

**ABRIDGED LETTER OF OFFER CONTAINING SALIENT FEATURES OF THE LETTER OF OFFER**



**VELAN HOTELS LIMITED**

The Company was originally incorporated as 'Velan Hotels Private Limited' in the state of Tamil Nadu on March 21, 1990 under the Companies Act, 1956. The name of the Company was changed to 'Velan Hotels Limited' upon conversion into Public Limited Company and a fresh certificate of incorporation was obtained on November 24, 1992. The Corporate Identity Number of the Company is L55101TZ1990PLC002653.

**Registered Office:** 41, Kangeyam Road, Tirupur – 641 604

**Tel:** +91-0421-2424426; **Fax:** +91-0421-2424434;

**Email:** investorrelations@velanhotels.com; **Website:** www.velanhotels.com

**Contact person:** Mr. M. Srinivasan, Company Secretary & Compliance Officer

**ISSUE OF 2,67,37,500 EQUITY SHARES OF ₹10/- EACH FOR CASH AT A PREMIUM OF ₹13 PER SHARE (I.E. AT A PRICE OF ₹ 23 PER SHARE) AGGREGATING TO ₹ 6149.62 LACS ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 69 EQUITY SHARES FOR EVERY 20 EQUITY SHARES (I.E. 69:20 HELD ON THE RECORD DATE I.E. 09/08/2011). THE ISSUE PRICE IS 2.3 TIMES THE FACE VALUE OF THE EQUITY SHARE**

**GENERAL RISKS**

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document.

**The attention of investors is drawn to the statement of Risk Factors beginning on page no. 2 of this Abridged Letter of Offer.**

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Abridged Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Abridged Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The existing Equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE, The Designated Stock Exchange). The Company has received in-principle approval from BSE vide their letter no. DCS/PREF/NP/IP-RT/1018/10-11 dated February 04, 2011 for listing of the equity shares being issued in terms of this Abridged Letter of Offer.

**LEAD MANAGERS TO THE ISSUE**

**KEYNOTE**

**KEYNOTE CORPORATE SERVICES LIMITED**

4<sup>th</sup> Floor, Balmer Lawrie Building,  
5, J. N. Heredia Marg, Ballard Estate,  
Fort, Mumbai – 400 001

**Tel :** +91-22-3026 6000-3

**Fax:** + 91-22-2269 4323

**E-mail:** mbd@keynoteindia.net

**Website:** www.keynoteindia.net

**Contact Person:** Ms. Swati Sinha Shrivastav

**SEBI Regn. No.:** INM 000003606

**AMBI Regn No:** AMBI/040

**REGISTRAR TO THE ISSUE**



**S.K.D.C. CONSULTANTS LIMITED**

Kanapathy Towers, 3rd Floor 1391/A1,  
Sathy Road, Ganapathy  
Coimbatore - 641 006

**Tel :** 91-422-6549995,2539835-36

**Fax:** + 91-422-2539837

**E-mail:** info@skdc-consultants.com

**Website:** www.skdc-consultants.com

**Contact Person:** Mr. K. Jayakumar

**SEBI Regn. No.:** INR 000000775

**ISSUE PROGRAMME**

<b>ISSUE OPENS ON:</b>	<b>LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS :</b>	<b>ISSUE CLOSSES ON:</b>
<b>Wednesday, August 24, 2011</b>	<b>Friday, September 02, 2011</b>	<b>Saturday, September 10, 2011</b>

## GENERAL INSTRUCTIONS

Applicants are advised to read the Letter of Offer and the General Instructions contained in this Abridged Letter of Offer carefully and satisfy themselves of the disclosures before making an application for subscription. For a copy of the Letter of Offer, the applicant may request the Company and/or the Registrars to the Issue. Further, investors are advised to retain the copy of this Abridged Letter of Offer for their future reference. A copy of the offer document of the immediately preceding rights issue of the Company is made available to the public on the websites of Lead Manager to the Issue and the Company at [www.keynoteindia.net](http://www.keynoteindia.net) and [www.velanhotels.com](http://www.velanhotels.com).

## RISK FACTORS

*An investment in equity shares involves a high degree of risk. The investors should carefully consider all of the information in this Abridged Letter of Offer, in evaluating the Company and its business, including the risks and uncertainties described below, before making any investment decision. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and the investors might lose all or part of their investment.*

*Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified*

### Materiality

The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- Some events may not be material individually, but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at present but may have material impact in the future.

The risk factors are as envisaged by the management. Wherever possible, the financial impact of the risk factors has been quantified.

### A. INTERNAL RISK FACTORS

1. ***The implementation of the expansion project of the company is at a preliminary stage and any delay in the implementation of the project may increase the capital cost and also affect returns from the project.***

The objects of the issue as envisaged by the company are to set up a mall, multiplex with service apartment, a convention hall, renovate the existing hotel at Tirupur and setup a power plant. We cannot assure you that we will be able to execute our expansion plans as contemplated in the section titled "Objects of the Issue" beginning on page 18 of this Abridged Letter of Offer. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; development delays or defects in construction; receipt of governmental approvals; and changes in management's views of the desirability of current plans. We may not be able to execute our expansion plans as contemplated. Due to time and/or cost overruns the anticipated benefit of such plans to our revenues and profitability may decline. To the extent that completed and/or planned capital expenditures do not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be adversely affected.

2. ***We have made applications to various authorities for various approvals required for the expansion projects which are currently pending. We may not be able to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our businesses on time or at all.***

We have various projects which are in various stages of development, implementation and construction and we are in the process of making the applications to regulatory authorities in connection with these projects. There can be no assurance that the consents or other approvals required from third parties, which include central, state and local governmental bodies, in connection with the construction and development of these projects will be issued or granted to us in a timely manner or at all. We may be dependent on third parties, including local authorities, to facilitate in obtaining these approvals and also provide such services. Any delay or failure by any third party to provide such additional services (where we depend on them) or a failure to obtain any required consents and approvals on acceptable terms or in a timely manner may affect our ability to execute or complete the projects.

As on date of this Abridged letter of offer, the building approvals for the multiplex has been submitted and clearance are being awaited from Local Planning Authority (LPA) & Department of Town and Country Planning (DTCP)

Applications for consent under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974 have been submitted with Tamil Nadu Pollution Control Board, Tirupur and necessary fees in this regard has been paid. The consents are yet to be received.

**3. *The success of our Mall and Multiplex project depends on our ability to attract suitable retailers and customers.***

The success of our project depends on our ability to recognize and respond to the changing trends in India's retail sector. We believe that in order to draw consumers away from traditional shopping environments such as small local retail stores, we need to create demand for our malls where customers can take advantage of a variety of retail options, such as large department stores, in addition to amenities such as onsite parking and cinema complexes.

Further, to help ensure our malls' success, we must secure suitable anchor tenants and other retailers as they play a key role in generating customer traffic. A decline in retail spending or a decrease in the popularity of the retailers' businesses could cause retailers to cease operations or experience significant financial difficulties that in turn could harm our ability to continue to attract successful retailers and visitors to our mall.

**4. *The land for the proposed projects as envisaged in the objects of the issue has been purchased from the promoters of the company and it is yet to be registered in the name of the company.***

The land for the proposed projects as envisaged in the objects of the issue has been purchased from the promoters of the company Mr. E.V. Muthukumara Ramalingam and Mr. M.R. Gautham and the same is yet to be registered in the name of the company. An amount of ₹ 3632.93 lacs out of the proceeds of the issue is being utilized towards consideration payable to the promoters towards the cost of the land.

**5. *The promoters of the company do not have experience in the field of running a multiplex and service apartment.***

The promoters of the company do not have experience in the field of running a multiplex and service apartment. The project cost for the proposed project is substantial in relation to its current size of operations. Although the promoters have an experience in hospitality industry, their ability to handle multiplex, mall, service apartments remain to be demonstrated.

**Management proposal:** The multiplex business model is on lease rental basis and no expertise is required to be established by the existing promoters/ Managerial personnel. The management does not foresee any difficulty in running such business successfully.

**6. *We rely on the financial stability of our tenants, in particular, our key tenants.***

The demand for our retail space units may be adversely affected by the financial stability of our tenants and prospective tenants, which may depend on general economic conditions. In the event of a default by a tenant prior to the expiry of a lease, we may suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and reletting the property. If we are unable to re-let or renew lease contracts promptly, if the rentals upon such re-leasing or renewals are significantly lower than the expected value or if reserves, if any, for these purposes prove inadequate, our results of operations, financial condition and the value of our real estate could be adversely affected.

**7. *Our Promoters have limited experience in power generation business and are implementing this kind of project in power sector for the first time.***

Our Promoters have very limited experience in power generation business, though our promoters have been operating a biomass-based boiler, we cannot assure you that we will be able to effectively

implement this project and manage our growth, which may adversely affect our business operations and financial condition. We are subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that we will not achieve our objectives and that the value of your investment in the Equity Shares could decline substantially.

#### **Management perception**

The company is currently operating a biomass based boiler providing steam for the air conditioning units at the hotel property at Tirupur and is confident to implement the power project successfully.

**8. *Our biomass business is influenced by biomass prices, which are seasonal and subject to fluctuations***

Our biomass business is subject to the volatile price movement of biomass in the markets in which we operate and is dependent on factors affecting such price movement, including regional supply and demand, seasonality, rain, climate change, crop productivity, labor shortages and alternative uses for biomass fuel. The biomass market in any given region could exhibit significant fluctuations in supply, demand and prices from year to year. If biomass prices increase, we may not be able to pass on the price increases to our customers immediately due to fixed tariff arrangements, in particular with respect to long term PPAs, and the profitability of our biomass business could be materially and adversely affected.

**9. *We rely on various third party suppliers for our biomass requirements and we are subject to risks from biomass supply delays or failures attributable to such suppliers.***

We cannot assure you that we will always have sufficient biomass fuel to operate our power plants, or that in the case of biomass supply delays or failures attributable to our suppliers, we will be adequately compensated. We will purchase biomass fuel from various small and unorganized suppliers. If a biomass supplier fails or is unable to deliver biomass to us as scheduled or if the biomass supply to one or more of our operating power plants is delayed or otherwise disrupted, we may not be able to make alternative arrangements, either in a timely manner or at all, and such alternative arrangements may be more costly to us. If our biomass fuel supplies are delayed or disrupted, we may not be able to produce power in sufficient quantities to cover our costs or at all. The occurrence of any of the foregoing events could materially and adversely affect our business, financial condition and results of operations.

#### **Management perception**

The company is already sourcing biomass for the past five years for its biomass based boiler and does not foresee any difficulty in procuring the same in the future.

**10. *We may not be able to achieve the Plant Load Factor's (PLFs) we expect at our biomass plants within our projected timeframes, within anticipated budgets, or at all.***

PLFs for our biomass power plants depend on various factors including time in operation since commissioning, type of equipment and quality of fuel. Newly operational biomass power plants require a stabilization period of six to twelve months before target PLFs will be achieved. We may experience key equipment failure, which may force us to reduce plant operations or shut down a plant completely. We cannot assure you that our target PLFs will be achieved in the anticipated timeframe, within anticipated budgets, or at all, or that projections or estimates relating to our PLFs will correspond with our future installed capacity and, accordingly, our PLFs and expenditures in the future could differ from current expectations.

**11. *We may not be able to adapt to changing biomass fuel availability.***

Many biomass plants change fuels significantly over the years, as opportunities arise, old fuel sources dry up or agricultural patterns shift. In many instances, these changes are unpredictable. We may not be able to adapt our biomass plants to take advantage of changes in local fuel supply in certain cases, which could lower our profit margin and reduce our operational efficiency.

**12. *Changes in technology may impact our business by making our power plants less competitive or obsolete.***

Our future success will depend in part on our ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis.

Changes in technology and high fuel costs may make other generation plants more competitive than ours or may require us to make additional capital expenditures to upgrade our facilities. In addition, there are other technologies that can produce electricity, most notably fuel cells, micro turbines, windmills and photovoltaic (solar) cells. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business and our financial performance could be adversely affected.

**13. *Our revenues in the hotel business are seasonal in nature.***

Our revenues in the hotel business are generally higher during the 6 months period (April-September) of each fiscal year as compared to the entire fiscal year. Any disturbances/disruptions during the period may lead to reduction in our revenues and can have a material adverse impact on our financial performance. As a result, the quarter to quarter comparison of historical results may not be accurate or a meaningful indicator of our performance.

**14. *The company's indebtedness and the conditions and restrictions imposed by financing agreements could restrict the ability to conduct our business operations.***

There are certain restrictive covenants in the agreements which we have entered into with certain banks for short term and long term borrowings. Terms loans from banks are secured by mortgage/ hypothecation of related immovable/ movable assets of the company, both present and future. The covenants in certain cases, among other things require us to obtain permission of the banks for any change in its capital structure, formulate any scheme of amalgamation or restructuring, undertake any major capital expenditure, extend loans or guarantees, or advance, lend, or place deposits with any other concern, declare dividends, undertake guarantee obligations on behalf of other persons and enter into any borrowing arrangements with any banks /financial institutions / company and change in composition of company's board of directors.

**15. *Unsecured loans taken by us can be recalled by the lenders at any time, which may affect our business and financial condition.***

As on March 31, 2011 we have outstanding unsecured loans from Sri.E.V.Muthukumara Ramalingam, Managing Director, Sri.M.R.Gautham, Executive Director and M/s. Shree Vallee Enterprises Pvt Ltd to the extent of ₹ 68.67 lacs along with accrued interest which has been taken in a normal course of business. Such unsecured loans may be recalled by the lenders at any time which may affect our business and financial condition.

**16. *We are required to comply with various standards as prescribed by the HRACC from time to time. Failure to adhere to such requirements may result in the declassification of any of our hotels and consequently, adversely affect our business.***

In order to obtain and maintain a star classification for our hotel properties, we are required to fulfill and continually comply with certain standards as prescribed by the HRACC. Such standards may relate to the quality of facilities and services provided. Failure to adhere to such requirements may result in the declassification of any of our hotels and consequently, adversely affect our business.

**17. *Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.***

We cannot assure that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. We may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, which could adversely affect our business and results of operations. We may enter into contracts with independent contractors to complete specified assignments and these contractors are required to source the labour necessary to complete such assignments. Although we do not propose to engage those labourers directly, it is possible under Indian law that we may be held responsible for wage payments to labourers engaged by contractors should the contractors default on wage payments. Any requirement to fund such payments may adversely affect our business, financial condition and results of operations.

**18. *We are dependent on our management team for success whose loss could seriously impair our ability to continue to manage and expand business efficiently. The loss of service of the senior management could seriously impair the ability to continue to manage and expand the business efficiently.***

Our success largely depends on the continued services and performance of our management and other key employees that have been associated with company for past several years. These personnel have been the driving force behind the success of our business and brand till date. Their acumen, efforts and dedication have contributed mainly to the growth of Company. We believe that the loss of service of these personnel could seriously impair the ability to continue to manage and expand the business efficiently.

**19. *The success of our hotel business is dependent on supply chain management***

We strive to keep optimum inventory at our hotel to control our working capital requirements. A strong supply chain management system is essential to ensure availability of required goods at hotel. Food and grocery items require efficient supply chain management as this involves items which are perishable or have limited shelf life. Inefficient supply chain management could adversely affect the results from operations.

**20. *Increased competition in the hotel sector may adversely affect the operation of our hotel.***

We compete for guests with other hotels in a highly competitive industry. Our success would be dependent on our ability to compete in areas such as room rates, quality of accommodation, service levels, and brand recognition among others. We face competition from existing hotel players and will also have to compete with any new hotel properties coming up in the city. There can be no assurance that new or existing competitors will not significantly lower rates or offer greater convenience, services or amenities or significantly expand or improve facilities in the market in which we operate. Such developments would affect our ability to compete with them and have a negative impact on our profitability and financial condition.

**B. EXTERNAL RISK FACTORS**

**1. *Changes in the policies of Government of India and the political situation in India may affect the operations of the company.***

A significant change in India's economic liberalization and deregulation policies could affect business and economic conditions in India. Taxes and levies affect the cost and prices of the company's business. Any change in the policies, regulations and other levies regulated or imposed by either Central or State Government of India may have an adverse impact on the company's business.

**2. *The hotel industry is subject to significant regulations.***

We are subject to numerous laws and regulations in all of the jurisdictions in which we operate, including those relating to the preparation and sale of food and beverages, safety norms, health, excise and entertainment licensing laws. Our properties are also subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees and work permits. In event of non-compliance with the regulations, our licenses may be rejected or their renewals halted. Such adverse developments would have a negative impact on our profitability and financial condition.

