Company and are in compliance with existing Indian Accounting Standards, applicable laws and regulations. (\*)
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit committee
- significant changes in internal control over financial reporting during the financial year;
  - significant changes in accounting policies during the financial year and that the same have been disclosed in the Notes to the Accounts; and
  - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

(\*) In response to Auditors' Qualification on Gratuity, pls refer the page of State of the company's affairs and Sl.No. 6(a) of explanation or comments on qualification reported elsewhere in the Directors' Report.



**E. V. Muthukumara Ramalingam**  
Managing Director  
(DIN : 00046166)



**R. Lalitha**  
Chief Financial Officer

Place : TIRUPUR  
Date : 31.07.2020



## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members  
Velan Hotels Limited

I have examined the compliance of conditions of Corporate Governance by Velan Hotels Limited (“the Company”) for the year ended March 31, 2020, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations – 2015”).

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the company for ensuring compliances of conditions of the Corporate Governance stipulated in the SEBI Listing Regulations – 2015.

My responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of our information provided and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations – 2015, as applicable, during the year ended March 31, 2020 except non-compliance with the requirement of Minimum Public Shareholding (MPS) under Regulation 38 of SEBI (LODR) Regulations, 2015.

I 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.

**S GANESH VISWANATHAN** M.Com., ACS,  
Company Secretary in Practise  
Membership No. ACS 55207  
CP. No. 20421  
UDIN : A055207B000708156

Place : TIRUPUR  
Date : 14.09.2020

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,

The Members of Velan Hotels Ltd  
Tirupur - 641 604

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of VELAN HOTELS LIMITED having CIN L55101TZ1990PLC002653 and having Registered Office at S F 41 Kangayam Road, Tirupur 641604 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in the Company
1.	ESWARAMOORTHY VENKATACHALAM MUTHUKUMARA RAMALINGAM	00046166	21/03/1990
2.	MUTHUKUMARARAMALINGAM GAUTHAM	00046187	01/12/2001
3.	PALANISAMY GOUNDER GANESAN	00049804	21/03/1990
4.	MADHUSUDHAN BALASUBRAMANIAN	01027496	28/03/2012
5.	MUTHUKUMARARAMALINGAM SASIKALA	01452586	28/03/2012
6.	SUBBANNA CHETTIAR PALANISWAMY CHETTIAR SIVANANDAM	01864334	29/09/2014

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company



**S GANESH VISWANATHAN** M.Com., ACS,  
Company Secretary in Practise  
Membership No. ACS 55207  
CP. No. 20421  
UDIN : A055207B000708134

Place : TIRUPUR  
Date : 14.09.2020

## INDEPENDENT AUDITOR'S REPORT

To

The Members of Velan Hotels Limited

### Report on the Audit of the Standalone Financial Statements

#### Qualified Opinion

We have audited the standalone financial statements of **Velan Hotels Limited** ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of Profit and Loss, Statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2020, and Profit/Loss, Changes in Equity and its Cash Flows for the year ended on that date, **subject to the notes given below with regard to Going Concern other Key Audit Matters.**

#### Basis for Qualified Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Going Concern

We draw attention to Note No. 35 of the attached Financial Statements for the year ended 31st March 2020. The Company's borrowings were taken over by M/s. RARE Asset Reconstruction Company Limited ("ARC") commencing from April 1, 2017 and as of the year ended March 31, 2020 a final settlement amount is yet to be conclusively agreed with the ARC after the failure of the Company to adhere to the 'One-time Settlement' ("OTS") offer agreed with the ARC during the previous financial year. Further, the Company suspended all business operations at Coonoor on March 31, 2019 and at Tirupur on March 24, 2020, being the only revenue generating asset of the Company. Considering the factors mentioned therein and with no sufficient revenue to meet the debt obligations, there exists a concern on the ability of the Company continuing as a Going Concern. In view of the above, our opinion is **Qualified**.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a

separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matters identified in our audit are summarized as follows:

- ❖ Ability of the Company Continuing as a Going Concern
- ❖ Confirmation of balance of Outstanding Debt
- ❖ Non-provision of Interest Expense
- ❖ Impairment of Assets
- ❖ Delays in remittance of statutory dues
- ❖ Gratuity and Leave Encashment accounted on estimated basis

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><u>Ability of the Company Continuing as a Going Concern</u></b></p> <p>As at 31<sup>st</sup> March 2020, the Company has suspended all operations of the Company and there exists no revenue generation to meet the debt obligations and to continue the operations.</p> <p>Accordingly, it has been determined as a key audit matter.</p>	<p>Our audit procedures in relation to assessment of going concern included:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the existence and performance of Revenue and Receivables activities;</li> <li>- Audit of debt obligations as at the year ended March 31, 2020;</li> <li>- Estimating the extent of revenue to continue the operations on a Going Concern Basis,</li> <li>- Assessment of the revenue-generating capacity of the company to reasonably meet its debt obligations.</li> </ul> <p><b>Key Observation:</b></p> <p>We draw attention to Note No. 35 of the attached Financial Statements for the year ended 31st March 2020. The Company's borrowings were taken over by M/s. RARE Asset Reconstruction Company Limited ("ARC") commencing from April 1, 2017 and as of the year ended March 31, 2020 a final settlement amount is yet to be conclusively agreed with the ARC after the failure of the Company to adhere to the 'One-time Settlement' ("OTS") offer agreed with the ARC during the previous financial year. Further the Company suspended all business operations at Coonoor on March 31, 2019 and at Tirupur on March 24, 2020, being the only revenue generating asset of the Company. Considering the factors mentioned</p>





Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>therein and with no sufficient revenue to meet the debt obligations, there exists a concern on the ability of the Company continuing as a Going Concern. In view of the above, our opinion is Qualified.</p>
<p><b>Confirmation of balance of Outstanding Debt:</b></p> <p>As on the date of Balance Sheet, the company has not obtained confirmation statement from ARC for Outstanding Debt.</p>	<p>Our audit procedures in relation to assessment of outstanding balance of debt as on 31.03.2020:</p> <ul style="list-style-type: none"> <li>- Tested the information used by management for outstanding debts.</li> <li>- Obtained necessary evidences to confirm the transfer of closing outstanding debts with Banks to ARC.</li> </ul> <p><b>Key Observation:</b></p> <p>Due to non-availability of confirmations in respect of loan taken over by ARC. In the absence of such confirmations, any provisions to be made for the variations in carrying amounts of outstanding balance of debt, cannot be quantified as well as the quantum of adjustment if any, required to be made remains unascertained.</p>
<p><b>Non-provision of Interest Expense</b></p> <p>For the year, no provision for Interest on Loans taken over by ARC has been considered in profit and loss statement</p>	<p>Our audit procedures in relation Non Provisioning of Interest on outstanding debt:</p> <ul style="list-style-type: none"> <li>- Obtained necessary evidence and examined to confirm that interest expenses accounted properly.</li> <li>- Re-computed the Interest expenses and confirmed with bank interest.</li> </ul> <p><b>Key Observation:</b></p> <p>No definitive agreement has been concluded with the ARC as on the date of the Report. Accordingly the Interest on the same has not been provided in these financial results. Due to above, any Interest payable on the Outstanding debt taken over by ARC is not provided.</p>
<p><b>Impairment of Assets</b></p> <p>For the Assets, which are taken over by ARC against the amount due, has been not tested for Impairment.</p>	<p>Our audit procedures in relation Impairment of Assets:</p> <ul style="list-style-type: none"> <li>- Obtained list of Fixed Assets by Carrying Amount, which is original book value less depreciation.</li> <li>- Tested the Carrying amount for impairment using discounted cashflows.</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li>- Adjusted the fixed assets for reduction in carrying value and recognized the loss.</li> </ul> <p><b>Key Observation:</b></p> <p>The test for the impairment of the assets tied to the borrowings have not been carried out as on date of the report due to the fact that the definitive agreement with ARC has not yet been concluded, therefore no loss is recognised on account of potential impairment.</p>
<p><b>Delays in remittance of statutory dues:</b></p> <p>Company is delay in remittance of statutory dues to various statutory authorities</p>	<p>There has been significant delay in the remittance of Tax Deducted at Source, Goods and Service Tax, Value Added tax, Service Tax, Provident Fund and Employees' State Insurance to appropriate authorities.</p>
<p><b>Gratuity and Leave Encashment accounted on estimated basis</b></p> <p>As on the balance sheet date, the company has not made provision for gratuity and leave encashment on Actuarial Basis.</p>	<p>Our audit procedures in relation accounting of Gratuity and Leave Encashment on Actuarial Basis:</p> <ul style="list-style-type: none"> <li>- Tested the accuracy and completeness of data sent by management to Actuaries in computing the provision for Gratuity and Leave Encashment;</li> <li>- Tested the appropriateness of methods, other inputs and significant assumptions used by the Actuary.</li> </ul> <p><b>Key Observation:</b></p> <p>The company has made Provision for Gratuity and Leave Encashment on <u>Actual Basis</u> instead of <u>Actuarial Basis</u>, which is contrary to Indian Accounting Standards (IndAS) -19 Employee Benefits. The impact of change in profitability could not ascertained.</p>

