48th Annual Report

2012 - 2013

Viceroy Hotels Limited

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CHAIRMAN'S MESSAGE

I am pleased to extend you a warm welcome to the 48th 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. Another problem which is troubling the economy is the steep increase in value of dollar against rupee. Foreign investors are worried about the steep fall of rupee and preferring to wait and watch the situation. Big current account deficit is a matter of great concern for the Central Government as well as the regulators. Any stringent measures taken to curb the inflation and prevent fall of the value of rupee are proving to be counterproductive and is creating panic in the markets and foreign investors. The confidence of the entrepreneurs, banks, stock markets have been shaken very badly, Central Government and Reserve Bank of India are persistently taking up measures to control inflation and increase the growth rate. Everyone in the country is eagerly looking forward for the revival of economy as otherwise it will have a wider ramifications in the country.

Performance of the Company for FY 2012-13

The standalone performance of the Company in FY 2012-13, we have gross revenue of Rs. 72.38 Cr. as against Rs. 73.96 Cr. in the previous year and consolidated gross revenue is Rs. 109.11 Cr. as against Rs. 110.50 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 to M/s.Ceebros Hotels Pvt.Ltd., Chennai. We have entered into a Sale Agreement on 29.06.2013. As per the agreement and understanding with the banks the sale transaction is to be completed before 30th September, 2013. The sale of Chennai Project will result in our Company reducing a debt of nearly Rs.560 Cr.

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. Whenever the economic revival happens in the country, it will be the budget category hotels which will start doing well. The long-term outlook for Budget Hotels in India remains positive, given the country's burgeoning middle class and increasing disposable incomes.

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. A. Vijayavardhan Reddy	--	Non Executive Director
Mr. K. 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 and 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@viceroyhotels.com
Website: www.viceroyhotels.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 Eighth Annual General Meeting of 'Viceroy Hotels Limited' will be held on Friday, the 27th day of September 2013 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, 2013, 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. K. Jayabharat Reddy (IAS Retd) who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. R. Subramanian who retires by rotation.
4. To appoint statutory auditors of the Company and fix their remuneration.

By Order of the Board

Hyderabad
August 12, 2013

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 Saturday, September 21, 2013 to Friday, September 27, 2013, both days inclusive for the purpose of the Annual General Meeting of the Company.
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. Pursuant to Clause 49 of the Listing Agreement details 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 - secretarial@viceroyhotels.com and Companysecretary@viceroyhotels.com for redressal of shareholders' complaints/grievances.
8. SEBI vide it's Circular No. CIR/MRD/DP/10/2013 dated March 21, 2013 has instructed all Companies for usage of electronic payment modes for making cash payments to the investors. Companies whose securities are listed on Stock Exchanges are directed to use, either directly or through their RTI & STA, any Reserve Bank of India approved electronic mode of payment such as ECS [ECS (Local ECS) / RECS (Regional ECS) / NECS (National ECS)], NEFT etc. Thus, Members are requested to kindly provide their requisite bank account particulars by quoting their reference folio number(s) if shares are held in physical form.

   If shares are held in dematerialised form, Members may kindly provide the requisite bank account details to their Depository Participant, to ensure that future dividend payments are correctly credited to the respective account.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanant Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their 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.

10. The Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011, respectively. The Listing Agreement with the Stock Exchanges permits companies to send soft copies of the Annual Report to all those shareholders who have registered their email address for the said purpose.

    Members are requested to support green initiative by registering/updating their email id address in respect of shares held in dematerlization 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.