**3. *The hotel industry is cyclical and sensitive to changes in the economy and this could have a significant impact on our operations and financial results.***

The hotel sector may be unfavorably affected by such factors as changes in the global and domestic economies, changes in local market conditions, excess hotel supply or reduced demand for hotel rooms and associated services, competition in the industry, changes in interest rates, the availability of finance and other similar factors. Since demand for hotels is affected by economic growth in India as well as globally, a global or domestic recession could lead to a down-turn in the hotel industry. Such adverse developments in the hotel industry in India or in the cities where our hotels are located would have a negative impact on our profitability and financial condition. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect the business.

**4. *Acts of violence or war, in India or other neighboring countries, could adversely affect Indian and worldwide economic markets, result in a loss of business confidence, and adversely affect our business, profitability and financial condition.***

Acts of violence or war, including an increase in the terrorist activities in India or other neighboring countries, may affect Indian and worldwide economic markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, profitability and financial condition through reduction in business activity and business travel. Increased volatility in economic markets can have an adverse impact on the economies of India and other countries. In the recent past, India-Pakistan relations, the attack on the Mumbai Hotels & Railway stations in 2008 and the subsequent travel advisories issued by western nations have affected the hotel industry in India. The threat of additional terrorist attacks and other acts of violence or war also have a direct impact on international travel and may have an adverse impact on our ability to attract international guests.

**5. *Our operations could be affected by natural calamities at or in the vicinity of our properties.***

Our operations are dependent on our ability to protect our properties from any natural calamity such as fire, earthquakes, and floods, natural and similar events. The occurrence of a natural disaster or other unanticipated problems at our hotels can cause interruptions in our operations. Any damage or failure that causes interruptions in our operations could have a negative impact on our profitability and financial condition. Our results have been and will continue to be significantly affected by other factors outside the Company's control, such as political unrest etc, all of which may affect the level of travel and business activity.

**6. *The Company's business is exposed to the effects of exchange rate fluctuations.***

The Company's assets, earnings and cash flows are influenced by fluctuations in exchange rates of other currencies against the rupee, and more particularly by movements in the US dollar. Any such fluctuations in exchange rates may affect company's operations and financial conditions.

**7. *The power generation business is subject to extensive environmental laws and regulations and potential environmental liabilities, which could result in significant costs and liabilities.***

The power generation business in India is subject to extensive laws and regulations imposed by government authorities, including the Ministry of Environment and Forests and the state pollution control board, in the ordinary course of operations with regard to the environment, including environmental laws and regulations relating to air and water quality, solid waste disposal and other environmental considerations. Possible future developments, including the promulgation of more stringent environmental laws and regulations and the timing of future enforcement proceedings that may be taken by environmental authorities could affect the costs and the manner in which we conduct our business and could require us to make substantial additional capital expenditures.

In addition, our licenses and permits are subject to renewal. While we anticipate that renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

Environmental laws and regulations require us to incur certain costs, which could be substantial, to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment. Governmental regulations establishing environmental protection standards are continually evolving, and, therefore, the character, scope, cost and availability of the measures we may be required to take to ensure compliance with evolving laws or regulations cannot be predicted. To the extent that environmental liabilities are greater than our insurance coverage we are unsuccessful in recovering anticipated insurance proceeds under the relevant policies, our results of operations and financial condition could be materially and adversely affected.

**8. *After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop.***

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- Our profitability and performance;
- Perceptions about our future performance or the performance of Indian hospitality companies in general;

- Performance of our competitors in the Indian hotel industry and the perception in the market about investments in the hotel industry;
- Adverse media reports on the Company or the Indian hotel industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India's economic liberalization and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline post listing.

## PROMINENT NOTES

1. The net worth of the Company as on 31<sup>st</sup> March, 2011 is ₹ 1657.85 lacs.
2. The Book value per share as on 31<sup>st</sup> March, 2011 is ₹ 21.39.
3. The average cost of acquisition of Equity Shares by our Promoters, is as follows:

Name of Promoter	Average cost of acquisition of shares
Mr.E.V.Muthukumara Ramalingam	₹ 15.43
Mr.M.R.Gautham	₹ 11.55
Mrs. M. Sasikala	₹ 10.00
M/s. Shree Vallee Enterprises Pvt. Ltd.	₹10.00

4. Except as disclosed in the sections titled "Management" beginning on page no 31 of this Abridged Letter of Offer, there is no interest of promoters/directors/ key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
5. The following are the transactions with related parties as on 31/03/2011 in terms of Accounting Standard 18 issued by the ICAI

(Amount ₹ in Lacs)

Sl. No	Name of Party	Relationship	Nature of Transaction	Amount	Amount outstanding as on 31.03.11	A mount W-off/w-back during the period
1.	E.V.Muthukumara Ramalingam	Key Management Personnel	Remuneration	5.94	Nil	Nil
2.	M.R.Gautham	Key Management Personnel	Remuneration	2.79	Nil	Nil
3.	Shree Vallee Enterprises Pvt.Ltd	Associated Concern	Interest	11.93	13.14	Nil
4.	Shree Vallee Enterprises Pvt.Ltd	Associated Concern	Finance Receipts	Nil	52.94	55.55
5.	E.V.Muthukumara Ramalingam	Key Management Personnel	Finance Receipts	168.09	1.38	228.11
6.	E.V.Muthukumara Ramalingam	Key Management Personnel	Lease Rent	3.53	Nil	Nil

6. There has been no financing arrangement whereby the Promoter Group, the Directors of the Company and their relatives have financed the purchase by any other person of securities of the Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the abridged Letter of Offer with SEBI.
7. All information shall be made available by the LM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
8. Investors are free to contact the Lead Manager for any complaints/ information/ clarification pertaining to this Issue. For contact details of the Lead Manager, please refer to the cover page of this Offer Document.
9. The Company satisfies the following conditions as prescribed under Regulation 57(2) (b) of Part E of Schedule VIII of the ICDR Regulations.

- a) The Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this abridged letter of offer with the designated stock exchange.
  - b) The reports, statements and information referred to sub-clause (a) above are available on the website of Bombay Stock Exchange Limited (BSE) one of the recognized stock exchange with nationwide trading terminals
  - c) The Company has investor grievance – handling mechanism which includes meeting of the share transfer & Shareholder’s or Investor’s Grievance Committee at frequent intervals, appropriate delegation of power by the board of directors of the Company as regards share transfer and have clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.
10. There are no investor complaints pending as on the date of this offer document.
11. The Lead Manager and the Company shall update this abridged Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.

### **GENERAL INFORMATION**

**Dear shareholder(s),**

Pursuant to the resolutions passed by the Board of Directors of the Company at their meeting held on 16<sup>th</sup> July 2010 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

The resolution in respect of the rights issue was approved by the shareholders of the company in the AGM of the company held on 6<sup>th</sup> September, 2010.

The committee of Directors at their meeting held on 18/07/2011 decided to make the following offer to the existing shareholders of the Company:

Issue of 2,67,37,500 Equity Shares of ₹ 10/- each for cash at a premium of ₹ 13/- per equity share (Issue Price of ₹ 23/-) aggregating to ₹ 6149.62 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of 69 Equity Shares for every 20 Equity Shares held on 09/08/2011. The face value of the Equity Shares is ₹ 10/- per share and the Issue price is 2.3 times the face value.

For further details please refer to “Terms of the Issue” beginning on page 42 of this abridged Letter of Offer.

Name of the Company : **Velan Hotels Limited**; Registered Office : 41, Kangeyam Road, Tirupur – 641 604 Tamil Nadu, **Tel:** +91-0421-2424426-30; **Fax:** +91-0421-2424434; **Email:** [investorrelations@velanhotels.com](mailto:investorrelations@velanhotels.com); **Website:** [www.velanhotels.com](http://www.velanhotels.com); Company Identification Number : L55101TZ1990PLC002653; Registration Number : 181-2653; Contact person: Mr. M. Srinivasan, Company Secretary & Compliance Officer; Registrar of Companies : Stock Exchange Building, II Floor, 683 Trichy Road, Singanallur Post, Coimbatore 641 005, Tamil Nadu, India

#### **Other Locations / Offices**

Velan Hotel Greenfields: Hotel with Restaurant : 41, Kangeyam Road, Tirupur – 641 604 Tamil Nadu; Velan Hotel : Hotel with Restaurant : Bedford, Ritz Road, Coonoor 643 101 Tamil Nadu; Velan Uthara : Restaurant : Avinashi Road. Behind IDBI Bank Ltd, Tirupur- 641 602 Tamil Nadu; The Velan Food Park : Restaurant : Ram Nagar, Coimbatore-641 009 Tamil Nadu

#### **IMPORTANT**

1. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date.
2. Your attention is drawn to the section on risk factors starting from page no. 2 of this abridged Letter of Offer.
3. Please ensure that you have received the CAF with this abridged Letter of Offer.
4. Please read the abridged Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this abridged Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.

5. All enquiries in connection with this abridged Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
6. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the abridged Letter of Offer with SEBI.
7. All the legal requirements as applicable till the filing of the abridged Letter of Offer with the Designated Stock Exchange have been complied with.

## BOARD OF DIRECTORS

The Board of Directors of the company comprises of:

Name of the Director	Designation	Status
Mr.E.V.Muthukumara Ramalingam	Managing Director	Executive and Non-Independent
Mr.M.R.Gautham	Executive Director	Executive and Non-Independent
Mr.P.Ganesan	Director	Non-Executive and Independent
Mr.T.Gopalakrishnan	Director	Non-Executive and Independent
Dr.Namasivayam Karthikeyan	Director	Non-Executive and Independent

For details of the Board of Directors of Velan Hotels Limited, please refer to the chapter titled "Management" on page no. 31 of this abridged Letter of Offer.

## ISSUE MANAGEMENT TEAM

### Company secretary and compliance officer

**Mr. M. Srinivasan**

Company Secretary & Compliance Officer

41, Kangeyam Road, Tirupur – 641 604

Tel: +91-0421-2424426

Fax: +91-0421-2424434

Email: investorrelations@velanhotels.com

*Investors can contact the Compliance Officer or the Registrar to the issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.*

<p>Lead Manager to the Issue</p> <p><b>KEYNOTE</b></p> <p><b>KEYNOTE CORPORATE SERVICES LIMITED</b> 4th Floor, Balmer Lawrie Building, 5, J. N. Heredia Marg, Ballard Estate, Mumbai – 400 001, <b>SEBI Regn No:</b> INM 000003606 <b>Tel :</b> +91-022-3026 6000-3; <b>Fax:</b> + 91- 022 -22694323 <b>Website:</b> www.keynoteindia.net, <b>E-mail:</b> mbd@keynoteindia.net <b>Contact Person:</b> Ms. Swati Sinha Shrivastav</p>	<p>Registrar to the issue</p> <p><b>skdc</b></p> <p><b>S.K.D.C. CONSULTANTS LIMITED</b> Kanapathy Towers, 3rd Floor 1391/A1, Sathy Road, Ganapathy, Coimbatore - 641 006 <b>Tel :</b> 91-422-6549995,2539835-36 <b>Fax:</b> + 91-422-2539837 <b>E-mail:</b> info@skdc-consultants.com <b>Website:</b> www.skdc-consultants.com <b>SEBI Regn. No.:</b> INR 000000775 <b>Contact Person:</b> Mr. K Jayakumar</p>
<p>Legal Advisors to the Company</p> <p><b>Mr. Cibi Vishnu, Advocate</b> Advocate I Solicitor, England &amp; Wales (Non-Practising) No.1B, "Rajam Mansion", 4th Street Luz Avenue, Mylapore, Chennai-600004 <b>Tel:</b> +91-044-24998283; <b>Fax:</b> +91-044-24998283 <b>Email :</b> cibivishnu@gmail.com <b>Contact Person:</b> Mr. Cibi Vishnu</p>	<p>Statutory Auditors to the Company (Peer Review Auditor) <b>M/s. P.S.Krishnan &amp; Co.,</b> Chartered Accountants 40 A Apachi Nagar Main Road, Tirupur 641 607 Tamil Nadu - India <b>Tel:</b> +91-0421-2227526/27; <b>Fax:</b> + 91-421-2227516 <b>Email address:</b> psktup@yahoo.co.in <b>Contact Person:</b> Mr. G.Krishnamurthi, Auditor</p>
<p>Bankers to the Company</p> <p><b>Union Bank of India</b></p>	<p><b>Axis Bank Ltd</b></p>

Bedford, Coonoor, Tamil Nadu-India <b>Tel:</b> +91-0423 2221391, <b>Fax:</b> +91-0423 2230391 <a href="http://www.unionbankofindia.co.in">www.unionbankofindia.co.in</a> <b>Allahabad Bank</b> 342 Palladam Road, Thennampalayam, Tirupur 641 604 <b>Tel:</b> +91-0421-2214420, <b>Fax:</b> +91-0421-2214443 <a href="http://www.allahabadbank.com">www.allahabadbank.com</a>	3 Court Street, Tirupur 641 601 , Tamil Nadu-India <b>Tel:</b> +91-0421-2237211; <b>Fax:</b> +91-0421-2237214 <a href="http://www.axisbank.com">www.axisbank.com</a> <b>Andhra Bank</b> Coimbatore Main Branch, 17 Mill Road, Coimbatore 641 001 <b>Tel:</b> +91-0422-2300504, <b>Fax:</b> +91-0422-2393511 <a href="http://www.andhrabank.in">www.andhrabank.in</a>
<b>Bankers to the issue</b> <b>Dhanlaxmi Bank Limited</b> Janmabhoomi Bhavan, Janmabhoomi Marg, Mumbai 400 001 <b>Phone:</b> 022- 22022535/ 022- 61541857, <b>Fax:</b> 022- 22871637/ 022 61541725 <b>Mail:</b> venkatraghavan.ta@dhanbank.co.in, <b>Contact</b> <b>person:</b> Mr. Venkataraghavan T.A <b>Website:</b> www.dhanbank.com	<b>Axis Bank Limited</b> 3 Court Street, Tirupur 641 601 <b>Phone:</b> 0421 – 2237211/12/12, <b>Fax:</b> 0421- 2237214 <b>Mail:</b> <a href="mailto:tirupur.operationshead@axisbank.com">tirupur.operationshead@axisbank.com</a> , <b>Contact person:</b> Mr. K.Kanagasabapathy <b>Website:</b> www.axisbank.com

#### SELF CERTIFIED SYNDICATE BANKS

As on date following banks are registered with SEBI for collection of ASBA forms:

1.	Axis Bank Ltd	23.	Allahabad Bank
2.	State Bank of Hyderabad	24.	Karur Vysya Bank Ltd.
3.	Corporation Bank	25.	The Federal Bank
4.	State Bank of Travancore	26.	Indian Bank
5.	IDBI Bank Ltd.	27.	Central Bank of India
6.	State Bank of Bikaner and Jaipur	28.	Oriental Bank of Commerce
7.	YES Bank Ltd.	29.	Standard Chartered Bank
8.	Punjab National Bank	30.	J. P. Morgan Chase Bank, N.A
9.	Deutsche Bank	31.	Nutan Nagrik Sahakari Bank Ltd.
10.	Union Bank of India	32.	UCO Bank
11.	HDFC Bank Ltd.	33.	Canara Bank
12.	Bank of Baroda	34.	United Bank of India
13.	ICICI Bank Ltd	35.	Syndicate Bank
14.	Vijaya Bank	36.	South Indian Bank
15.	Bank of Maharashtra	37.	Indian Overseas Bank
16.	State Bank of India	38.	Tamilnad Mercantile Bank Ltd.
17.	Andhra Bank	39.	City Union Bank Ltd.
18.	HSBC Ltd.	40.	BNP Paribas
19.	Kotak Mahindra Bank Ltd.	41.	The Kalupur Commercial Co-Operative Bank Ltd.
20.	Bank of India	42.	Bank of America N.A.
21.	CITI Bank	43.	The Lakshmi Vilas Bank Ltd.
22.	IndusInd Bank	44.	State Bank of Patiala

**APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA):** Eligible Equity Shareholders may apply through the ASBA process. ASBA can be availed by all the Eligible Equity Shareholders. The Eligible Equity Shareholders are required to fill the ASBA form and submit the same to their bank which in turn will block the amount in the account as per the authority contained in ASBA form and undertake other tasks as per the specified procedure. On allotment, amount will be unblocked and account will be debited only to the extent required to pay for allotment of shares. Hence, there will be no need of refunds etc. ASBA form can be submitted to several banks, the list of such banks are given in the ASBA form and is available on website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in).

For more details on the ASBA process, please refer to the details given in ASBA form and also please refer to the section “Terms of the Issue” beginning on page 42 of this abridged Letter of Offer.”

