

Viceroy Hotels Limited

46th Annual Report

2010 - 2011

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CHAIRMAN'S MESSAGE



I am pleased to extend you a warm welcome to the 46th Annual General Meeting of our Company. The global recession started in 2008 is still continuing. The economic uncertainty across all the countries in the world has severely affected the growth prospects in the world, particularly for developing countries like India. Interest rates increased by banks as result of RBI's frequent upward revision is putting tremendous pressure on the profitability of the companies and affecting the growth prospects severely. Until the inflation is brought down under control, there is unlikelihood of interest rates coming down. In spite of all these negatives, India is perceived by global investors as a growing economy and is considered as a better choice to invest. In this background, we can expect the economic revival in our country much sooner than the other countries. In spite of global recession and the slowdown in the economic growth, the average annual growth rate in tourism in India over the past 5 years has been 9% which is really commendable. The number of foreign tourist that arrived in India last year was 5.6 million. But China had 55 million tourists last year and Hong Kong City alone had 20 million. So opportunity for growth in tourism is extremely high in India.

Performance of the Company for FY 2010-2011

The standalone performance of the Company in FY 2010-2011, we have gross revenue of Rs.73.61 Crores as against Rs.64.24 Crores in the previous year and consolidated gross revenue is Rs.109.66 Crores as against Rs.97.54 Crores in the previous year.

Present Status

Last year we have opened Business Hotel "Courtyard" in Hyderabad which is adjacent to the Marriott Hotel, Hyderabad. Both the hotels are connected by a bridge for the guest to utilize the facilities in both the hotels. This is proving to be a successful model as it is a combination of Luxury Hotel and Business Hotel. With large inventory of 500 rooms both hotels put together is proving to be an attraction for the convention business. As the global economy is still reeling under the clutches of slowdown, we are concentrating on the domestic business which is showing signs of robust growth.

In tough times like this, where the interest rates are going up, to reduce the debt burden, we have hived off 'Bangalore Renaissance Hotel Project' into a separate company and in that company JPMorgan India Property Mauritius Company II had invested Rs.74 Cr out of Rs.90 Cr. commitment for 60% stake. This has resulted in reduction of Rs.150 Cr. of debt from the books of our company. Similarly, we are hiving off 'Chennai Project Division' through a slump sale process. This will not only result in reduction of debt to the tune of Rs.450 Cr. but also will give Rs.100 Cr. of inflows into the Company.

Future Expansion

With substantial reduction in debt, the Company will have enough resources to embark on the future expansion. As our Company is having vast experience of more than 25 years in the restaurant business, we plan to roll-out more F&B outlets in all major metros in the country. We are having 2 very popular restaurant chains namely "Blue Fox" and "Minerva Coffee Shop". We also have master franchise of Boutique Bakery called 'BreadTalk'. We already have 7 branches and in next 3 years we plan to have 50 outlets. Similarly, we will be looking at establishing Budget Hotels in Tier-2 and 3 cities in the country. With a current shortage of 1 lakh branded rooms, the Indian Markets appetite for quality hotel rooms is only expected to head north ward. The long-term outlook for Budget Hotels in India remains positive, given the country's burgeoning middle class and increasing disposable incomes. The substantial increase in investments in infrastructure, demand is expected to be robust.

Appreciation

To conclude, I express our sincere thanks to the Government of India for its continued support to Hospitality Industry.

I am also thankful to our customers, suppliers, bankers, financial institutions, and all our shareholders.

My special thanks and appreciation go to the employees of the company at all levels for their hard work, dedication and continued commitment.

Thank you for sparing your valuable time.