## Information Other than the Financial Statements and Auditor's Report Thereon:

The Company's Board of Directors is responsible for other information. The other information comprises the information included in the financial highlights, board's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In Connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Management's Responsibility for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls

system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



- e) On the basis of the written representations received from the Directors as on 31st March, 2020 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2020 from being appointed as a Director in terms of Section 164 (2) of the Act.
- 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”.
- 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:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 36 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**KRISHAAN & CO**

Chartered Accountants

FRN : 001453S

**(K. SUNDARRAJAN)**

Partner

(Membership No. : 208431)

UDIN : 20208431AAAAAR6645

Place : Tirupur

Dated : July 31, 2020

## Annexure - A to the Independent Auditors' Report

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2020, we report that:

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- c) According to the information and explanations 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) a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
- b) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material, which have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms, LLPs or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Consequently, the provisions of clauses iii (a), iii (b) and iii (c) of the order are not applicable to the Company.
- iv) The Company has not granted any loans, made investments, issued guarantees or provided any security to any Director or any other person as specified in the Act and hence this clause is not applicable to the Company for this year.
- v) The Company has not accepted any deposits from the public covered under section 73 to 76 of the Companies Act, 2013.
- vi) As per information and explanation given by the management, The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act.
- vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, value

added taxes/GST, sales tax, wealth tax, excise duty, service tax, duty of customs, value added tax, cess and other material statutory dues have been deposited with delays during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable is as follows :

Nature of Due	Amount Outstanding (in Lacs)	Period
Goods and Service Tax	43.64	From Jan 2019
Service Tax	50.51	Upto June 2017
Value Added Tax	8.52	From Jan 2019
Employees Provident Fund	5.27	From Nov 2019
Employees State Insurance	0.63	From Nov 2019

- b) According to the information and explanations given to us and also based on the Management representation, there are no disputed statutory dues that have not been deposited as at the year-end other than:

Statue	Nature of Dues	Amount involved [Rs.]	Period to which the Amount relates	Forum where the dispute is pending
Employees Provident Fund and Miscellaneous Provisions Act, 1952	Damages on delayed payment Employees Provident Fund	5.99 Lakhs	2015-16, 2016-17 and 2017-18	Labour Court, Chennai
Income Tax Act, 1961	Income Tax (*)	2.15 Lakhs	AY 2010-11	Assessing Officer
Income Tax Act, 1961	Income Tax(*)	2.73 Lakhs	AY 2011-12	Assessing Officer
Income Tax Act, 1961	Income Tax(*)	0.03 Lakhs	AY 2012-13	Assessing Officer

(\*) - response filed on Income Tax Portal, pending rectification

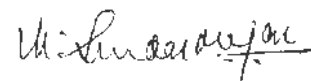
- viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year however the Company could not meet the repayment obligations as per the One-time Settlement Offer received from the Asset Reconstruction Company (ARC) for the dues to the ARC vide Note No. 35 to these financial statements.
- ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and no term loans have been raised during the year.

- x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration to the managerial personnel.
- xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(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 and 188 of the Act where 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) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or persons connected with him. Accordingly, paragraph 3(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.

**KRISHAAN & CO**

Chartered Accountants

FRN : 001453S



**(K. SUNDARRAJAN)**

Partner

(Membership No. : 208431)

UDIN : 20208431AAAAAR6645

Place : Tirupur

Dated : July 31, 2020





## ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT

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 VELAN HOTELS LIMITED ("the Company") as of March 31, 2020 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. 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 judgement, 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 includes 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 authorisations of management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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.

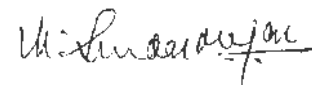
## **Opinion**

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 March 31, 2020, 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.

**KRISHAAN & CO**

Chartered Accountants

FRN : 001453S

A handwritten signature in black ink, appearing to read 'K. Sundarrajan'.

**(K. SUNDARRAJAN)**

Partner

(Membership No. : 208431)

UDIN : 20208431AAAAAR6645

Place : Tirupur

Dated : July 31, 2020



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2020


Particulars	Note No.	As at 31.3.2020 Rs.	As at 31.3.2019 Rs.
<b>A. ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	107,57,18,596	109,79,32,069
Capital work-in-progress		64,79,91,836	64,79,91,836
<b>NON-CURRENT FINANCIAL ASSETS</b>			
Trade receivables, non current	6	41,056	1,01,355
Loans	7	1,23,59,316	1,33,31,047
<b>Sub total- Non-current Assets</b>		<b>173,61,10,804</b>	<b>175,93,56,307</b>
<b>CURRENT ASSETS</b>			
Inventories	8	5,54,325	67,73,058
<b>Current Financial asset</b>		—	—
Trade receivables, current	9	6,563	13,76,171
Cash and Cash equivalents	10	64,631	37,13,664
Loans-current	11	15,08,385	13,19,505
<b>Sub Total - Current Assets</b>		<b>21,33,904</b>	<b>1,31,82,398</b>
<b>Total assets</b>		<b>173,82,44,708</b>	<b>177,25,38,705</b>
<b>B. EQUITY AND LIABILITIES</b>			
Equity			
Equity Share capital	12	31,96,41,190	31,96,41,190
Other equity - Reserves & Surplus	13	(16,37,91,718)	(13,20,37,150)
<b>Total equity</b>		<b>15,58,49,472</b>	<b>18,76,04,040</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities :</b>			
Deferred Tax liabilities (net)	14	4,37,58,307	4,37,58,307
Employee Benefit Obligations	15	62,60,173	47,30,894
Tax Liabilities (Net)	16	—	—
<b>Non-current Financial liabilities :</b>			
Borrowings-non-current	17	136,39,47,289	135,99,98,757
Trade payable-Non current	18	6,65,20,282	5,96,54,625
Other non -current financial liabilities	19	1,36,05,765	77,40,506
Other non-current liabilities	20	7,85,92,039	7,85,92,039
<b>Sub Total Non-current Liabilities</b>		<b>157,26,83,855</b>	<b>155,44,75,128</b>
<b>Current liabilities</b>			
<b>Current financial liabilities</b>			
Borrowings-current	21	—	1,01,21,939
Trade payable-current	22	14,45,850	88,15,611
Other current financial liabilities	23	82,65,531	1,15,21,987
<b>Sub Total Current Liabilities</b>		<b>97,11,381</b>	<b>3,04,59,537</b>
<b>Total Liabilities</b>		<b>158,23,95,236</b>	<b>158,49,34,665</b>
<b>Total Equity and Liabilities</b>		<b>173,82,44,708</b>	<b>177,25,38,705</b>

Significant Accounting Policies & Notes forming part of Annual Accounts

"As per our Report of even date"

For **Krishna & Co.,**

Chartered Accountants (FRN 001453S)

