

Viceroy Hotels Limited

47th

Annual Report

2011 - 2012

C O N T E N T S

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CHAIRMAN'S MESSAGE

I am pleased to extend you a warm welcome to the 47th 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 country 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 2011-12

The standalone performance of the company in FY 2011-12, we have gross revenue of Rs. 73.95 Cr. as against Rs. 73.61 Cr. in the previous year and consolidated gross revenue is Rs. 110.50 Cr. as against Rs. 109.66 Cr. in the previous year.

Present Status

In the year 2010, we have opened Business Hotel, Courtyard, in Hyderabad, which is adjacent to the Marriott Hotel, Hyderabad. Both the hotels are connected by the bridge for the guests. This is a very strategic combination of Luxury and Business Hotel. Both the hotels have put together have a room strength of 500, which are of great advantage when convention business picks up. As the growth of economy is reeling under the clutches of the slow-down, we are concentrating on the domestic business.

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 J.P.Morgan had invested Rs.90 Cr. 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 through a slump sale process. This will not only result in reduction of debt to the tune of Rs.520 Cr. but also will give Rs.70 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 Break Talk. 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

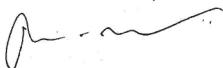
To conclude, I express our sincere thanks to the Government of India for its continued support to Hospitality Industry.

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. Rakesh Jhunjunwala | -- | Non Executive Director |
| Mr. A. Vijayavardhan Reddy | -- | Non Executive Director |
| Mr. Rajiv Agarwal (Alternate to Mr. Rakesh Jhunjunwala) | -- | Alternate Director |
| Mr. Jayabharat Reddy (IAS Retd) | -- | Independent Director |
| Mr. K. Narasimha Rao | -- | Independent Director |
| Mr. R. Subramanian | -- | Independent Director |
| Mr. P. Narendra | -- | Independent Director |
| Mr. A. Poornachandra Rao | -- | Independent Director |
| Mr. K. Gurava Raju | -- | Chief Financial Officer |
| Mr. M. Satish Choudhury | -- | Company Secretary & Compliance Officer |

Audit Committee:

Mr. A. Vijayavardhan Reddy
Mr. K. Narasimha Rao
Mr. A. Poornachandra Rao

Investor Grievance Committee:

Mr. A. Vijayavardhan Reddy
Mr. K. Narasimha Rao
Mr. A. Poornachandra Rao

Auditors:

M/s. P. Murali & Co.,
Chartered Accountants, Hyderabad

Secretarial Auditors:

M/s. P.S. Rao & Associates
Company Secretaries, Hyderabad

Bankers/ Institutions:

State Bank of India
Allahabad Bank
State Bank of Bikaner & Jaipur
State Bank of Mysore
Indian Overseas Bank
Central Bank of India
IDFC Limited

Axis Bank
Andhra Bank
Canara Bank
UCO Bank
Bank of Maharashtra
HDFC Limited

Registered Office:

8-2-120/115/14, 5th Floor,
Shangrila Plaza, Road No.2, Banjara Hills
Opp. KBR Park, Hyderabad – 500034
Tel: 040-40349999; Fax: 040-40349828
E-Mail: secretarial@viceroyp-hotels.com
Website: www.viceroyp-hotels.com

Registrars and Share Transfer Agents:

Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad – 500029
Tel: 040-27638111; 040-66611921
Fax: 040-27632184
E-Mail: info@aarthiconsultants.com

Listing:

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

NOTICE

NOTICE is hereby given that the Forty Seventh Annual General Meeting of 'Viceroy Hotels Limited' will be held on Tuesday, the 25th day of September 2012 at 11.00 AM at 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 Profit and Loss Account for the year ended March 31, 2012, and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. A. Vijayavardhan Raddy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. Narendra who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint statutory auditors of the Company and fix their remuneration.

Hyderabad
August 14, 2012

By Order of the Board

Sd/-
M. Satish Choudhury
Company Secretary

Notes:

1. **A member entitled to attend and vote at the annual general meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and the proxy need not be a member of the Company. The instrument appointing the proxy to be valid shall be lodged at the registered office of the company not less than 48 hours before the commencement of the Meeting.** Proxies submitted on behalf of Companies, Societies, Partnership Firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organisation.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 20, 2012 to Tuesday, September 25, 2012, both days inclusive.
3. 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.
4. Members / Proxies should bring the Attendance slip duly filled in for attending the meeting.
5. The details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting, is annexed hereto.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The Company has designated exclusive e-mail ids called secretarial@viceroyp-hotels.com and companysecretary@viceroyp-hotels.com for redressal of shareholders' complaints/grievances.

8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, Aarthi Consultants Private Limited.
9. 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. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment. It will also ensure prompt receipt of communication, avoid loss in postal transit.

Keeping in view the underlying theme members are requested to support green initiative by registering/updating their email id address in respect of shares held in dematerialization form with respective depository participants (DP's) and in respect of shares held in physical form update with our registrars(RTA's) by sending email to gogreen_phl@aarthiconsultants.com or send requests to Aarthi Consultants Private Limited along with your Folio No.

10. 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.
11. 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.
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 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. A. Vijayavardhan Reddy | Mr. P. Narendra |
|---|--|---|
| Date of Birth | 26-10-1957 | 23-09-1953 |
| Date of Appointment | 02-09-2004 | 31-12-2005 |
| Expertise in specific functional areas | Having over two decades of experience in Hotels Business | Expertise in Printing Technology and have more than two decades of business experience. |
| Qualifications | Post Graduate | Chemical Engineer |
| No. of Shares held in the Company as on March 31, 2012 | 5,00,000 shares | NIL |
| Directorships held in other companies (excluding private limited and foreign companies) | 1. Smilax Industries Limited | 1. MEDRC Edutech Limited 2. SmarTeach Technologies Limited |
| 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_phl@aarthiconsultants.com or send requests to our RTA along with your folio number.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 47th Annual Report and the audited accounts for the financial year ended March 31, 2012.

