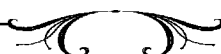


40th Annual Report

Viceroy Hotels Limited





Viceroy Hotels Limited

BOARD OF DIRECTORS

Shri.P.Prabhakar Reddy	—	Chairman & Managing Director
Shri.Anoop Bali	—	Nominee Director – TFCI
Shri Rakesh Jhunjhunwala	—	Director
Shri.C.D.Reddy	—	Director
Shri.P.Shivakumar Reddy	—	Director
Shri.A.Vijayavardhan Reddy	—	Director
Shri.A.Poornachandra Rao	—	Director
Shri.K.Narasimha Rao	—	Director

AUDITORS

M/s.P.MURALI & CO.,
Chartered Accountants
6-3-655/2/3, 1 Floor, Somajiguda
HYDERABAD – 500 082.

FINANCIAL INSTITUTION

Industrial Development Bank of India
Tourism Finance Corporation of India Limited

BANKERS

Andhra Bank	State Bank of India
State Bank of Hyderabad	Allahabad Bank
Oriental Bank of Commerce	State Bank of Bikaner & Jaipur
The Jammu & Kashmir Bank Ltd.	Indian Overseas Bank
Syndicate Bank	State Bank of Mysore
Kotak Mahindra Bank	

REGISTERED OFFICE

1-3-1036/3/1, Lower Tank Bund Road,
Gandhinagar, Hyderabad – 500 080.

SHARE TRANSFER AGENTS

M/s. Aarathi Consultants Pvt. Ltd.
1-2-285, Domalguda, HYDERABAD – 500 029



NOTICE

NOTICE is hereby given that the 40th Annual General Meeting of the Members of the Company will be held at Viceroy Convention center, Lower Tank Bund Road, Gandhi nagar, Hyderabad on Tuesday the 20th December 2005 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 2005 together with the Report's of the Directors and Auditors thereon.
2. "RESOLVED THAT Sri P.Sivakumar Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. "RESOLVED THAT Sri.K.Narasinha Rao, who retires by rotation and being eligible, offers himself for re-appointment".
4. "RESOLVED that M/s. PMURALI & CO., Chartered Accountants, Hyderabad the retiring auditors be and are hereby appointed as Statutory Auditors for the financial year 2005-06 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 resolutions as an Ordinary Resolutions.

"RESOLVED THAT pursuant to the provisions of section 257 read with other applicable provisions if any of the Companies Act 1956 as amended to date consent of the members of the company be and is hereby accorded to appoint Sri Rakesh Jhunjhunwala as Director of the company liable to retire by rotation".

6. To consider and if thought fit to pass with or without modification(s) the following resolutions as an Ordinary Resolutions.

"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 favor of the following namely:

- I. The Jammu & Kashmir Bank Ltd. (J&K)
In connection with Rupee Term loan of Rs. 19 Crores (Rupees Nineteen Crores Only) lent and advanced by The Jammu & Kashmir Bank Ltd., to the Company.
- II. State Bank of India (SBI)
In connection with Rupee Term loan of Rs. 125 Crores (Rupees One Hundred and Twenty five Crores) lent and advanced by State Bank of India to the Company.
- III. Indian Overseas Bank (IOB)
In connection with Rupee Term loan of Rs. 50 Crores (Rupees Fifty Crores) lent and advanced by Indian Overseas Bank to the Company.
- IV. State Bank of Bikaner & Jaipur (SBBJ)
In connection with Rupee Term loan of Rs. 50 Crores (Rupees Fifty Crores) lent and advanced by State Bank of Bikaner & Jaipur to the Company.
- V. Allahabad Bank (AB)
In connection with Rupee Term loan of Rs. 50 Crores (Rupees Fifty Crores) lent and advanced by Allahabad Bank to the Company.



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“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.”

7. Approval for issue and allotment of Equity Shares on Preferential basis to Select Investors and to the Promoters of the Company.

