



VELAN HOTELS LIMITED

Regd. Office: 41, Kangayam Road, Tirupur 641 604 – Tamilnadu, India
Phone : +91-421-4311111, +91-421-242447 E-mail: info@velanhotels.com

NOTICE OF POSTAL BALLOT

(Pursuant to Section 192A (2) of the Companies Act, 1956)

To

The Members
Velan Hotels Ltd, Tirupur

NOTICE is hereby given that pursuant to the provisions of Section 192A of the Companies Act, 1956 (the Act), read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, Velan Hotels Limited (the Company) proposes to obtain consent of its Members for the following proposed ordinary resolution to be passed by way of Postal Ballot:

PROPOSED ORDINARY RESOLUTION NO.1 - SLUMP SALE OF VELAN HOTEL PROPERTY AT COONOOR

TO CONSIDER AND, IF THOUGHT FIT, TO GIVE ASSENT/DISSENT TO THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION BY WAY OF POSTAL BALLOT:

“RESOLVED THAT pursuant to the provisions of Section 192A, 293(1)(a) of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956, Memorandum and Articles of Association of the Company and subject to other approvals and permissions as may be required for the purpose, consent of the Company be and is hereby accorded, including confirmation of actions taken hitherto, to the Board of Directors of the Company (the “Board”, which term shall be deemed to include any duly constituted committee thereof) to sell, assign, transfer, convey or otherwise dispose of the Velan Hotel Property situated at Bedford, Coonoor, Nilgiris District in the State of Tamil Nadu with related assets and liabilities of the coonoor hotel, as identified on an as-is-where-is basis as 'going concern' on a slump sale (as defined in the Income Tax Act, 1961) to suitable parties (hereinafter referred to as “the Purchaser”) or any suitable party/parties at such consideration as may be decided by the Board in the best interest of the Company and with effect from such date as they deem appropriate subject to requisite approvals as may be required from the lenders and other authorities, if any.”

“RESOLVED FURTHER THAT the Board of Directors including any Committee so appointed by it be and is hereby authorized with power to finalize the terms and conditions of the sale of the above said undertaking as well as the methods or modes thereof and to execute all the required documents including agreements, memorandum, deeds of assignments / conveyance and

any other documents with such modifications as may be required from time to time and to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient for completion of the transaction as aforesaid in the best interest of the Company”.

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 1 of the accompanying Notice

Members are aware that the company had started the diversification cum expansion on various projects on adjoining land of existing hotel building. In order to meet the cost of funding of the project, the company tied up with the Banks for term loans and came with the Rights Issue during the November, 2011. The project was originally envisaged to cost the company Rs.124.42 crores. In the days and months since and due to various market conditions, the project scope underwent a tremendous change. The revised project cost after incorporating the increased scope and up-gradation in the various components has now been increased to Rs.162.04 crores. The company has brought in some portion of additional funding through Promoter Contribution / Internal accruals and approached the existing bankers as well for additional funding on account of revised project cost.

Emergence and accumulation of high scale of non-performing loans owing to economic slowdown in India and globally, the Banks either stopped fresh loans or delayed in sanctioning the additional loans. Your company is also no exception to this and has to sail through the troubled waters. During the period of implementation of the expansion-cum-diversification project, the company generated no revenue from the project. However, the interest component was serviced since start of disbursement of term loans. Delayed sanction of additional term loans / new loans alongwith service of interest portion could mar the financial position of the company significantly and viability of on-going projects as well.

The Mall was inaugurated (Soft launch) on 12th December, 2012 and air conditioning supply from Bio-Mass based co-gen renewable energy plant was started on the same day. The Company envisages tremendous growth opportunities in the on-going-project, which ensures bright future prospects for the Company with good profitability. These growth

opportunities require additional funds in the diversification cum expansion of these activities without further delay.

The Company's Board therefore reviewed its business portfolio and after detailed deliberations with a view to prolonged processing of our request for additional funding by the Banks/ Financial Institutions and immediate need of additional funds to get the project functional, it was decided to sell / dispose / divest of Velan Hotel Property at Coonoor, so that it can gain from more optimally utilizing its resources towards its on-going projects and create better value for its stakeholders.

Subsequently, the Company has been actively pursuing discussions with the interested parties with a view to sell the said undertaking and has reached an understanding with a potential buyer for the sale of this property.

