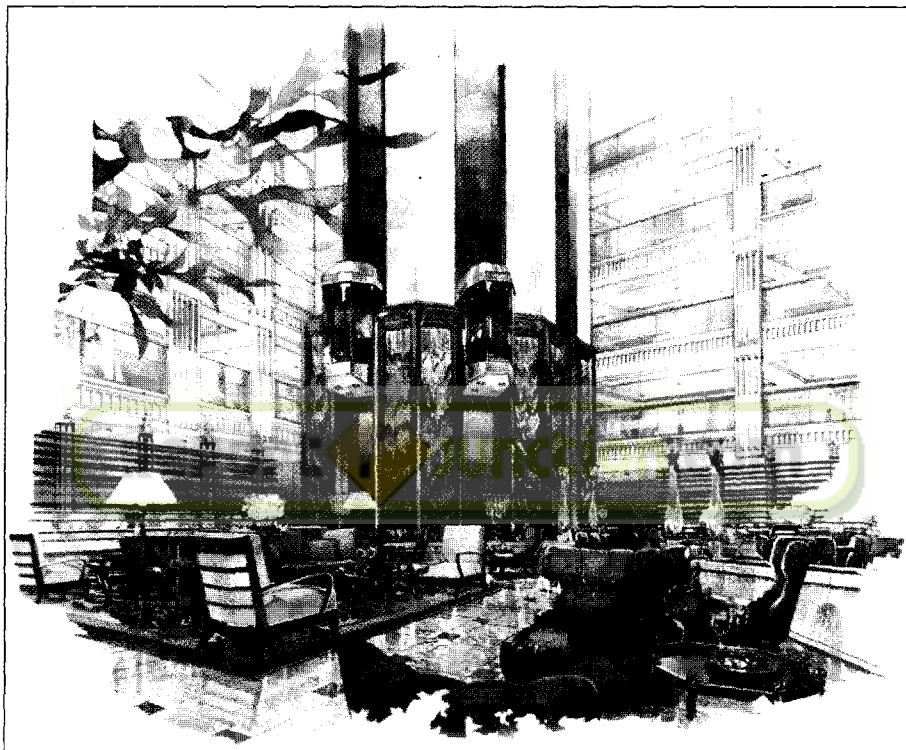


Viceroy Hotels Limited

(formerly Palace Heights Hotels Ltd)



Lobby Lounge (after renovation)

39th Annual Report
2003-2004

Viceroy Hotels Limited



BOARD OF DIRECTORS

Sri. P. Prabhakar Reddy

Sri. S. Radhakrishnan

Sri. Anoop Bali

Sri. C.D. Reddy

Sri. P. Sivakumar Reddy

Sri. A. Vijayavardhan Reddy

Sri. A. Poornachandra Rao

Sri. K. Narasimha Rao

Managing Director

Nominee Director - UTI

Nominee Director - TFCI

Director

Director

Director

Director

Director

AUDITORS

M/s. P. Murali & Co.,

Chartered Accountants

6-3-655/2/3,

Somajiguda,

Hyderabad - 500 082.

Report Junction.com

FINANCIAL INSTITUTION

Industrial Development Bank of India

BANKERS

Andhra Bank,

State Bank of Hyderabad

Oriental Bank of Commerce

Syndicate Bank

State Bank of Mysore

REGISTERED OFFICE

1-3-1036/3/1,

Lower Tank Bund Road,

Gandhinagar,

Hyderabad - 500 080.

SHARE TRANSFER AGENTS

M/s. Aarthi Consultants Pvt. Ltd.,

1-2-285, Domalguda,

Hyderabad - 500 029.

Viceroy Hotels Limited

NOTICE

NOTICE is hereby given that the 39th Annual General Meeting of the Members of the Company will be held at Viceroy Convention center, Lower Tank Bund Road, Gandhi nagar, Hyderabad on Wednesday i.e. 22nd December 2004 at 11.00 A.M. to transact the following business:

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March 2004 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri A. Vijayavardhan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri. A. Pornachandra Rao, who retires by rotation and being eligible offers himself for re-appointment".
4. **To consider and if thought fit to pass with or without modification, the following resolution as special resolution.**

"RESOLVED that pursuant to the provisions of Section 224A of the Companies Act 1956, consent of the members of the company be and is hereby accorded to appoint M/s. P.MURALI & CO., Chartered Accountants, Hyderabad as Statutory Auditors to hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration as may be decided by the Board.