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act), (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India (RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time of granting their approvals / consents / permissions / sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any Committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to offer, issue and allot 81,71,545 (Eighty One Lakhs Seventy One Thousand Five Hundred Forty Five only) Equity Shares of Rs.10/- (Rupees ten) each at a premium of Rs.77.50/- (Rupees seventy seven and fifty only) per share aggregating to Rs.71,50,10,187.50/- (Rupees Seventy One Crores Fifty Lakhs Ten Thousand One Hundred Eighty Seven and Fifty Paise only) to **Select Investors and to the Promoters of the Company, the details of which are mentioned in the Explanatory Statement annexed hereto**, on preferential allotment basis, on such other terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company”

“**RESOLVED FURTHER THAT**

- (a) The relevant date for the purpose of pricing of the Equity shares as above, in accordance with the SEBI Guidelines is 20th November, 2005, being the 30th day prior to 20th December, 2005 (i.e., the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue).
- (b) The equity shares to be issued and allotted in pursuance of this resolution shall rank PARI PASSU with the then existing equity shares of the Company in all respects.
- (c) The Equity Shares to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company.

“**RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Equity Shares and the utilization of the issue proceeds thereof, to effect any modification(s) to the foregoing (including any modifications to the terms of the Issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable”



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“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all of any of its powers to any Committee of Directors of the Company to give effect to the aforesaid resolution”

8. Approval for issue and allotment of Warrants on Preferential basis to Select Investors and to the Promoters of the Company

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act), (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India (RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time of granting their approvals / consents / permissions / sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any Committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot 78,28,455 (Seventy Eight Lakhs Twenty Eight Thousand Four Hundred and Fifty Five only) warrants (“Warrants” for brevity) to **Select Investors and to the Promoters of the Company, the details of which are mentioned in the Explanatory Statement annexed hereto**, on preferential allotment basis, in one or more tranches, on such terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company; each warrant entitling the holder thereof to apply for and be allotted one equity share per Warrant of Rs.10/- each at a premium of Rs.77.50/- (Rupees seventy seven and fifty only) per share aggregating to Rs.68,49,89,812.50/- (Rupees Sixty Eight Crores Forty Nine Lakhs Eighty Nine Thousand Eight Hundred Twelve and Fifty Paise only) and which conversion shall be made within a period not exceeding 18 (eighteen) months from the date of allotment of the Warrants in accordance with the SEBI (Disclosure & Investor Protection) Guidelines, 2000 and other applicable guidelines.

“RESOLVED FURTHER THAT

- (a) The relevant date for the purpose of pricing of the Warrants as above, in accordance with the SEBI Guidelines is 20th November 2005, being the 30th day prior to 20th December 2005 (i.e., the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue).
- (b) The equity shares to be issued on conversion of the Warrants in pursuance of this resolution shall rank PARI PASSU with the then existing equity shares of the Company in all respects.
- (c) The Warrants to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company.
- (d) For the purpose of giving effect to this resolution, the Board is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of Warrants, as may be necessary in accordance with the terms of the offer and subject to the provisions of the Company’s Articles of Association”



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"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Warrants and the utilization of the issue proceeds thereof, to effect any modification(s) to the foregoing (including any modifications to the terms of the Issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all of any of its powers to any Committee of Directors of the Company to give effect to the aforesaid resolution"

9. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 94 read with other applicable provisions if any of the Companies Act 1956 as amended to date the consent of the members of the company be and is hereby accorded to alter the authorized share capital of the company from Rs. 55,00,00,000 /- (Fifty five crores) divided into 250,00,000 (Two Crores Fifty lakhs) equity shares of Rs. 10/- each aggregating Rs. 25,00,00,000 (Rupees Twenty five Crores) and 30,00,000 (Thirty lakhs) redeemable preference shares of Rs.100/- each aggregating Rs. 30,00,0,000 (Rupees Thirty crores only) to Rs. 55,00,00,000 /- (Fifty five crores) divided into 450,00,000 (Four Crores Fifty lakhs) equity shares of Rs. 10/- each aggregating Rs. 45,00,00,000 (Rupees Forty Five Crores) and 10,00,000 (Ten lakhs) redeemable preference shares of Rs.100/- each aggregating Rs. 10,00,00,000 (Rupees Ten crores only)".