The transaction would include the transfer of all the assets and liabilities of the said property. The transaction is subject to various regulatory approvals and definitive structure to be agreed between the parties.

In the opinion of the Directors, it is in the interest of the Company that the Velan Hotel Property at Coonoor be disposed off as stated above.

Your approval or otherwise is sought through voting by postal ballot in terms of the provisions of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2011. Any sale or disposal of any undertaking of the Company requires the approval of shareholders under Section 293(1)(a) of the Companies Act, 1956. Hence, the resolution is placed before the shareholders for their approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Place : Tirupur For and on behalf of the Board
Date : 25.07.2013 E.V. Muthukumara Ramalingam
Managing Director

Notes:

1. This notice is being sent by Post to all the Members whose names would appear in the register of members as on 02.08.2013. Voting rights shall be reckoned on the paid up value of the shares registered in the name of the Members as on that date mentioned above and any recipient of this notice who has no voting rights as on the aforesaid date should treat the same as intimation only.
2. In terms of section 192 A of the Companies Act, 1956 read with Companies (Passing of Resolution

by Postal Ballot) Rules, 2011 and with a view to ensure participation of all the Members of the Company in passing of the resolution(s), the item of business set out in the notice above may be passed by way of a Postal Ballot.

3. The explanatory statement pursuant to Section 173 and Section 192A (2) of the Companies Act, 1956 stating all material facts and reasons for the aforementioned proposed resolutions is annexed hereto.
4. The Board of Directors has appointed Mr. S.R. Baalaji, Company Secretary in Whole Time Practice as Scrutinizer for conducting the Postal Ballot voting process in a fair and transparent manner.
5. The Members are requested to read carefully the instruction printed on the attached Postal Ballot Form. The Postal Ballot Form duly completed and signed should be forwarded to the Scrutinizer appointed by the Company, at the address printed on the envelope so as to reach not later than the close of working hours (5.00 p.m.) on 07.09.2013. For this purpose, a self-addressed postage pre-paid envelope is enclosed herewith. Please note that any response received from the members after 07.09.2013 (5.00 p.m.) shall be treated as if no response has come from a member in terms of Rule 6(f) of the Companies (Passing of Resolution by Postal Ballot) Rules, 2011. Accordingly, Members are requested to send duly completed Postal Ballot Forms well before the above said date providing sufficient time for postal transit.
6. The Members are requested to exercise their voting rights by using the attached Postal Ballot form only. No other form or photocopy of the form is permitted.
7. The Scrutinizer, after completion of scrutiny, will submit his Report to the Managing Director of the Company. The results of Postal Ballot will be declared by the Managing Director of the Company on 10.09.2013 at 5:00 p.m. at the Registered Office of the Company. In the event of the draft resolution is assented to by requisite majority of Members by means of postal ballot, the date of declaration of result shall be deemed to be the date of passing of the said resolution.

Place : Tirupur For and on behalf of the Board
Date : 25.07.2013 E.V. Muthukumara Ramalingam
Managing Director



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Postal Ballot No.:

POSTAL BALLOT FORM

1. Registered Folio No./ DP ID No. & Client ID No. *

*(Applicable to investors holding shares in dematerialized form)

2. Name(s) and Registered Address of the sole/first named Shareholder / Beneficial owner, including Joint holder(s), if any (in block letters)

3. Number of Equity Shares held

I/We hereby exercise my/our vote in respect of the ORDINARY Resolution to be passed through postal ballot for the business stated in the Postal Ballot Notice of the Company dated 25.07.2013 by sending my/our assent (**FOR**) or dissent (**AGAINST**) to the said resolution by placing the tick(✓) mark at the appropriate box below:

Sl. No.	Description	No. of Shares	Nature of Voting	Please tick(✓) in appropriate box below
1.	Ordinary Resolution pursuant to Section 293(1)(a) of the Companies Act, 1956 authorizing the Board of Directors to sell / transfer or otherwise dispose off by way of slump sale or otherwise one of the Undertaking of the Company, viz. Velan Hotel, Bedford, Coonoor as stated in the enclosed resolution and explanatory statement.		I/We assent the resolutions (FOR)	
			I/We dissent the resolutions (AGAINST)	

Place :

Date :

Signature of share holder
(Refer instruction No.10. over leaf)

Note : Please read the instructions printed overleaf carefully before exercising your vote.