II. SPECIAL BUSINESS:

5. **To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution.**

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and other applicable provisions if any of the Companies Act 1956, consent of the company be and is accorded to the Board of Directors of the Company to mortgage and /or charge all the immovable and movable properties of the Company wherever situate, present and future, and the whole of the undertaking of the company and/or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of the following namely:

- I. Oriental Bank of Commerce (OBC)
- II. State Bank of Mysore (SBM)
- III. Syndicate Bank (SB)

In connection with:

Rupee Term loan of Rs. 20 Crores (Rupees Twenty Crores) lent and advanced by Oriental Bank of Commerce to the Company.

Rupee Term loan of Rs. 10 Crores (Rupees Ten Crores) lent and advanced by State Bank of Mysore to the Company.

Rupee Term loan of Rs. 11 cores (Rupees Eleven crores) lent and advanced by Syndicate Bank to the Company.

Viceroy Hotels Limited



“RESOLVED FURTHER that the mortgage/charge created/to be charged and/or all agreements/documents executed/to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified.”

By order of the Board
For **VICEROY HOTELS LIMITED**

Place: Hyderabad
Date: 29.10.2004

P. PRABHAKAR REDDY
Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself/ herself and the proxy need not be a member of the company. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hrs before the commencement of the meeting.
2. The Register of members and share transfer books of company shall remain closed from Wednesday i.e. 15th December 2004 to Wednesday i.e. 22nd December 2004 (both days inclusive).
3. The Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act 1956 is annexed to this notice.
4. Members are requested to notify any change in their addresses to the company immediately.
5. Members desirous of obtaining any information on the Annual Accounts of the company are requested to write to the company at least 7 working days before the date of the meeting to enable the company for compilation of the required information
6. Members are requested to bring their copy of the Annual Report at the ensuing Annual General Meeting.

Disclosure Regarding Re-appointment of Directors :

- | | |
|---------------------|--|
| 1. Name | : Sri A. Vijayavardhan Reddy |
| Age | : 47 years |
| Qualification | : M.Com., |
| Experience | : He has more than 15 years experience in Restaurent / Hotel Business |
| Other Directorships | : 1. Minerva Cofeeshop (P) Ltd.,
2. Cafe D' Lake (P) Ltd.,
3. Bajara Hospitalities (P) Ltd.,
4. Minerva Resorts (P) Ltd., |
| 2. Name | : A. Poornachandra Rao |
| Age | : 54 years |
| Qualification | : M.A., BJ |
| Experience | : He has more than 15 years experience in Sales, Marketing and Administration areas, having worked in various companies. |
| Other Directorships | : Nil |

Viceroy Hotels Limited



EXPLANATORY STATEMENT

(Pursuant to the Provisions of section 173(2) of the Companies Act, 1956)

ITEMNO.:4

A special resolution is necessary under section 224A of the Companies Act 1956 for the appointment of Auditors of the Company at the ensuing Annual General Meeting as the Financial Institutions/ Nationalized Banks are holding more than 25% of the subscribed equity share capital of the Company.

Hence the Directors recommend the resolution for your approval.

ITEMNO: 5

The financial assistance availed, as specified in resolution No.5 has to be secured by way of first mortgage / charge on the movable and immovable properties of the company.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not without consent of the members of the Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company, or where the company owns more than one undertaking of the whole or substantially the whole of any such undertaking. Since the mortgaging by the company of its immovable and movable properties as aforesaid may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act 1956 for creation of said mortgages/charges. Hence the resolution is recommended for your approval.

None of the Directors is interested / concerned in the resolution.

By order of the Board
For VICEROY HOTELS LIMITED

Place: Hyderabad
Date: 29.10.2004

P. PRABHAKAR REDDY
Managing Director

Viceroy Hotels Limited**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting the **Thirty Ninth Annual Report** together with the Audited Accounts of the Company for the year ended 31st March, 2004.