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount (“ASBA”) Process are available at the SEBI website (URL reference: <http://www.sebi.gov.in>). Details relating to designated branches of SCSBs collecting the ASBA forms are available at the above mentioned link.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

#### INTER SE ALLOCATION OF RESPONSIBILITIES

Keynote Corporate Services Limited is the sole Lead Manager to this issue, however the list of major responsibilities of Keynote Corporate Services Limited inter alia, is as follows:

Sr. No.	Activity	Responsibility
A.	Capital Structuring with relative components and formalities such as composition of Structuring of the offer document.	Keynote
B.	Drafting and design of the offer document and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the offer document.	Keynote
C.	Selection of various agencies connected with issue, such as registrars to the issue, printers, advertising agencies, etc.	Keynote
D.	Marketing of the issue, which shall cover, <i>inter alia</i> , formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for holding conferences of shareholders, investors, etc., (iii) bankers to the issue, (iv) collection centres as per schedule III of ICDR, distribution of publicity and issue material, Letter of Offer.	Keynote
E.	Post-issue activities, which shall involve essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as Registrar to the issue, Bankers to the issue, Self Certified Syndicate Banks, etc.	Keynote

#### CREDIT RATING/DEBENTURE TRUSTEE

This being Rights Issue of equity shares, neither Credit Rating nor appointment of Debenture Trustee is required.

#### MONITORING AGENCY

Since the Issue size does not exceed ₹ 50,000 Lacs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required. The Board of Directors of the Company will monitor the use of the proceeds of this Issue.

#### APPRAISING ENTITY

Not Applicable

#### MINIMUM SUBSCRIPTION

- i. If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the issue.
- ii. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. fifteen days) after closure of the issue, the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

#### UNDERWRITING/ STANDBY SUPPORT

This issue of equity shares is not being underwritten and/or no standby support is being sought for the said issue.

#### *Impersonation*

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of subsection (1) of Section 68A of the Act which is reproduced below:

“Any person (a) who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to allot, or register any transfer of shares therein to him, or (b) any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”



Sr. No.	Name of the Bank	Date of Sanction	Amount sanctioned (₹ in Lacs)	Amount o/s as on 31/03/2011 (₹ in lacs)	Rate of interest (%)	Repayment Terms	Security
<b>Others</b>							
1	Sundaram Finance Ltd.	27/06/2009	10.00	6.71	15.01%	48 monthly installments	Hypothecation of vehicle
		29/09/2010	4.00		11.90%	24 monthly installments	
2	Canara Bank	15/03/2010	11.25	9.99	12.50%	60 monthly installments of ₹ 25,790/- each commencing from 3 months of disbursement of loan	Mortgage of solar equipments at Velan Hotel, Coonoor
	<b>TOTAL</b>			<b>2204.07</b>			

#### CAPITAL STRUCTURE OF THE COMPANY

Details as on the date of Letter of Offer	Aggregate Value at Nominal Price (₹)	Aggregate Value at Issue Price (₹)
<b>A. Authorized Capital</b> 3,50,00,000 Equity Shares of ₹ 10/- each	35,00,00,000	35,00,00,000
<b>B. Issued, Subscribed &amp; Paid-up Capital</b> 77,50,000 Equity Shares of ₹ 10/- each, fully paid – up	7,75,00,000	7,75,00,000
<b>C. Present Rights Issue</b> 2,67,37,500 Equity shares of ₹ 10/- each for cash at premium of ₹ 13 /- per Equity Share	26,73,75,000	61,49,62,500
<b>D. Post Issue Capital</b> 3,44,87,500 Equity shares of ₹ 10/- each	34,48,75,000	69,24,62,500
<b>E. Share Premium Account</b> Before the offer After the offer		Nil 34,75,87,500

#### Notes to Capital Structure:

**1. Promoters' Contribution and Lock-in for the present issue**

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable.

**2. The details of Locked-in, pledged and encumbered shares of Promoter and Promoter Group**

Name of the Promoter/Promoter Group	Total Number of shares as on date of letter of offer	Number of shares pledged as on date of letter of offer
Mr. E.V. Muthukumara Ramalingam	27,85,566	41,883
Mr. M.R. Gautham	3,25,220	92,050
Mrs. M. Sasikala	3,95,770	1,00,000

Except as mentioned above none of the Equity Shares held by the Promoters and / or Promoter Group are pledged / locked-in / encumbered.

### 3. Present Rights Issue:

Type of Instrument	Ratio	Face Value (₹)	No. of shares	Issue Price (₹)	Consideration
Equity Shares	69:20 (69 Equity share for every 20 equity shares held)	10/-	2,67,37,500	23/-	Cash

### 4. Pre & Post issue shareholding pattern of the Company assuming full subscription in the present rights issue is given below:-

Sl. No	Category of Shareholder	No. of shareholders (Pre issue)	Pre-issue		Post-issue		Shares pledged or otherwise encumbered	
			Number of Shares	%	Number of Shares	%	Number of Shares	% of pre issue capital
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>							
<b>1</b>	<b>Indian</b>							
(a)	Individuals/ Hindu Undivided Family	11	41,25,926	53.24	1,83,60,371	53.23	2,33,933	3.02
(b)	Central Government/ State Government(s)/Government company	-	-	-	-	-		
(c)	Bodies Corporate	1	2,41,500	3.12	10,74,675	3.11		
(d)	Financial Institutions/ banks	-	-	-	-	-		
(e)	Any Other (specify – Trust & Foundation)	-	-	-	-	-		
	<b>Sub- Total (A)(1)</b>	12	43,67,426	56.35	1,94,35,046	56.35	2,33,933	3.02
<b>2</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	-	-	-	-	-		
(b)	Bodies Corporate	-	-	-	-	-		
(c)	Institutions	-	-	-	-	-		
(d)	Any other (specify)	-	-	-	-	-		
	<b>Sub-Total (A)(2)</b>	-	-	-	-	-		
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	12	43,67,426	56.35	1,94,35,046	56.35		
<b>(B)</b>	<b>Public shareholding</b>							
<b>1</b>	<b>Institutions</b>							
(a)	Mutual Funds/ UTI	2	7,000	0.09	31,150	0.09		
(b)	Financial Institutions/ Banks	-	-	-	-	-		
(c)	Central Government/ State Government(s)	-	-	-	-	-		
(d)	Venture Capital Funds	-	-	-	-	-		
(e)	Insurance Companies	-	-	-	-	-		
(f)	Foreign Institutional Investors	-	-	-	-	-		
(g)	Foreign Venture Capital Investors	-	-	-	-	-		
(h)	Any Other (specify) ( Foreign National)	-	-	-	-	-		
	<b>Sub-Total (B)(1)</b>	2	7,000	0.09	31,150	0.09		
<b>2</b>	<b>Non-institutions</b>							
(a)	Bodies Corporate	141	3,01,951	3.90	13,43,682	3.89		
(b)	Individuals-							
	i. Individual shareholders holding nominal share capital up to ₹ 1 lakh.	8,650	21,99,746	28.38	97,88,870	28.38		

Sl. No	Category of Shareholder	No. of shareholders (Pre issue)	Pre-issue		Post-issue		Shares pledged or otherwise encumbered	
			Number of Shares	%	Number of Shares	%	Number of Shares	% of pre issue capital
	ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	30	7,16,905	9.25	31,90,227	9.25		
(c)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	10	30,165	0.39	1,34,234	0.38		
(d)	Overseas Corporate Bodies	1	1,000	0.01	4,450	0.01		
(e)	Clearing Members	40	95,515	1.23	425042	1.23		
(f)	Hindu Undivided Family	53	30,292	0.39	134799	0.39		
	<b>Sub-Total (B)(2)</b>	8,925	33,75,574	43.65	15021304	43.55		
	<b>Total public shareholding (B)= (B)(1)+(B)(2)</b>	8,927	33,82,571	43.65	1,50,52,454	43.64		
	<b>TOTAL (A)+(B)</b>	8,939	77,50,000	100.00	3,44,87,500	100.00	2,33,933	3.02
(c)	Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-		
	<b>GRAND TOTAL (A)+(B)+(C)</b>	8,939	77,50,000	100.00	3,44,87,500	100.00	2,33,933	3.02

The total number of shareholders of the Company as on 30/06/2011 is 8,939.

5. The pre- issue and post issue shareholding of Promoter and Promoter Group are as follows:

Particulars	Present		Post Rights	
	No. of equity shares of ₹ 10/- each	% of present capital	No. of equity shares of ₹ 10/- each	% of post issue capital
<b>a) Promoters</b>				
Mr. E.V. Muthukumara Ramalingam	27,85,566	35.94	1,23,95,769	35.94
Mr. M.R. Gautham*	6,97,920	9.01	31,05,744	9.01
Mrs. M. Sasikala	3,95,770	5.11	17,61,177	5.11
<b>SUB – TOTAL</b>	<b>38,79,256</b>	<b>50.06</b>	<b>1,72,62,689</b>	<b>50.06</b>
<b>b) Immediate relatives of promoters/ directors (Spouse, Parent, Child, Brother, Sister):</b>				
Ms. M Pallavi	1,63,950	2.11	7,29,578	2.11
Ms. Sharmada Gautham	32,170	0.42	1,43,157	0.42
Mr. M Sivasubramainam	50	0.00	223	0.00
Mr. Arun G	20,500	0.26	91,225	0.26
Mr Vishnu G	14,000	0.18	62,300	0.18
Ms. Muthulakshmi & Lakshmi Balasubramaniam	15,500	0.20	68,975	0.20
Ms Muthulakshmi G	500	0.01	2,225	0.01
<b>SUB – TOTAL</b>	<b>2,46,670</b>	<b>3.19</b>	<b>10,97,682</b>	<b>3.19</b>
<b>c) Company in which 10% or more of the share capital is held by the promoter/his immediate relative, firm or HUF in which the promoter or his immediate relative is a member.</b> M/s. Shree Vallee Enterprises Pvt. Ltd.	2,41,500	3.11	10,74,675	3.11
<b>d) Company in which the Company mentioned in (c) above holds 10%</b>				

Particulars	Present		Post Rights	
	No. of equity shares of ₹ 10/- each	% of present capital	No. of equity shares of ₹ 10/- each	% of post issue capital
or more of the share capital				
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total.				
<b>GRAND TOTAL</b>	<b>43,67,426</b>	<b>56.35</b>	<b>1,94,35,046</b>	<b>56.35</b>

\*Includes equity shares of deceased promoter Mr. R.V.E. Venkatachalam.

**Intention of the Promoter / Promoter Group to subscribe to their rights entitlement:**

The entities belonging to the Promoter/Promoter Group have undertaken to subscribe to their rights entitlement in full and collectively to subscribe to the unsubscribed portion from public shareholders. It will be ensured that in the event of such subscription by the promoters, their post rights issue holding in the Company does not result in the public shareholding of the Company falling below the requisite levels as prescribed under clause 40A of the Listing Agreement.

Presuming no subscription is received from other shareholders and promoters(s)/promoter group as mentioned above subscribing to the unsubscribed portion as mentioned above, their shareholding may increase to 90.19 % of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/promoter group may acquire shares over and above their entitlement in the issue which may result in their shareholding in the Company being above their current holding. This subscription and acquisition of additional equity shares by the Promoters/Promoter Group, if any, will not result in change of control of the management of the Company and shall be exempt from the requirements of making a public offer in terms of provision of Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

The promoter and promoter group of VHL have towards the construction of the proposed Mall and Multiplex as envisaged in the objects of the issue infused funds in the company by way of Share Capital Advance. To the extent of ₹ 594.65 lacs brought in by SVEPL and ₹ 3911.27 lacs brought in by the other promoters/ promoter group equity shares in the issue will be issued without any cash consideration. The amount of funds brought in by the promoter and promoter group entity would be adjusted towards their rights entitlement and any subscription to the unsubscribed portion in the Rights Issue. The balance if any payable to the promoter and promoter group entity would be paid back out of the proceeds of the Rights issue.

The details of the Share capital advance brought in by the promoter and promoter group entity as on 01/07/2011 is as given hereinunder :

Name of the entity	Amount brought in as share capital advance (₹ in lacs)
Sri.E.V.Muthukumara Ramalingam	2210.35
Sri.M.R.Gautham	1081.26
Smt.M.Sasikala	314.04
Smt.G.Sharmada	175.53
Smt.M.Pallavi	130.09
Shree Vallee Enterprises Pvt Ltd	594.65
<b>Total</b>	<b>4505.92</b>

**6. Details of shares acquired by promoters and promoter group in the last one year immediately preceding the date of filing the letter of offer with the designated stock exchange and SEBI is as mentioned below:**

Sl. No.	Date of Allotment/Transfer	Nature of consideration	No. of Equity Shares	Face Value (₹)	Issue/Acquisition Price (₹)
<b>Mr. E. V. Muthukumara Ramalingam</b>					
1	11/06/2010	Bought	5000	10	32.00

7. The details of the shareholders holding more than one percent of the share capital of the Company as on 30/06/2011 are as follows:

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Mr. E.V. Muthukumara Ramalingam	27, 85,566	35.94
2	Mrs. M. Sasikala	3,95,770	5.11
3	Mr. M.R. Gautham*	6,97,920	9.01
4	M/S Shree Vallee Enterprises Pvt. Ltd	2,41,500	3.11
5	Mr. P.S. Kathiresan	1,95,500	2.52
6	Mrs. M. Pallavi	1,63,950	2.11

\*Includes equity shares of deceased promoter Mr. R.V.E. Venkatachalam

8. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company.
9. Equity shares of the Company are being traded in compulsory dematerialized mode. The market lot of the equity shares in dematerialized mode is 1 (one)
10. The Company/Promoters/Directors/Lead Manager have not entered into buy back or similar arrangements for purchase of securities issued by the Company.
11. As on the date of filing the letter of offer there are no partly paid up shares in the Company.
12. All the securities offered through this issue shall be made fully paid up or forfeited within twelve months from the date of allotment of securities.
13. At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.
14. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Letter of Offer to SEBI for the Rights Issue till the equity shares referred in the Letter of Offer have been listed or application money refunded, if any.
15. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present issue.
16. As on date the Lead Manager and their associates do not hold any equity shares in Velan Hotels Limited.

#### **OBJECTS OF THE ISSUE**

The objects of the Right Issue are to part finance the cost of funding of the following:

- 1) Setting up of Velan Esplanade Mall.
- 2) Setting up of Esplanade Multiplex with service apartments
- 3) Setting up of a Convention Hall at Tirupur
- 4) Setting up of a Bio-mass based power plant (Co-Gen Energy Project) of 2.7 MW capacity
- 5) Renovation of Velan Hotel Greenfields, Tirupur and addition of a restaurant and sports bar therein
- 6) Renovation and expansion of Velan Hotel at Coonoor and addition of 6 rooms
- 7) Contingencies
- 8) Pre-operative & Preliminary expenses
- 9) Margin money for Working Capital Gap
- 10) Meet the issue expenses of the rights issue
- 11) General Corporate Expenses

The main object clause of the Memorandum and Articles of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

#### **Rationale of the project:**

The company owns and manages a Three Star hotel – Velan Hotel Greenfields, at Kangayam Road, Tirupur, Velan Hotel at Coonoor, Velan Uthara Restaurant – Tirupur and The Velan Food Park in Coimbatore.

There is a significant demand for a Mall, Multiplex and entertainment hub in the city. Moreover, there is immense popularity of multiplexes and organized retail across the globe as well as India. The company proposes to capitalise on this trend by developing a mall, multiplex next to the existing premises.

Velan Hotels has been the venue for all major fairs and exhibitions. The larger exhibitions are at present held in the huge land available next to the hotel by erecting temporary structures. There has been a request and demand from participants that if there is a permanent exhibition and convention centre, they will save cost of erecting and dismantling the structures. For Velan, a permanent convention centre will ensure retaining the existing customers by offering better facilities, which will also result in higher revenues. Hence, it was decided to construct a convention centre in the land adjacent to the hotel.

At present the entire air condition needs for Velan Hotel is run by a bio-mass plant, which is very cost effective. With this experience, the company proposes to set up a 2.7 M.W bio-mass based power plant adjacent to the existing hotel. This will meet the power and also the air conditioning needs of existing hotels and proposed new projects viz., Malls, Multiplex & convention centre entirely. This energy plant will bring down the cost of power drastically which will push up the profitability of the hotel. There will be continuous availability of power without any interruptions. The surplus power will be sold to the TNEB grid which is another revenue stream for the company.

The project also envisages additions and renovation of the existing hotels in Tirupur and Coonoor. This will ensure upgradation of facilities to meet the competition.

