

Viceroy Hotels Limited

41st Annual Report





Viceroy Hotels Limited

BOARD OF DIRECTORS

Mr. P.Prabhakar Reddy	—	Chairman & Managing Director
Mr. K.Jayabharat Reddy (IAS Retd)	—	Director
Mr. R.Subramanian	—	Director
Mr. Anoop Bali	—	Nominee Director – TFCI
Mr. Rakesh Jhunjhunwala	—	Director
Mr. P.Narendra	—	Director
Mr. P.Sivakumar Reddy	—	Director
Mr. A.Vijayavardhan Reddy	—	Director
Mr. A.Poornachandra Rao	—	Director
Mr. K.Narasimha Rao	—	Director
Mr. Rajeev Agarwal (w.e.f 30.10.06)	—	Alternate to Mr. Rakesh Jhunjhunwala

Auditors:

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

Financial Controller & Company Secretary

J.Srinivas Murthy

Financial Institutions:

Industrial Development Bank of India
Tourism Finance Corporation of India Limited

Bankers:

Andhra Bank
State Bank of Hyderabad
Oriental Bank of Commerce
The Jammu & Kashmir Bank Ltd
Syndicate Bank
Kotak Mahindra Bank
State Bank of Mysore

State Bank of India
Allahabad Bank
State Bank of Bikaner & Jaipur
Indian Overseas Bank
State Bank of Indore
UCO Bank
Canara Bank

Registered Office:

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

Share Transfer Agents:

M/s.Aarthi Consultants Private Limited
1-2-285, Domalguda
HYDERABAD – 500 029

NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the Members of the Company will be held at Marriott Convention Centre, Lower Tank Bund Road, Gandhinagar, Hyderabad on Saturday the 30th December 2006 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 2006 together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. A.Vijayavardhana Reddy who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Mr. A.Poornachandra Rao who retires by rotation and is eligible for re-appointment.
4. "RESOLVED that M/s. P.MURALI & CO., Chartered Accountants, Hyderabad the retiring auditors be and are hereby appointed as Statutory Auditors for the financial year 2006-07 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 Mr. K.Jayabharat Reddy, who was appointed as an Additional Director by the Board of Directors with effect from 31st December 2005 holds office under Section 260 of the Companies Act 1956 up to the date of this Annual General Meeting, and in respect of whom the company has received notice under section 257 read with other applicable provisions if any of the Companies Act 1956 as amended to date proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company".
6. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. R.Subramanian, who was appointed as an Additional Director by the Board of Directors with effect from 31st December 2005 holds office under Section 260 of the Companies Act 1956 up to the date of this Annual General Meeting, and in respect of whom the company has received notice under section 257 read with other applicable provisions if any of the Companies Act 1956 as amended to date proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company".

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

"RESOLVED THAT Mr. Paruchuri Narendra, who was appointed as an Additional Director by the Board of Directors with effect from 31st December 2005 holds office under Section 260 of the Companies Act 1956 up to the date of this Annual General Meeting, and in respect of whom the company has received notice under section 257 read with other applicable provisions if any of the Companies Act 1956 as amended to date proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company".

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8. 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 hereby 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. State Bank of Indore (SBID)

Inconnection with Rupee Term loan of Rs.28 Crores (Rupees Twenty Eight Crores) lent and advanced by State Bank of Indore to the Company for the Bangalore Project.

II. State Bank of Mysore (SBM)

In connection with Rupee Term loan of Rs. 28 Crores (Rupees Twenty Eight Crores) lent and advanced by State Bank of Mysore to the Company for the Bangalore Project.

III. State Bank of Indore (SBID)

In connection with Rupee Term loan of Rs.10 Crores (Rupees Ten Crores) lent and advanced by State Bank of Indore to the Company for the Chennai Project.

IV. State Bank of Mysore (SBM)

In connection with Rupee Term loan of Rs. 20 Crores (Rupees Twenty Crores) lent and advanced by State Bank of Mysore to the Company for the Chennai Project.

V. UCO Bank (UCO)

In connection with Rupee Term loan of Rs. 20 Crores (Rupees Twenty Crores) lent and advanced by UCO Bank to the Company for the Chennai Project.