PERFORMAMCE/FINANCIAL RESULTS OF THE COMPANY :

(Amount in Lakhs)

Particulars	2003-04	2002-03
Income from Operations	2825.52	2393.12
Profit before interest, depreciation and tax	1281.50	1060.12
Interest	545.85	524.45
Depreciation	453.52	334.92
Provision for Taxation	21.69	15.81
Profit after tax & depreciation	260.44	184.94
Provision for Deferred Tax Liability	101.23	73.77
Balance carried to Balance Sheet	159.21	114.84

During the year under review, the company has taken up the expansion cum upgradation of the hotel to meet the standards specified by MARRIOTT INTERNATIONAL LICENSING COMPANY B.V. (FRANCHISOR), in terms of the franchisee agreement. The company had tied up the debt portion of the project cost. The project work is under way and the company is well poised for completing the expansion project by the end of September 2005.

SUBSIDIARY DETAILS:

Mayuri India Cuisine Inc., USA a wholly owned subsidiary of the company, during the year under review made a turn over of USD 830,861 and a loss of 22,731. The results of Mayuri India Cuisine Inc., are annexed with this report. During the year under review, the subsidiary company started one more restaurant at Houston, Texas USA.

DIVIDEND:

As the expansion project is underway, to conserve the resources and to channel them for the sustained growth the board of Directors regret to inform that they could not declare any dividend for the year under review.

DIRECTORS:

Sri A. Vijayavardhan Reddy and Sri A. Poornachandra Rao retire by rotation and being eligible offer themselves for re-appointment. During the year Sri KEC Rajakumar Nominee UTI resigned as Director of the Company. The Board places on record its appreciation for the services rendered by him during his tenure as Director of the company. UTI nominated Sri S. Radhakrishnan as its nominee.

AUDITORS:

M/s. PMURALI & CO., Chartered Accountants, Auditors of the company retire at the ensuing Annual General Meeting. The Company received a letter from them expressing their willingness to be re-appointed as statutory auditors. The company has received a certificate from the Auditors to the effect that their appointment, if made will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. Hence the Board

Viceroy Hotels Limited

recommends their appointment as statutory auditors for the FY2004-05

AUDIT REPORT:

Regarding the Auditors observations and comments in their report for the FY 2003-04, they are self-explanatory and the company is making efforts to comply the same.

PARTICULARS OF EMPLOYEES:

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.**a) Conservation of Energy:**

Proper Control points are set up at all levels to identify the wastage in Power & Fuel consumption and to take/initiate corrective steps.

b) Research and Development and Technology Absorption:

- i) Our Research & Development cell has been making continuous efforts to ensure the best quality standards.
- ii) No technology either indigenous or Foreign is involved.

c) Foreign Exchange Earnings and Outgo:

During the year under review your Company has earned Foreign Exchange to the extent of Rs 3,62,97,299 through Traveller Cheques, Currencies, Credit Cards etc. The corresponding Foreign Exchange outgo during the year was Rs.666000 resulting in a net foreign exchange earned of Rs. 35631299 for the year.

During the year the company used foreign exchange to the tune of Rs. 105,05,802 (Rs.109,54,746 previous year) towards capital expenditure.

DEPOSITS:

During the year under review, the company has accepted deposits from the Directors, Relatives and public and the necessary provisions of section 58A of the Companies Act 1956 have been complied.

COMPLIANCE OF LISTING AGREEMENT:

Presently the company's Equity shares are listed at Hyderabad Stock Exchange (HSE) and Mumbai Stock Exchange (BSE) and the company paid the Annual Listing Fees for the year 2004-05. There are no listing fees dues pending.

CORPORATE GOVERNANCE:

The company has taken adequate steps to ensure that the conditions of corporate governance as stipulated in clause 49 of the listing agreement of the stock exchange are complied with. A separate statement on corporate governance together with the auditor's certificate of its compliance forms part of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Viceroy Hotels Limited

The Management Discussion and Analysis for the year ended 31st March 2004 is annexed to the Director's Report.

EMPLOYEE RELATIONS:

The relationship with the employees continues to be cordial. The Directors would like to place on record their appreciation of the services rendered by all the employees of the Company.