  
**(K SUNDARRAJAN)**

Partner

(Membership No. : 208431)

UDIN : 20208431AAAAAR6645

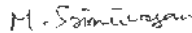
Place : Tirupur

Date : 31.07.2020

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**E.V. Muthukumara Ramalingam**  
Managing Director (DIN : 00046166)

  
**M. R. Gautham**  
Executive Director (DIN : 00046187)

  
**M. Srinivasan**  
Company Secretary

  
**R. Lalitha**  
Chief Financial Officer

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON 31<sup>st</sup> MARCH 2020

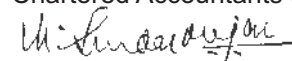
Particulars	Note No.	Year ended 31.3.2020 Rs.	Year ended 31.3.2019 Rs.
I. Revenue			
Revenue from Operations (Net of duties)	24	3,28,59,198	6,34,91,549
II. Other Income	25	10,63,681	9,13,864
III. Total Revenue		<b>3,39,22,879</b>	<b>6,44,05,413</b>
IV Expenses			
Cost of Supplies Consumed	26	1,12,11,739	1,17,54,761
House Keeping Expenses	27	3,98,986	9,10,306
Power and Fuel	28	82,06,051	1,50,88,453
Employee benefit expenses	29	1,71,03,339	2,38,09,677
Other Expenses	30	96,66,592	1,47,87,855
<b>Total Expenses</b>		<b>4,65,86,707</b>	<b>6,63,51,052</b>
<b>EBITDA</b>		<b>(1,26,63,828)</b>	<b>(19,45,639)</b>
Depreciation and Amortization Expenses	5	1,77,71,976	1,80,07,370
Finance cost	31	13,18,764	23,28,189
<b>Profit/(Loss) before Exceptional Items and Tax</b>		<b>(3,17,54,568)</b>	<b>(2,22,81,198)</b>
Exceptional Items(Net)		-	-
Profit/(Loss) before Tax		(3,17,54,568)	(2,22,81,198)
Tax Expenses			
a) Current tax expense - MAT		-	-
b) Tax relating to prior years		-	-
c) Deferred tax	14	-	-
<b>Total Tax Expenses</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) for the year</b>		<b>(3,17,54,568)</b>	<b>(2,22,81,198)</b>
"Earnings Per Equity Share (Refer Note 32 (n)) [nominal value of share Rs. 10 (31st March 2019 : Rs. 10)]"			
1) Basic		(0.99)	(0.70)
2) Diluted		(0.99)	(0.70)

Significant Accounting Policies & Notes forming part of Annual Accounts

"As per our Report of even date"

For **Krishaan & Co.,**

Chartered Accountants (FRN 001453S)

  
**(K SUNDARRAJAN)**

Partner

(Membership No. : 208431)

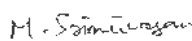
UDIN : 20208431AAAAAR6645

Place : Tirupur

Date : 31.07.2020

  
**E.V. Muthukumara Ramalingam**  
Managing Director (DIN : 00046166)

  
**M. R. Gautham**  
Executive Director (DIN : 00046187)

  
**M. Srinivasan**  
Company Secretary

  
**R. Lalitha**  
Chief Financial Officer

**Statement of Changes in Equity**

All figures are in Indian Rupees unless otherwise mentioned

**A) STATEMENT OF CHANGES IN EQUITY**

Particulars	Share Capital	Revaluation Reserve	Securities Premium	Surplus / (Deficit) in the Statement of Profit and Loss
As at the Beginning of 01.04.2019	31,96,41,190	5,98,13,345	31,47,83,547	(50,66,34,043)
Add : During the Year	-	-	-	(3,17,54,568)
Add : Transferred from Revaluation Reserve	-	(6,78,855)	-	6,78,855
Less : Utilised during the year	-	-	-	-
Closing Balance as at 31.03.2020	31,96,41,190	5,91,34,490	31,47,83,547	(53,77,09,756)

Significant Accounting Policies & Notes forming part of Annual Accounts

"As per our Report of even date"

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**(K SUNDARRAJAN)**

Partner

(Membership No. : 208431)

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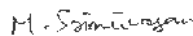
Place : Tirupur

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**E.V. Muthukumara Ramalingam**

Managing Director (DIN : 00046166)



**M. Srinivasan**

Company Secretary



**M. R. Gautham**

Executive Director (DIN : 00046187)



**R. Lalitha**

Chief Financial Officer

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2020

Particulars	Year ended on 31.3.2020 Rs.		Year ended on 31.3.2019 Rs.	
<b>A. Cash flow from operating activities</b>				
Net Profit / (Loss) before extraordinary items and tax		(3,17,54,568)		(2,22,81,198)
Adjustments for:				
Depreciation and amortisation	1,77,71,976		1,80,07,370	
Finance costs	13,18,764		23,28,189	
Interest income	(86,376)		(97,645)	
Extraordinary Items	—		—	
Net (gain)/loss on sale of Fixed Assets	(2,10,641)		—	
Liabilities / provisions no longer required written back	(2,72,600)	1,85,21,123	(70,426)	2,01,67,488
Operating profit / (loss) before working capital changes		(1,32,33,445)		(21,13,710)
Changes in working capital:				
Adjustments for (increase) / decrease in operating assets:				
Inventories	62,18,733		6,15,142	
Trade receivables	14,29,907		(3,48,204)	
Short-term loans and advances	8,647		7,72,030	
Long-term loans and advances	9,71,731		(14,41,820)	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	(5,04,104)		(9,07,811)	
Other Financial liabilities	26,08,803		29,79,000	
Other long-term liabilities	-		-	
Employees Benefit Obligation	18,01,879		2,89,164	
		1,25,35,596		19,57,501
Cash flow from extraordinary items				
Cash generated from operations		(6,97,849)		(1,56,209)
Net income tax (paid) / refunds		(1,97,529)		6,67,830
Net cash flow from / (used in) operating activities (A)		<b>(8,95,378)</b>		<b>5,11,621</b>
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances	(28,823)		(1,00,273)	
Proceeds from Sale of Fixed Assets	46,80,960		—	
Net cash flow from / (used in) investing activities (B)		46,52,137		(1,00,273)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2020 (Contd.,)

Particulars	Year ended on 31.3.2020 Rs.	Year ended on 31.3.2019 Rs.
C. Cash flow from financing activities		
Proceeds from Equity share capital	—	—
Proceeds from Issue of Preference share capital	—	—
Proceed from long-term borrowings	39,48,535	—
Proceeds/(Repayment) from Short-Term borrowings	(1,01,21,939)	4,854
Repayment of Long Term Borrowings	—	19,26,080
Investment in Shares	—	—
Interest received	86,376	97,645
Dividend Paid	—	(3,74,816)
Finance cost	(13,18,764)	(23,28,189)
Net cash flow from / (used in) financing activities (C)	(74,05,792)	(6,74,425)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	(36,49,033)	(2,63,077)
Cash and cash equivalents at the beginning of the year	37,13,664	39,76,741
Cash and cash equivalents at the end of the year	64,631	37,13,664
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet (Refer Note No. 10)	64,631	37,13,664
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (give details)	—	—
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note No. 10	64,631	37,13,664
Cash and cash equivalents at the end of the year *		
* Comprises :		
Balances with Banks		
Balances with Banks in Indian Rupees		
- In Current accounts	19,500	2,86,963
- in a Fixed Deposit	—	—
- In Margin Money Accounts	750	750
	20,250	2,87,713
Cash on Hand	44,381	34,25,951
	<b>64,631</b>	<b>37,13,664</b>

Significant Accounting Policies & Notes forming part of Annual Accounts

"As per our Report of even date"

For **Krishaan & Co.,**

Chartered Accountants (FRN 001453S)

  
**(K SUNDARAJAN)**


Partner

(Membership No. : 208431)

UDIN : 20208431AAAAAR6645

Place : Tirupur

Date : 31.07.2020

  
**E.V. Muthukumara Ramalingam**  
Managing Director (DIN : 00046166)

  
**M. R. Gautham**  
Executive Director (DIN : 00046187)

  
**M. Srinivasan**  
Company Secretary

  
**R. Lalitha**  
Chief Financial Officer

## Company overview

Velan Hotels Limited is a Public Limited Company incorporated and domiciled in India. The Company is in the business of providing Hospitality Services including running of restaurants with bar. The corporate office of the Company is located at Kangeyam Road, Tiruppur-641 604. The shares of the Company is listed in BSE Ltd.