VI. ALLAHABAD BANK (AB)

In connection with Rupee Term loan of Rs. 35 Crores (Rupees Thirty Five Crores) lent and advanced by Allahabad Bank to the company for the Chennai Project.

VII. CANARA BANK (CB)

In connection with Rupee Term loan of Rs. 28 Crores (Rupees Twenty Eight Crores) lent and advanced by Canara Bank to the company for the Bangalore Project.

VIII.STATE BANK OF INDIA (SBI)

In connection with Rupee Term loan of Rs. 28 Crores (Rupees Twenty Eight Crores) lent and advanced by State Bank of India to the company for the Bangalore Project.

“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 Ltd.

P.PRABHAKAR REDDY
Managing Director

Place : Hyderabad
Date: 29th November 2006

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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 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.
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. The Register of members and share transfer books of company shall remain closed from Tuesday the 26th December 2006 to Saturday the 30th December 2006 (both days inclusive)

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

ITEM NO. 5

Mr. K.Jayabharat Reddy is 69 years of age. He joined civil services in the year 1961 and there-after held various senior level posts with the Government of India and Government of Andhra Pradesh.

At the Board Meeting held on 31st December 2005, the Board of Directors approved the appointment of Mr. K.Jayabharat Reddy as Additional Director of the Company. The Board of Directors is of the opinion that the rich and varied experience of Mr. K.Jayabharat Reddy will add value to the company.

Notice under section 257 of the Companies Act has been received from a member signifying the intention to propose Mr. K.Jayabharat Reddy for election as a Director of the company.

Yours Directors recommend the resolution for approval of the members.

None of the other Director of the company is in any way concerned or interested in the above resolution.

ITEM NO. 6

Mr. R.Subramanian is 63 years of age and is a member of the Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India.

Mr. Subramanian is having more than 37 years of post qualification experience in handling Finance, Taxation, Corporate Laws, Project Implementation and related matters.

At the Board Meeting held on 31st December 2005, the Board of Directors approved the appointment of Mr. R.Subramanian as Additional Director of the Company. The Board of Directors is of the opinion that the rich and varied experience of Mr. Subramanian will add value to the company.

Notice under section 257 of the Companies Act has been received from a member signifying the intention to propose Mr. R.Subramanian for election as a Director of the company.

Yours Directors recommend the resolution for approval of the members.

None of the other Director of the company is in any way concerned or interested in the above resolution.

**Viceroy Hotels Limited****ITEM NO. 7**

Mr. Paruchuri Narendra is 53 years of age is a Chemical Engineer by profession. Mr. Narendra immediately after Graduation joined the family run Printing business i.e. M/s Pragati Offset Private Limited and is presently the Managing Director of the Pragati Offset Private Limited.

At the Board Meeting held on 31st December 2005, the Board of Directors approved the appointment of Mr. Paruchuri Narendra as Additional Director of the Company. The Board of Directors is of the opinion that the rich and varied experience of Mr. Paruchuri Narendra will add value to the company.

Notice under section 257 of the Companies Act has been received from a member signifying the intention to propose Mr. Paruchuri Narendra for election as a Director of the company.

Yours Directors recommend the resolution for approval of the members.

None of the other Director of the company is in any way concerned or interested in the above resolution.

ITEM NO. 8

The financial assistance availed, as specified in resolution No.8 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 with out 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.

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

P. PRABHAKAR REDDY
Chairman & Managing Director

Place: Hyderabad

Date: 29th November 2006

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING

(In Pursuance of Clause 49 (VI)(A) of the Listing Agreement)

