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For VICEROY HOTELS LIMITED


COMPANY SECRETARY



43rd Annual Report 2008

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements-written and oral-that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a results of new information, future events or otherwise.

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Chairman's Message



Dear Shareholders,

It gives me immense pleasure to present you the 43rd Annual Report of your company for the year 2007-08. The fiscal added colors to our vision of carving 'Viceroy of Tomorrow' into a master piece of the industry with a unique business model.

Welcome to a robust Viceroy

Viceroy Hotels is becoming stronger year-on-year with various favorable developments taking place within the company and those happening in the industry. As I always emphasize, it is the positive energy and velocity of aggression being exhibited by every member of Viceroy is going to play a crucial role in our growth story.

Need of the hour

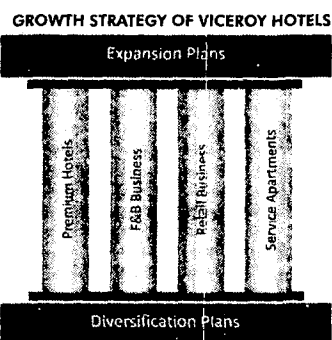
Accelerate the uncompromising efforts in ensuring the growth trend.

Leveraging on our opportunities

India has emerged as one of the most attractive investment destinations in the world, after registering an impressive GDP growth of nearly 9% in this year. Inflow of foreign tourists is increasing phenomenally, ushering in a huge demand for the hotel rooms across the country. Key initiatives undertaken by Government of India like promotion of rural tourism; medical tourism and introduction of low cost airlines, have increased the demand for additional rooms. According to estimates of Ministry of Tourism, the existing capacity of the country across all categories is about 1 lakh rooms, which is quite abysmal to meet the current demand, thus resulting in a substantial 'demand-supply gap'. Your company, being an established player, is going to utilize these opportunities in a great way and contribute its share in making up the gap as well.

Its all about having a Strategy in place

Our strategy to withdraw ourselves from the managerial aspects of businesses and to focus on building up hotels has yielded impressive results on the expected lines. After



roping in Marriott International to manage our existing five star hotel in Hyderabad, we are aggressively exploring business opportunities in our other business segments – F&B, Retail and Service Apartments. All the nine promoter group companies have also been merged with your company during the year.

Business Segments

Food & Beverages (F&B) and Retail: Driven by robust growth areas like semi-processed, ready-to-eat food and wine, the Food & Beverages sector shall continue for 9% growth of GDP FICCI survey reveals. Your company has established four strong brands under its subsidiary 'Café d Lake', comprising Minerva, Blue Fox, Waterfront and Eat Street. Through its another subsidiary 'Crustum Products', your company forayed into retail segment by bagging an exclusive national franchise from a Singapore-based boutique bakery chain – Bread Talk. Plans are underway to increase the number of outlets from current 7 to 12 by FY09E and further to 40 by FY11E.

There is a new-found confidence level at Viceroy today, thanks to useful knowledge and experience gained in these sectors. Instead of remaining contented with the achievements, we are aggressively foraying under these very segments into cities of the likes of Mumbai, New Delhi, and other metros. The changing lifestyle across the country to 'dine and shop' outside is a major business potential trend your company is hopeful about.

Spreading its wings in the hotel segment

With various expansion plans under its belt, your company is adding multidimensional and multi-geographical growth. From one Premium category hotel in Hyderabad, the company is all set to have its presence in key cities of South India, such as Chennai and Bangalore to tap the huge business opportunity available there. The hotel industry is betting on Bangalore city especially in the premium category segment where the room base in the premium category segment is going at pretty slow pace compared to the growing demand.

JW Marriott:

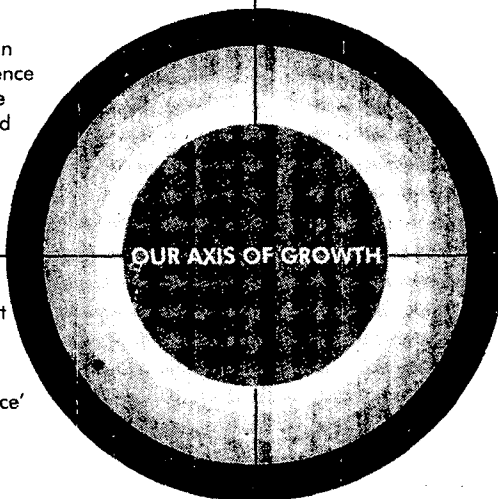
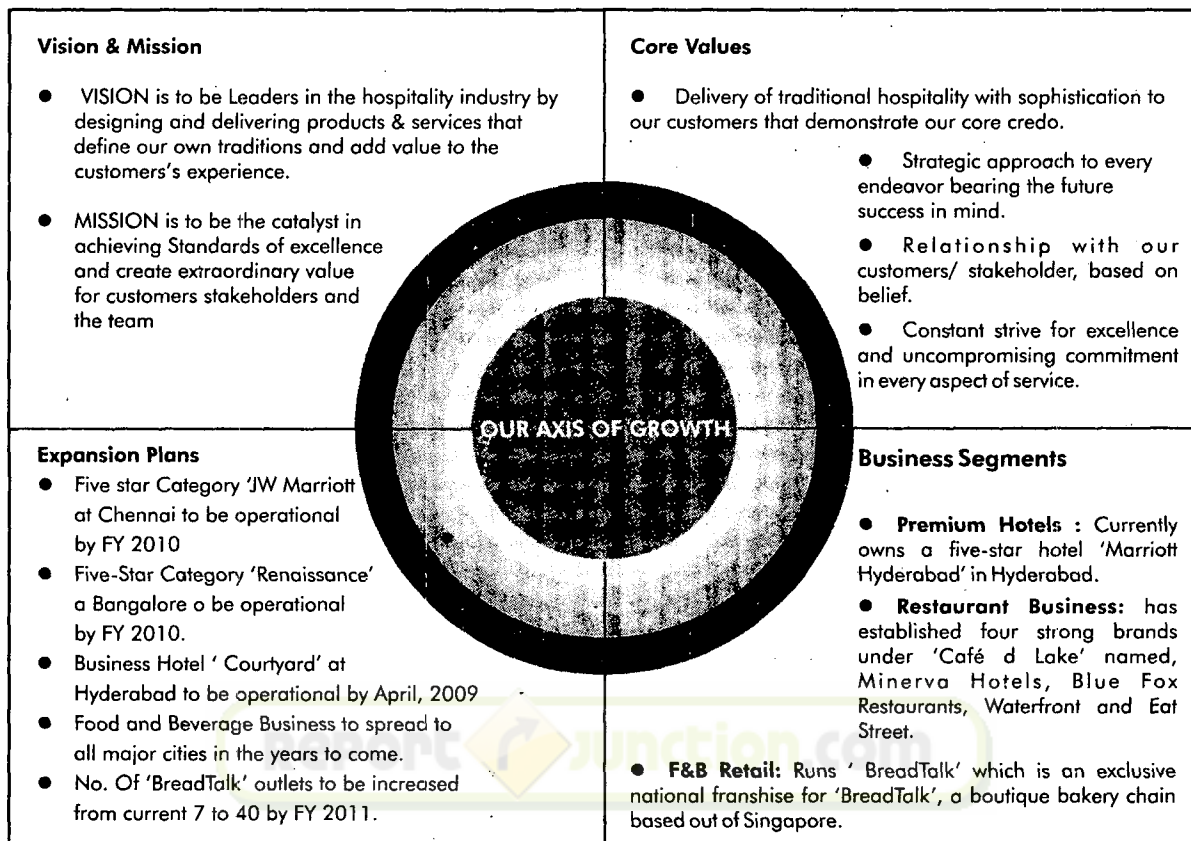
Company acquired a 5.8 acre land at Adayar, Chennai for the proposed JW Marriott, which is a 387-room Five-Star hotel. Plans are underway to make it operational by FY2010.

Renaissance:

Again under Marriott brand, this hotel is proposed to be constructed at Bangalore on a 53-year long-leased land. This hotel is planned to be made operational by FY2010.

Courtyard Marriott:

A 200-room Business Hotel proposed to be constructed adjacent to the current 'Marriott Hyderabad'. This hotel is likely to be operational by April 2009



Time for exercising strengths

With almost all the expansion plans to come into full play by 2010, your company shall witness real growth from then on. The coming two years shall be crucial for the hotel industry in general because some other global hospitality chains too are expected to penetrate into the Indian Hotel Business. Hence, I look at the coming two years to be very crucial for all of us in making up our strategies and exercising on our strengths to emerge as the leader in the hospitality and F&B space in India.

