

Viceroy Hotels Limited

(formerly Palace Heights Hotels Ltd)

38th Annual Report
2002-2003



Viceroy is awarded All-India First Class 5-Star Business Hotel 2002





Viceroy Hotels Limited

BOARD OF DIRECTORS

Sri. P. Prabhakar Reddy

Sri. K.E.C. Raja Kumar

Sri. Anoop Bali

Sri. C.D. Reddy

Sri. P. Sivakumar Reddy

Sri. A. Vijayavardhan Reddy

Sri. A. Poornachandra Rao

Sri. K. Narasimha Rao

Managing Director

Nominee Director - UTI

Nominee Director - TFCI

Director

Director

Director

Director

Director - Finance

AUDITORS

M/s. Mogili Sridhar & Co.,

C

6-

Somajiguda,

Hyderabad

F

Industrial Development Bank of India

BANKS

Andhra Bank,

State Bank of Hyderabad

Global Trust Bank

Syndicate Bank

REGISTERED OFFICE

11-3-1036/3/1,

Lower Tank Bund Road,

Gandhinagar,

Hyderabad - 500 080.

SHARE TRANSFER AGENTS

M/s. Aarthi Consultants Pvt. Ltd.,

1-2-285, Domalguda,

Hyderabad - 500 029.



NOTICE

NOTICE is hereby given that the 38th Annual General Meeting of the Members of the Company will be held at Viceroy Convention Centre, Lower Tank Bund Road, Hyderabad on Saturday the 29th November, 2003 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 2003 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri C.D. Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri.P.Sivakumar Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. **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. P.MURALI & CO., Chartered Accountants, Hyderabad 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:

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

“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. Andhra Bank (AB)
2. State Bank of Hyderabad (SBH)
3. Industrial Development Bank of India (IDBI)
4. Syndicate Bank (SB)

In connection with:

Foreign Currency Loan not exceeding equivalent to Rs.20 Crores (Rupees Twenty Crores Only) lent and advanced by Andhra Bank to the Company.

Foreign Currency Loan not exceeding equivalent to Rs.22.81 Crores (Rupees Twenty Two Crores and Eighty One Lakhs Only) lent and advanced by State Bank of Hyderabad to the Company.

Rupee Term Loan not exceeding equivalent to Rs.2.19 Crores (Rupees Two Crores and Nineteen Lakhs Only) lent and advanced by State Bank of Hyderabad to the Company.



Foreign Currency Loan not exceeding USD 1.06 Million equivalent to Rs.4.85 Crores (Rupees Four Crores and Eighty Five Lakhs Only) lent and advanced by Industrial Development of India (IDBI) to the Company.

Rupee Term Loan not exceeding Rs.9 crores (Rupees Nine Crores Only) lent and advanced by Syndicate Bank 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.”

6. 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 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, 2003 for remaining period of his office as set out below:

Salary of Rs.150,000/- 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 perquisites 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 perquisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.
- ii. Prequisites as under
 - a) The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the company.
 - b) All medical expenses incurred by the appointee for self and family shall be reimbursed.
 - c) Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
 - d) Fees of clubs subject to maximum of two clubs this will not include the admission and life membership fees.
 - e) Personal Accident insurance, the premium of which shall not exceed Rs.10000/- per annum.
 - f) Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.

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.

7. 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 appointment of Sri K.Narasimha Rao as whole-time Director designated as Director- Finance for a period of 3 years w.e.f from 1st April, 2003 on a remuneration as set out below:

Salary of Rs.50,000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.

i. Prerequisites as under

- a) Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.

Minimum Remuneration:

The appointee shall be paid the aforesaid remuneration 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..

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

“RESOLVED THAT the company do apply for voluntary delisting of the equity shares of the company from Hyderabad Stock Exchange subject to the equity shares of the company remaining listed on stock exchange having nation wide trading terminal i.e The Stock Exchange Mumbai or The National Stock Exchange or any other stock exchange referred to in regulation 5 of the Securities and Exchange Board of India (Delisting of securities) Guidelines, 2003 and further subject to other compliances and clearances as stipulated under the said guidelines.

“ FURTHER RESOLVED THAT the Board of Directors of the company be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution”

By order of the Board
For **VICEROY HOTELS LIMITED**

Sd/-

A.VIJAYAVARDHAN REDDY
Director

Place: Hyderabad
Date: 29.10.2003

Viceroy Hotels Limited



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 Wednesday i.e. 26th November 2003 to Saturday i.e. 29th November, 2003 (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. : 4

A special resolution is necessary under section 224A of the Companies Act 1956 for the appointment of Auditors of the Company at the ensuing Annual General Meeting as the Financial Institutions/ Nationalized Banks are holding more than 25% of the subscribed equity share capital of the Company.

Hence the Directors recommend the resolution for your approval.

ITEM NO: 5

The financial assistance availed, as specified in resolution No.5 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. : 6

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. The company at the annual General Meeting held on 31st August 2001 increased the remuneration payable to Sri P.Prabhakar Reddy to Rs. 50,000/- per month for the remaining period of office.

The Board noted that the duties and responsibilities of Sri P.Prabhakar Reddy have significantly increased due to franchisee agreement signed with Marriott International, and also due to the expansion project nearing completion. The Board also discussed the need for formulation of strategies on continuous basis and periodical review thereof for sustained growth of the company in the light of the highly competitive conditions prevailing in the industry and this would call for increased managerial time to be spent on such matters. Considering these factors, the Board at the meeting held on 6th September 2003 felt that it was essential to adequately compensate the Managing Director in terms of enhanced remuneration and payment of commission as detailed in the resolution. The Board recommends the resolution to shareholders for approval.

The Explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Sri P.Prabhakar Reddy pursuant to section 302 of the Companies Act 1956.