With best wishes,

P. Prabhakar Reddy
Chairman

CORPORATE INFORMATION

Board of Directors:

Mr. P. Prabhakar Reddy	--	Chairman & Managing Director
Mr. Jayabharat Reddy (IAS Retd)	--	Independent Director
Mr. R. Subramanian	--	Independent Director
Mr. Rakesh Jhunjunwala	--	Non Executive Director
Mr. P. Narendra	--	Independent Director
Late. Mr. P. Shivakumar Reddy (Ceased w.e.f 23.02.2011)	--	Non Executive Director
Mr. A. Vijayavardhan Reddy	--	Non Executive Director
Mr. A. Poornachandra Rao	--	Independent Director
Mr. K. Narasimha Rao	--	Independent Director
Mr. Rajiv Agarwal (Alternate to Mr. Rakesh Jhunjunwala)	--	Alternate Director

Mr. K. Gurava Raju	--	Chief Financial Officer
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Mr. P. Lenin Babu	--	Company Secretary
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Audit Committee:

Mr. K. Narasimha Rao	Investor Grievance Committee:
Mr. A. Vijayavardhan Reddy	Mr. A. Vijayavardhan Reddy
Mr. A. Poornachandra Rao	Mr. K. Narasimha Rao
	Mr. A. Poornachandra Rao

Auditors:

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3, 1st Floor
Somajiguda, Hyderabad – 500082

Bankers/ Institutions:

State Bank of India	Axis Bank
Allahabad Bank	Andhra Bank
State Bank of Bikaner & Jaipur	Canara Bank
State Bank of Mysore	UCO Bank
Indian Overseas Bank	Bank of Maharashtra
Central Bank of India	HDFC Limited
IDFC Limited	

Registered Office:

8-2-120/115/14
5th Floor, Shangrila Plaza
Road No.2, Banjara Hills
Opp. KBR Park,
Hyderabad – 500034

Share Transfer Agents:

Aarthi Consultants Private Limited
1-2-285, Domalguda
HYDERABAD – 500029

Listing:

National Stock Exchange of India Ltd (NSE)
Bombay Stock Exchange Ltd (BSE)

NOTICE

NOTICE is hereby given that the 46th Annual General Meeting of the Members of Viceroy Hotels Limited will be held on Tuesday, the 27th day of September 2011 at 11.00 AM at 1-3-1036/3/1, Hotel Marriott Convention Centre, Lower Tank Bund, Gandhinagar, Hyderabad-500080, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and the Profit & Loss Account for the year ended 31st March 2011 along with the Reports of Auditors and the Directors thereon.
2. To appoint a Director in place of Mr. K. Narasimha Rao 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 statutory auditors of the Company and fix their remuneration.

SPECIAL BUSINESS:

5. Confirmation/Ratification of Corporate Guarantee

To consider and if deemed fit, to pass through Postal Ballot, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, or any other law for the time being in force, and in accordance with relevant provisions of the Memorandum and Articles of Association of the Company and subject to such approvals, consents, sanctions and/or permissions as may be necessary, confirmation and ratification be and is hereby given in respect of the resolution passed by the Board of Directors of the Company at its meeting held on May 12, 2011 deciding to provide corporate guarantee in favour of IL & FS Trust Company Limited in respect of Term Loan of Rs.206 Crores sanctioned by IL & FS Financial Services Limited to Viceroy Bangalore Hotels Private Limited (*a Wholly Owned Subsidiary of the Company up to July 27, 2011*), in addition to the aggregate of investments and loans already made, guarantees given and securities provided including the guarantee given by the Board as aforesaid, may exceed 60% of paid-up capital and free reserves of the Company or 100% of free reserves of the Company, whichever is more as prescribed under the said Section.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, and things as may be necessary or expedient to give effect to the aforesaid resolution.”