#### Cost of the project

Project Component	Mall	Multiplex	Convention centre	Renewable energy	Additions/renovation	(₹ In lacs)
						Total Cost
Land and site development						3955.38
Building & civil works	1511.73	1713.76	529.70	187.19	151.52	4093.91
Plant & Machinery	408.11	464.11	62.00	2049.36	-	2983.58
Miscellaneous fixed assets	37.53	70.15	80.63	-	165.02	353.33
<b>Total (A)</b>						<b>11386.20</b>
Contingencies						222.92
Pre-operative & Preliminary expenses						832.81
Margin for working capital						54.44
<b>Total (B)</b>						<b>1110.17</b>
<b>Total Project Cost(A+B)</b>						<b>12496.37</b>
Issue Expenses						60.00
General Corporate purpose						441.25
<b>Total Cost</b>						<b>12997.62</b>

#### Means of finance

Particulars	Amount (₹ In lacs)
Proceeds of the Rights Issue	6149.62
Term loan from banks	6650.00
Internal accruals	198.00
<b>Total project cost</b>	<b>12997.62</b>

The proposed project of the company has been appraised by Andhra Bank and Allahabad Bank and towards part financing of the integrated project of construction of the shopping mall, multiplex, convention centre, setting up of power plant and for renovation and expansion of the existing hotels, the company has been sanctioned credit limits from Andhra Bank and Allahabad Bank. The details of the sanctions are as under:

Name of the bank	Date of sanction	Sanctioned amount (₹ in lacs)	Proposed limits to be availed (₹ in lacs)
Allahabad Bank	07.12.2010	<b>Fund based :</b> Term loan 1 642.00 Term loan 2: 3325.00 <b>Non fund based:</b> 150.00	<b>Fund based :</b> Term loan 1: 642.00 Term loan 2: 3325.00 <b>Non fund based:</b> 150.00
Andhra Bank	15.11.2010	<b>Fund based :</b> Term loan 1: 629.00 Term loan 2: 4221.00 <b>Non fund based:</b> 150.00	<b>Fund based :</b> Term loan 1: Null.* Term Loan 2 3325.00 <b>Non fund based:</b> 150.00

\*The company is not proposing to avail the term loan I of ₹ 629 lacs as sanctioned by Andhra bank for the takeover of loan from Bank of Bahrain and Kuwait since the same has been substituted through the loan of ₹ 642 lacs from Allahabad Bank.

The detailed terms and conditions of sanction are as given hereinunder. Refer page 13 for principal terms of loans and assets charged as security towards the funds availed:

Sr. No.	Name of the Bank	Date of Sanction	Amount sanctioned (₹ in Lacs)	Rate of interest (%)	Repayment Terms	Security
1	Allahabad Bank	07/12/2010	<p>TL 1 -642.00 (Takeover of Foreign Currency Term Loan from Bank of Bahrain &amp; Kuwait with term loan o/s of ₹ 642.00 lacs)</p> <p>TL 2- 3,325.00 (for part financing the proposed expansion project of the company.)</p> <p>Bank Guarantee of ₹ 150.00</p>	<p>BR+4.25%</p> <p>BR+4.25%</p>	<p>50 Equitable Monthly Installments and the same will be coterminous with BBK sanction</p> <p>34 quarterly installments after construction and moratorium period of 1.5 years</p>	<p><b>Primary</b></p> <ul style="list-style-type: none"> <li>First pari- passu charge on all the fixed assets including land and building of company to Velan Hotel Green fields, Tirupur and Velan Hotel, Coonoor both present and future excluding solar water heater &amp; street lighting equipments already hypothecated to Canara Bank</li> <li>First pari- passu charge on the project land at S F No. 37 Part, 41 Part, Door Number 41, Kangeyam Road, Tirupur Town, Tirupur Taluk, and all the project assets are related to the expansion cum diversion project (Mall, Multiplex, Service apartments, convention center, renewable energy &amp; renovation of hotels) both present and future</li> </ul> <p><b>Collateral</b> Second charge on the current assets of the Company</p>
2	Andhra Bank*	15/11/2010	<p>TL 1 – 629.00 (Takeover of the account from Bank of Bahrain &amp; Kuwait with term loan o/s of ₹ 629.00 lacs)</p> <p>TL 2-₹4,221.00 (for part financing the proposed expansion project of the company)</p> <p>Bank Guarantee of ₹ 150.00</p>	<p>BR+4.25%</p> <p>BR+4.25%</p>	<p>50 Equitable Monthly Installments and the same will be coterminous with BBK sanction</p> <p>34 quarterly installments after a holiday period of one quarter from the Date of Commencement of commercial operation</p>	<p><b>Primary</b></p> <p>Charge on the fixed assets of the Company at:</p> <ul style="list-style-type: none"> <li>– Velan Hotel Greenfields, Tirupur</li> <li>– Velan Hill Resort Hotel, Coonoor</li> <li>– Velan Esplanade Mall at Tirupur</li> <li>– Velan Esplanade Multiplex with service apartments</li> <li>– Velan Manchester Hall (convention center)</li> <li>– Land of 55,300 sq ft earmarked for renewable energy plant</li> <li>– Additional building of Velan Hotels with a land area of 18,621 sq ft</li> </ul> <p><b>Collateral:</b> Second charge on the current assets of the Company Personal Guarantee of promoters</p>

The restrictive covenants governing the above said loans are as under. During the currency of the bank finance, the company shall not, without bank's permission in writing:

- effect any change in company's capital structure
- formulate any scheme of amalgamation
- implement any scheme of expansion or acquire fixed assets
- make investments/ advances or deposit amounts with any other concern
- enter into borrowing arrangements with any bank/ financial institutions/ company
- undertake guarantee obligations on behalf of any other company
- declare dividends for any year expect out of profits relating to that year
- change in composition of company's board of directors.

#### Break-up of the cost of project

**Land and Site development:** The company proposes to set up the projects on a plot of land admeasuring 2,44,642 sq. ft adjacent to its existing hotel Velan Hotel-Greenfields at Tirupur. The land which was owned by the promoters namely Shri E.V. Muthukumara Ramalingam and his son Shri. M.R.Gautham has been purchased by the company but the same is yet to be registered in the name of the company. The plots of land are classified as Commercial Area Class I and the guideline value of the land is estimated at ₹1485 per sq.ft. The total cost of land works out to ₹ 3632.93 lacs. It is estimated that an amount of ₹ 314.45 lacs would be incurred by the company for the registration of the land and a further sum of ₹ 8.00 lacs is estimated to be incurred on the site development. The details of the proposed land area to be utilized for each project are as tabled hereinunder:

Sl. No.	Project	Land Area (sq. ft)
1.	Velan Esplanade mall	49400
2.	Velan Esplanade multiplex and service apartment	85020
3.	Convention centre	36300
4.	Bio-mass based power plant	55300
5.	Hotel addition / renovation	18622
	<b>Total</b>	<b>244642</b>

The company has appointed M/s. NRM Constructions for the construction of the building for the various projects as mentioned above. M/s. NRM Constructions is not related to any of the promoters/ directors of the company.

The detailed project wise breakup of the other items of the cost is as given herein under:

#### 1. Construction of Velan Esplanade Mall :

The company proposes to construct a mall with a total built up area of about 1,27,378 sq ft. The mall would house stores offering branded clothing, textiles and fashion accessories, health and beauty care, business centre and other signature outlets. The proposed mall plan would also have a food court and 2 Food and beverage outlets. The company has entered into memorandum of understanding with retail players like Reliance Trends Ltd., Naihaa (Naidu Hall), Reliance Footprints, Reliance Vision Express and Dominos for setting up their outlets at the mall. The company also proposes to open a Spa centre – Velan Spa at one of the outlets of the mall.

#### Building and civil works

The company proposes to construct a super structure with a built up area of approx 1,28,000 sq. ft. The details of the area under construction with the cost of construction for each floor as given by M/s. NRM Constructions vide their quotation dated 20/09/2010 is as under :

Sr. No	Particulars	Area (Sq. Ft)	Amount (₹ in lacs)
1	Basement Floor	29,922	406.34
2	Ground Floor	29,330	273.65
3	First Floor	20,815	194.20
4	Second Floor	23,213	216.58
5	Third Floor	24,720	230.51
6	Fourth Floor – With sky roofing	29,300	190.45
	<b>Total</b>	<b>1,27,378</b>	<b>1,511.73</b>

## Plant & Machinery

The total cost of the plant and machinery to be acquired as estimated by the company based on the quotations obtained from various suppliers is ₹ 408.11 Lacs. No second hand equipment is proposed to be purchased. The detailed break up is given herein under:

Sr. no	Description	Quantity/ Numbers	Name and Place of Suppliers	Amount (₹ lacs)	Date of Quotation
1.	Elevators & Escalator	8 Nos.	Johnson Lifts Private Limited, Chennai	124.25	20/09/2010
2.	Electrical Installation	Service provider for Electrical installation work.	Electronics and Controls Corporation, Coimbatore	92.65	20/09/2010
3.	Air-Conditioners	4 Nos.	Utility Projects & Services Pvt Ltd, Bangalore	110.50	20/09/2010
4.	Gen-Sets	2 Nos.	Sri Ganapathy Traders, Erode	39.61	20/09/2010
5.	Building Management Systems	Service Provider for main security and systems integration	Venba Building Management Systems	20.00	21/09/2010
	<b>Total</b>			<b>408.11</b>	

## Miscellaneous fixed assets

A total amount of ₹ 37.53 lacs has been provided for the various miscellaneous fixed assets such as furniture, fittings and interiors for the common area and fire fighting system.

## Present status of Construction of Velan Esplanade Mall

The building and civil work pertaining to the Velan Esplanade Mall is presently complete and the company has spent an amount of ₹ 1523.76 lacs upto 04/07/2011 on the same. Further an amount of ₹ 303.13\_lacs has been spent on the plant and machinery being installed in the Velan Esplanade Mall. The above mentioned costs have been funded through internal accruals, loans from banks and funds brought in by the promoters and promoter group of VHL.

State Bank of India (SBI) had sanctioned a loan to Shree Vallee Enterprises Pvt. Ltd (SVEPL) one of the promoters of VHL, ₹ 10 crores vide their sanction letter dated 12.06.2008 to meet the expenses relating to the Mall Complex as proposed now by Velan Hotels Ltd. Out of the said sanction of ₹ 1000 lacs, SVEPL had availed of loan to the extent of ₹ 750 lacs. The mall complex has been taken over in the books of VHL during February 2011. The loan of SVEPL has since been repaid to SBI through the proceeds of the fresh loan sanctioned by Allahabad Bank and Andhra Bank to Velan Hotels Ltd.

Apart from the above, SVEPL has also brought in an amount of ₹ 594.65 lacs. Funds have been infused in SVEPL from time to time from April 2007 onwards. The funds so infused have been used for the construction of the mall complex of VHL and has been accounted for in the books of VHL as on 03/02/2011 as share application money from SVEPL. The details of the year wise break up of infusion of funds by SVEPL for the construction of mall is as given below:

	Period of infusion of funds	Amount in lacs (₹)
1.	01/04/2007 – 31/03/2008	63.00
2.	01/04/2008 – 31/03/2009	355.00
3.	01/04/2009 – 31/03/2010	33.00
4.	01/04/2010 – 31/12/2010	143.65
	<b>TOTAL</b>	<b>594.65</b>

The funds brought in by SVEPL in its books have been utilized in the same period in which they have been brought in for the construction of mall as given in the table above.

The amount of funds brought in by SVEPL would be adjusted towards the rights entitlement of SVEPL and any subscription to the unsubscribed portion in the Rights Issue. The balance if any payable to SVEPL would be paid out of the proceeds of the Rights issue.

## 2. Construction of Esplanade Multiplex with service apartments

The company would be utilizing an area of 85,020 sq ft for a built-up area of 1,26,780 sq. ft for the Esplanade Multiplex. The multiplex would house a 6 screen 2212 seater movie hall with all the modern amenities. The Ground Floor of the multiplex building would consist of 20 Serviced Apartments with a bar and a food outlet. The façade of this building would house shops in a total area of 6652 sq ft. The service apartments would each have one bedroom, a kitchenette, a drawing-room and a sit-out. Ideally suited for long-staying overseas guests.

### Building and civil works

The company proposes to construct a super structure with a built up area of approx 1,26,780 sq. ft. The details of the area under construction with the cost of construction for each floor as given by M/s. NRM Constructions vide their quotation dated 20/09/2010 is as under :

Sl. No	Particulars	Area (Sq. Ft)	Amount (₹ in lacs)
1	Basement Floor	42,260	612.77
2	Ground Floor	42,260	570.51
3	First Floor : Multiplex: 12 Metre High	42,260	530.48
	<b>Total</b>	<b>1,26,780</b>	<b>1,713.76</b>

### Plant & Machinery

The total cost of the plant and machinery to be acquired for installation at the Esplanade multiplex as estimated by the company based on the quotations obtained from various suppliers is ₹ 464.11 Lacs. The detailed break up is given herein under:

Sr. no	Description	Quantity/ Numbers	Name and Place of Suppliers	Amount (₹ Lacs)	Date of Quotation
1.	Elevators & Escalator	4 Nos.	Johnson Lifts Private Limited, Chennai	67.80	20/09/2010
2.	Electrical Installation	Service provider for Electrical installation	Electronics and Controls Corporation, Coimbatore	85.75	20/09/2010
3.	Air-Conditioner	3 Nos.	Utility Projects & Services Pvt Ltd, Bangalore	95.03	20/09/2010
4.	Interiors for Serviced Apartments	Service provider for Interiors	Kreative & Creation Interiors, Chennai	190.34	21/09/2010
5.	Interiors for F&B Outlets	--	Kreative & Creation Interiors, Chennai	25.19	21/09/2010
	<b>Total</b>			<b>464.11</b>	

### Miscellaneous fixed assets

An amount of ₹70.15 lacs has been provided for the various miscellaneous fixed assets such as furniture and fittings and interiors with respect to fire systems, common area interiors and landscaping.

## 3. Set-up a Convention Hall of 32,000 sq ft at Tirupur.

The company proposes to construct an air-conditioned convention hall of 32,000 sq ft adjacent to the present 3 star hotel of the company at Tirupur. The Convention Hall shall have a seating capacity of 1250-1400 pax seating/500 pax seated dining, provision for conducting machinery expos and amenities like high roofing, air-conditioning, elevator access and spacious car- parking.

### Building and civil works

The company proposes to construct a super structure with a built up area of approx 32,000 sq. ft. The details of the area under construction with the cost of construction for each floor as given by M/s. NRM Constructions vide their quotation dated 20/09/2010 is as under :

Sr. No	Particulars	Area (Sq. Ft)	Amount (₹ in lacs)
1	Ground Floor	16000	280.00
2	First Floor	16000	249.70
	<b>Total</b>	<b>32000</b>	<b>529.70</b>

## Plant & Machinery

The total cost of the plant and machinery to be acquired for installation at the Convention Centre as estimated by the company based on the quotations obtained from various suppliers is ₹ 62.00 lacs. The total cost includes the transportation and erection charges. The detailed break up is given herein under:

Description	Quantity/ Numbers	Name and Place of Suppliers	Amount (₹ Lacs)	Date of Quotation
Electrical Installation	Service provider for Electrical installation work	Electronics and Controls Corporation, Coimbatore	12.00	20/09/2010
Air-Conditioner	1 No.	Utility Projects & Services Pvt Ltd, Bangalore	50.00	20/09/2010
<b>Total</b>			<b>62.00</b>	

### Miscellaneous fixed assets

An amount of ₹ 80.63 lacs has been provided for the various miscellaneous fixed assets such as furniture and fittings and interiors with respect to fire systems.

#### 1. Bio-mass based Power Plant (Renewable energy project)

The company proposes to set up a Combined Heat and Power (CHP) plant of 2.7 MW electricity generations through producer gas, using Standard Indian Institute of Science, Bangalore Gasification technology. The renewable energy project is designed to meet the complete power and air-conditioning needs of the existing 3-star hotel, mall and multiplex at Tirupur. The power plant is to be located within the hotel complex so that the power generated can be directly used without wheeling and banking. More importantly the waste heat recovered will support 800 tons of refrigeration, leading to saving of about 1 MW of power, approx 70,00,000 units per year. The power generated over and above the captive requirement for the hotel, mall, multiplex and convention centre is to be sold to the TNEB grid.

The company has entered into a Biomass Energy Purchase Agreement with Tamilnadu Generation and Distribution Corporation (TANGEDCO) vide agreement dated 26/05/2011 wherein TANGEDCO has agreed to buy Biomass Energy from the company at the rates notified by Tamilnadu Electricity Regulatory Commission (TNERC) from time to time. The agreement is valid for a minimum period of 20 years from the date of execution.