Name of the Director	Sri.A.Vijayavardhana Reddy	Sri.A.Poornachandra Rao	Sri.K.Jayabharat Reddy	Sri.R.Subramanian	Sri.Paruchuri Narendra
Date of Birth	26-10-1957	01-03-1950	12-04-1937	29-08-1943	23-09-1953
Date of Appointment	02-09-2004	02-09-2004	31-12-2005	31-12-2005	31-12-2005
Experience in Specific	Vast Experience in Hotel Functional area	Social Worker Industry.	<p>Served in the Government Andhra Pradesh and Government of India in various capacities as follows:</p> <p>Chief Secretary of Govt. of Andhra Pradesh.</p> <p>Secretary to Govt. of India, Ministry of Urban Development.</p> <p>Special Secretary (Insurance), Ministry of Finance, Government of India.</p> <p>Additional Secretary Head Banking Division, Ministry of Finance, Government of India.</p> <p>Additional Secretary (Revenue), Ministry of Finance, Government of India.</p> <p>Joint Secretary /Secretary, Industrial Approvals, Ministry of Industry, Government of India.</p> <p>Secretary to Government, Forests, Environment, Animal Husbandry, Fisheries & Dairy Departments, Government of A.P.,</p> <p>Chairman & Managing Director, Hyderabad Allwyn Limited, A.P.,</p> <p>Vice-Chairman & Managing Director, A.P., Industrial Development Corporation (APIDC)</p>	37 years mainly in project Finance and Investment banking	Printing Technology

Qualifications	Post Graduate	Post Graduate	Visiting Fellow, Oxford University, U.K. M.A., (Economics), Madras University M.A. (Economics, Statistics) Delhi School of Economics.	B.Com., A.C.A., A.I.C.W.A.,	Chemical Engineer
Directorships held in other Companies	<ul style="list-style-type: none"> - Secunabad Hotels Pvt. Ltd., - Minerva Coffeeshop Pvt. Ltd., - Minerva Hotels Pvt. Ltd., - Café D'Lake Pvt. Ltd., - Blue Fox Bar & Restaurant Pvt. Ltd., 	<ul style="list-style-type: none"> - Kalpatharu Movie Makers (P) Ltd. 	<ul style="list-style-type: none"> - BPL Ltd. - BPL Disply Devices Ltd., - BPL Power Projects (Chairman) - NCL Industries Ltd (Chairman) - NCL Altech Seccolor Ltd., (Chairman) - NCL Energy Ltd. (Chairman) - Lanco Kondapalli Power Limited - JCT Electronics Ltd., - SQL Star International Ltd., - Indus Medicare Ltd., - Facor Alloys Ltd., - Kandleru Power Company Ltd., 	<ul style="list-style-type: none"> - SIAL SBEC Bio Energy Ltd. - Micro Credit Foundation of India. 	<ul style="list-style-type: none"> - Pragati Offset (P) Ltd. - MEDRC (P) Ltd. - Pragati Flexo (P) Ltd. - Pragati Pack India (P) Ltd.
Committee positions held in other Companies.	Nil	Nil	<p><u>Chairman of Audit Committee</u></p> <ol style="list-style-type: none"> 1. BPL Ltd. 2. NCL Industries Ltd. 3. SQL Star International Ltd. 4. Facor Alloys Ltd. <p><u>Member of Audit Committee</u></p> <ol style="list-style-type: none"> 1. BPL Disply Devices Ltd. 2. Lanco Kondapalli Power Ltd. 3. JCT Electronics Ltd. <p><u>Member of Remuneration Committee</u></p> <ol style="list-style-type: none"> 1. BPL Ltd. 2. SQL Star International Ltd. 	<p>Chairman of Audit & Remuneration Committee :</p> <ol style="list-style-type: none"> 1. SIAL SBEC Bio Energy Ltd. 	Nil



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DIRECTOR'S REPORT

To
The Members

Your Directors have pleasure in presenting the Forty first Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

PERFORMAMCE / FINANCIAL RESULTS OF THE COMPANY

(Amount in Lakhs)

PARTICULARS	2005-06	2004-05
Income from Operations	3526.10	3135.63
Profit before interest, depreciation and tax	1399.93	1356.45
Interest	514.41	509.21
Depreciation	596.10	472.96
Provision for current tax, FBT & Defered Tax	116.97	166.31
Profit after Tax	172.44	207.97

OPERATIONS:

The overall performance of the company showed considerable improvement as compared to the previous year with revenue growth of 12 percent. The total revenues of the Company for the year ended 31st March 2006 was Rs.3526.10 lakhs (previous year Rs.3135.63 lakhs).

The renovation and expansion of the Viceroy Hotel to 297 rooms from 168 rooms partially completed during the year under review. The hotel is re-branded as "Hyderabad Marriott" during the current financial year. Inspite of renovation and expansion on one side, the normal operations were taken care which resulted in the higher turnover for the financial year ended 31st March 2006. The company expects to boost considerable jump in revenues in the coming quarters as all the 297 rooms are in operation now.