Hyderabad
August 13, 2011

By Order of the Board
For VICEROY HOTELS LTD

SD/-
P. Lenin Babu
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. An Explanatory Statement pursuant to section 173 (2) read with section 192A of the Companies Act, 1956 in respect of business item no.5 of the Notice is annexed hereto. It may be noted that for Special Resolution under the said item no.5, Assent / Dissent of Shareholder is to be given by Postal Ballot, which is enclosed together with self-addressed prepaid envelope. Members are requested to return the ballot paper(s) so as to reach it to the Company at its Registered Office before closing working hours on September 24, 2011.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 20th September 2011 to Tuesday, 27th September 2011, both days inclusive.
4. All communications in respect of the share transfers and change in the address may be communicated to our RTA at M/s. Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad-500029, AP.
5. Members / Proxies should bring the Attendance slip duly filled in for attending the meeting.
6. The Company has designated exclusive e-mail Ids called secretarial@viceroymhotels.com and companysecretary@viceroymhotels.com for redressal of shareholders' complaints/grievances.
7. The Ministry of Corporate Affairs has taken a corporate "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies vide circular bearing No.18/2011 dated 29.04.2011. As per the MCA Circular, Service of documents through electronic mode i.e. e-mail by the Company will be a valid compliance of Section 53 of the Companies Act, 1956. In view of the above, notice is hereby given to every member of the Company including NRI shareholders to get their e-mail addresses registered with their respective Depository Participants (DP) in case shares are held in Demat form and with the Registrar & Share Transfer Agent (RTA) viz. Aarthi Consultants Private Limited, Hyderabad, if the shares are held by them in physical mode. Further, it is also clarified that Company would be in compliance of provisions of Section 219(1) of the Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its members subject to the above cited compliance.
8. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking re-appointment at the meeting are annexed.
9. Company is also in receipt of complaints from various shareholders from time to time regarding non-receipt of Annual Report. In this connection, kind attention of the shareholders is drawn towards SEBI's Circular No. Cir/CFD/DCR/5/2010 dated 07.05.2010 read with amended Clause 31 of the Listing Agreement whereby filing of the soft copy of the full Annual Report to NSE and BSE by every listed company is made mandatory and in turn NSE and BSE is putting that Annual Report on its website for the reference and perusal of all the interested members. Hence, members may download the copy of full Annual Report of the Company from NSE/BSE website for their immediate reference and perusal. Further, Company is also maintaining a functional website in compliance with the Listing Agreement entered with the stock exchanges. Annual Report and other documents are available on the website of the Company for inspection.
10. It is also noticed that many members holding shares in physical mode are holding insignificant shares under multiple folios. In order to provide cost effective, faster and prompt service, all Members concerned are requested under relevant clause of Listing Agreement to get their shareholding consolidated in one folio only.
11. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the Company/RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/ transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/RTA.
12. Members are requested to kindly bring their copies of the Annual Report to the Meeting. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
13. All mandatory registers / documents are open for inspection at the registered office of the Company on all working days (except Saturdays and Sundays) between 11.00 a.m. to 1.00 p.m. prior to the date of Annual General Meeting.

ANNEXURE – 1 TO THE NOTICE

Explanatory Statement

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

Item No. 5:

The Board at its meeting held on May 12, 2011, unanimously given consent for issuance of Guarantee favoring IL & FS Trust Company Limited in respect of a Term Loan of Rs.206 Crores to be availed by Viceroy Bangalore Hotels Private Limited for making payment towards consideration for acquiring 'Bangalore Project Division' of your Company and for completion of the said project. Accordingly, the Company has entered into an Agreement on July 07, 2011 in this regard and the Board of Directors of your Company also inform you that at the time of providing Corporate Guarantee, Viceroy Bangalore Hotels Private Limited is a Wholly Owned Subsidiary of your Company for which the provisions of Section 372A of the Companies Act, 1956 are not applicable. The Board of Directors of your Company further inform you that with effect from July 28, 2011 Viceroy Bangalore Hotels Private Limited has ceased to be Subsidiary of the Company on account of strategic equity investment infused by JPMorgan India Property Mauritius Company II. Upon cessation of Viceroy Bangalore Hotels Private Limited as Wholly Owned Subsidiary the provisions of Section 372A of the said Act are applicable for Guarantee given as aforesaid and therefore, the resolution passed by the Board at its meeting held on May 12, 2011 requires confirmation/ratification by the Members.