## Note No.2

### Basis of preparation of financial statements

#### A) Statement of compliance and basis of preparation

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), the provisions of the Companies Act, 2013("the Companies Act"), as applicable and guide lines issued by the Securities and Exchange Board of India("SEBI"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies(Indian Accounting Standards) Amendment Rules, 2016. Up to the year ended March 31, 2017, the Company prepared its financial statements in accordance with the requirements of the Indian GAAP ("Previous GAAP"), which included Standards notified under the Companies (Accounting Standards) Rules, 2016.

All amounts included in the financial statements are reported in Indian rupees except share and per share data, unless otherwise stated.

#### B) Basis of measurement

These financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items which have been measured at fair value as required by relevant Ind AS:-

- a) Derivative financial instruments;
- b) Financial instruments classified as fair value through other comprehensive income or fair value through profit or loss; and
- c) The defined benefit asset/(liability) is recognised as the present value of defined benefit obligation less fair value of plan assets.

#### C) Use of estimates and judgment

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- a) Impairment testing: Investments in subsidiaries, goodwill and intangible assets are tested for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.



- b) **Deferred taxes:** Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.
- c) **Defined benefit plans and compensated absences:** The cost of the defined benefit plans, compensated absences and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### Note No. 3

#### Significant Accounting Policies

- i) **Functional and presentation currency :** These financial statements are presented in Indian rupees, the national currency of India, which is the functional currency of the Company.
- ii) **Foreign currency transactions and translation :** Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the exchange rates prevailing at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss and reported within foreign exchange gains/(losses), net within results of operating activities. Gains/(losses) relating to translation or settlement of borrowings denominated in foreign currency are reported within finance expense. Non-monetary assets and liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on non-monetary financial assets measured at fair value at the reporting date.

#### iii) **Equity**

- a) **Share capital and share premium**

The Authorized Share Capital of the Company as of March 31,2020 and March 31, 2019 50,00,00,000 divided into 5,00,00,000 equity shares of Rs.10 each. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

Every holder of the equity shares, as reflected in the records of the Company as on the date of the shareholder meeting shall have one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

- b) **Revaluation Reserve**

Revaluation reserve amounting to Rs. 5,91,34,490 (March 31, 2019 is RS.5,98,13,345) is not freely available for distribution.

c) Retained earnings

Retained earnings comprises of the Company's undistributed earnings after taxes.

d) Other comprehensive income

Changes in the fair value of financial instruments measured at fair value through other comprehensive income and actuarial gains and losses on defined benefit plans are recognized in other comprehensive income (net of taxes), and presented within equity as other comprehensive income.

**iv) Property, plant and equipment**

a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. General and specific borrowing costs directly attributable to the construction of a qualifying asset are capitalized as part of the cost.

b) Depreciation

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life of the asset or the related lease term. Term licenses are amortized over their respective contract term. Freehold land is not depreciated. The estimated useful life of assets are reviewed and where appropriate are adjusted, annually.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment not available for use as at each reporting date is disclosed under capital work-in-progress.

**v) Intangible assets**

Intangible assets acquired separately are measured at cost of acquisition. Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated. The estimated useful life of amortizable intangibles are reviewed and where appropriate are adjusted, annually.

**vi) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if, fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) Arrangements where the Company is the lessee

Leases of property, plant and equipment, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the lease term.

b) Arrangements where the Company is the lessor

In certain arrangements, the Company recognizes revenue from the sale of products given under finance leases. The Company records gross finance receivables, unearned income and the estimated residual value of the leased equipment on consummation of such leases.

Unearned income represents the excess of the gross finance lease receivable plus the estimated residual value over the sales price of the equipment. The Company recognizes unearned income as finance income over the lease term using the effective interest method.

**vii) Inventories**

Inventories are valued at lower of cost and net realizable value, including necessary provision for obsolescence. Cost includes all direct costs and applicable overheads to bring the goods to present location and condition.

**viii) Impairment**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**ix) Employee benefits**

a) **Post-employment and pension plans**

The Company participates in various employee benefit plans. These employment benefits are classified as either defined contribution plans or defined benefit plans.

Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as an expense during the period when the employee provides service.

Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated by an independent actuary using the projected unit credit method. All actuarial gains or losses are immediately recognized in other comprehensive income, net of taxes and permanently excluded from profit or loss. Further, the profit or loss will no longer include unexpected return on plan assets. Instead net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of remeasurement of net defined liability or asset through other comprehensive income, net of taxes.

The Company has the following employee benefit plans:

**i. Provident fund**

Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. The contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due.

**ii. Gratuity**

In accordance with the Payment of Gratuity Act, 1972, applicable for Indian companies, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation using the projected unit credit method. The Company recognizes actuarial gains and losses in other comprehensive income, net of taxes.

**b) Termination benefits**

Termination benefits are expensed when the Company can no longer withdraw the offer of those benefits.

**c) Short-term benefits**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**d) Compensated absences**

The employees of the Company are entitled to the compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

**x) Provisions**

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**xi) Revenue**

Income from Guest Accommodation is recognised on a day to day basis after the Guest Checks into the hotel. Sale of Food and beverage is recognised at the point of serving those items to the guest. Revenues are shown net of sales tax, value added tax, service tax and Good and Service Tax.

**xii) Borrowing cost**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

**xiii) Other income**

Other income comprises interest income on deposits and dividend income.

- a) Interest income is recognized using the effective interest method.
- b) Dividend income is recognized when the right to receive payment is established.

**xiv) Income tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to a business combination, or items directly recognized in equity or other comprehensive income.

- a) Current income tax

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted as at the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and liability simultaneously.

- b) Deferred income tax

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and Liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of good will or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and foreign branches where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at their reporting date.

The Company offsets deferred income tax assets and liabilities, where it has a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to taxes levied by the same taxation authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## **xviii) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period adjusted for treasury shares held. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

Particulars	Land	Building	Plant and Machinery	Furniture and Fittings	Vehicles	Total
<b>Note 5 - Property, Plant and Equipment</b>						
<b>Gross Carrying Value</b>						
As at April 1, 2018	45,01,50,385	68,65,49,140	14,77,31,994	1,83,83,320	74,23,414	131,02,38,253
Additions during the year	-	-	78,917	21,356	-	1,00,273
Deletions during the year	-	-	-	-	-	-
As at Mar 31, 2019	<b>45,01,50,385</b>	<b>68,65,49,140</b>	<b>14,78,10,911</b>	<b>1,84,04,676</b>	<b>74,23,414</b>	<b>131,03,38,526</b>
As at April 1, 2019	45,01,50,385	68,65,49,140	14,78,10,911	1,84,04,676	74,23,414	131,03,38,526
Additions during the year	-	-	28,823	-	-	28,823
Deletions during the year	-	-	(21,10,200)	-	(74,23,414)	(95,33,614)
As at March 31, 2020	<b>45,01,50,385</b>	<b>68,65,49,140</b>	<b>14,57,29,534</b>	<b>1,84,04,676</b>	-	<b>130,08,33,735</b>
<b>"Accumulated depreciation/impairment:"</b>						
As at April 1, 2018	-	9,21,46,929	8,16,77,535	1,68,58,722	37,15,902	19,43,99,087
Depreciation	-	1,08,70,361	65,38,918	5,07,044	91,046	1,80,07,370
Disposal / adjustments	-	-	-	-	-	-
As at Mar 31, 2019	-	<b>10,30,17,290</b>	<b>8,82,16,453</b>	<b>1,73,65,767</b>	<b>38,06,948</b>	<b>21,24,06,458</b>
As at April 1, 2019	-	10,30,17,290	8,82,16,453	1,73,65,767	38,06,948	21,24,06,458
Depreciation	-	1,08,70,361	64,39,699	55,769	4,06,146	1,77,71,976
Disposal / adjustments	-	-	(8,50,201)	-	(42,13,094)	(50,63,295)
As at March 31, 2020	-	<b>11,38,87,652</b>	<b>9,38,05,951</b>	<b>1,74,21,536</b>	-	<b>22,51,15,139</b>
<b>Net Carrying Value</b>						
As at April 1, 2018	45,01,50,385	59,44,02,211	6,60,54,459	15,24,598	37,07,512	111,58,39,165
As at March 31, 2019	45,01,50,385	58,35,31,850	5,95,94,458	10,38,909	36,16,466	109,79,32,068
As at March 31, 2020	<b>45,01,50,385</b>	<b>57,26,61,488</b>	<b>5,19,23,582</b>	<b>9,83,140</b>	-	<b>107,57,18,596</b>
<b>Capital work-in-progress</b>						
As at April 1, 2019						64,79,91,836
As at March 31, 2019						64,79,91,836
As at March 31, 2020						64,79,91,836