DIRECTORS RESPONSIBILITY STATEMENT, PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT:

In the preparation of the Annual Accounts, the Generally Accepted Accounting Principles have been followed. All the Accounting Standards as applicable to the Company have been followed. The Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the Financial year and of the Profit of the Company for the period. Proper and sufficient care is taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities. The Directors have prepared the Annual Accounts on a 'Going Concern Basis'.

DEPOSITORY SYSTEM

The trading in the equity shares of the company are under compulsory dematerialization mode. As of date, shares representing 78.76% of the share capital are in dematerialized form. As the depository system offers numerous advantages, the members are requested to take advantage of the same and avail of the facility of dematerialization of the company's shares.

ACKNOWLEDGEMENTS:

Yours Directors acknowledge with gratitude and wish to place on record their sincere thanks and appreciation for the co-operation received by the company from various Departments of Central/ State Government, Financial Institutions and Banks for their continued support extended during the year. Your Directors also wish to acknowledge the continued support and confidence reposed in the management by the Shareholders. Yours Directors would also thank all the employees of the company.

By order of the Board
For **VICEROY HOTELS LIMITED**

Place: Hyderabad
Date: 29.10.2004

P. PRABHAKAR REDDY
Managing Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The era of good Corporate Governance came into existence with the insertion of Clause 49 of the listing agreement. Your company believes in attainment of highest levels of transparency in all facets of its operations. The company is committed to maximize the shareholder value by adopting the principles of good corporate governance in line with the provisions stipulated in the listing agreement.

2. BOARD OF DIRECTORS

The constitution of the Board is given below:

Director	Whole-time/ Independent	Number of outside Directorships held *	Number of memberships on Board Committees
Sri P. Prabhakar Reddy	Managing Director	2	Nil
Sri C. D. Reddy	Independent	Nil	Nil
Sri K.E.C.Raja Kumar- Nominee UTI*	Independent	4	Nil
Sri Radhakrishnan, Nominee UTI \$	Independent	Nil	Nil
Sri Anup Bali – Nominee TFCI	Independent	3	1
Sri A. Vijayavardhan Reddy	Independent	2	3
Sri A. Poornachandra Rao	Independent	Nil	3
Sri P. Shiv Kumar Reddy	Independent	Nil	Nil
Sri K. Narasimha Rao	Independent	1	2

• This excludes Directorships held in foreign companies, private companies and alternate Directorships.

* Sri K.E.C.Raja Kumar, Nominee UTI resigned as Director of the company with effect from 31st January 2004.

\$ Sri S.Radhakrishnan, was appointed as Nominee UTI at the Board meeting held on 31st January 2004

3. AUDIT COMMITTEE:

During the year under review four (4) meetings were held for finalization of Accounts, The said meetings were held on 26th April 2003, 25th July 2003, 29th October 2003 and 31st January 2004.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name of the Director	Designation	Whole time/ Independent	Profession	Committee meetings attended
Sri A. Vijayavardhan Reddy	Director	Independent	Business	4
Sri A. Poornachandra Rao	Director	Independent	Business	4
Sri Anoop Bali (Nominee TFCI)	Director	Independent	Service	Nil
Sri K. Narasimha Rao *	Director	Independent	Business	2

* Resigned as member of the Audit committee w.e.f. 06th September 2003.

Viceroy Hotels Limited**Terms and reference of the Audit Committee include a review of;**

- Financial reporting process
- Draft financial statements and auditor's report (before submission to the board)
- Accounting policies and practices
- Internal controls and internal audit systems
- Risk management policies and practices
- Related party transactions
- Internal audit reports and adequacy of internal audit function
- Accounting policies and practices
- Internal controls and internal audit systems

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan, fixation of audit fee and also approval of payment of fees for any other services.

4. INVESTORS GRIEVANCE COMMITTEE:

The Board constituted an Investors Grievance Committee which looks into shareholders and investors grievances. The following are the members of the committee:

- Sri A.Vijayavardhan Reddy
- Sri A.Poornachandar Rao
- Sri K.Narasimha Rao

Name & Designation of the Compliance Officer:

Mr. M. Sreenivas Rao
 Compliance Officer
 Viceroy Hotels Limited
 Lower Tank bund Road,
 Gandhinagar, Hyderabad – 500 080