As required under Section 192A of the Act, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 your Company seeks your confirmation/ratification of the board resolution passed in this regard through Special Resolution under Section 372A by means of postal ballot as specified in item no.5 annexed hereto. Accordingly, your Company has appointed Mrs. Shilpa Kotagiri, Practicing Company Secretary, Hyderabad as Scrutinizer for conducting the entire Postal Ballot process in a fair and transparent manner.

The Board further inform that Members desiring to exercise vote by Postal Ballot may complete the enclosed Postal Ballot Form and send it to the Scrutinizer in the enclosed self addressed Business Reply Envelope. Postage will be borne and paid by the Company. The envelope containing the Postal Ballot should reach the Scrutinizer not later than the close of working hours on September 24, 2011. The Scrutinizer will submit his report to the Chairman and Managing Director after completion of the scrutiny and the result of the Postal Ballot shall be announced in the ensuing 46th Annual General Meeting to be held on September 27, 2011. The result of the Postal Ballot will also be posted on the Company's website www.viceroyhotels.com besides communication to the Stock Exchanges where the Company's shares are listed and also through Paper Advertisement in at least one English and one Vernacular language newspaper circulating in Hyderabad and the resolution will be taken as passed effectively on the date of announcement of the results by the Chairman or such authorized person in his behalf, if the result of the Postal Ballot indicates that the requisite majority of the shareholders had assented to the respective Resolution.

Accordingly, the aforesaid guarantee and relevant Board resolution require confirmation of the members, copies of which are available for inspection at the Registered Office of the Company on any working day except public holidays, Saturdays and Sundays between 3.00 p.m. to 5.00 p.m. up to 24th September 2011.

Members are requested to communicate their assent or dissent in writing on the Postal Ballot form sent herewith in accordance with the instructions set out therein.

Your Directors commend the Special Resolution for members approval.

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

Hyderabad
August 13, 2011

By Order of the Board
For VICEROY HOTELS LTD

SD/-
P. Lenin Babu
Company Secretary

ANNEXURE – 2 TO THE NOTICE

Details of Directors seeking re-appointment at the forthcoming AGM
(In Pursuance of Clause 49 (IV) (G) (i) of the Listing Agreement)

Particulars	Mr. K. Narasimha Rao	Mr. A. Poornachandra Rao
Date of Birth	July 22, 1961	March 01, 1950
Date of Appointment	December 20, 2005	September 2, 2002
Expertise in specific functional areas	Accounts, Finance & Retailing	Social Service
Qualifications	B. Com., CA Final	BJ, MA
No. of Shares held in the Company as on March 31, 2011	1,01,725	NIL
Directorships held in other companies (excluding private limited and foreign companies)	NIL	NIL
Positions held in mandatory committees of other companies	NIL	NIL

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that the service of notice/ documents including Annual Report can be sent by e-mail to its members.

Members holding shares in dematerialized form are requested to provide/refresh/update their email address with their respective Depository Participants (DPs).

Members holding shares in physical form are requested to provide their email address to gogreen_vhl@aarthiconsultants.com or send requests to our RTA along with your folio number.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 46th Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2011.

Performance / Financial Results

(Rupees in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2010-2011	2009-2010	2010-2011	2009-2010
Income from Operations	7360.99	6424.30	10965.94	9754.29
Profit before interest, depreciation and tax	3409.56	2915.00	4069.78	3577.23
Interest	2205.87	1755.02	2327.03	1955.56
Depreciation	1306.68	1148.87	1450.57	1292.26
Provision for Tax & Deferred Tax	125.71	148.02	212.61	212.44
Profit after Tax	(228.70)	(136.90)	79.57	116.97
Balance carried to Balance Sheet	1419.50	1648.19	2464.68	2385.12

Dividend

The Board does not recommend any dividend for the financial year.