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
<b>Note 6</b>				
<b>TRADE RECEIVABLE- NON CURRENT</b>				
(Unsecured, considered good)				
For Sales and Services		41,056		1,01,355
		<b>41,056</b>		<b>1,01,355</b>
<b>Note 7</b>				
<b>LOANS - NON CURRENT</b>				
<b>Unsecured, considered good</b>				
Security Deposits		27,26,517		28,47,851
<b>Other Loans and Advances</b>				
Advances		71,000		8,41,256
MAT credit entitlement		52,63,540		52,63,540
Balance with Government Authorities		42,98,259		43,78,400
<b>Total</b>		<b>1,23,59,316</b>		<b>1,33,31,047</b>
<b>Note 8</b>				
<b>INVENTORIES</b>				
Stores and Provisions		5,54,325		67,73,058
(Valued at cost or market price which ever is lower on FIFO basis )				
<b>Total</b>		<b>5,54,325</b>		<b>67,73,058</b>
<b>Note 9</b>				
<b>TRADE RECEIVABLES</b>				
(Unsecured, considered good)				
Trade Receivables outstanding for a period not exceeding 6 months		6,563		13,08,043
Trade Receivables outstanding for a period More than 6 months		-		68,128
<b>Total</b>		<b>6,563</b>		<b>13,76,171</b>
(b) Other notes				
(b) (i) Debts Due from the Private Companies in which any Director is a Director / Member		Nil		Nil
<b>Note 10</b>				
<b>CASH AND CASH EQUIVALENTS</b>				
The Cash and Cash Equivalents are classified as follows:				
Cash on Hand		44,381		34,25,951
Balances with Banks				
- in Current accounts	19,500		2,86,963	
- in a Fixed Deposit	-		-	
- In Unpaid Dividend Account	750	20,250	750	2,87,713
<b>Total</b>		<b>64,631</b>		<b>37,13,664</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
<b>Note 11</b>				
<b>LOANS CURRENT</b>				
<b>(Unsecured, considered good)</b>				
<b>Others</b>				
Loans and advances against supplies		-		31,290
Staff Advance		-		2,000
Advance Income Taxes (net of provision)		3,40,948		1,43,419
Accrued revenue		2,47,500		54,000
Prepaid expenses		9,19,937		10,88,796
<b>Total</b>		<b>15,08,385</b>		<b>13,19,505</b>
<b>Note 12</b>				
<b>EQUITY SHARE CAPITAL</b>				
Authorised share capital :				
5,00,00,000 Equity shares of Rs. 10 each		50,00,00,000		50,00,00,000
		50,00,00,000		50,00,00,000
Issued, subscribed and fully paid-up shares				
3,19,64,119 Equity shares of Rs. 10 each		31,96,41,190		31,96,41,190
<b>Total</b>		<b>31,96,41,190</b>		<b>31,96,41,190</b>

### Other Notes

- a) i) Equity Shares Allotted as fully paid-up person to a contract without payment being received in cash — —
- ii) Equity shares allotted as bonus shares by capitalisation of share premium — —
- iii) Aggregate number and class of shares bought back — —
- iv) Equity Shares held by its Holding Company — —
- b) The Company has only one class of equity shares having at par value of Rs. 10/- per share. Each holder of Equity shares is entitled to one vote per share. The Company will pay dividend in Indian rupees as and when declared. No dividend has been proposed by the Board of Directors for the year.
- c) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be proportion to the number of equity shares held by the shareholders.

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

d) The reconciliation of number of shares outstanding and the amount of share capital as at March 31, 2019 and March 31, 2020 is set out below:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos.	Rs.	Nos.	Rs.
	Numbers of Shares	Amount	Numbers of Shares	Amount
a) Equity Shares				
No. of Shares at the beginning of the year	3,19,64,119	31,96,41,190	3,19,64,119	31,96,41,190
No. of Shares Issued during the year /period	—	—	—	—
No. of Shares at the End of the year/period	3,19,64,119	31,96,41,190	3,19,64,119	31,96,41,190

f) Details of shareholders holding more than 5% in the Company

Name of Shareholders	No. of shares	% holding	No. of shares	% holding
<b>Equity shares of Rs.10/- each fully paid</b>				
1. Sri. E.V. Muthukumararamalingam	1,26,78,383	39.66%	1,26,78,383	39.66%
2. Sri. M.R. Gautham	64,20,750	20.09%	64,20,750	20.09%
3. Shree Vallee Enterprises private limited	28,26,934	8.84%	28,26,934	8.84%
4. Smt. M. Sasikala	21,30,743	6.67%	21,30,743	6.67%
<b>Total number of shares outstanding</b>	<b>3,19,64,119</b>		<b>3,19,64,119</b>	

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
<b>Note 13</b>				
<b>OTHERS EQUITY - RESERVES &amp; SURPLUS</b>				
<b>a) Revaluation Reserve</b>				
Opening balance	5,98,13,345		6,03,22,487	
Add: Transferred from surplus in Profit and Loss Statement	—		—	
Less: Utilised / transferred during the year	6,78,855		5,09,141	
<b>Closing balance</b>		<b>5,91,34,490</b>		<b>5,98,13,345</b>
<b>b) Securities Premium</b>				
Opening balance	31,47,83,547		31,47,83,547	
Add: During the year	—		—	
Less: Utilised / transferred during the year	—		—	
<b>Closing balance</b>		<b>31,47,83,547</b>		<b>31,47,83,547</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020**

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
c) Surplus / (Deficit) in the Statement of Profit and Loss				
Balance at the beginning of the year	(50,66,34,043)		-	
Profit / (Loss) for the year	(3,17,54,568)		(56,49,235)	
Add: Revaluation Reserve	6,78,855		5,09,141	
<b>Total Surplus / (Deficit) available for appropriations</b>		<b>(53,77,09,756)</b>		<b>(50,66,34,026)</b>
Less: Appropriations:				
Total appropriations	—		—	
Net Surplus / (Deficit) in the Statement of Profit and Loss		(53,77,09,756)		(50,66,34,043)
<b>Total (a+b+c)</b>		<b>(16,37,91,718)</b>		<b>(13,20,37,150)</b>
<b>Note 14</b>				
<b>DEFERRED TAX LIABILITY (NET)</b>				
Deferred Tax Liability (net)		4,37,58,307		4,37,58,307
Ref. additional information in Note No. 33				
<b>Net Deferred Tax [(Asset)/Liability]</b>		<b>4,37,58,307</b>		<b>4,37,58,307</b>
<b>Note 15</b>				
<b>EMPLOYEE BENEFIT OBLIGATION</b>				
<b>The Employee Benefit Obligation are classified as follows:</b>				
For Gratuity and Leave Encashment		62,60,173		47,30,894
<b>Total</b>		<b>62,60,173</b>		<b>47,30,894</b>
<b>Note 16</b>				
<b>TAX LIABILITIES (NET)</b>				
<b>The Tax Liabilities (Net) are classified as follows:</b>				
Provision for Income Tax (Net)		—		—
<b>Total</b>		<b>—</b>		<b>—</b>
<b>Note 17</b>				
<b>BORROWINGS-NON-CURRENT</b>				
<b>The Long Term borrowings are classified as follows:</b>				
Secured				
- Term Loans from a Bank		—		—
- Secured Loans - From Asset Reconstruction Company		131,47,21,883		131,47,21,883
Unsecured				
From Directors		4,92,25,406		4,52,76,874
<b>Total</b>		<b>136,39,47,289</b>		<b>135,99,98,757</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