FURTHER RESOLVED THAT Clause V of the Memorandum of Association of the company and Article 2A of the Articles of Association of the company be altered accordingly."

10. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under section 293(1)(d) of the Companies Act, 1956 to borrow any sum of moneys from time to time not with standing that the money of moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say reserves not set apart specific purposes, provided however, the total amount so borrowed shall not exceed Rs. 1000 Crores (Rupees One Thousand Crores)".

11. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and read with Schedule XIII and other applicable provisions if any of the Companies Act 1956 as amended, consent of the company be and is hereby accorded to appoint Sri P. Prabhakar Reddy, as Chairman & Managing Director of the company with effect from 1st July 2005 for a period of 5 years on the terms and conditions as set out below:

Salary of Rs. 2,50,000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.



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In addition, the Managing Director will be entitled to the following:

- I. Commission: Such percentage of commission(in addition to salary and perquisites hereafter stated) calculated with reference to the net profit of the company in accordance with Section 349 and Section 350 of the Companies Act 1956 for each financial year as may be fixed by the Board of Directors which together with salary and monetary value of perquisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.
- II. Prequisites as under:
 - a) Housing: Rent-free accommodation will be provided to the appointee for whom 10 per cent of the appointee's salary shall be recovered. In case no accommodation is provided by the company, house rent allowance at 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the company owned furniture and other consumable durables if required.
 - b) The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the company.
 - c) All medical expenses incurred by the appointee for self and family shall be reimbursed.
 - d) Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
 - e) Fees of clubs subject to maximum of two clubs this will not include the admission and life membership fees.
 - f) Personal Accident insurance, the premium of which shall not exceed Rs.10000/- per annum.
 - g) Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.
 - h) Provision of Car with driver for use of the Company's Business and telephone at the residence.

Minimum Remuneration:

The appointee shall be paid the aforesaid remuneration (except commission) as minimum remuneration in the event of lack or inadequacy of profit calculated in accordance with Section 349 and 350 of the Companies Act 1956.

By Order of the Board
For Viceroy Hotels Ltd.

P.PRABHAKAR REDDY
Managing Director

Place : Hyderabad
Date : 21-11-2005

NOTES:

1. The Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items of the Special business is annexed hereto
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the company. Proxy, duly executed, in order to be valid, should reach the registered office of the company at least 48 hours before the meeting.



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3. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
4. Members / Proxy holders are requested to produce admission slip duly completed and signed.
5. M/s.PMURALI & Co., Chartered Accountants, Hyderabad, the statutory auditors of the Company have certified that the preferential issues of Equity shares and Warrants proposed pursuant to the resolutions set out a Items Numbers 7 and 8 are in accordance with the requirements contained in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, and the said certificate will be laid before the Annual General Meeting. Copies of Memorandum & Articles of Association of the Company, the said Certificate and other documents in support of the resolutions shall be open for inspection to the desirous members of the Company on any working day up to the date of the Annual general meeting during normal business hours at the Registered Office of the Company.
6. The Register of members and share transfer books of company shall remain closed from Tuesday the 13th December 2005 to Tuesday the 20th December 2005 (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

The company at its Board Meeting held on 11th August 2005 appointed Sri Rakesh Jhunjunwala as Additional Director of the company. Pursuant to the provisions of section 260 of the Companies Act 1956, he holds office till the date of the ensuing Annual General Meeting. The company received a notice under section 257 of the Companies Act 1956 proposing him as Director at the ensuing general meeting. Sri Rakesh Jhunjunwala is well known Trader and Investor in the capital markets of India. His experience and expertise in financial management would immensely benefit the company. The Board recommends the resolution.

None of the Director is interested /concerned in the resolution except Sri Rakesh Jhunjunwala to the extent of his shareholding.

ITEM NO. 6

The financial assistance availed, as specified in resolution No.6 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.