The company has chosen to set up a bio mass based power plant as the capital cost involved is low and the raw material for the production of energy is abundantly available. The by-products of the bio-mass based co-gen energy plant are wood, charcoal and activated carbon which can further be utilized in various other forms of energy. The renewable energy plant shall be constructed on the land area of 55,300 sq ft with built up area of 18,000 sq ft. The advantage of biomass based power over other modes of power can be summarized as below:

Advantage of Biomass based Power Generation vs other Renewable energy sources				
Parameters	Wind*	Hydel*	Solar*	BIOMASS
Capital cost	High	High	Very high	Low
Adequacy for Captive Use	Inadequate	Inadequate.	Inadequate.	Total captive use feasible. Maximum Demand can be surrendered.
Availability	Seasonal	Seasonal	Daytime	In abundance
Location	Few (Geographical constraints)	Few (Geographical constraints)	Terrace with Adequate Sunlight	Any where
Cost of Fuel	Nil		Nil	Low. Can be further reduced with captive energy plantations
By Products	Nil		Nil	Wood Charcoal, Activated Carbon. Thermal energy equal to 150% of power
Consistency and Plant Load factor	Highly seasonal and Inconsistent Load Factor 20 to 30%			Uniform Generation throughout the year Load Factor >75%
Grid connection	Generated power generally connected to rural feeder -Unreliable grid availability			Power generated has nearly unity power factor, continuous and therefore fed to reliable state grid 11/110 Kv. Available 24x7

The estimated power consumption of the company after the proposed expansion is 650 lac units per annum. The average cost of power per unit if purchased conventionally from TNEB is around ₹ 6.80 and the average cost of generation of power by the company is 4.80 per unit. Thus the savings to the company would be of around ₹ 2 per unit of power consumed with the air conditioning requirements being entirely met through the heat generated which is a by-product of the power plant.

The detailed break up of the cost of setting up the power plant is as given hereinunder :

#### Building and civil works

Based on the estimates given by NRM constructions, the construction of the shed for the proposed bio mass plant would cost around ₹187.19 lacs. The details of the area under construction as given by M/s. NRM Constructions vide their quotation dated 20/09/2010 is as under:

Sl. No	Particulars	Area (Sq. Ft)
1	Main Factory Building	12000
2	Raw Material Storage	6000
	<b>Total</b>	<b>18000</b>

#### Plant & Machinery

The total cost of the plant and machinery to be acquired has been estimated at ₹2049.36 lacs. No second hand equipment is proposed to be purchased. The detailed break up is given herein under:

Sr. no	Description	Quantity/ Numbers	Name and Place of Suppliers	Amount (₹ lacs)	Date of placement of order
1.	HT and MV Electrical Installation	Service provider for electrical installation work.	Genmech Systems, Coimbatore	148.44	17/05/2011
2.	Design of Plants, Engineering, Plant Constructions, operation and maintenance(Supply of Producer Gas Gensets (Type-JMS-320-GS-SL-415V and JMS-620-GS-SL-415V)	2 Nos. (1 each)	Clarke Energy India Pvt Ltd (GE Jenbacher)	927.88	28/03/2011
3.	Supply of Bio-mass Gasifier and associated equipment	2 Nos – 1600 kg/hr	Bioresidue Energy Technologies Pvt Ltd	604.38	17/05/2011
4.	Supply & installation of Heat Recovery System	1 No.	Voltas Ltd.	368.66	22/03/2011
	<b>Total</b>			<b>2049.36</b>	

#### 2. Renovate Velan Hotel Greenfields and addition of a restaurant and sports bar at Tirupur

The company proposes to renovate 18 deluxe rooms at the Tirupur Hotel, renovate the coffee shop, bar and the signature restaurant. A sports-bar and a fresh food outlet are proposed to be introduced at this hotel as well. The total cost of renovation as estimated by the company is ₹ 176.97lacs and the details of the cost is as given hereinunder:

#### Building & Civil Works at Tirupur

Particulars	Amount (₹ in lacs)
To renovate 18 rooms at the existing hotel	24.58
To renovate the Windows (signature restaurant)	6.90
To renovate Bhavani - coffee shop	3.88
To renovate Rainbow bar	6.90
To construct another food-outlet	8.97
To construct a Sports Bar	6.86
Other miscellaneous construction expense	20.00
<b>TOTAL</b>	<b>78.09</b>

### Miscellaneous fixed assets

An amount of ₹ 98.88 lacs has been provided for the various miscellaneous fixed assets such as furniture and fittings and interiors at the hotel in Tirupur

### 3. Renovation of Velan Hotel at Coonoor and addition of 6 rooms

The company proposes to renovate 10 deluxe rooms at the Coonoor Hotel and add 6 rooms at the hotel to meet the increase demands fuelled by the business opportunities provided by the Sports Authority of India in selecting the Coonoor hotel as their destination for high-altitude training. The total cost of renovation and addition of rooms as estimated by the company is ₹ 139.57 lacs and the details of the cost is as given hereinunder

### Building & Civil Works at Coonoor

Particulars	Amount (₹ in lacs)
To renovate 10 rooms at the existing hotel	48.70
To construct 6 additional rooms at Coonoor	15.73
Other miscellaneous construction expense	9.00
<b>TOTAL</b>	<b>73.43</b>

### Miscellaneous fixed assets

An amount of ₹ 66.14 lacs has been provided for the various miscellaneous fixed assets such as furniture and fittings and interiors at the hotel in Coonoor.

### 4. Contingencies

The Company has made provision for contingencies at the rate of 3% of the capital expenditure to be incurred on all the projects that includes Building and civil works, Plant and Machinery, and Miscellaneous Fixed Assets amounting to ₹222.92 lacs.

### 5. Pre-operative and preliminary expenses

An amount of ₹ 832.81 lacs has been provided to meet the preliminary and preoperative expenses that include expenses such as Consultancy fees, Architect Fee, Project Appraisal Fee, Fee for Building Plan Approval, Leasing Commission, Travel, Boarding & Lodging, Incidental Expenses and Interest during the period of construction etc.

### Margin money for Working capital

(₹ In Lacs)

Particulars	2011-12 (Estimates)
<b>(A) Current Assets</b>	
Inventories	84.22
Sundry Debtors	240.07
Other current assets	160.15
<b>Total Current Assets</b>	<b>484.44</b>
<b>(B) Current Liabilities</b>	
Sundry Creditors	74.76
Other current liabilities	191.92
<b>Total Current Liabilities</b>	<b>266.68</b>
<b>Working Capital Gap (A)-(B)</b>	<b>217.76</b>
Margin Money to be financed through the rights issue	54.44
Bank Finance	124.50

### Basis of estimation of working capital requirement

Particulars	No. of days
Inventories	80
Sundry Debtors	60
Sundry Creditors	45

The present working capital requirements of the company are met through the internal accruals. The company shall make application to the banks for working capital requirement for the power plant at an appropriate time.

## 6. Issue expenses:

The breakup of estimated issue expenses is as under:

Particulars	Expense (₹ in Lacs)	Expense (% of the total expenses)	Expense (% of the Issue size)
Fees of Intermediaries	20.00	33.33	0.33
Fees to other Intermediaries including Registrar, legal counsel and Advisor	20.00	33.33	0.33
Printing & Distribution	10.00	16.67	0.16
Statutory Advertising and Marketing	4.00	6.67	0.07
Miscellaneous Expenses	6.00	10.00	0.10
<b>Total Issue Expenses</b>	<b>60.00</b>	<b>100.00</b>	<b>0.98</b>

## 7. General Corporate Purpose

The Company proposes to utilize a sum of ₹ 441.25 lacs for general corporate purposes that include meeting exigencies which the company in ordinary course of business may face including expenses relating to brand building exercise or any other purpose as approved by the Board.

### SCHEDULE OF IMPLEMENTATION

Particulars	Commencement	Completion
Land & Site development	Already Commenced	
Construction of :		
Esplanade Mall	Already Commenced	October 2011
Esplanade Multiplex	February 2011	June 2012
Convention Hall	February 2011	June 2012
Bio-mass based power plant	February 2011	January 2012
Renovation / additions of restaurant at Tirupur Hotel	January 2011	October 2011
Renovation / additions of rooms at Coonoor Hotel	January 2011	October 2011

### YEAR WISE BREAK-UP OF THE PROCEEDS TO BE USED

Particulars	₹ in Lacs		
	Amount Spent till 01.07.2011	Amount to be spent during 2011-2012	Total
Land & Site development	3628.79	326.59	3955.38
Esplanade Mall	1826.89	130.49	1957.38
Esplanade Multiplex	177.18	2070.84	2248.02
Convention Hall	76.54	595.79	672.33
Bio-mass based power plant	492.46	1744.09	2236.55
Renovation / additions at Tirupur / Coonoor Hotel Properties	242.41	74.13	316.54
<b>Sub - total</b>	<b>6444.27</b>	<b>4941.93</b>	<b>11386.20</b>
Contingencies	0.00	222.92	222.92
Pre-Operative & Preliminary Expenses	320.09	512.72	832.81
Margin for Working Capital	0.00	54.44	54.44
Issue Expenses	37.00	23.00	60.00
General Corporate Purpose	--	441.25	441.25
<b>Total</b>	<b>6801.36</b>	<b>6196.25</b>	<b>12997.62</b>

Mr. P. Easvaramoorthy, Chartered Engineer has made an independent valuation of the progress on civil work made on the project upto 30/06/2011 and has certified the same vide certificate dated 04/07/2011. The details of the same are as under:

Project Component (Civil work)	Value (₹ in lacs)
Mall	1523.76
Convention Hall	46.43
Addition / Renovation at Coonoor and Tirupur Hotel	112.56

## SOURCES AND DEPLOYMENT OF FUNDS

As per the certificate dated July 21, 2011 of Mr. S.S.Ravichandran, Chartered Accountant the company has deployed an amount of ₹ 6801.36 lacs till July 01, 2011. The details of the same are as under:

Particulars	Amount (₹ in lacs)	Amount (₹ in lacs)
<b>DEPLOYMENT OF FUNDS</b>		
Land and site development		3628.79
Building & Civil Works		1705.89
Plant and Equipment		431.42
Advances to Suppliers and Contractors		491.76
Pre-Operative Expenses		85.04
Preliminary Expenses		235.05
Misc.Fixed Assets		223.41
<b>Total</b>		<b>6801.36</b>
<b>SOURCES OF FUNDS</b>		
Andhra Bank Term Loan		1050.22
Allahabad Bank Term Loan		1049.52
<b>Share Advance :</b>		
Sri.E.V.Muthukumara Ramalingam	2210.35	
Sri.M.R.Gautham	1081.26	
Smt.M.Sasikala	314.04	
Smt.G.Sharmada	175.53	
Smt.M.Pallavi	130.09	
M/s.Shree Vallee Enterprises Pvt Ltd	594.65	
		4505.92
Internal accruals		195.70
<b>Total</b>		<b>6801.36</b>

The Share Advance brought in by the Promoters and Promoter group, would be adjusted towards their rights entitlement and any subscription to the unsubscribed portion in the Rights Issue. The balance if any payable to these entities would be paid out of the proceeds of the Rights issue.

## BRIDGE LOAN

The company has not raised any bridge loan which will be repaid from the issue proceeds.

## INTERIM USE OF FUNDS

Pending utilization for the purposes described in “objects of the issue” above, the Company intends to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by our Board of Directors from time to time.

## BASIC TERMS OF THE ISSUE

The Equity shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this abridged Letter of Offer and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, GOI, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable.

## HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

Velan Hotels Private Limited was originally incorporated in the state of Tamil Nadu on March 21, 1990 under the Companies Act, 1956 as a private limited company with the purpose of building and operating hotels. The name of the Company was changed to Velan Hotels Limited upon conversion into a Public Limited Company vide fresh certificate of incorporation dated November 24, 1992.

The hotel at Tirupur, Velan Hotel Greenfields, was commenced in 1992 as a 3-star business hotel catering to the overseas and hosiery based travelers coming to Tirupur to conduct their business as buyers of garments or sellers of garmenting machinery. The hotel was commissioned as a 70 room hotel with a bar, a restaurant and a 24-hr coffee shop apart from small conferencing facilities.

After the success of Velan hotel Greenfields, company felt the need to establish a premier hotel chain in Tier II cities in Tamil Nadu and South India. Accordingly, Velan Hotels Limited acquired a resort hotel at Coonoor (Near Ooty), The Nilgiris. To fund this acquisition Velan hotels Ltd came out with an Initial Public Offering of Shares in 1994. The Coonoor property was made functional as 'Velan Hotel, Coonoor' in 1996 with 20 rooms, a restaurant and a bar.

The company, in 1998, seeing an opportunity to get added revenues from the existing operational set-up at Velan Hotel Greenfields, Tirupur decided to open up a stand-alone restaurant at North Tirupur and named it as 'Velan Uthara'.

The operations of the company were consolidated and routinized thereafter. In 2004, the first major refurbishment at Velan Hotel Greenfields at Tirupur was carried out and new energy efficient plant & machinery were added to reduce costs. The company's profitability made a turnaround from 2006 onwards and the first dividend payout was announced in 2008. Velan Hotel Greenfields has chaired all the hotel association meetings at Tirupur and Velan Hotel, Coonoor has been a key member in the Nilgiris Hoteliers Association.

In the year 2008, the company started work on a multi-tier food outlet at the centrally located area of Ram Nagar in Coimbatore. This four format restaurants outlet was commenced in 2009. In 2009 the company relocated Velan Uthara to a larger space to cope with the increase in footfalls. In the year 2009, 6 new deluxe rooms were added to Velan Hotel, Coonoor to meet the increased seasonal demand at this tourist destination which has also been adopted by national level athletes for high-altitude training.

The company has identified an opportunity in the entertainment business at Tirupur. Hence, 'The Velan Esplanade' has been planned as a mall and multiplex complex. 2,54,000 sq ft built-up area development is planned to be leased out with large corporate in the retail industry signing up spaces. The superstructure work at the Velan Esplanade site is near completion.

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

### **Insurance :**

The company has insured all its property comprehensively against the losses on account of natural calamities, fire and accidental damage as well as catastrophic losses.

### **Competition:**

Velan Hotels Ltd. is an established hotel in operation for over 18 years. The hotel in Tirupur was commenced in 1992 as a 3 star business hotel catering to overseas and hosiery industry based travelers. Pursuant to the success of hotel in Tirupur, the company established a resort hotel in Coonoor, The Nilgiris. VHL competes for guests with other hotels and operates in a highly competitive industry. The Velan hotels Tirupur has a typical resort style set-up serving quality and standardized global cuisine with updated business facilities. Velan Hotel at Coonoor is very competitively priced hotel. The Coonoor hotel has also been selected for high altitude training by the Sports Authority of

India. The hotel at Coonoor also attracts regular corporate clients to conduct weekend seminars as well as regular guests during the summer season. Velan Hotel at Coimbatore is a multi-tier food outlet and is the only food outlet of this sort and placed in the centre of the city. The pricing strategy and the quality of service helps the company win over competition and this attract repeat guests.

### **Major events of the company**

<b>Year</b>	<b>Milestone achieved</b>
1990	The company was incorporated as Velan Hotels Private Limited Company, with the purpose of building and operating hotels.
1992	Velan Hotel Greenfields, Tirupur, was commenced in 1992 as a 3-star business hotel
1994	Company was converted into a Public Limited Company. Company came out with its maiden Public Issue
1996	Commencement of Velan Hotel, Coonoor
1998	Commencing business at Velan Uthara, stand-alone restaurant at North Tirupur
2008	Company declares First dividend payout.
2009	Relocated Velan Uthara to a new larger premises
	Commenced business at The Velan Food Park, Coimbatore
	Additional 6 deluxe rooms added at Velan Hotel, Coonoor
2010	Site - work started on The Velan Esplanade Mall/Multiplex

### **MANAGEMENT**

The details of the board of directors of the company are given below:

<b>Name, Age, Designation, Father's name, Address, Occupation, Qualification and DIN</b>	<b>Date of Appointment/ Re-Appointment</b>	<b>Date of Expiration of Appointment</b>	<b>Other Directorships</b>
<b>Mr.E.V.Muthukumara Ramalingam</b> <b>Age:</b> 57 years <b>Designation:</b> Managing Director <b>S/o:</b> Late Mr. R.V.E.Venkatachalam <b>Address:</b> No. 1, K.P.Pudur, Tirpur 641 604 <b>Occupation:</b> Industrialist <b>Qualification :</b> B.Com <b>DIN No.</b> 00046166 (Executive and Non-Independent)	30/06/2010	Five years from the date of re-appointment	<ul style="list-style-type: none"> <li>➤ Shree Vallee Enterprises Pvt. Ltd.</li> <li>➤ Sarju International Ltd</li> <li>➤ Velan Agri-Energy India Pvt. Ltd.</li> </ul>
<b>Mr.M.R.Gautham</b> <b>Age:</b> 33 years <b>Designation:</b> Executive Director <b>S/o:</b> Mr. E.V.Muthukumara Ramalingam <b>Address:</b> No. 1, K.P.Pudur, Tirpur 641 604 <b>Occupation:</b> Industrialist <b>Qualification :</b> Graduate Commerce & Finance, University of Western Australia, Perth <b>DIN No.</b> 00046187 (Executive and Non-Independent)	30/11/2006	Five years from the date of re-appointment	<ul style="list-style-type: none"> <li>➤ Shree Vallee Enterprises Pvt. Ltd.</li> <li>➤ Velan Agri-Energy India Pvt. Ltd.</li> </ul>
<b>Mr.P.Ganesan</b> <b>Age:</b> 68 years <b>Designation:</b> Director <b>S/o:</b> Mr. Palanisamy <b>Address:</b> 5-Sheriff Colony, Main Road, Tirpur 641 604 <b>Occupation:</b> Industrialist <b>Qualification :</b> Diploma in Textile Technology from Bolton Institute of Technology, London, United Kingdom <b>DIN No.</b> 00845525	06/09/2008	Retirement by Rotation	<ul style="list-style-type: none"> <li>➤ M/s. Shiva Hi-Tech Infrastructure Ltd.</li> </ul>

Name, Age, Designation, Father's name, Address, Occupation, Qualification and DIN	Date of Appointment/ Re-Appointment	Date of Expiration of Appointment	Other Directorships
(Non Executive and Independent)			
<b>Mr.T.Gopalakrishnan</b> Age: 62 years <b>Designation:</b> Director <b>S/o:</b> Mr. T.R.Thyagarajan <b>Address:</b> No.22, 48th street, Ashok Nagar, Chennai 600 083 <b>Occupation:</b> Financial & Corporate Advisor <b>Qualification :</b> CA <b>DIN No.</b> 00137223 (Non Executive and Independent)	24/09/2009	Retirement by Rotation	➤ Susira Industries Limited
<b>Dr. Namasivayam Karthikeyan</b> Age: 52 years <b>Designation:</b> Director <b>S/o:</b> Mr. Palvana Sundaram Namasivayam <b>Address:</b> No. 1 Park Street, Kilpauk Garden, Chennai 600 010 <b>Occupation:</b> Professional <b>Qualification :</b> Phd in Human Resources & Organistaional Behavior from Cornell University, Ithaca, USA <b>DIN No.</b> 00137223 (Non Executive and Independent)	06/09/2010	Retirement by Rotation	Nil

#### Details of Current and Past Directorship in listed companies that have been suspended / delisted from Stock Exchanges

None of the directors of the company have been directors in any other listed company(ies) which have been suspended from the stock exchanges.