### Other Note

M/s. RARE Asset Reconstruction Limited (ARC)

- a) 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 the entire current assets of the company along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secured and/or guarantees issued. The Loan is also personally guaranteed by the Managing Director & Executive Director of the Company. Refer Note No. 35

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
<b>Note 18</b>				
<b>TRADE PAYABLES- NON CURRENT</b>				
For goods and services		1,67,30,824		87,53,852
For Capital Goods		4,97,89,458		5,09,00,773
<b>Total</b>		<b>6,65,20,282</b>		<b>5,96,54,625</b>
Trade Payables includes amount payable to companies in which Directors are Interested				
a) The Velan Petroleum Agencies (Prop. E.V. Muthukumara Ramalingam)		10,88,672		19,85,343
<b>Note 19</b>				
<b>OTHER NON - CURRENT FINANCIAL LIABILITIES</b>				
<b>The Other Non-Current Liabilities are classified as follows:</b>				
Unpaid Dividend		750		750
Statutory Liabilities -Non-Current		62,51,483		62,51,483
Other Payables		73,53,532		14,88,273
<b>Total</b>		<b>1,36,05,765</b>		<b>77,40,506</b>
<b>Note 20</b>				
<b>OTHER NON-CURRENT LIABILITIES</b>				
<b>The Other Long Term borrowings are classified as follows:</b>				
Security Deposits from Tenants of Shopping Mall		2,05,92,039		2,05,92,039
Advance Received on Sale of Fixed Asset		5,80,00,000		5,80,00,000
<b>Total</b>		<b>7,85,92,039</b>		<b>7,85,92,039</b>
<b>Note 21</b>				
<b>BORROWINGS-CURRENT</b>				
<b>The Short Term borrowings are classified as follows:</b>				
Secured Loan from bank - Working Capital Loan		-		1,01,21,939
<b>Total</b>		<b>-</b>		<b>1,01,21,939</b>



**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020**

**Other Note:**

- a) The credit facility availed by the company from Axis Bank Limited which was secured by Hypothecation by way of extension of Equitable Mortgage of personal property of Director was entirely repaid during the year.
- b) There are no defaults in the repayment of loan and interest during the year.

Particulars	As at 31.3.2020 Rs.		As at 31.3.2019 Rs.	
<b>Note 22</b>				
<b>TRADE PAYABLES - CURRENT</b>				
For goods and services		14,45,850		88,15,611
<b>Total</b>		<b>14,45,850</b>		<b>88,15,611</b>
<b>Note 23</b>				
<b>OTHER CURRENT LIABILITIES</b>				
Statutory Liabilities		59,17,760		51,23,855
Other Payables - Current		23,47,771		63,98,132
<b>Total</b>		<b>82,65,531</b>		<b>1,15,21,987</b>

Particulars	Year ended 31.3.2020 Rs.	Year ended 31.3.2019 Rs.
<b>Note 24</b>		
<b>REVENUE FROM OPERATIONS</b>		
a) Sale of Services		
i) Guest Accommodation	1,53,10,235	3,18,12,865
ii) Others	2,26,500	2,31,000
b) Sale of Products		
i) Food & Beverage	1,40,64,927	2,33,45,975
ii) Liquor	29,05,243	70,90,494
c) Other Operating Services		
i) Swimming Pool Income	2,24,450	3,53,160
ii) Service Charges	—	—
iii) Laundry Receipts	1,27,452	6,48,923
iv) Telephone Charges Receipts	391	9,132
<b>Total</b>	<b>3,28,59,198</b>	<b>6,34,91,549</b>
<b>Note 25</b>		
<b>OTHER INCOME</b>		
a) Interest Income	86,376	97,645
b) Liabilities no longer required/Sundry Balances written back	2,72,600	70,426
c) Other Income	3,41,593	6,58,593
d) Commission	7,090	7,144
e) Profit/ (Loss) on Sale of Asset	2,10,641	-
f) Misc. Income	1,45,381	80,056
<b>Total</b>	<b>10,63,681</b>	<b>9,13,864</b>

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

Particulars	Year ended 31.3.2020 Rs.	Year ended 31.3.2019 Rs.
<b>Note 26</b>		
<b>COST OF SUPPLIES CONSUMED</b>		
a) Opening stock	67,73,058	73,88,200
Add: Purchases	49,93,006	1,11,39,619
	1,17,66,064	1,85,27,819
Less: Closing stock	5,54,325	67,73,058
<b>Cost of material consumed</b>	<b>1,12,11,739</b>	<b>1,17,54,761</b>
<b>Note 27</b>		
<b>HOUSE KEEPING EXPENSES</b>		
House Keeping Expenses	3,98,986	9,10,306
<b>Total</b>	<b>3,98,986</b>	<b>9,10,306</b>
<b>Note 28</b>		
<b>POWER &amp; FUEL</b>		
Electricity Charges	59,80,339	82,13,534
Diesel & Lubricant	9,41,571	19,87,829
Firewood	4,78,951	29,51,590
Gas	6,11,837	13,37,517
Charcoal	1,19,482	1,30,139
Water	73,871	4,67,844
<b>Total</b>	<b>82,06,051</b>	<b>1,50,88,453</b>
<b>Note 29</b>		
<b>Employee Benefit Expenses</b>		
(a) Salaries and Wages	1,53,12,869	2,11,34,327
Bonus and Ex-Gratia	11,031	5,80,988
Contribution to Statutory Funds	8,95,665	11,88,300
Gratuity & Leave Salary	6,93,883	7,51,047
Staff Welfare Expenses	1,89,891	1,55,015
<b>Total</b>	<b>1,71,03,339</b>	<b>2,38,09,677</b>
<b>Note 30</b>		
<b>OTHER EXPENSES</b>		
a) Rent	-	-
Rates and Taxes	33,59,675	19,33,194
Repairs and Maintenance- Building	6,75,818	15,15,546
- Machinery	12,21,851	31,59,015
- Others	77,989	3,83,555
Travelling and Conveyance	2,06,750	18,91,519
Postage and Telephone	8,12,181	12,00,718
Printing and Stationery	2,20,388	3,47,440
Insurance	5,66,817	6,34,915
Auditors' Remuneration	1,60,000	1,80,000

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020**

Particulars	Year ended 31.3.2020 Rs.	Year ended 31.3.2019 Rs.
Carriage Inward	650	10,302
Advertisement, Sales Promotion and entertainment	6,76,000	17,04,850
Subscription	38,050	57,069
Discounts	6,14,914	2,14,252
Vehicle Running Expenses	4,67,936	5,85,201
Professional Fees	1,34,750	3,76,165
Internal Audit Fees	50,000	50,000
News Papers & Periodicals	57,907	92,500
Share Transfer Expenses	1,30,000	1,51,008
Miscellaneous Expenses	1,94,916	3,00,606
<b>Total</b>	<b>96,66,592</b>	<b>1,47,87,855</b>
b) Note		
Payments to the Auditors comprises :		
- For statutory audit	75,000	75,000
- For Tax audit	25,000	25,000
- For taxation matters	50,000	50,000
- For Certification	10,000	30,000
Other Service and Service Tax	-	-
<b>Total</b>	<b>1,60,000</b>	<b>1,80,000</b>
<b>Note 31</b>		
<b>FINANCE COSTS</b>		
a) <b>INTEREST:</b>		
i) Bank		
- On Term Loan	—	—
- On Working Capital Loan	8,01,054	14,96,380
ii) Others	65,630	26,850
Bank charges	4,52,080	8,04,959
<b>Total</b>	<b>13,18,764</b>	<b>23,28,189</b>

**b) Note- Term Loan**

- a) In the light of continued discussions with M/s.RARE Asset Reconstruction Ltd. (ARC), Ahmedabad-380 009, and the uncertainty in the principal amount payable, the Interest accrued and due on such borrowings taken over by the ARC from bank have not been provided for the year.