FUTURE OUTLOOK:

Indian hotel industry has kept up the growth momentum that started in the second half of 2004. India has fast emerged as one of the popular tourist destinations in the world, thanks to the vibrant economic outlook, Government of India's " Incredible India " Campaign, blossoming IT and Knowledge based industries and growing popularity of Indian educational and medical institutions. Continuous thrust to the infrastructure growth, open sky policy, liberalization and privatization in various economic activities and increased limits in FDI in various economic sphere are further contributors to this phenomenon.

ISSUE OF SHARES:

The company issued equity shares and warrants in two tranches as follows:

During August 2005 the company issued 21,12,500 equity shares of Rs.10/- each at a premium of Rs.50/- per share to promoters and strategic Investors and 25,52,500 warrants which are convertible into equity of Rs.10/- each at a premium of Rs.50/- per share not later than 18 months from the date of allotment to Promoters and Strategic Investors.

During January 2006 the company issued 21,14,402 equity shares of Rs.10/- each at a premium of Rs.77.50/- per share to promoters and strategic Investors and 24,57,026 warrants which are convertible into equity of Rs.10/- each at a premium of Rs.77.50/- per share not later than 18 months from the date of allotment to Promoters and Strategic Investors.



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To part finance the expansion projects at Bangalore and Chennai, the company issued equity shares to promoters and other strategic investors through preferential issue at a price as per the SEBI Preferential Issue Guidelines. The benefits of the equity dilution for Chennai and Bangalore projects would accrue once the Bangalore and Chennai hotels start commercial operations.

PROJECTS UNDER IMPLEMENTATION:

Chennai Project:

The Board is pleased to inform you that the company has identified and acquired beautiful land facing sea at MRC Nagar, Adyar, Chennai. The company proposes to construct 350 room five star deluxe hotel and 200 Executive serviced apartments with a project cost of Rs.462 crores. The Hotel would be operational during FY 2009-10. The company has received proposal from Marriott International Inc, USA to take the property on Management Contract. The Management is negotiating the other terms and conditions and would conclude the agreement shortly.

The debt and equity portion for the project is tied up and the company recently got the approval from the Government of Tamilnadu. The excavation work is underway and the civil work would commence shortly.

Bangalore Project:

The company has taken prime land admeasuring around 8000 sq.yds at Old Race Course Road, Bangalore on long lease of 53 years and proposes to construct five star hotel with 250 rooms at a project cost of Rs.160 crores. The Bangalore hotel would be operational during FY2008-09.

The debt and equity portion for the project is tied up and the company is expecting the formal approvals from the Government of Karnataka and Bangalore Development Authority shortly.

SUBSIDIARY DETAILS:

During the year under review the Board of Directors approved to divest the 100% outstanding equity holding of the company in M/s Mayuri India Cuisine Inc., USA a wholly owned subsidiary of the company and during the current financial year the sale transaction was completed. Hence the subsidiary details for the financial year ended 31st March 2006 were not consolidated.

DIVIDEND:

As you are aware, the company is taking up massive expansion projects at Chennai and Bangalore with a capital outlay of Rs.462 crores and Rs.160 crores respectively, the company proposes to conserve the profits generated during the year. The Board of Directors regret to announce that the company is not paying any dividend for the financial year ended 31st March 2006.

DIRECTORS:

Mr. A.Vijayavardhana Reddy and Mr. A.Poornachandra Rao retires by rotation and being eligible offers themselves for re-appointment. During the year under review Mr. K.Jayabharat Reddy, Mr. R.Subramanian and Mr. Paruchuri Narendra were appointed as Additional Directors to broad base the Board to comply with the Corporate Governance requirements. They hold office till the date of the ensuing annual general meeting and the company received notice(s) from shareholders proposing them as Directors for election at the ensuing Annual General Meeting of the Company. Hence the Directors recommend the resolution.

AUDITORS:

The members are requested to re-appoint M/s. P.MURALI & CO., Chartered Accountants, Hyderabad as Auditors for the Current financial year and authorise the Board of Directors to fix their remuneration.