Hiving-off 'Bangalore Project Division'

Your Directors have pleasure to inform you that the Company has successfully completed the hiving-off of 'Bangalore Project Division' to Viceroy Bangalore Hotels Private Limited on July 27, 2011 and your Company has been allotted 59,90,000 equity shares of Rs.10/- each at a price of Rs.78.96/- per share as a part consideration for the sale of the said Division. Your Directors also have pleasure to inform you that JPMorgan India Property Mauritius Company II has infused a strategic investment of Rs.74 Crores as a first trench out of Rs.90 Crores by subscribing 74,00,000 equity shares of Rs.10/- each at a price of Rs.100/- per share in the equity share capital of Viceroy Bangalore Hotels Private Limited. Consequent to which Viceroy Bangalore Hotels Private Limited ceased to be Subsidiary of your Company with effect from July 28, 2011 and will continue as an Associate Company. The Board is also pleased to inform you that the construction of Bangalore 'Renaissance' a 277 Room Five Star Deluxe Hotel is in advanced stage and expected to be operational in 2012.

Hiving-off 'Chennai Project Division'

Considering the various aspects and strategic viewpoint, the Board of Directors of your Company felt that it would be prudent to divest 'Chennai Project Division' comprising 'Chennai Hotel Project' and 'Chennai Residential Project' to pay-off its debts substantially as well as utilize in the growth of the business of your Company and accordingly the Shareholders of the Company have accorded their consent by way of postal ballot conducted on June 03, 2011 for hiving-off the said Project on slump sale basis as going concern and the said slump sale is expected to be completed in the FY 2011-2012. This will not only result in reduction of debt to the tune of Rs.450 Cr. but also will give Rs.100 Cr. of inflows into the Company.

Directors

The Board of Directors regret to inform about sudden demise of Mr. P. Shivakumar Reddy on February 23, 2011 and the Board recorded its gratitude and deep condolence in this regard.

Mr. K. Narasimha Rao and Mr. A. Poornachandra Rao retire by rotation and being eligible, offered themselves for re-appointment and brief particulars of these persons, are given in the Explanatory Statement to the Notice of this Meeting. The Board commends their re-appointment as Directors of the Company.

Directors' Responsibility Statement

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- i) That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such 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 at the end of the financial year.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Hyderabad, the present auditors of the Company, retire at the forthcoming Annual General Meeting and are eligible for re-appointment as auditors. Members are requested to re-appoint them and fix their remuneration. The Company has received confirmation from the firm to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for re-appointment within the meaning of Section 226 of the said Act. The Audit Committee of the Board has recommended their re-appointment.

Particulars of Employees

No employee was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 and the rules framed there under, as amended to date.

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

Your Company's effort towards conservation of energy, which results in savings in consumption of electricity, a significant component of the energy cost, is an ongoing process. The Company continues to absorb and upgrade modern technologies and advanced hotel management techniques in various guest contact areas, which include wireless internet connectivity in the hotels.

As required under Section 217(1) (e) of the Companies Act, 1956, read with rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to foreign exchange earnings and outgo is in item nos 8,9 & 10 of Notes to Accounts of the Balance Sheet and Profit and Loss Account.

Compliance with Notification No. S.O. 301(E) dated 8th February, 2011 issued by the Ministry of Corporate Affairs under Section 211(3) of the Companies Act, 1956

Since Central Government had issued a notification No. S.O. 301 (E) dated 8th February, 2011 in exercise of the powers conferred by Section 211 (3) of the Companies Act, 1956 granting general exemption to some specified class of companies, including hotel companies, from disclosing certain information in their profit and loss account as required under Part-II of Schedule VI of the Companies Act, 1956 subject to fulfilment of few conditions, your Company has duly complied with all conditions of the notification to seek general exemption under Section 211 (4) of the Companies Act, 1956, paras 3(i)(a) and 3(ii)(d) of Part II of Schedule VI of the