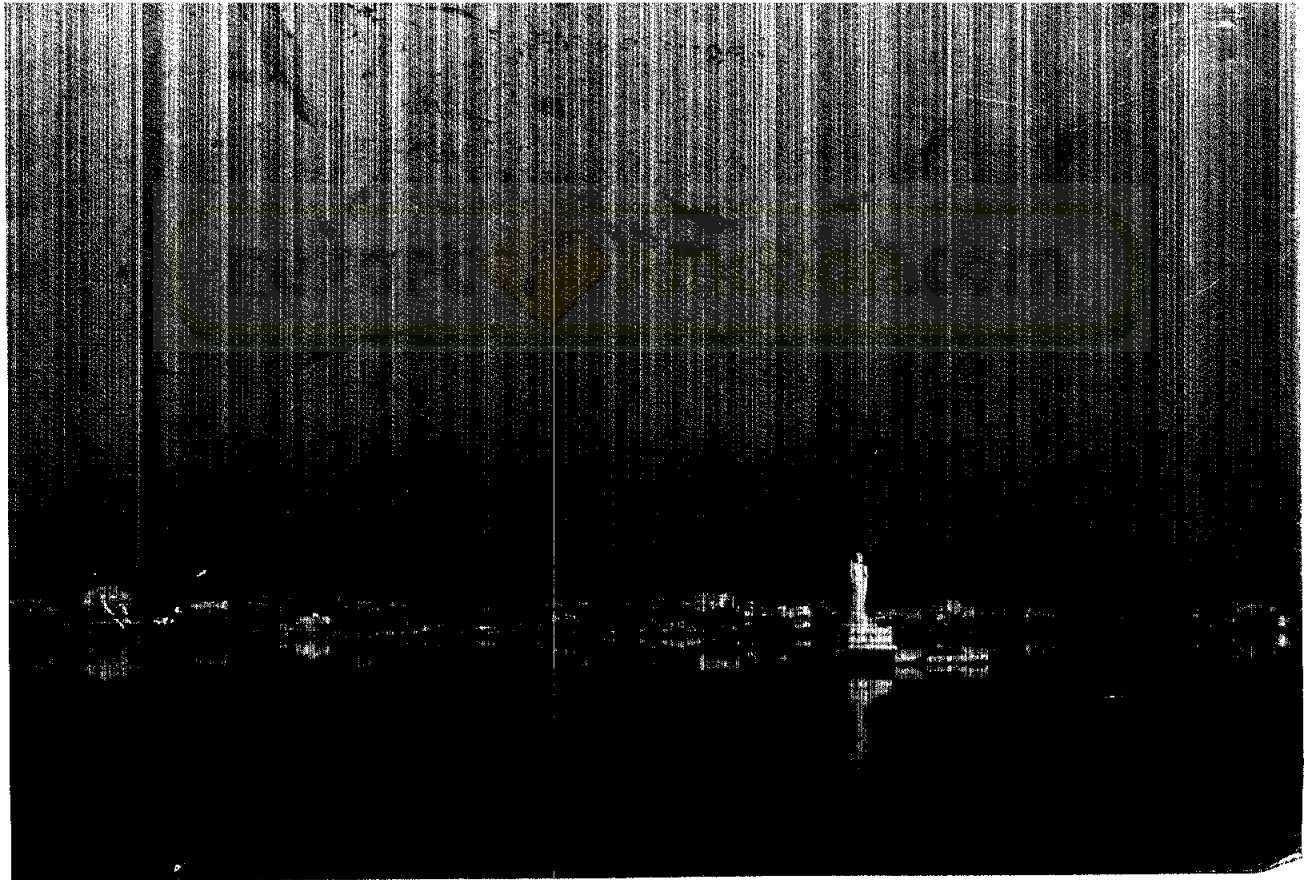


Palace Heights Hotels Limited

**36 th Annual Report
2001**



BOARD OF DIRECTORS

| | |
|----------------------------|-----------------------------------|
| Mr. P. Prabhakar Reddy | <i>Managing Director</i> |
| Mr. C.D. Reddy | <i>Director</i> |
| Mr. P. Sivakumar Reddy | <i>Director</i> |
| Mr. A. Vijayavardhan Reddy | <i>Director</i> |
| Mr. A. Poornachandra Rao | <i>Director</i> |
| Mr. T. Venugopal Reddy | <i>Director</i> |
| Dr. P. Prabhakar Reddy | <i>Director</i> |
| Mr. Anoop Bali | <i>Director (Nominee of TFCI)</i> |