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	Sri. K. Jayabharat Reddy
Date of Birth	12-04-1937
Date of Appointment	31-12-2005
Expertise in specific functional areas	General & Public Administration, Financial and Industrial Management
Qualifications	M.A. (Economics), I A S (Retd)
No. of Shares held in the Company as on March 31, 2013	Nil
Directorships held in other companies (excluding private limited and foreign companies)	1. JCT Electronics Ltd. 2. BPL Limited 3. Indus Medicare Limited 4. NCL Alltek & Seccolor Limited 5. Facor Alloys Limited 6. TAJ GVK Hotels and Resorts Ltd.
Positions held in mandatory committees of other companies	**Audit Committee** **Chairman:** 1. BPL Ltd. 2. NCL Altech Seccolor Ltd 3. Facor Alloys Ltd. **Member:** 1. JCT Electronics Ltd. 2. TAJGVK Hotels & Resorts Limited **Remuneration Committee** **Member:** 1. BPL Ltd.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 48th Annual Report and the audited accounts for the financial year ended March 31, 2013.

Performance / Financial Results

The financial performance of the Company, for the year ended March 31, 2013 is summarized below:

(Rupees in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2012-2013	2011-2012	**2012-2013**	2011-2012
Income from Operations	**7218.91**	7380.45	**10891.73**	11034.66
Other Income	**18.77**	14.93	**18.91**	15.04
Total Revenue	**7237.68**	7395.38	**10910.64**	11049.70
Profit before Interest and Depreciation	**3038.15**	3265.02	**3223.65**	3712.36
Interest	**2270.06**	2196.64	**2381.66**	2313.71
Depreciation	**1331.56**	1312.38	**1489.99**	1467.73
Profit / Loss before Tax	**(563.47)**	(244.01)	**(648.01)**	(69.09)
Provision for Current Tax	**-**	13.78	**30.35**	70.39
Deferred Tax	**14.94**	71.50	**14.62**	81.15
Profit / Loss after Tax	**(578.41)**	(329.29)	**(692.97)**	(220.63)

Dividend :

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

Directors :

During the year under review, Mr. Rakesh Jhunjhunwala, Director of the Company expressed his concern that he was unable to attend all the Board Meetings due to time constraints. He felt that being on the Board of a Company and not in a position to attend all the Board Meetings is not in interest of Good Corporate Governance. Hence, Mr. Rakesh Jhunjhunwala tendered his resignation as director of the Company with effect from October 15, 2012.

Mr. K. Jayabharat Reddy and Mr. R. Subramanian, Directors of the Company retire by rotation at the ensuing Annual General Meeting.

Mr. R. Subramanian due to personal reason did not offer himself for re-appointment. The Board expressed its gratitude to Mr. R. Subramanian for his association with the Company.

However, Mr. K. Jayabharat Reddy, Director of the Company retire by rotation and being eligible, offered himself for reappointment and brief particulars of him is given in the Annexure to the Notice of this Annual General Meeting. The Board recommends his re-appointment as Director of the Company.

Status of 'Bangalore Hotel Project' :

As far as the Bangalore Hotel Project "Renaissance" is concerned, it is a joint venture between J.P.Morgan having 60% stake and Viceroy Hotels Ltd. having 40% stake. The new Company under the name of Viceroy Bangalore Hotels Private Limited is formed for taking up the Bangalore Hotel Project under the joint venture arrangement. The project work is almost at nearing stage as all the civil works are completed and interiors of rooms and public areas and the mechanical works are almost at the finishing stage. The hotel is situated in a very prime location in Bangalore i.e. opposite Race Course. It is a tall structure with 23 floors and has 277 guest rooms, a three-meal restaurant, bar lounge and a large

multi-cuisine restaurant on the top most floor of the hotel with a breath taking view of the city. It has also multi function banquet halls with varied sizes and has also a large function lawn. As per the progress at the site, the project is likely to be completed by January, 2014.

Sale of 'Chennai Project Division' :

Members are aware that during the year under review, the 'Chennai Project Division' comprising the 'Chennai Hotel Project' i.e. J.W.Marriott Hotel Project, Chennai and 'Chennai Residential Project', has been sold to Ceebros Hotels Private Limited for a sale consideration of Rs.480 Crores. The Agreement of Sale is registered with Sub-Registrar Office, Mylapore, Chennai. The necessary permissions for selling the J.W.Marriott Hotel Project at Chennai was obtained from our Company's General Body through postal ballot dt.17.06.2013 The same has been informed to the Stock Exchanges. As per the Agreement and arrangement with the banks, the transaction has to be closed by the end of September, 2013. Viceroy Hotels Ltd. is in the process of getting NOCs from the participating banks viz. State Bank of India, State Bank of Mysore, State Bank of Bikaner & Jaipur, Indian Overseas Bank, Allahabad Bank and UCO Bank. The sale transaction will be concluded by the end of September, 2013.