Shri. R.V.E. Venkatachalam who was a director in the company since July 22, 1991 expired on July 26, 2011. He had been an active business man since 1950 and a philanthropist who had helped many social organizations. Consequent to his demise, the composition of the Board of Directors has undergone a change.

#### Brief details about the present directors of the company

**Shri E.V. Muthukumara Ramalingam** (alias) E.V. Guhan, aged 57, is a commerce graduate from Madras University. He is a director since incorporation of the company. He started his career as a bus fleet operator and diversified into finance business and later into hospitality business. Under his able leadership, the company has been growing step by step and expanding its network from where it started in 1991.

**Shri M.R. Gautham**, aged 33 years with an active business involvement of over 12years. He is a Commerce and Finance Graduate from the University of Western Australia. He has been involved in the company since 1998. He has been instrumental in all the expansion plans of the company. He is responsible for the day-to-day activities of both Velan Hotels and Shree Vallee Enterprises Pvt Ltd.

**Shri P Ganesan**, aged 68 years, is a Textile Technologist from UK with over 33 years experience in the field of Yarn Manufacture and hosiery garments. He was the Managing Director of Velan Textiles Pvt. Ltd. a company engaged in the business of spinning and weaving.

**Shri T Gopalakrishnan** aged 62 years, is a Chartered Accountant and a Project Management Consultant with over 30 years experience in the field of Banking, Foreign Exchange, Project Financing, Project Co-ordination and execution, Mergers and Acquisitions and Restructuring.

**Dr. Namasivayam Karthikeyan** aged 52 years, holds a Doctorate in Organisational Behaviour and Human Resources from Cornell University, Ithaca, USA and is presently an Associate Professor at Penn State University, USA in Department of Human Resources Development. He is a hotel project Management Consultant, who has been involved with the Hotel Project during its implementation and presently the Board has the advantage of his wide experience in the HR field.

**FINANCIAL INFORMATION**  
Annexure-I - Statement of Assets and Liabilities

(Amount in ₹ Lacs)

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2011
<b>A Fixed Assets</b>		
Gross Block	3,526.07	5,334.82
Less: Depreciation	949.25	1,037.14
Net Block	2,576.82	4,297.68
Less: Revaluation Reserve	660.05	653.06
Net Block After Adjustment for revaluation reserve	1,916.77	3,644.62
<b>B Investments</b>	--	
<b>TOTAL</b>	1,916.77	3,644.62
<b>C Current Assets, Loans and Advances</b>		
Inventories	67.14	79.82
Sundry Debtors	24.95	29.55
Cash and Bank Balances	117.05	49.86
Loans and Advances	145.26	832.46
<b>Total</b>	<b>354.40</b>	<b>991.69</b>
<b>D Liabilities and Provisions</b>		
Secured Loans	690.36	2,204.07
Unsecured Loans	193.52	68.67
Current Liabilities and Provisions	251.52	424.08
Liability for Deferred payment	253.66	281.65
<b>Total</b>	<b>1,389.06</b>	<b>2,978.47</b>
<b>E: Grand Total (A+B+C-D) = E</b>	<b>882.11</b>	<b>1,657.84</b>
<b>F: Net Worth Represented by</b>		
Share Capital	775.00	775.00
Equity Share Advances		726.65
Reserves	767.16	809.26
Less: Revaluation Reserve	660.05	653.06
Reserves (Net of Revaluation reserves)	107.11	156.20
<b>Total</b>	<b>882.11</b>	<b>1,657.85</b>
<b>G Misc. Expend. to the Extent not written off or adjusted</b>		
<b>H: Surplus(+) or Deficit (-) in Profit &amp; Loss Account</b>		
<b>Networth (F-G-H)</b>	<b>882.11</b>	<b>1,657.85</b>

## Annexure-II - Statement of Profit and Loss Account

(Amount in ₹ Lacs)

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2011
<b>INCOME</b>		
Sales -		
of Products manufactured by the company	1,268.02	1,460.41
of Products traded in by the Company	-	-
Other income	65.61	19.16
Increase/ Decrease (-) in Inventories		
<b>Total</b>	<b>1,333.63</b>	<b>1,479.57</b>
<b>EXPENDITURE</b>		
Consumption of Supplies	311.39	341.86
Employee Cost	212.51	248.15
Other Expenses	311.50	301.61
Administration Expenses	111.35	199.12
Selling & Distribution and Other Expenses	57.40	39.49
<b>Total</b>	<b>1,004.15</b>	<b>1,130.23</b>
Earnings Before Depreciation, Interest & Tax	329.48	349.34
Depreciation	70.53	81.94
Interest	83.51	80.64
Net Profit Before Tax and Extraordinary Items	175.44	186.76
<b>Taxation</b>		
Current Tax (Including Fringe Benefit Tax)	-	38.90
Deferred Tax	61.81	27.99
Net Profit before Extraordinary Items	113.63	119.87
Extraordinary items	-	-
Net Profit after extraordinary items	113.63	119.87
Adjustments on account of prior period expenses	1.27	3.23
<b>Adjusted profit</b>	<b>112.36</b>	<b>116.64</b>

## Annexure-III - Statement of Cash Flow

(Amount in ₹ Lacs)

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2011
<b>01. Cash Flow from Operations</b>		
(01) Net Profit before Tax	175.44	186.76
(02) Adjustment for		
(a) Depreciation	70.54	81.94
(b) Interest Expenses	83.51	80.64
(c) Other Income	(1.27)	(3.23)
(c) Loss on Sales of Fixed Assets	0.03	(0.05)
(d) Interest Income		
(e) Dividend Received		
(f) Sales of Investments		
(g) Revaluation Reserve	152.81	159.30
	328.25	346.06
(03) Operating Profit before working Capital Changes		
(04) Adjustment for Increase/ Decrease in		
(b) Trade & Other Receivables	50.20	(689.68)
(a) Inventories	(15.85)	(12.68)
(d) Sundry Creditors	25.99	161.52
(e) Miscellaneous Expenses/Deferred Rev. Exp		
(f) Increase in Bank Borrowings	60.34	(540.84)
(05) Cash Generation from Operation	388.59	(194.78)
(06) Less the Following		
(a) Tax Paid/ Provided	19.56	33.81
(b) Extraordinary items		
(c) Misc. receipts		
(d) Deferred sales Tax Liability	19.56	33.81
(07) Net Cash from Operating Activities	369.03	(228.59)
<b>02. Cash Flow from Investing Activities</b>		
(01) Purchase or Sale of Fixed Assets		
(a) Purchase of fixed assets, Including CWIP	349.48	1809.84
(b) Sale Proceeds of Fixed assets	(0.60)	(0.10)
(02) Interest Received		
(03) Dividend Received		
(04) Purchase or Sale of Investments		
(a) Purchase		
(b) Sales		
(05) Purchase or Sale of Goodwill		
(a) Additions		
(b) Deletion		
(05) Net Cash Flow from Investing Activities	348.88	1809.74
<b>03. Cash Flow from Financing Activities</b>	20.15	(2038.33)
(01) From Term Loan/ Deferral Loan		
(a) Obtained		
(b) Re-Paid	(247.49)	(1517.37)
(02) From Capital		
(a) Additions		(726.65)
(b) Withdrawn		
(03) From Unsecured Loans		
(a) Obtained	(1.60)	
(b) Re-Paid		128.52

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2011
(04) From Short (Bank Borrowings)	36.18	
(05) Interest Paid	83.51	80.64
(06) Dividend and Tax Thereon	42.48	63.71
(07) Minority Interest		
(08) Net Cash Flow from Investing Activities	(86.92)	(1971.15)
<b>04. Net Increase/ Decrease in Cash &amp; Cash Equivalents (04= 01+02+03)</b>	<b>107.07</b>	<b>(67.18)</b>
<b>05. Cash &amp; Cash Equivalent- Opening Balance</b>	<b>9.98</b>	<b>117.05</b>
<b>06. Cash &amp; Cash Equivalent- Closing Balance</b>	<b>117.05</b>	<b>49.87</b>
<b>07. Net Increase/ Decrease in Balances</b>		

**Annexure - V - Accounting and Other Ratios (Standalone)**

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2011
01. Earnings Per Share (₹)	1.45	1.51
02. Net Assets value per share (₹)	11.38	21.39
03. Return on networth (%)	12.74	7.04
04. Weighted Average Number of Equity Shares	77,50,000	77,50,000

Formula:		
1. Earnings per share(₹)	=	Net profit attributable to equity shareholders Weighted average number of equity shares outstanding during the period
2. Net Asset Value per share (₹)	=	Net Worth excluding revaluation reserve at the end of the period/year Weighted average number of equity shares outstanding during the period
3. Return on Net Worth (%)	=	Net profit attributable to equity shareholders Net Worth excluding revaluation reserve at the end of the period/year

**Annexure - VI - Statement of Capitalisation**

(Amount in ₹ Lacs)

Particulars	Year Ended 31.03.2011	As Adjusted Post Issue
<b>01. Borrowings :</b>		
(01) Short-term Debt	--	---
(02) Long Term debt	2204.07	7240.00
(03) Total Debt	2204.07	7240.00
<b>02. Shareholders' Funds</b>		
(01) Share Capital	775.00	3448.50
(02) Equity Share Advance	726.65	2700.87
(03) Reserves	809.26	809.26
(04) Total Shareholders' Funds	2310.91	6958.63
<b>03. Ratio</b>		
(01) Long term debt/ Equity Ratio	0.95	1.04
(02) Total Debt/ Equity Ratio	0.95	1.04

## CERTAIN OTHER FINANCIAL INFORMATION

Working results of the company for the period from April 01, 2011 to June 30, 2011  
(Amount in ₹ Lacs)

Particulars	For the period	
	01 April, 2011 to 30 June 2011	
Sales	365.67	
Other Income	3.10	
Total Income	368.77	
Estimated Gross Profit (before depreciation & Taxes)	62.09	
Provision for depreciation	22.23	
Provision for Taxes	13.73	
Estimated Net profit	26.13	

### CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies since past three years.

### MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING FINANCIAL POSITION OF THE COMPANY

Except as disclosed in the section entitled "material developments" beginning on page 38 of this abridged Letter of offer there are no material changes and commitments, if any affecting financial position of the Company.

### STOCK MARKET DATA FOR SHARES OF THE COMPANY

The equity shares of the company are listed on The Bombay Stock Exchange Ltd. (BSE).

The stock market data for the equity shares on the BSE are as follows

#### Preceding 3 Years

Year	High (₹)			Low (₹)			Average price (₹)	Total volume (no. of shares)
	High (₹)	Date	Volume on date of high (no. of shares)	Low (₹)	Date	Volume on date of low (no. of shares)		
2008	19.60	03/01/2008	28900	6.50	18/11/2008	740	13.05	9,37,162
2009	38.73	19/11/2009	126825	6.00	09/02/2009 & 04/03/2009	119 & 578	22.37	35,82,855
2010	67.40	23/02/2010	110360	19.20	10/12/2010	10704	43.30	66,54,963

#### Preceding 6 Months

Months	High (₹)			Low (₹)			Average Price (₹)	Total Volume (No. of shares)
	High (₹)	Date	Volume on date of High (No. of shares)	Low (₹)	Date	Volume on date of low (No. of shares)		
January 2011	30.40	04/01/2011	65134	20.55	13/01/2011	6641	25.48	169945
February 2011	26.50	04/02/2011	34609	20.30	28/02/2011	8239	23.40	164405
March 2011	24.65	04/03/2011	7035	16.50	30/03/2011	7624	20.58	146434
April 2011	21.95	20/04/2011	5282	17.05	01/04/2011	15307	19.50	121411
May 2011	18.90	02/05/2011 & 03/05/2011	2163 & 6995	14.25	13/05/2011	3993	16.58	87687
June 2011	19.00	28/06/2011	8479	14.05	24/06/2011	1414	16.53	87993

### Week end price of equity Shares of Velan Hotels Limited on the BSE.

Week ended	High (₹)	Low(₹)	Close(₹)
15/07/2011	21.50	18.00	20.95
08/07/2011	17.35	16.70	16.75
01/07/2011	17.30	16.65	17.00
24/06/2011	15.85	14.05	15.20

The market price of the equity shares of the Company at BSE as on 18/07/2011, the date on which the Board of Directors decided the ratio and the issue price of the current offer was ₹ 22.65.

The equity shares of the company shall be traded ex-rights from 08/08/2011 in terms of the notice issued by Bombay Stock Exchange Ltd.

**The issue price of ₹ 23/- per equity share has been arrived at in consultation between the company and the lead manager to the issue.**

### OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits or civil proceedings, or criminal proceedings, or prosecutions or tax liabilities, irrespective of whether specified in Schedule XIII of the Act, against the Company or the Directors, or the Subsidiary or the Promoters or group companies, and there are no defaults, non-payment or overdues of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues payable to holders of any debentures, bonds, or fixed deposits, and arrears on preference shares issued by the Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ and other offences (including past cases where penalty may or may not have been awarded) that would result in a material adverse effect on the business. None of the aforesaid persons/ companies is on RBI's list of wilful defaulters. No disciplinary action has been taken by the SEBI/ Stock exchanges against the Company, Directors of the Company and Promoters. Further the company confirms that that there are no pending matters which have arisen in the immediately preceding 10 years involving issues of moral turpitude or criminal liability on the part of the company, material violations of statutory regulations by the company and economic offences where proceedings have been initiated against the company

#### Litigation involving the Company

##### A. CASES FILED BY THE PROMOTERS/ DIRECTORS OF THE COMPANY

Mr.R.V.E Venkatachalam is the Appellant in an appeal pending before the Hon'ble High Court of Madras pertaining to ownership dispute over a house property in Coonoor. The Title is under dispute by 2 of the 4 appellants. The remaining 2 parties have cleared the Title in favor of Mr. R V E Venkatachalam. The lower court ordered in favor of the appellants.

### GOVERNMENT APPROVALS OR LICENSING ARRANGEMENTS

The Company has received the necessary consents, licenses, permissions and approvals from the Governments and various Governmental agencies required for our present business and except as mentioned below, no further materials approvals are required for the present business.

### MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

There are no material developments after the date of the latest balance sheet that are likely to materially affect the performance and the prospects of the Company. The Company has not discontinued any of its existing business nor commenced any new business during past year.

### ADVERSE EVENTS

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Letter of Offer with the Stock Exchange.

### REGULATORY AND STATUTORY DISCLOSURES

#### AUTHORITY FOR THE PRESENT ISSUE

Pursuant to the resolutions passed by the Board of Directors of the Company at their meeting held on 16<sup>th</sup> July 2010 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

The resolution in respect of the rights issue was approved by the shareholders of the company in the AGM of the company held on 6<sup>th</sup> September, 2010.