AUDITORS

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

BANKERS

Global Trust Bank Ltd

REGISTERED OFFICE

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

SHARE TRANSFER AGENTS

M/s. Aarathi Consultants Pvt. Ltd.,
1-2-285, Domalguda,
Hyderabad - 500 029.

NOTICE

NOTICE is hereby given that the 36th Annual General Meeting of the Members of the Company will be held at Hari Hara Kalabhavan, S.P.Road, Secunderabad on Friday the 31st August, 2001 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 2001 together with the Report's of the Directors and Auditors thereon.
2. "RESOLVED THAT Sri M.Rabindranath Tagore who retires by rotation has expressed his inability to continue as Director on his re-appointment and further resolved that the said vacancy be not filled up."
3. "RESOLVED THAT Sri P.Siva Kumar Reddy who retires by rotation and being eligible offers himself for re-appointment".
4. To declare dividend on preference shares of the company.
5. To consider and if thought fit to pass with or without modification, the following resolution as special resolution.

"RESOLVED that pursuant to the provisions of Section 224A of the Companies Act 1956, consent of the members of the company be and is hereby accorded to appoint M/s MOGILI SRIDHAR & CO., Chartered Accountants, Hyderabad the retiring Auditors as Statutory Auditors 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:

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

"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 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:

1. Industrial Finance Corporation of India Ltd.(IFCI)
2. State Bank of India (SBI)
3. Unit Trust of India (UTI)
4. Tourism Finance Corporation of India Ltd.(TFCI)
5. Life Insurance Corporation of India (LIC)
6. Industrial Development Bank of India (IDBI)
7. Punjab National Bank (PNB)

**In connection with:**

1. Rupee Term Loans not exceeding Rs.454 lakhs (Rupees Four Hundred Fifty Four Lakhs Only) lent and advanced by IFCI to the Company.
2. Rupee Term Loans not exceeding Rs.300 Lakhs (Rupees Three Hundred Lakhs Only) lent and advanced by SBI to the Company.
3. Redeemable Non-Convertible Debentures not exceeding Rs.1300.00 Lakhs (Rupees One Thousand Three Hundred Lakhs Only) lent and advanced by UTI to the Company.
4. Redeemable Non-Convertible Debentures not exceeding Rs.1225.00 Lakhs (Rupees One Thousand Two Hundred and Twenty Five Lakhs Only) lent and advanced by TFCI to the Company.
5. Redeemable Non-Convertible Debentures not exceeding Rs.400.00 Lakhs (Rupees Four Hundred Lakhs Only) lent and advanced by LIC to the Company.
6. Redeemable Non-Convertible Debentures not exceeding Rs.500.00 Lakhs (Rupees Five Hundred Lakhs Only) lent and advanced by IDBI to the Company.
7. Rupee Loans not exceeding Rs.996.00 Lakhs (Rupees Nine Hundred and Ninty Six Lakhs Only) lent and advanced by PNB to the Company.

“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.”

7. To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

“RESOLVED that pursuant to the provisions of Sec.81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, consents, permissions, and/or sanctions of the Government of India (GOI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI) and all other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by them in granting such approval, consent, permission or sanction, the Board of Directors of the Company or Committee of the Board duly constituted and authorized (hereinafter referred to as “Board”) be and is hereby authorized on behalf of the Company to issue and allot 71,40,000 Equity Shares of Rs.10/- each plus the over subscription as may be allowed by the Authorities concerned to the Members, the Promoters and or Financial Institutions and or Mutual Funds and or Foreign Institutional Investors and Foreign Investors (whether Institutions and or Incorporated Bodies and or Individuals or otherwise) Non-Resident Indians and or other entities and or to such other persons whether or not such entities or persons are Members of the Company, by way of Public Issue or Rights Issue or Private Placement or any one or more or a combination of the above methods through prospectus and or letter of offer or otherwise at such subscription or issue price or prices whether below or above the market price or prices with or without premium, on such terms and conditions as may be decided by the Board including the terms of issue as to the price and entities/persons to whom such shares may be issued and on the terms and conditions and matters connected therewith, in consultation with the Lead managers and/or Underwriters and/or other advisors and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board.”