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 Auditors' Report :

With respect to the audit observation in point no. XI of the Annexure to Auditors' Report for the standalone financial statements for the financial year, the Board has noted the observation and hereby inform the members that Viceroy Hotels Ltd. had defaulted in the repayment of loans and also paying interest amounts to the banks. This is due to the fact that for a quite some time, Viceroy Hotels Ltd. was planning to exit from the Chennai Hotel property. The loans pertaining to Chennai Hotel Project could not be repaid and interests could not be serviced due to the fact that the project is not completed and repayment of the loans have started as per the original schedule. Now that, the Chennai Hotel property is sold with the cooperation of the banks, all the Chennai Project loans are going to be repaid. Once repayment is done through the sale proceeds of Chennai Hotel Project, there will not be any loan defaults to any bank by Viceroy Hotels Ltd.

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, 2013, 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, 2013 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.

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.

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, 2013. Your Board has passed necessary resolution at its meeting held on August 12, 2013 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 :

Viceroy Chennai Hotels & Resorts Private Limited has no operations commenced as on date.

Minerva Hospitalities Private Limited :

Minerva Hospitalities Private Limited has no operations during the year.

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. 31.44 Crores for the year ended March 31, 2013 as against Rs.30.59 Crores for the previous year. The Net profit for the year ended March 31, 2013 is Rs.0.60 Crores as against Rs.1.06 Crores in the previous year.

Crustum Products Private Limited :

M/s Crustum Products Private Limited is the Master Franchisee of Breadtalk Singapore. The Company is running out lets at In Orbit Mall, Malad, Mumbai, BG House, Hiranandani, Powai, Mumbai, Gurgoan, New Delhi, Spencer's Mall, Bangalore Q Mart- Hyderabad.

During the year under review, the Company achieved a turnover of Rs.5.29 Crores as against Rs.5.95 Crores for the previous year. The Net loss for the year ended March 31, 2013 is Rs. 1.74 Crores as against net profit of Rs.0.02 Crores in the Previous Year.

In terms of section 212 of the Companies Act, 1956, your Company is required to attach the directors report, balance sheets, profit and loss account of its subsidiary companies to its Annual Report. However, the Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide its Circular No.2/2011, dated: 08-02-2011 has granted a general exemption to all the Companies for not attaching the above documents of subsidiaries with the Annual Report of the Holding Company, subject to compliance of the conditions specified therein.

As required under the said general circular, the Board of Directors of your Company at its meeting held on August 12, 2013 has given its specific consent for not attaching the balance sheets of its subsidiaries, as they would be made available to its members at the Company's website.

In terms of the said notification of the MCA, a summary of the financial information of each of the subsidiaries of your Company is provided as Annexure "A" to this report. Any member intends to have a certified copy of the Balance Sheet and other financial statements of these subsidiaries may write to the Company. Accordingly, this annual report does not contain the reports and other statements of the subsidiary companies. These documents will also be available for inspection during the business hours at the registered office of the Company and also at the registered offices of the respective subsidiary companies.

Acknowledgements :

Your Directors acknowledge with gratitude and wish to place on record their sincere thanks and appreciation for the co-operation received by the Company from various Departments of Central/ State Government, Financial Institutions and Banks for their continued co-operation and the support extended during the year. Your Directors also wish to acknowledge the continued support and confidence reposed in the management by the Shareholders.

By Order and on behalf of the Board

Hyderabad
August 12, 2013

Sd/-
P. Prabhakar Reddy
Chairman