**Note. 32 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 book of accounts- Not ascertainable (Previous Year- Not ascertainable)
- d) Expenditure on employees who are in receipt of remuneration of not less than Rs. 1,02,00,000/- per annum

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

(previous year Rs.1,02,00,000/- per annum) when employed through out the year or Rs.8,50,000/- per month (previous year Rs.8,50,000/- 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 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 realised in the ordinary course of its business.
- i) **Income of the company includes the followings:**

Particulars	Year ended 31.3.2020 Rs.	Year ended 31.3.2019 Rs.
Guest Accommodation	1,53,10,235	3,18,12,865
Foods & Beverage Sales	1,40,64,927	2,33,39,488
Wine & Liquor	29,05,243	70,90,494
Telephone Receipts	391	9,132
Others	16,42,083	12,28,617
	<b>3,39,22,879</b>	<b>6,34,80,596</b>
i) Opening Stock		
Provisions, & Supplies	67,73,058	63,65,064
Wine & Liquor	-	10,23,136
	<b>67,73,058</b>	<b>73,88,200</b>
ii) Closing Stock		
Provisions, & Supplies	5,54,325	67,73,058
Wine & Liquor	—	—
	<b>5,54,325</b>	<b>67,73,058</b>
iii) Consumption		
Provisions, & Supplies	1,04,59,541	93,97,949
Wine & Liquor	7,52,198	23,56,812
	<b>1,12,11,739</b>	<b>1,17,54,761</b>

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

	2019 - 2020		2018 - 2019	
	Value Rs.	Percentage %	Value Rs.	Percentage %
<b>PROVISIONS &amp; SUPPLIES</b>				
Imported	-	0.00%	-	0.00%
Indigenous	1,12,11,739	100.00%	1,17,54,761	100.00%

### k. EARNING IN FOREIGN EXCHANGE

(As reported by the Management to the Department of Tourism but not verified by the Auditors)	2019 - 2020	2018 - 2019
		Rs. 50.16 Lakhs



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

### I. CIF VALUE OF IMPORTS

Capital Goods	2019 - 2020	2018 - 2019
	Rs. Nil	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) Earnings per share

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

Particulars	31.3.2020 Rs.	31.3.2019 Rs.
Profit/ Loss before Tax for the year	(3,17,54,568)	(2,22,81,198)
Net Profit / Loss for the year attributable to equity share	(3,17,54,568)	(2,22,81,198)
No. of equity shares (In Numbers) (B)	3,19,64,119	3,19,64,119
Earnings per share/ Weighted Average (A)/(B)	(0.99)	(0.70)
Nominal value per share	10/-	10/-

### Note : 33 Deferred Tax Liability

Net Deferred Tax in respect of the year ending 31st March 2020 debited to Profit and Loss Account and Net Deferred Tax Liability as on 31st March, 2020 are computed as below :

Rs. in Lakhs

S. No.	Particulars	Accumulated As at 01.04.2019	Changes / (credit) in P&L during the year	As at 31.03.2020
1.	Deferred tax Liability on account of Depreciation on account of difference in Depreciation under Income Tax Act and books of accounts	438	—	438
	<b>Net Deferred Tax Liability</b>	<b>438</b>	<b>—</b>	<b>438</b>

In view of the Accumulated Business and Depreciation Loss, and there being no certainty of profits in the near future, provision for Deferred Taxes has not been considered in these financial statements on prudent basis.

### Note: 34 Related Party Transaction

Description of relationship	Names of related parties
Interested Concerns	M/s. Shree Vallee Enterprises Private Limited The Velan Petroleum Agencies (Prop : E.V. Muthukumara Ramalingam)
Key Management Personnel	Sri. E.V. Muthukumara Ramalingam, Managing Director Sri. M.R. Gautham, Executive Director Sri. P.Ganesan, Non-Executive Chairman Smt. Sasikala, Director Sri. Giri Balasubramaniam , Director (Resigned on 23.5.2019) Sri. B.A. Madhusudhan, Director (Resigned on 18.8.2020) Sri. S.P.Sivanandam, Director Sri.Srinivasan- Company Secretary Smt. R.Lalitha - CFO

Note: Related parties have been identified by the Management.

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR 2019 - 2020

Details of related party transactions during the year ended 31 March, 2020 and balances outstanding as at 31 March, 2020

Name of the party	Key Managerial Personnel			
	Sri. E.V. Muthukumara Ramalingam	Sri. M.R. Gautham	Sri. Srinivasan	Smt. R. Lalitha
Purchase of Fuel	10,88,672 (19,85,343)	—	—	—
Salary & Remuneration	—	—	2,88,000 (2,88,000)	8,03,303 (7,93,452)
Outstandings				
a) Unsecured Loan	86,05,662 (86,05,662)	4,04,19,744 (3,66,71,212)	—	—

Note: Figures in Brackets are previous year

### Note: 35 : Asset Reconstruction Company

The Term Loan Liabilities of the Company due to M/s. Allahabad Bank, Tirupur and M/s. Andhara Bank, Coimbatore was acquired by M/s. RARE Asset Reconstruction Private Limited (ARC), Ahmedabad – 380009 as of March 31, 2017 along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secured and/or guarantees issued in respect of the repayment of loans without disclosing the purchase consideration payable by the ARC to the Banks. In accordance with the said arrangement, the Company has been in continued discussion with ARC for crystallisation of the principal amount payable as on the date of the Balance Sheet for the year ended March 31, 2020 along with the Interest payable, and hence, the Interest on the same has not been provided in these financial statements since March 31, 2017.

During the year ended March 31, 2019 the Company had received a 'One-time Settlement Offer' ("OTS" or "Offer") which the Company could not honour as the buyer of one of the assets did not complete the sale of one of the assets within the time lines of the OTS due to which the Offer expired and no fresh settlement terms was offered by the ARC. To enable the sale of the Coonoor asset for the OTS the company had suspended the operations at Coonoor w.e.f. March 31, 2019.

The total liability payable to the ARC is represented by specific project assets, the extinguishment of such liability shall be made by sale of those assets directly relating to the debts. Since these assets do not form part of the revenue generating assets their sale will not have bearing on the continuing operations of the Company. The Company is hopeful of realising sufficient amount to repay the due to ARC. Any shortfall arising on such sale, shall be dealt with on realisation basis which shall not have any impact on the Going Concern Assumption.

### Note: 36 : Pending Litigations

The Company is having pending litigations against its Bankers and Purchaser of Coonoor Property. The company has 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.

The tenant of the Mall has filed an litigation with Arbitrator, Coimbatore for refund of Security deposit of Rs.9.72 Lacs and also claim for Compensation amounting to Rs, 24.75 lakhs, the same is pending before Arbitrator, Coimbatore.

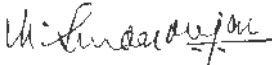
The company has filed an stay petition with Labour Court amounting to Rs. 5.99 lacs for payment of damages on late payment of Employees Provident Fund for the period Oct 2015 to Mar 2018 as against the order passed by the Assistant Provident Fund Commissioner.

The Company has filed an rectification for the Outstanding demands raised by Income Tax Authorities for payment of Income Tax and Tax Deducted at Source and same is pending for processing. The above said demands are payable subject to pending rectification.