The committee of Directors at their meeting held on 18/07/2011 decided the following terms of the issue:

Type of Issue	Type of Instrument	No. of equity shares	Face Value (₹)	Issue Price (₹)	Consideration
Rights Issue	Equity Shares	2,67,37,500	10/-	23/-	Cash

#### **PROHIBITION BY SEBI**

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

There are no regulatory action initiated/ taken against the issuer company, promoter group companies and the promoters in their individual capacity by various agencies/ regulatory bodies

#### **ELIGIBILITY FOR THE ISSUE**

Velan Hotels Limited is an existing listed Company. It is eligible to offer this Rights Issue in terms of Chapter IV of ICDR Regulations 2009.

The promoters, their relatives, The Company, Group companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

The Company is in compliance as prescribed under Regulation 57(2) (b) of Part E of Schedule VIII of the ICDR Regulations. It satisfies the following conditions

- The Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this letter of offer with the designated stock exchange.
- The reports, statements and information referred to sub-clause (a) above are available on the website of Bombay Stock Exchange Limited (BSE) one of the recognized stock exchange with nationwide trading terminals
- The Company has investor grievance – handling mechanism which includes meeting of the Shareholder's or Investor's Grievance Committee at frequent intervals, appropriate delegation of power by the board of directors of the Company as regards share transfer and have clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

The company has complied with the following during the financial year immediately preceding the date of the letter of offer:

- Provisions of the Listing Agreement with respect to reporting and compliance under Clauses 35, 40a, 41 and 49
- Provisions of the SEBI (substantial acquisitions of shares and takeovers) Regulations, 1997, with respect to reporting in terms of Regulation 8(3) pertaining to disclosure of changes in shareholding and Regulations 8A pertaining to disclosure of pledged shares.
- Provision of SEBI (Prohibition of insider trading) regulations, 1992, with respect to reporting in terms of Regulations 13.

#### **DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).**

**"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 27/12/2010 WHICH READS AS FOLLOWS :

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
  - a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - b) ALL THE LEGAL REQUIREMENTS TO THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE AS THE ISSUE IS NOT UNDERWRITTEN.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER. – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C ) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE AS THE PRESENT ISSUE IS RIGHTS ISSUE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE "MAIN OBJECTS" LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE

AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN THE ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
  - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
  - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS' EXPERIENCE, ETC.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATIONWISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRRREGULARITIES OR LAPSES IN OFFER DOCUMENT”.

#### **CAUTION STATEMENT / DISCLAIMER CLAUSE OF THE ISSUER AND THE LEAD MANAGER**

The Issuer Company and the Lead Manager accept no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares), Foreign Collaborators and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any jurisdiction other than India. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Tirupur, State of Tamil Nadu, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Velan Hotels Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **DESIGNATED STOCK EXCHANGE**

The Designated Stock Exchange for the purpose of the Issue will be the BSE.

## DISCLAIMER CLAUSE OF THE BSE

“Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter no. DCS/PREF/NP/IP-RT/1018/10-11 dated February 04, 2011 permission to the Company to use the Exchange’s name in this Letter of Offer as this Company’s securities are proposed to be listed at this Exchange. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

i. Warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or

ii. Warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or  
iii. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever”.

## FILING

A copy of this Letter of Offer has been filed with **SEBI** at Securities and Exchange Board of India, D' Monte Building, 3rd Floor, 32 D' Monte Colony, TTK Road, Alwarpet, Chennai – 600018 and with **Bombay Stock Exchange Limited (BSE)** at Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001.

## EXPENSES OF THE ISSUE

The total expenses of the issue are estimated to be ₹ 60 lacs All expenses with respect to the issue would be met out of the proceeds of the issue. The split of issue expenses is as under:

Particulars	Expense (₹ in Lacs)	Expense (% of the total expenses)	Expense (% of the Issue size)
Fees of Intermediaries	20.00	33.33	0.33
Fees to other Intermediaries including Registrar, legal counsel and Advisor	20.00	33.33	0.33
Printing & Distribution	10.00	16.67	0.16
Statutory Advertising and Marketing	4.00	6.67	0.07
Miscellaneous Expenses	6.00	10.00	0.10
<b>Total Issue Expenses</b>	<b>60.00</b>	<b>100.00</b>	<b>0.98</b>

## OFFERING INFORMATION

### A. TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in this abridged Letter of Offer, the enclosed Composite Application Form (“CAF”), the Memorandum and Articles of Association of our Company, the provisions of the Companies Act, approvals from the RBI, guidelines or regulations issued by SEBI, approvals from the Stock Exchanges where Equity Shares of our Company are listed, FEMA, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate, the provisions of the Depositories Act, to the extent applicable and any other legislative enactments and rules as may be applicable and introduced from time to time.

### Ranking of equity shares

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

### Mode of payment of dividend

The dividend is paid to all the eligible shareholders as per the provisions of Companies Act.

### Face value & issue price

The Face Value of Equity Shares of the Company is ₹10/-. The Equity Shares of ₹ 10/- each are being issued at a premium of ₹ 13/- each i.e.; at a price of ₹ 23 /- in the present rights issue.

### **Rights of the Equity Shareholders**

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll in person or by proxy;
- Right to receive offers for shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

### **Market lot**

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

### **Basis for the Issue**

The Equity Shares are being offered for subscription for cash to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in electronic form and on the Register of Members of our Company in respect of the Equity Shares held in the physical form at the close of business hours on the Record Date i.e. 09/08/2011, fixed in consultation with the Designated Stock Exchange.

### **Nomination**

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s)) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the office of the Company located at Tirupur or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

**In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.**

### **Minimum subscription**

- i) If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the Issue.
- ii) If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

### **Disposal of odd lots**

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

### **Restrictions on transfer and transmission of shares and on their consolidation/ splitting**

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

### **General terms of the Issue**

#### ***Market Lot***

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Equity Shares in dematerialized mode is 1 Equity Share. In case of holding of Equity Shares in physical form, our Company would issue to the allottees 1 (one ) certificate for the Equity Shares allotted to each folio ("Consolidated Certificate"). In respect of consolidated certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such consolidated certificates into smaller denominations within three weeks time from the receipt of the request in respect thereof.

#### ***Joint Holders***

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles.

#### ***Nomination***

In accordance with Section 109A of the Companies Act, only individuals applying as sole applicants/ joint applicants can nominate, non-individuals including society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In accordance with Section 109A of the Companies Act, the sole or first holder, along with other joint holders, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Company's Registered Office or to our Company's Registrar and Transfer Agents. The Applicant can make the nomination by filling in the relevant portion of the CAF. In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Only one nomination would be applicable for one folio.** Hence, in case the Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

**In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with the respective Depository Participant ("DP") of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform its respective DP.**

## **B. ISSUE PROCEDURE**

### **BASIS OF THE OFFER**

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of

the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of 69 Equity Shares for every 20 Equity Shares held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the equity shares held in physical form on 09/08/2011 at the close of business hours shall be entitled to the Equity Shares in the rights issue.

#### **OPTION TO SUBSCRIBE**

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and SKDC Consultants Limited, and with Central Depository Services (India) Limited (CDSL) and SKDC Consultants Limited which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates. The ISIN number allotted to the company is INE548D01014

#### **RIGHTS ENTITLEMENT**

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

#### **FRACTIONAL ENTITLEMENT**

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same to be adjusted from one of the promoter's entitlement.

#### **JOINT-HOLDERS**

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the Company is concerned) to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles.

#### **OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/APPLICANTS**

Applications received from NRIs for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment/share certificates, payment of interest, dividends, etc. The Equity Shares purchased by NRIs shall be subject to the same conditions including restrictions in regard to the reparability as are applicable to the original shares against which Equity Shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. The circular stipulates that an OCB shall not be eligible to purchase equity or preference shares or convertible debentures offered on right basis by an Indian company, and no Indian company shall offer equity or preference shares or convertible debentures on right basis to an OCB. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Bank at its registered office, the OCB shall receive this Letter of Offer and the CAF.

Applications received from the NRIs for the allotment of Equity Shares shall, among other things, be subject to conditions as may be imposed, from time to time, by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc.

#### **NOTICES**

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one

Regional language daily and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

#### **UTILIZATION OF ISSUE PROCEEDS**

The funds received against this Issue will be kept in a separate bank account and our Company shall utilize the funds collected in the Rights Issue only after the basis of allotment is finalized.

#### **UNDERTAKINGS BY OUR COMPANY**

Our Company undertakes that:

1. the complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily.
2. all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
3. the funds required for making dispatch of refund orders/allotment letters/certificates as per the mode(s) disclosed shall be made available to the Registrar to the issue.
4. where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. adequate arrangements shall be made to collect all ASBA applications and to consider them similar to Non-ASBA applications while finalizing the basis of allotment
6. the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. no further issue of securities affecting equity capital of our Company shall be made till the securities issued/offered through the Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
8. our Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
9. all information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
10. our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

#### **PROCEDURE FOR APPLICATION**

**For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled "Procedure for Application through the Applications Supported By Blocked Amount ("ASBA") Process beginning on page no. 50 of this Abridged Letter of Offer.**

In case the original CAF is not received by the Investor or is misplaced by the Investor, the Investor may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address.

*The CAF consists of four parts:*

Part A: Form for accepting the Equity Shares and for applying for additional Equity Shares;

Part B: Form for renunciation;

Part C: Form for application for renunciation;

Part D: Form for request for split Application forms.

#### **APPLICATION BY MUTUAL FUNDS**

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such application in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made. Applications made by AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.

#### **ACCEPTANCE OF THE ISSUE**

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by

the Board of our Company in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank at Coimbatore / demand draft payable at Coimbatore to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

#### **OPTIONS AVAILABLE TO THE ELIGIBLE EQUITY SHAREHOLDERS**

The CAF will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his Rights Entitlement of Equity Shares in part;
- Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Equity Shares;
- Apply for his Rights Entitlement of Equity Shares in full;
- Apply for his Rights Entitlement in full and apply for additional Equity Shares;
- Renounce his Rights Entitlement in full.

#### **RENUNCIATION**

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favor of any other person or persons. Your attention is drawn to the fact that our Company shall not allot and/or register the Equity Shares in favor of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Nonresident Indian(s) is subject to the Renouncer(s) / Renounee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. Accordingly, the Eligible Equity Shareholders of our Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Equity Shares of the CAF to receive allotment of such Equity Shares. The Renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for Allotment to Renounee(s) without assigning any reason thereof.

#### **PROCEDURE OF RENUNCIATION**

*To renounce all the Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee*  
If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

*To renounce in part/or renounce the whole to more than one person(s)*

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into the requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part 'D' of the

CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms, 02/09/2011 . On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with our Company, the application is liable to be rejected.

**RENOUNCEE(S)**

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part ‘C’ of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renounee cannot further renounce.

**CHANGE AND/ OR INTRODUCTION OF ADDITIONAL HOLDERS**

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is / are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for allotment from the Renounee(s) without assigning any reason thereof.

**Instructions for options**

*Please note that:*

- Part ‘A’ of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Letter of Offer has been addressed. If used, this will render the application invalid.
- A request for split forms should be made for a minimum of 1 (one) Equity Shares or, in multiples thereof and one split form for the balance Equity Shares, if any.
- A request by the Investor for the split Application form should reach our Company on or before 02/09/2011.
- Only the Eligible Equity Shareholders to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the Investor(s) by post at the Investors’ risk.

**Additional Equity Shares**

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation, if necessary, with the Designated Stock Exchange and in the manner prescribed in the paragraph titled “Basis of Allotment” beginning on page no. 55 of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. The Renounee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Sr.	Options Available	Action Required
1.	Accept the whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A <i>(All joint holders must sign)</i> .
2.	Accept your Rights Entitlement in full and apply for additional Equity Shares.	Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Equity Shares <i>(All joint holders must sign)</i> .
3.	Renounce your Rights Entitlement in full to one person <i>(Joint Renounees are</i>	Fill in and sign Part B <i>(all joint holders must sign)</i> indicating the number of Equity Shares

Sr.	Options Available	Action Required
	<i>considered as one).</i>	renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C ( <i>All joint Renouncees must sign</i> ).
4.	<p>Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s).</p> <p>OR</p> <p>Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee.</p>	<p>Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once.</p> <p>On receipt of the Split Application Form take action as indicated below.</p> <p>For the Equity Shares you wish to accept, if any, fill in and sign Part A.</p> <p>For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.</p>
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

**Investors must write their CAF Number at the back of the cheque/demand draft.**

***Availability of duplicate CAF***

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number / DP and Client ID number and his / her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received / found subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the CAFs.

***Application on Plain Paper***

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with a demand draft, net of bank and postal charges payable at Coimbatore which should be drawn in favor of **“Velan Hotels Limited – Rights Issue”** and the Eligible Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

If any shareholder makes an application on application form as well as on plain paper, both his applications shall be liable to be rejected at the option of the issuer.

The envelope should be super scribed **“Velan Hotels Limited – Rights Issue”** and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Issuer, being Velan Hotels Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number / DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled;

- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 23/- per Equity Share ;
- Separate cheques / DDs are to be attached for amounts to be paid for Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order;
- PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company.

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the applications. Separate cheque / DDs are to be attached for amounts to be paid for Equity Shares. Our Company shall refund such application amount to the Investor without any interest thereon.

#### **PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS**

SEBI, by its circular dated August 20, 2009, introduced in rights issue - application supported by blocked amount wherein the application money remains in the ASBA Account until allotment. Mode of payment through ASBA in Rights Issue became effective on August 20, 2009. Since this is a new mode of payment in Rights Issues, set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders.

**This section is only to facilitate better understanding of aspects of the procedure which is specific to ASBA Investors. ASBA Investors should nonetheless read this document in entirety. Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Shareholder do not exceed the applicable limits under laws or regulations**

Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders does not exceed the applicable limits under laws or regulations. The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned link.

#### **ASBA Process**

An ASBA Investor can submit his application through CAF/plain paper, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Investor or bank account utilized by the ASBA Investor is maintained. The SCSB shall block an amount equal to the application amount in the ASBA Account specified in the CAF, physical or electronic, on the basis of an authorization to this effect given by the account holder at the time of submitting the CAF. The application data shall thereafter be uploaded by the SCSB in the web enabled interface of the Stock Exchanges as prescribed under circular issued by SEBI -SEBI/CFD/DIL/DIP/38/2009/08/20 dated August 20, 2009 or in such manner as may be decided in consultation with the Stock Exchanges. The amount payable on application shall remain blocked in the ASBA Account until finalization of the Basis of Allotment and consequent transfer of the amount against the allocated Equity Shares to the separate account opened by our Company for Rights Issue or until failure of the Issue or until rejection of the ASBA application, as the case may be. Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by our Company for Rights Issue. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue. SEBI vide their circular - CIR/CFD/DIL/1/2011 dated April 29, 2011 has been decided that non-retail investors i.e. Qualified Institutional Buyers and Non-Institutional Investors, making application in public/ rights issue shall mandatorily make use of ASBA facility.

**The Lead Manager, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors,**

omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

**Equity Shareholders who are eligible to apply under the ASBA Process:**

The option of applying for Equity Shares in the Issue through the ASBA Process is available to all Equity Shareholders of our Company on the Record Date.

**CAF**

The Registrar will dispatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF/plain paper application to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. The Equity Shareholder shall submit the CAF to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

**Acceptance of the Issue**

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

**Mode of payment**

ASBA is mandatory for all QIBs and for all applicants who apply for shares for an amount exceeding ₹ 2.00 Lacs. The Shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB. After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar.

Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Shareholder in the CAF. This amount will be transferred in terms of the SEBI ICDR Regulations into the separate bank account maintained by our Company as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalization of the basis of allotment shall be either unblocked by the SCSBs or refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

**Options available to the Shareholder applying under the ASBA Process**

The summary of options available to the Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF received from Registrar:

Sr. No.	Option Available	Action Required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
2.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3.	Renounce your Rights Entitlement in full to one person ( <i>Joint Renouncees are considered as one</i> ).	Fill in and sign Part B ( <i>all joint holders must sign</i> ) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C ( <i>All joint Renouncees must sign</i> ).

The Shareholder applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required details as mentioned therein. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Shareholder has selected to apply through the ASBA process option.

### Additional Equity Shares

The Equity Shareholder is eligible to apply for additional Equity Shares over and above the number of Equity Shares that he is entitled to, provided that he have applied for all the shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “**Basis of Allotment**” on page no. 55 of this abridged Letter of Offer.

If you desire to apply for additional shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF.

### Renunciation under the ASBA Process

Renouncees can participate in the ASBA Process.

### Last date of Application

The last date for submission of the duly filled in CAF is 10/09/2011. The Issue will be kept open for a minimum of 15 (fifteen) days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date i.e. 24/08/2011. If the CAF together with the amount payable is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board of Directors, the offer contained in this abridged Letter of Offer shall be deemed to have been declined and the Board / Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under “**Basis of Allotment**” on page no. 55 of this abridged Letter of Offer.