Continued growth, low Enterprise Value (EV) per room and a strong balance sheet being company's core strengths, I look forward to a steep rise in the overall growth of Viceroy Hotels in the years to come.

Let us make it happen!

Sincerely

P. Prabhakar Reddy

Viceroy Hotels Limited



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. P.Prabhakar Reddy	--	Chairman & Managing Director
Mr. K.Jayabharat Reddy (IAS Retd)	--	Director
Mr. R.Subramanian	--	Director
Mr. Rakesh Jhunjhunwala	--	Director
Mr. P.Narendra	--	Director
Mr. P.Shivakumar Reddy	--	Director
Mr. A.Vijayavardhan Reddy	--	Director
Mr. A.Poornachandra Rao	--	Director
Mr. K.Narasimha Rao	--	Director
Mr. Kai Taraporewala	--	Director
Mr. Rajiv Agarwal	--	Director

(Alternate Director to Mr. Rakesh Jhunjhunwala)

Financial Controller & Company Secretary

Mr. J.Srinivas Murthy

Auditors:

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

Share Transfer Agents:

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

Financial Institution:

IDFC Limited

Bankers:

Axis Bank
State Bank of Indore
State Bank of Bikaner & Jaipur
Indian Overseas Bank
Kotak Mahindra Bank

State Bank of India
Allahabad Bank
State Bank of Mysore
UCO Bank
Canara Bank

Registered Office:

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

Corporate Office :

D. No : 8-2-120/115/14, 5th Floor
Shangrila Plaza, Road No : 2
Banjara Hills, Hyderabad - 500 034

Viceroy Hotels Limited



NOTICE

NOTICE is hereby given that the 43rd Annual General Meeting of the Members of the Company will be held at Marriott Convention Centre, Lower Tank Bund, Gandhinagar, Hyderabad on Monday the 15th September, 2008 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 2008 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rakesh Jhunjhunwala who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. Poornachandra Rao who retires by rotation and being eligible, offers himself for re-appointment".
4. To appoint M/s. P. MURALI & CO., Chartered Accountants, Hyderabad the retiring auditors as Statutory Auditors for the financial year 2008-09 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.

By Order of the Board
For **VICEROY HOTELS LTD**

J. Srinivas Murthy
Financial Controller & Company Secretary

Place : Hyderabad
Date: 20th August 2008

Viceroy Hotels Limited

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead 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.
2. 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.
3. Members / Proxy holders are requested to produce admission slip duly completed and signed.
4. The Register of members and share transfer books of company shall remain closed from Wednesday the 10th September, 2008 to Monday the 15th September, 2008 (both days inclusive).

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.Rakesh Jhunjunwala	Sri.A.Poornachandra Rao
Date of Birth	05-07-1960	01-03-1950
Date of Appointment	11-08-2005	02-09-2002
Experience in Specific Functional area	Strategic Investor having more than 2 decade experience in Finance and Money matters.	Social Worker
Qualifications	ACA	Post Graduate
Directorships held in other Companies	M/s.Hillcroft Investment Company Pvt. Ltd., M/s.Clue Leasing & Finance Pvt. Ltd., M/s.Marganta Textiles Pvt. Ltd., M/s.R.K.J.Share Brokers Pvt. Ltd., M/s.Inmatch.com Internet Ventures Pvt. Ltd., M/s.Bydesign India Pvt. Ltd., M/s.Virtual Marketing (India) Pvt. Ltd., M/s.Enlightened Buildcon Pvt. Ltd., M/s.J & J Buildcon Pvt. Ltd., M/s.Praj Industries Limited M/s.Nagarjuna Construction Co.Ltd., M/s.Bil Care Ltd., M/s.Innovasynth Technologies (I) Ltd., M/s.Prime Focus Ltd., M/s.Concord Biotech Ltd. M/s.Mid-day Multimedia Ltd., M/s.Geojit Financial Services Limited M/s.Provogue (India) Ltd.,	Nil
Committee positions held in other Companies.	—	Nil

Viceroy Hotels Limited



DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Forty Third Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2008.