**Note : 37** : Segment Reporting — Please refer page No.53.


**Note : 38** : Pursuant to Regulations 33(3)(d) and 34 (2)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Statement on Impact of Audit Qualifications (for audit report with modified opinion) along-with Annual Audited Financial Results (Standalone) was furnished with BSE Ltd on 31/07/2020, the date on which the Board of Directors of the Company approved, inter alia, the Audited Financial Results of the Company for the financial year 2019-20. The copy of the said statement dated 31/07/2020 is appended herewith and forming part of Annual Accounts.

Significant Accounting Policies & Notes forming  
part of Annual Accounts  
"As per our Report of even date"  
For **Krishaan & Co.**,  
Chartered Accountants (FRN 001453S)

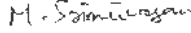


**(K SUNDARRAJAN)**  
Partner  
(Membership No. : 208431)  
UDIN : 20208431AAAAAR6645

For and on behalf of the Board of Directors of  
Velan Hotels Limited



**E.V. Muthukumara Ramalingam**  
Managing Director (DIN : 00046166)



**M. Srinivasan**  
Company Secretary



**M. R. Gautham**  
Executive Director (DIN : 00046187)



**R. Lalitha**  
Chief Financial Officer

Place : Tirupur  
Date : 31.07.2020

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results

<u>Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2020</u>				
<u>/See Regulation 33/ 52 of the SEBI (LODR) (Amendment) Regulations, 2016]</u>				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	339.23	339.23
	2.	Total Expenditure	656.77	656.77
	3.	Net Profit/(Loss)	(317.54)	(317.54)
	4.	Earnings Per Share	(0.99)	(0.99)
	5.	Total Assets	17,382.45	17,382.45
	6.	Total Liabilities	15,823.96	15,823.96
	7.	Net Worth	1,558.49	1,558.49
	8.	Any other financial item(s) (as felt appropriate by the management)		
II.	<p><u>Audit Qualification (each audit qualification separately):</u></p> <p>a. <u>Details of Audit Qualification:</u></p> <p><b>i) <u>Going Concern</u></b>  <i>The Company's borrowings were taken over by M/s. RARE Asset Reconstruction Company Limited ("ARC") commencing from April 1, 2017 and as of the year ended March 31, 2020 a final settlement amount is yet to be conclusively agreed with the ARC after the failure of the Company to adhere to the 'One-time Settlement' ("OTS") offer agreed with the ARC during the previous financial year. Further, the Company suspended all business operations at Coonoor on March 31, 2019 and at Tirupur on March 24, 2020, being the only revenue generating asset of the Company. Considering the factors mentioned therein and with no sufficient revenue to meet the debt obligations, there exists a concern on the ability of the Company continuing as a Going Concern</i></p> <p><b>ii) <u>Pending Confirmation of balance of Outstanding Debt:</u></b>  <i>Due to non-availability of confirmations in respect of loan taken over by ARC. In the absence of such confirmations, any provisions to be made for the variations in carrying amounts of outstanding balance of debt, cannot be quantified as well as the quantum of adjustment if any, required to be made remains unascertained.</i></p> <p><b>iii) <u>Non-provision of Interest Expense</u></b>  <i>No definitive agreement has been concluded with the ARC as on the date of the Report. Accordingly the Interest on the same has not been provided in these financial results. Due to above, any Interest payable on the Outstanding debt taken over by ARC is not provided.</i></p> <p><b>iv) <u>Impairment of Assets</u></b>  <i>The test for the impairment of the assets tied to the borrowings have not been carried out as on date of the report due to the fact that the definitive agreement with ARC has not yet been concluded, therefore no loss is recognised on account of potential impairment.</i></p> <p><b>v) <u>Delays in remittance of statutory dues:</u></b>  <i>There has been significant delay in the remittance of Tax Deducted at Source, Goods and Service Tax, Value Added tax, Service Tax, Provident Fund and Employees' State Insurance to appropriate authorities.</i></p> <p><b>vi) <u>Gratuity and Leave Encashment accounted on estimated basis</u></b>  <i>The company has made Provision for Gratuity and Leave Encashment on Actual Basis instead of Actuarial Basis, which is contrary to Indian Accounting Standards (IndAS) -19 Employee Benefits. The impact of change in profitability could not ascertained.</i></p>			

- b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion

**Qualified Opinion**

- c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing

**First Time**

- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

*The Term Loan Liabilities of the Company due to M/s. Allahabad Bank, Tirupur and M/s. Andhra Bank, Coimbatore was acquired by M/s. RARE Asset Reconstruction Private Limited (ARC), Ahmedabad – 380009 as of March 31, 2017 along with all the rights, titles and interest in the financial documents, all agreements, deeds and documents related thereto and all primary & collateral and underlying security interest and/or pledges created to secured and/or gurantees issued in respect of the repayment of loans without disclosing the purchase consideration payable by the ARC to the Banks. In accordance with the said arrangement, the Company has been in continued discussion with ARC for crystallisation of the principal amount payable as on the date of the Balance Sheet for the year ended March 31, 2020 along with the Interest payable, and hence, the Interest on the same has not been provided in these financial statements since March 31, 2017.*

*During the year ended March 31, 2019 the company had received a 'One-time Settlement Offer' ("OTS" or "Offer") which the company could not honour as the buyer of one of the assets did not complete the sale of one of the assets within the timelines of the OTS due to which the Offer expired and no fresh settlement terms was offered by the ARC. To enable the sale of the Conoor asset for the OTS the company had suspended the operations at Conoor w.e.f. March 31, 2019.*

*The revenues of the Velan Greenfields Hotel Tirupur was severely impacted due to the ongoing Covid-19 Novel Corona Virus pandemic forcing the closure of operations. With this closure all revenue generating operations of the Company has been suspended. The company is exploring options of selling a part or all of its revenue generating assets to settle all liabilities. In view of the above, the Company's ability of continuing as a Going concern is dependent on the value that can be generated by the sale of assets and the surplus, if any, available subsequent to the settlement of all liabilities. In view of the uncertainty on the realisable values, the impairment to the value of assets is not ascertainable at this juncture.*

*Due to the decline in the business over the last few Quarters, there has been delay in meeting the statutory obligations and dues relating to Goods & Services Tax, Value Added Taxes and Service Tax are overdue by more than 6 months. The Company is taking necessary steps to regularise the Statutory Dues.*

- e. For Audit Qualification(s) where the impact is not quantified by the auditor:





- (i) Management's estimation on the impact of audit qualification:

*Management is unable to estimate the impact on the above audit qualification. Reason is for same is stated below.*

- (ii) If management is unable to estimate the impact, reasons for the same:

*Impact on Audit qualification is not estimable due to the following reasons,*

- a) *Pending crystallization of principal amount payable to ARC and Interest payable on the same, therefore Provision for Interest is not estimable.*
- b) *Uncertainty in realizable values of Fixed Assets due to the fact that the definitive agreement with ARC has not yet been concluded, therefore no loss is recognised on account of potential impairment of Fixed Assets tied to the borrowings.*
- c) *Due to COVID-19, the business operation of the company has been forced to Closure, With this closure all revenue generating operations of the Company has been suspended. The company is exploring options of selling a part or all of its revenue generating assets to settle all liabilities. In view of the above, the Company's going Concern is affected.*

	<p>(iii) Auditors' Comments on (i) or (ii) above:</p> <p>a) Due to Pending crystallization of principal amount payable to ARC and also pending finalization of definitive agreement with ARC, the management is of the opinion that the interest payable on Outstanding borrowing is not required to be provided.</p> <p>b) In the opinion of the management and also due to Uncertainty in realizable values of Fixed Assets by the management no loss is recognised on account of potential impairment of Fixed Assets.</p> <p>c) In respect of Going Concern, the company's ability to run business as going concern is dependent on the value that can be generated by the sale of assets and the surplus, if any, available subsequent to the settlement of all liabilities.</p>
<p>III. <u>Signatories</u></p>	<p>Managing Director : </p> <p>CFO : </p> <p>Audit Committee Chairman : </p> <p>Statutory Auditor : </p> <p>Place : Tirupur</p> <p>Date : 31/07/2020</p> 