ITEM NO. 7

For the purpose of part financing the expansion projects of the company and the resultant working capital requirements, the Company is considering to issue and allot 81,71,545 (Eighty one lakhs seventy one thousand



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five hundred and forty five) Equity shares on Preferential basis to select Investors and Promoters of the company, detailed hereunder, on the terms and conditions contained in the Resolution under Sl.No. 7, subject to the approval of the members and such other approvals as may be necessary. The proposed issue of Equity shares on preferential basis to Investors will be governed by the provisions of the SEBI (Disclosure & Investor Protection) Guidelines, 2000. The issue price of Rs. 87.50 /- (Rupees eighty seven and fifty only) per equity share including premium has been determined as per the SEBI guidelines.

The Equity shares to be issued and allotted pursuant to the above will be subject to lock-in as stipulated under the applicable SEBI Guidelines.

The proposed allotment of Equity Shares on preferential basis as envisaged above will not result in change in Control / Management of the Company.

Disclosures, which are required to be made pursuant to Clause 13.1A of the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000:

(i) The objects of the issue through preferential offer

For the purpose of part financing the new Hotel projects of the company proposed at Chennai, Bangalore and resultant working capital requirements and other incidental project funding requirements

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer

The promoters (Including Promoter Director(s)) intend to subscribe to 10,00,000 equity shares out of 81,71,545 Equity shares being issued on preferential basis. The Preferential offer of the remaining 71,71,545 equity shares is to persons other than the Promoters / Directors / Key Management Personnel and hence subscription by Promoters / Directors / Key Management Personnel does not arise in respect of offer of remaining equity shares

(iii) Shareholding pattern of the Company before and after the proposed issue of Equity Shares pursuant to the resolution at Sl.No 7 (Pre - issue share holding after taking into account the conversion of warrants into equity shares recently issued to Promoters and other strategic investors)

Sl.No	Category	Pre-Issue		Post Issue	
		No. of Equity Shares	Percentage (%)	No. of Equity Shares	Percentage (%)
1.	(*) Promoters' holding	59,69,950	26.50	69,69,950	22.71
2	Institutional Investors				
	(a) Mutual Funds & UTI	4,90,755	2.18	4,90,755	1.60
	(b) Banks, FIs, FIIs,	2,81,150	1.25	2,81,150	0.91
3	Private Corporate Bodies	49,46,930	21.96	49,46,930	16.11
4	Indian Public	85,86,215	38.12	85,86,215	27.97



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5	(**) Select Investors (as indicated hereunder) Rakesh Jhunjunwala	22,50,000	9.99	32,50,000	10.59
	India Advantage Fund - II (Fund managed by ICICI Venture)	Nil	Nil	15,14,286	4.93
	India Advantage Fund- III & IV (Fund managed by ICICI Venture)	Nil	Nil	45,42,857	14.80
	P. Mahendra	Nil	Nil	57,202	0.19
	P. Harsha	Nil	Nil	57,200	0.19
	Total	2,25,25,000	100.00	3,06,96,545	100.00

(iv) Proposed time within which allotment will be completed

The allotment of the Equity Shares being issued on preferential basis is proposed to be made within fifteen days from the date of passing of the resolution by the Members, provided that when the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.

(v) Identity of the proposed allottees and the percentage of post preferential issued capital that may be held by them (before considering the issue of warrants pursuant to Resolution No 8)

Identity of proposed allottees	No. of equity shares to be allotted	Percentage of post issue equity capital
Promoters and PAC's	10,00,000	3.25
India Advantage Fund - II (fund managed by ICICI Venture)	15,14,286	4.93
India Advantage Fund- III & IV (fund managed by ICICI Venture)	45,42,857	14.80
Sri Rakesh Jhunjunwala	10,00,000	3.25
P.Mahendra	57,202	0.19
P.Harsha	57,200	0.19
TOTAL	81,71,545	26.61

None of the Directors other than Sri P.Prabhakar Reddy, Sri P.Shivakumar Reddy, Sri A.Vijayavardhan Reddy and Sri. Rakesh Jhunjunwala may be deemed to be concerned or interested in the above resolution. Your Board of Directors commend the resolution at item No.7 above for your approval