Performance / Financial Results

The financial performance of the Company, for the year ended March 31, 2012 is summarized below:

(Rupees in Lakhs)

| PARTICULARS | STANDALONE | | CONSOLIDATED | |
|--|-----------------|-----------|-----------------|-----------|
| | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 |
| Income from Operations | 7395.38 | 7360.99 | 11049.70 | 10965.94 |
| Profit before interest, depreciation and tax | 3265.02 | 3409.56 | 3712.36 | 4069.78 |
| Interest | 2196.64 | 2205.87 | 2313.71 | 2327.03 |
| Depreciation | 1312.38 | 1306.68 | 1467.74 | 1450.57 |
| Provision for Tax & Deferred Tax | 85.28 | 125.71 | 151.54 | 212.61 |
| Profit after Tax | (329.29) | (228.70) | (220.63) | 79.57 |
| Balance carried to Balance Sheet | 1090.21 | 1419.50 | 2244.35 | 2464.68 |

Dividend

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

Directors

Mr. A. Vijayavardhan Reddy and Mr. P. Narendra retire by rotation and being eligible, offered themselves for re-appointment and brief particulars of respective persons are given in the Annexure to the Notice of this Annual General Meeting. The Board recommends their re-appointment as Directors of the Company.

Hiving-off 'Bangalore Project Division'

Members are aware that during the year under review your Company has successfully completed the hiving-off of 'Bangalore Project Division' to 'Viceroy Bangalore Hotels Private Limited' in which 'JPMorgan India Property Mauritius Company II' has strategically invested Rs.90 Crores consequent to which 'Viceroy Bangalore Hotels Private Limited' ceased to be Subsidiary of your Company with effect from July 28, 2011 and continuing as an Associate Company with a holding of 60,00,000 equity shares of Rs.10/- each representing 40% of the total equity capital. The Board is also pleased to inform you that the construction of Bangalore 'Renaissance' a 277 Room Five Star Deluxe Hotel is in final stage and expected to be operational in the first Quarter of the FY 2013-2014.

Hiving-off 'Chennai Project Division'

Members are aware that during the year under review the Company has passed a Resolution through postal ballot process conducted on June 03, 2011 for hiving-off 'Chennai Hotel Project'. Subsequent to the passing of the resolution M/s. Mahal Hotel Private Limited came forward to acquire the 'JW Marriott Project, Chennai' through slump sale process. 'Mahal Hotel Private Limited' had already tied-up for debt from a couple of banks and is in the process of completing the transaction. The Board of Directors are confident to close the sale transaction by the end of FY 2012-2013.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (ii) the Directors have 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 as at March 31, 2012 and of the profit of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Hyderabad, the present auditors of the Company, retires at the ensuing Annual General Meeting and is eligible for re-appointment as Statutory Auditors. The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act. The Audit Committee of the Board has recommended their re-appointment and the Board of Directors commends the Resolution for their re-appointment.

Explanation to Observations in the Auditor's Report

With respect to the audit observations in Point No.XI of the Annexure to Auditor's Report for the standalone financial statements for the financial year, the Board has noted the observation and hereby inform the Members that as per the understanding with the proposed Purchaser of Chennai Hotel Project, the interest on the loans of the Chennai Hotel Project has to be borne by the Purchaser. Since the sale transaction is not yet completed, the interest dues of the Chennai Hotel Project is still being shown as bank interest due of Viceroy Hotels Limited.

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 32,33 & 34 of Notes to Accounts of the Balance Sheet and Profit and Loss Account (In Item No. 34, 35 & 36 of Notes to Accounts of Consolidated 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 Companies Act, 1956 dealing with the disclosure of quantitative details of turnover of each class of goods, opening and closing stock, purchases, production and consumption of raw material in the financial statements for the financial year ended 31st March, 2012. Your Board has passed necessary resolution at its meeting held on August 14, 2012 to comply with the conditions of the notification for the same.

Public Deposits

During the year under review, your Company has neither invited nor accepted any deposits from the public.

Listing

The Equity Shares of your Company are listed on BSE Limited and the National Stock Exchange of India Limited. It may be noted that there are no payments outstanding to the Stock Exchanges by way of Listing Fees, etc.

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 & Analysis

Management discussion and analysis of the financial condition and results of operations of the Company for the period under review as required under Clause 49 of the Listing Agreement with the Stock Exchanges, is given in a separate statement in the Annual 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.

SUBSIDIARIES**Viceroy Chennai Hotels & Resorts Private Limited:**

During the year under review, Viceroy Chennai Hotels & Resorts Private Limited has no operations.

Minerva Hospitality Private Limited:

During the year under review, Minerva Hospitality Private Limited has no operations.

Café D Lake Private Limited:

M/s Café D'Lake Private Limited which operates all the restaurants businesses of Minerva Coffee-shop, Blue Fox Bar & Restaurant, Eat Street and Water Front has achieved a turnover of Rs. 30.59 Crores for the year ended 31st March 2012 as against Rs.29.90 Crores for the previous year. The Net profit for the year ended 31st March 2012 is Rs.1.07 Crores as against Rs.2.85 Crores in the previous year.