PERFORMANCE / FINANCIAL RESULTS OF THE COMPANY

(Amount in Lakhs)

PARTICULARS	2007-08	2006-07
Income from Operations	7,616.04	5,668.47
Profit before interest, depreciation and tax	3,033.28	2,221.64
Interest	1,167.76	599.67
Depreciation	958.86	814.63
Provision for Tax & FBT & Deferred Tax	295.91	96.84
Profit after Tax	610.73	545.87
Balance carried to Balance Sheet	1,940.88	1,330.15

OPERATIONS:

The overall performance of the company showed considerable improvement as compared to the previous year with revenue growth of 34% and EBIDTA growth of 36%. The total revenue of the Company for the year ended 31st March 2008 was Rs. 7616.04 lakhs (previous year Rs. 5668.47 lakhs).

CHANGE IN THE SHARE CAPITAL :

Date of Allotment	No. of Shares Allotted	Issue Price Including Premium (Face Value Rs 10/- per Share)	Total No. Shares
Opening as on 1st April 2007	-	-	286,64,402
28th April 2007	812,500	Rs 100/-	294,76,902
11th July 2007	47,83,796	Issued under Meger	342,60,698
14th July 2007	24,57,026	Rs 87.50/-	367,17,724
14th July 2007	471,250	Rs 100/-	371,88,974
23rd October 2007	52,16,250	Rs 100/-	424,05,224

PROJECTS UNDER IMPLEMENTATION:

Chennai Project:

The Board is pleased to inform you that the Chennai JW Marriott hotel project is under implementation as per schedule. The company proposes to construct 387 room five star deluxe hotel. The Hotel would be operational during FY 2009-10. The company has signed the Management Contract with M/s Marriott International Inc, USA for "JW Marriott" brand.

Viceroy Hotels Limited



Bangalore Project:

The Board is pleased to inform you that the Bangalore Renaissance hotel project is under implementation as per schedule. The company proposes to construct 250 room five star deluxe hotel. The Hotel would be operational during FY 2009-10. The company has signed the Management Contract with M/s Marriott International Inc, USA for "Renaissance" brand.

Hyderabad Courtyard Project:

The Board is pleased to inform you that the Hyderabad Courtyard hotel project is under implementation as per schedule. The company proposes to construct 200 room business class. The Hotel would be operational during FY 2009-10. The company has signed the Management Contract with M/s Marriott International Inc, USA for "Courtyard by Marriott" brand.

SUBSIDIARY COMPANY PERFORMANCE:

Café D Lake Private Limited:

M/s Café d Lake Private Limited which operates all the restaurants businesses under Minerva Coffeeshop, Blue Fox Bar & Restaurant, Eat Street and Water Front has achieved a turn over of Rs.2951.84 lakhs for the year ended 31st March 2008 as against Rs.2714.89 lakhs for the previous year. The Net profit for the year ended 31st March 2008. Jumped by 89% from Rs.118.52 lakhs to Rs. 224.62 lakhs.

Crustum Products Private Limited:

M/s Crustum Products Private Limited, the Master Franchisee of Breadtalk Singapore is operated 4 out lets at Inorbit Mall, Malad, Mumbai, BG House, Powai, Mumbai, Galleria Mall, Vashi, Mumbai, Q Mart, Road No.2, Banjara Hills, Hyderabad during the year under review. The company during first quarter of FY2009, opened 3 more out lets at Ashoka Mall, Road No.1, Banjara Hills, Hyderabad, Spencers, Koramangala,, Spencers, Gurgaon, NCR.

For the year ended 31st March 2008 the company achieved a turn over of Rs.592.44 lakhs as against Rs.213.35 for the previous year.

Minerva Hospitalities Private Limited:

M/s Minerva Hospitalities Private Limited has no operations during the year.

DIVIDEND:

Due to the ongoing projects at Channai, Bangalore and Hyderabad the Board of Directors does not recommend any dividend for the year under review as the cash generated from the operations would be deployed back in to the projects.

DIRECTORS:

Mr. Rakesh Jhunjhunwala and Mr. A.Poornachandra Rao retires by rotation and being eligible offers themselves for re-appointment.

AUDITORS:

M/s. P.MURALI & CO., Chartered Accountants, Auditors of the company retires at the ensuing Annual Gerfetal 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 recommends their appointment as statutory auditors for the FY2008-09.

AUDIT REPORT:

Regarding the Auditors observations and comments in their report for the FY 2007-08, they are self-