“RESOLVED further that the above shares when issued shall rank pari-passu with the existing equity shares of the Company in all respects except that they shall be entitled to prorata dividend from the date of allotment.”

“RESOLVED further that the issue of the shares shall be deemed to have been made in India/Abroad at the place of issue and shall be governed by the law of the country as applicable and the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed in India and or foreign country or countries and to seek the listing of such securities in one or more International and or Indian Stock Exchanges.”

“FURTHER RESOLVED that the Board be and is hereby authorized to engage the services of or appoint solicitors, advocates, legal advisors, merchant bankers, underwriters, guarantors, depositories, custodians and any such other agencies to act as managers, Lead Managers or in any other capacity or to advise or certify any matter relating to Company’s accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the Board may in its absolute discretion deem appropriate.”

“FURTHER RESOLVED THAT for the purposes of giving effect to the above resolution the Board be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purposes and to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.”

8. To consider and if thought fit to pass with or without modification(s) the following resolution as special resolution.

“RESOLVED THAT pursuant to the provisions of section 21 and other applicable provisions if any of the Companies Act 1956, subject to the approval of the Central Government, consent of the members of the Company be and is hereby accorded to change the name of the Company from PALACE HEIGHTS HOTELS LIMITED to VICEROY HOTELS LIMITED”.

FURTHER RESOLVED THAT name of the Company be changed from Palace Heights Hotels Limited to Viceroy Hotels Limited wherever it appears in the Memorandum and Articles of Association of the Company”

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

“RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and read with Schedule XIII and other applicable provisions if any of the Companies Act 1956 as amended, consent of the company be and is hereby accorded for the enhancement of remuneration to Sri P.Prabhakar Reddy, Managing Director with effect from 1st April, 2001 for remaining period of his office as set out below:

Salary of Rs.50000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.



In addition, the Managing Director will be entitled to the following:

- i. Commission: Such percentage of commission(in addition to salary and prerequisites hereafter stated) calculated with reference to the net profit of the company in accordance with Section 349 and Section 350 of the Companies Act 1956 for each financial year as may be fixed by the Board of Directors which together with salary and monetary value of prerequisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.
- ii. Prerequisites as under
 1. Housing: Rent-free accommodation will be provided to the appointee for whom 10 per cent of the appointee's salary shall be recovered. In case no accommodation is provided by the company, house rent allowance at 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the company owned furniture and other consumable durables if required.
 2. The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the company.
 3. All medical expenses incurred by the appointee for self and family shall be reimbursed.
 4. Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
 5. Fees of clubs subject to maximum of two clubs this will not include the admission and life membership fees.
 6. Personal Accident insurance, the premium of which shall not exceed Rs.10000/- per annum.
 7. Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.
 8. Provision of Car with driver for use of the Company's Business and telephone at the residence.

Minimum Remuneration:

The appointee shall be paid the aforesaid remuneration (except commission) as minimum remuneration in the event of lack or inadequacy of profit calculated in accordance with Section 349 and 350 of the Companies Act 1956.

10. To consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution:

“RESOLVED that pursuant to the Articles of Association of the company, Section 94(1) of the Companies Act, 1956 and subject to other statutory provisions, if any, subject to approvals from any statutory

Palace Heights Hotels Limited

authorities as may be necessary 5,00,000 Redeemable Preference Shares of Rs. 100/- each forming part of the authorised share capital of the company be issued at par on private placement and allotted on such terms as to dividend, preferential payment or return of the amount paid-up thereon and redemption as the Board of Directors may deem fit."