(PTO)

INSTRUCTIONS

1. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 setting out material facts is annexed hereto.
2. Pursuant to the provisions of section 192A of the Companies Act, 1956 read with Companies (Passing of resolution by Postal Ballot) Rules, 2011, the assent or dissent of the Members in respect of the Resolution contained in the Postal Ballot Notice dated 25.07.2013 is being determined through Postal Ballot.
3. The Board has appointed Mr. S.R. Baalaji, Company Secretary in Whole time Practice as the Scrutinizer for the purpose of conducting business through Postal Ballot under the Rules.
4. A member desiring to exercise vote by Postal Ballot may complete this Postal Ballot Form and send it directly to the Scrutinizer in the attached preprinted self addressed envelope. No postage is required to be paid by the Shareholder as the prepaid self addressed postal envelope is enclosed. Envelope containing Postal Ballots, if sent by courier/registered post at the expense of the registered Shareholder, will also be accepted.
5. A (✓) mark should be placed in the relevant box signifying assent/dissent for the resolution, as the case may be. Incomplete or unsigned Postal Ballots ought to be rejected. Tick in both the boxes would render your Ballot Form invalid. Please note that (X) mark or any other mark other than (✓) in the box signifying assent or dissent shall be deemed as if no mark has been placed and the box is left blank.
6. Duly completed Postal Ballot Form should reach the Scrutinizer not later than the close of working hours (05.00 p.m.) on 07.09.2013. For this purpose, a self-addressed postage pre-paid envelope is enclosed herewith. Please note that any response received from the Shareholders after 05.00 p.m. on 07.09.2013 shall be treated as if no response has come from a Shareholder in terms of Rule 6(f) of the Companies (Passing of Resolution by Postal Ballot) Rules, 2011. Accordingly, Shareholders are requested to send duly completed Postal Ballot Forms well before the above said date providing sufficient time for postal transit.
7. The Scrutinizer will submit his final report as soon as possible after the last date of receipt for Postal Ballot but not later than 10.09.2013
8. The Managing Director shall announce the result of Postal Ballot at the Registered Office, at 5.00 p.m. on 10.09.2013. The date of declaration of result of Postal Ballot result will be taken to be the date of passing of the Ordinary Resolution.
9. The Result of Postal Ballot will be published in the Newspaper (English and vernacular) within 48 hours of the declaration of the result and will be placed at the web-site of the Company at www.velanhotels.com for information of Members besides being communicated to Bombay Stock Exchange Ltd on which the shares/ securities are listed.
10. This form should be completed and signed by the member as per the specimen signatures registered with the Company. In case of joint holdings, this form should be completed and signed (as per the Specimen Signature registered with the Company) by first named Shareholder and in his absence, by the next named joint holder. In case the Form is signed by persons other than individual members, this form should be signed by an authorized signatory whose signature is already registered with the Company/Depository Participant.
11. In case of shares held by Companies, Trust, Societies etc., duly completed Postal Ballot Form should also be accompanied by a certified copy of the Board Resolution/Other Authority together with the attested specimen signatures of the duly authorized person exercising the voting by Postal Ballot.
12. If any extraneous paper is found in such envelop the same would not be considered by the Scrutinizer and would be destroyed.
13. There will be one Postal Ballot Form for every Folio/Client ID irrespective of the number of joint holders.
14. The Postal Ballot shall not be exercised by a Proxy.
15. Unsigned Postal Ballot form will be rejected.
16. Votes will be considered invalid on the following grounds:
 - a) if the Member's signature does not tally;
 - b) if the Member has marked both in favour and against;
 - c) if the ballot paper received is torn or defaced or mutilated to an extent that it is difficult for Scrutinizer to identify either the Member or the number of votes or as to whether the votes are in favour or against or if the signature couldn't be checked or on one or more of the above grounds;
 - d) on such other grounds which in the opinion of the scrutinizer makes the vote invalid.
17. Voting Rights shall be reckoned on the paid up value of shares registered in the name of the shareholders on the 2nd August, 2013.
18. The Scrutinizer's decision on the validity of the Postal Ballot shall be final