### Option to receive Securities in Dematerialized Form

**INVESTORS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THEY HAVE AN OPTION OF GETTING ALLOTMENT IN DEMATERIALIZED FORM.**

### Issuance of Intimation Letters

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by our Company for Rights Issue, for each successful ASBA;

- The date by which the funds referred to in para above, shall be transferred to separate account opened by our Company for Rights Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

#### **General instructions for Shareholders applying under the ASBA Process**

- Please read the instructions printed on the CAF carefully.
- Application should be made on the printed CAF / plain paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of this abridged Letter of Offer are liable to be rejected. The CAF / plain paper application must be filled in English.
- The CAF / plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.
- All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. CAFs / plain paper application without PAN will be considered incomplete and are liable to be rejected.
- All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Thumb impression and Signatures other than in English or Hindi or any of the other languages not contained in the 8<sup>th</sup> Schedule of the Constitution of India must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF /plain paper application as per the specimen signature recorded with our Company/Depositories.
- In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application in the same order and as per the specimen signature(s) recorded with our Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- All communication in connection with application for the Securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Shareholder, folio numbers and CAF number.

#### **Do's:**

- Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the application can be made on plain paper with all necessary details as required under the para "Application on plain paper" appearing under the procedure for application under ASBA.
- Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares may be allotted in the dematerialized form.
- Ensure that the CAF / plain paper application is submitted at the SCSBs whose details of bank account have been provided in the CAF / plain paper application.
- Ensure that you have mentioned the correct bank account number in the CAF / plain paper application.
- Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Shares as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF /plain paper application before submitting the CAF to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF / plain paper application, in the bank account maintained with the respective SCSB, of which details are provided in the CAF / plain paper application and have signed the same.
- Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF / plain paper application in physical form.

- (i) Each applicant should mention their Permanent Account Number (“PAN”) allotted under the Income Tax Act.
- (j) Ensure that the name(s) given in the CAF / plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF / plain paper application.
- (k) Ensure that the Demographic Details are updated, true and correct, in all respects.

**Don'ts:**

- (a) Do not apply on duplicate CAF after you have submitted a CAF / plain paper application to a Designated Branch of the SCSB.
- (b) Do not pay the amount payable on application in cash, money order or by postal order.
- (c) Do not send your physical CAFs / plain paper application to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- (d) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- (e) Do not instruct their respective banks to release the funds blocked under the ASBA Process.

**Grounds for Technical Rejection for ASBA Process:**

In addition to the grounds listed under “**Grounds for Technical Rejection**” beginning on page no. 59 of this abridged Letter of Offer, applications under ASBA Process may be rejected on following additional grounds:

- (a) Application for entitlements or additional shares in physical form.
- (b) DP ID and Client ID mentioned in CAF / plain paper application not matching with the DP ID and Client ID records available with the Registrar.
- (c) Sending CAF / plain paper application to the Lead Manager / Issuer / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- (d) Insufficient funds are available with the SCSB for blocking the amount.
- (e) Funds in the bank account with the SCSB whose details are mentioned in the CAF / plain paper application having been frozen pursuant to regulatory orders.
- (f) Account holder not signing the CAF / plain paper application or declaration mentioned therein.
- (g) Application on split form.

**Depository account and bank details for Shareholders applying under the ASBA Process**

**IT IS ADVISABLE FOR ALL THE SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF / PLAIN PAPER APPLICATION. SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF / PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF / PLAIN PAPER APPLICATION IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF / PLAIN PAPER APPLICATION.**

Shareholders applying under the ASBA Process should note that on the basis of name of these Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF / plain paper application, the Registrar to the Issue will obtain from the Depository demographic details of these Shareholders such as address, bank account details for printing on refund orders / advice and occupation (“Demographic Details”). Hence, Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF / plain paper application.

These Demographic Details would be used for all correspondence with such Shareholders including mailing of the letters intimating unblock of bank account of the respective Shareholder. The Demographic Details given by Shareholders in the CAF / plain paper application would not be used for any other purposes by the Registrar. Hence, Shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAF / plain paper application, the Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories

to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the Shareholder as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Shareholder in the CAF / plain paper application would be used only to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the Shareholders applying under the ASBA Process and none of the SCSBs, Company or the Lead Manager shall be liable to compensate the Shareholder applying under the ASBA Process for any losses caused to such Shareholder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

#### **Disposal of Investor Grievances**

All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked on application, account number of the ASBA Bank Account and the Designated Branch or the collection centre of the SCSB where the CAF / plain paper application was submitted by the ASBA Investors.

#### **Last date of Application**

The last date for submission of the duly filled in CAF is 10/09/2011. The Issue will be kept open for 15 days and the Board / Committee will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Bankers to the Issue / Registrar to the Issue on or before the closure of banking hours on the aforesaid last date or such date as may be extended by the Board, the offer contained in the Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose off the Equity Shares hereby offered, as provided in the paragraph titled "**Basis of Allotment**" on page no. 55 of this abridged Letter of Offer.

**INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**

#### **Basis of Allotment**

Subject to the provisions contained in the Letter of Offer, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has / have applied for Rights Equity Shares renounced in their favour, in full or in part.
- (b) Allotment to the Eligible Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (c) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full allotment under (a), (b) and (c) above. The allotment of such Equity Shares will be on a proportionate basis at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (d) Allotment to any other person as the Board may in its absolute discretion deem fit provided there

is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c), (d) and (e) above.

After considering the above Allotment, any additional Equity Shares shall be disposed off by the Board, in such manner as they think most beneficial to our Company and the decision of the Board in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Our Company expects to complete the allotment of Equity Shares within a period of 15 days from the date of closure of the Issue in accordance with the listing agreement with the BSE and NSE. In case of delay in allotment our Company shall, as stipulated under Section 73(2A) of the Act, be required to pay interest on the same at a rate of 15 per cent p.a.

### **Allotment / Refund**

Our Company will issue and dispatch letter of allotment / share certificates / demat credit and / or letters of regret along with refund orders or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of fifteen (15) days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to pay it, our Company shall pay that money with interest as stipulated under Section 73 of the Companies Act.

Investors residing in the 68 cities specified by SEBI pursuant to its circular dated February 1, 2008, will get refunds through ECS (Electronic Clearing Service) only except where Investors are otherwise disclosed as applicable / eligible to get refunds through direct credit and RTGS provided the MICR details are recorded with the Depositories or our Company.

In case of those Investors who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, an advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through registered/ speed post intimating them about the mode of credit of refund within a period of fifteen (15) days from the Issue Closing Date.

In case of those Investors who have opted to receive the Equity Shares in physical form, our Company will issue the corresponding share certificates under Section 113 of the Companies Act or other applicable provisions, if any.

In case of ASBA Investors, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the refund to be made within 15 days of the Issue Closing Date.

Any refund order exceeding ₹ 1,500 would be sent by registered post / speed post to the sole / first Investor's registered address. Refund orders up to the value of ₹ 1,500 would be sent under registered/speed post. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole / first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

### **Payment of Refund**

#### ***Mode of making refunds***

The payment of refund, if any, would be done through various modes in the following order of preference:

1. *ECS/NECS* – Payment of refund would be done through ECS/NECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Investors having a bank account at the centers where ECS/NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS/NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS. The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.
2. *NEFT (National Electronic Fund Transfer)* – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which

can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method. Our Company in consultation with the Lead Manager may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.

3. *Direct Credit* – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
4. *RTGS (Real Time Gross Settlement)* – Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹ 1 lakh, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investors' bank receiving the credit would be borne by the Investor.
5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under registered/ speed post for value up to ₹ 1,500 and through speed post / registered post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole / first Investor and payable at par.

#### ***Printing of Bank Particulars on Refund Orders***

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

#### ***Allotment advice / Share Certificates / Demat Credit***

Allotment advice / share certificates / demat credit will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date.

#### ***Option to receive the Equity Shares in Dematerialized Form***

The Investors have an option to get the Equity Shares in physical or demat form.

Our Company has signed a tripartite agreement dated 13/09/2007 with NSDL and the Registrar to our Company and a tripartite agreement dated 07/05/2001 with CDSL and the Registrar to our Company, which enables the Equity Shareholders to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates

In this Issue, the allottees who have opted for the Equity Shares in dematerialized form will receive the Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Equity Shares applied for in demat and physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. Applications, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate applications for Equity Shares in physical and / or dematerialized form should be made. If such applications are made, the application for physical Equity Shares will be liable to be rejected.

The Equity Shares will be listed on the BSE.

The procedure for availing of the facility for allotment of the Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any Depository Participant (care should be taken that the

beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Investors who have already opened such beneficiary account (s) need not adhere to this step.*

- For the Eligible Equity Shareholders already holding Equity Shares of our Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of our Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of our Company.
- Responsibility for correctness of information (including Investor's age and other details) filled in the CAF *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in the CAF should be the same as registered with the Investor's Depository Participant.
- Equity Share allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with depository participant.
- Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's depository participant.
- Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to this Issue.
- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get the Equity Shares in physical form.
- The Equity Shares pursuant to this Issue allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Securities to the Investor's depository account.
- Renouncees will also have to provide the necessary details about their beneficiary account for allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

#### **General instructions for Investors**

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Applications should be made on the printed CAF, provided by our Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with the cheque / demand draft should be sent to the Bankers to the Issue / Collecting Banks or to the Registrar to the Issue and not to our Company or the Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at-Coimbatore of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the Investor, or in the case of joint names, each of the joint Investors, should mention his / her Permanent Account Number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**

- (e) Investors are advised that it is mandatory to provide information as to their savings / current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialized form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholder in the records of the Depository.
- (f) All payments should be made by cheque / DD only. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi or any of the other languages not contained in the 8<sup>th</sup> Schedule of the Constitution of India and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company or the Depositories.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with our Company, the same need not be furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of equity shares, subsequent issue and allotment of equity shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communications in connection with applications for the Equity Shares, including any change in addresses of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar to the Issue, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom the Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain split forms.
- (n) Investors must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / demand draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

***Grounds for Technical Rejections***

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of first Investor not given while completing Part C of the CAFs;
- PAN not mentioned for application of any value;
- In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder on the CAF does not match with the records available with our Company and/or the Depositories and in case of application by Renounees, if the signature of the Renounees do not match with the records available with their Depositories;
- Application forms are not submitted by the Investors within the time prescribed as per the application form and the Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications where our Company believes that the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications
- Applications by renounees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Duplicate Applications, including cases where an Investor submits CAFs along with a plain paper application.

***Mode of payment for Resident Eligible Equity Shareholders / Investors***

- All cheques / demand drafts accompanying the CAFs should be crossed '**A/c Payee only**' and drawn in favour of "**Velan Hotels Limited - Rights Issue**".
- Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their applications together with Demand Draft for the full application amount, net of bank and postal charges crossed 'A/c Payee only' and drawn in favour of "Velan Hotels Limited - Rights Issue" payable at Coimbatore directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

***Mode of payment for Non-Resident Eligible Equity Shareholders / Investors***

Our Company is making this Issue of Equity Shares on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer / Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address. Further, please refer to the paragraphs titled 'Availability of duplicate CAF' and 'Application on Plain Paper'.

As regards the application by non-resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

***Application with repatriation benefits***

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at Coimbatore-or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Coimbatore or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Coimbatore; or
- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in Coimbatore; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- All cheques / demand drafts submitted by non-residents applying on repatriable basis should be drawn in favour of "**Velan Hotels Limited - Rights Issue – NR**" payable at Coimbatore and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account

Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of non-residents who remit their application money from funds held in FCNR / NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Investor's Bankers.

#### *Application without repatriation benefits*

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Coimbatore or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Coimbatore. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of "**Velan Hotels Limited - Rights Issue**" payable at Coimbatore and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from resident Indian to NRI.

#### **Note:**

- In cases where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Our Company is not responsible for any postal delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Manager or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs / FIIs / Non Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address alongwith the cheque / demand draft payable at Coimbatore so that the same are received on or before the closure of the Issue.

#### **Investment by FIIs**

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares under this Issue to a single FII should not exceed 10% of the post-Issue paid up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-

accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital of our Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to our Company, the total FII investment cannot exceed 24% of the total paid-up capital of our Company. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. As of date, the FII investment in our Company is limited to 24% of the total paid-up capital of our Company.

#### ***Investment by NRIs***

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulations 5 and 6 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

#### ***Disposal of application and application money***

The Board reserves the right to reject applications in case the application concerned is not made in terms of this abridged Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 15 days from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after our Company becomes liable to pay (i.e. forty-two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by our Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this abridged Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page no. 59 of this abridged Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

#### ***Letters of allotment or refund orders***

Company shall ensure dispatch of refund orders, if any, by under the registered post or speed post or through modes as mentioned in section, Terms of the Issue clause "Mode of Payment" as stated below, as applicable, only at the sole or First Applicant's sole risk within 15 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☞ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Coimbatore, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Company shall not bear any part of the risk.
- ☞ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

#### ***Interest in case of delay in allotment /despatch***

If there is delay in the refund of subscription by more than 8 days after our Company becomes liable to pay the subscription amount (i.e. fifteen days) after closure of the issue, our Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

### **Undertaking**

Our Company undertakes that:

- A) The complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- B) All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of basis of allotment.
- C) Funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- D) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant after closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- E) Adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.
- F) At any given time there shall be only one denomination for the shares of our Company
- G) It shall comply with such disclosure and accounting norms specified by SEBI from time to time.

The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

### **Important**

- Please read this abridged Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this abridged Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this abridged Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed "**Velan Hotels Limited - Rights Issue**" on the envelope) to the Registrar to the Issue at the following address:

**S.K.D.C. CONSULTANTS LIMITED**

Kanapathy Towers, 3rd Floor 1391/A1,  
Sathy Road, Ganapathy Coimbatore - 641 006

**Tel :** 91-422-6549995,2539835-36

**Fax:** + 91-422-2539837

**E-mail:** info@skdc-consultants.com

**Website:** www.skdc-consultants.com

**SEBI Regn. No.:** INR 000000775

**Contact Person:** Mr. K Jayakumar

- It is to be specifically noted that this Issue of Equity Shares is subject to the section titled "**Risk Factors**" beginning on page 2 of this abridged Letter of Offer.
- The Issue will remain open for at least 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

### **OTHER INFORMATION**

#### **MATERIAL CONTRACTS AND DOCUMENTS**

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this abridged letter of offer/ Letter of Offer may be inspected at the Registered Office of the Company between 11.00 a.m. - 4.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

**A. MATERIAL CONTRACTS**

1. Copy of Memorandum of Understanding dated 11/12/2010 between Velan Hotels Limited and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 27/09/2010 between Velan Hotels Limited and SKDC Consultants Ltd., Registrar to the Issue.
3. Copy of tripartite agreement dated 13/09/2007 between Velan Hotels Limited, National Securities Depository Limited (NSDL) and SKDC Consultants Ltd.
4. Copy of tripartite agreement dated 07/05/2001 between Velan Hotels Limited, Central Depository Services (India) Limited (CDSL) and SKDC Consultants Ltd.

**B. DOCUMENTS FOR INSPECTION**

1. Memorandum and Articles of Association of Velan Hotels Limited as amended from time to time.
2. Board Resolution dated 16/07/2010 and 18/07/2011 passed by the Board of Directors of the Company in respect of the Rights Issue
3. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10.
4. Audit Report dated 29/06/2011 issued by Statutory Auditors of the Company P.S. Krishnan & Co. on financial statements of the Company for the Financial Year ended March 31, 2011 and March 31, 2010.
5. Copy of letter dated 20/09/2010 received from K. Madhan Chartered Accountants regarding tax benefits accruing to the Company and its shareholders.
6. Copy of certificate dated 21/07/2011 received from N.Saravanan Chartered Accountants regarding sources and deployment of funds.
7. Legal Due Diligence report dated 23/09/2010 by Cibi Vishnu, Advocate in respect of Letter of Offer.
8. Copy of valuation certificate dated 04/07/2011 issued by Shri P Easvaramoorthy for the civil work completed as on 30/06/2011
9. Copy of Biomass Power Purchase Agreement entered into by the company and TANGEDCO dated 26/05/2011.
10. Due Diligence Certificate dated 27/12/2010 to SEBI from Keynote Corporate Services Limited, Lead Manager to the Issue.
11. Consent letters from Directors, Lead Manager to the Issue, Statutory Auditors of the Company, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary and Compliance Officer to act in their respective capacities and for inclusion of their names in the Letter of Offer.
12. Copy of SEBI Observation letter no. SRO/04107/8/10/OW/17512/2011 dated 01/06/2011 and compliance thereof.

**DECLARATION**

No Statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made there under. All the legal requirements connected with the issue as also the guidelines, instructions, etc issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with. The Board of Directors further certify that all the disclosures in this Letter of Offer are true and correct.

**By the Board of Directors of Velan Hotels Limited**

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

**M. R. Gautham**  
Executive Director

**T. Gopalakrishnan**  
Director

**P. Ganesan**  
Director

**Namasivayam Karthikeyan**  
Director

**M. Srinivasan**  
Company Secretary

**Place :** Tirupur  
**Date:** 04/08/2011