By order of the Board
For **PALACE HEIGHTS HOTELS LIMITED**

Place: Hyderabad
Date: 14.07.2001

P. PRABHAKAR REDDY
Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote at the meeting instead of himself/ herself and the proxy need not be a member of the company. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hrs before the commencement of the meeting.
2. The Register of members and share transfer books of company shall remain closed from Saturday i.e.25.08.2001 to Friday i.e.31.08.2001 (both days inclusive).
3. The Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed to this notice.
4. Members are requested to notify any change in their addresses to the company immediately.
5. Members desirous of obtaining any information on the Annual Accounts of the company are requested to write to the company at least 7 working days before the date of the meeting to enable the company for compilation of the required information.
6. Members are requested to bring their copy of the Annual Report at the ensuing Annual General Meeting.



EXPLANATORY STATEMENT

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

ITEM NO: 5

A special resolution is necessary under section 224A of the Companies Act 1956 for the appointment of Auditors. As the Financial Institutions and Nationalised Banks are holding more than 25% of the subscribed share capital of the Company.

ITEM NO: 6

The financial assistance availed, as specified in resolution No.6 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 without 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.

ITEM NO:7

Pursuant to the resolution passed in the Extra-Ordinary General Meeting held on 08.01.2001, it was proposed to issue 1,33,40,000 equity shares, on Private Preferential Basis. It was hoped that the Market conditions would be conclusion to raise the money. As the market conditions did not improve the company could not go for the full issue of shares. In pursuance of the earlier resolution, the Board could issue and allot only 62 lakhs equity shares on private placement to Institutions and Promoters. To meet the remaining part of the expansion project cost the Board wishes to issue not exceeding 71.40 lakhs of shares to the public or the existing members or any other persons/bodies as mentioned in the Resolution. The detailed terms and conditions of the issue, the categories of offers and the respective quantum, will be determined in consultation with the Advisors and the Lead Managers. Since the pricing of the offering cannot be decided except at nearly the final stage, it is not possible to specify in the Resolution the proposed number of shares and the actual price.

Hence the enabling Resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms in consultation with the Lead Managers or such other authorities as may be required to be consulted in accordance with the established practice. The shares when issued will be listed on Stock Exchanges as may be decided by the Board.

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956.

The Special Resolution as set out at the Item-7 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the entities/persons on the terms and conditions as may be decided by the Board.



The Board may be authorized to take all steps necessary for implementing this resolution. Owing to adverse market conditions, the Board could not implement the resolution in full passed by the members at the earlier Extra Ordinary General Meeting. Hence the consent of members is sought again.

The Promoters at present are holding 33.65% equity capital of the company and subsequent to the allotment of the shares on Preferential basis, their capital would be correspondingly increased. If any, shares are subscribed to and allotted to them.

SHAREHOLDING PATTERN

| | NO.OF SHARES | % OF TOTAL CAPITAL |
|--|--------------|--------------------|
| PROMOTERS, RELATIVES AND THEIR ASSOCIATES | 60,10,000 | 33.65 |
| INSITUTIONS | 92,00,000 | 51.51 |
| PUBLIC | 26,50,000 | 14.84 |

The Price of the issue shall be determined in accordance with SEBI Preferential Issue guidelines.

Consequent to the allotment of shares on preferential basis there will not be any change in the composition of the Board of Directors nor there will be any change in the Control Over the Company.

The Board recommends the passing of the special resolution.

None of the Directors are interested in the resolution.

ITEM NO.8:

As the company is operating a Star Hotel in Hyderabad by name Viceroy for the past 8 years and the same has been adjudged consequently as the Best Garden Hotel for 3 years. The Board felt in the interest of the company and the shareholders, it is advantageous to change the name of the Company from Palace Heights Hotels Limited to Viceroy Hotels Limited. The Registrar of Companies, AP, Hyderabad signified in writing the availability of the name. Pursuant to the provisions of section 21 the company can change the name by passing a special resolution at the general meeting of the company.

Hence the Directors recommend the resolution.

None of the Director is interested/ concerned in the said resolution.

ITEM NO.9:

The Board at its meeting held on 9th October 2000 appointed Sri P.Prabhakar Reddy as Managing Director for a further period of 5 years with effect from 1st October 2000 on a remuneration of Rs.20,000/- p.m. with other perks.