Sri P.Prabhakar Reddy and Sri P.SivaKumar Reddy are interested in the resolution. No other Director is directly or indirectly concerned or interested in the resolution.

Viceroy Hotels Limited**ITEM NO.7:**

The Board at its meeting held on 6th September 2003 appointed Sri K.Narasimha Rao as whole- time Director designated as Director- Finance. Sri K.Narasimha Rao is associated with the company since 1990 looking after Accounts and Finance departments. The Board felt the need to have a full time Director taking care of Finance and Accounts departments keeping the growth prospects of the company. Hence the Board recommends the resolution to shareholders for approval.

The Explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Sri K.Narasimha Rao pursuant to section 302 of the Companies Act 1956.

None of the director is interested / concerned in the resolution except Sri K. Narasimha Rao, to the extent of shareholding.

ITEM NO.8 :

The equity shares of the company are listed on the Stock Exchanges at Mumbai and Hyderabad. The company paid the annual listing fee to both the stock exchanges for FY 2003-04.

However, as reported by the Stock Exchanges except for Mumbai, there have been very few or nil transactions on the Hyderabad Stock Exchange. Based on the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (the guidelines) it is open for the company to voluntarily delist securities from Hyderabad stock exchange, if the securities continue to remain listed on a stock exchange having nation wide trading terminal.

As the company's equity shares have been mandated by SEBI for compulsory trading in demat form by all investors and The Stock Exchange Mumbai have trading terminals in various cities affording to the investors convenient access to trade and deal in the company's equity shares across the country, it is proposed to delist the equity shares of the company from Hyderabad Stock exchange. The Director's recommend the resolution for your approval.

None of the Directors of the company may be deemed to be concerned or interested in the resolution.

By order of the Board
For VICEROY HOTELS LIMITED

Sd/-
A.VIJAYAVARDHANREDDY
Director

Place: Hyderabad
Date: 29.10.2003

Viceroy Hotels Limited

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the **Thirty Eighth Annual Report** together with the Audited Accounts of the Company for the year ended 31st March, 2003.

PERFORMAMCE / FINANCIAL RESULTS OF THE COMPANY :

(Amount in Lakhs)

Particulars	2002-03	2001-02
Income from Operations	2393.12	2045.87
Profit before interest, depreciation and tax	1060.12	933.34
Interest	524.45	519.75
Depreciation	334.92	289.25
Provision for Taxation	15.81	9.51
Profit after tax & depreciation	184.94	114.38
Provision for Deferred Tax Current	73.77	44.38
Provision for Cum Deferred Tax liability	--	536.62
Balance carried to Balance Sheet	114.84	3.67

During the year under review, the company could successfully reduce the interest burden by swapping the high cost debentures of TFCI, UTI, LIC to foreign currency term loans from State Bank of Hyderabad & Andhra Bank and rupee term loans carrying interest of 12% p.a. The high cost non convertible debentures of Industrial Development Bank of India were converted into Foreign currency Term Loan by IDBI. The Board wishes to place on record its gratitude to all the Banks and Financial Institutions.

During the year under review, the company entered into franchisee agreement with MARRIOTT INTERNATIONAL LICENSING COMPANY B.V. (FRANCHISOR). As per the Franchisee agreement, the Franchisee has the right to operate the Hotel as an MHRS International Hotel under Brand name MARRIOTT in accordance with the System and the Marriott Agreements. To bring Marriott Standards, a major renovation and upgradation has to take place.

AWARDS AND RECOGNITIONS:

The hotel was adjudged as the All India First- Class Business Hotel 2002 Award (5 Star Category) by the Federation of Hotel & Food Association of India for the year 2002.

SUBSIDIARY DETAILS:

Mayuri India Cuisine Inc., USA a wholly owned subsidiary of the company, during the year made turn over of USD 8,70,042.38 and profit after tax of USD 31,252.73. The results of Mayuri India Cuisine Inc., are annexed with this report.

DIVIDEND:

As the company is undertaking a major rennovation and expansion, Board does not recommend any dividend during the year under review.



Viceroy Hotels Limited

DIRECTORS:

Sri C.D.Reddy and Sri P.Shiva Kumar Reddy retires by rotation and being eligible offers themselves for re-appointment.

AUDITORS:

M/s. MOGILI SRIDHAR & CO., Chartered Accountants, Auditors of the company have informed that they do not seek re-appointment as the Company's Auditors at the ensuing Annual General Meeting. Your Directors would like to place on record their appreciation of the services rendered by M/s.MOGILI SRIDHAR & CO., Chartered Accountants, during their long association with the company. The Company received a letter from M/s P.Murali & Co., Chartered Accountants, Hyderabad expressing their willingness to be appointed as statutory auditors. The company has received a certificate from the Auditors to the effect that their appointment, if made will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. Hence the Board recommends their appointment as Statutory auditors for the FY2003-2004

AUDIT REPORT:

Regarding the Auditors observations and comments in their report for the FY 2002-2003, they are self-explanatory and the company is making efforts to comply the same.

PARTICULARS OF EMPLOYEES:

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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.

- a) **Conservation of Energy:**
Proper Control points are set up at all levels to identify the wastage in Power & Fuel consumption and to take/ initiate corrective steps.
- b) **Research and Development and Technology Absorption:**
 - i) Our Research & Development cell has been making continuous efforts to ensure the best quality standards.
 - ii) No technology either indigenous or Foreign is involved.
- c) **Foreign Exchange Earnings and Outgo:**
During the year under review your Company has earned Foreign Exchange to the extent of Rs 3,23,80,623 through Traveller Cheques, Currencies, Credit Cards etc. The corresponding Foreign Exchange outgo during the year was Rs. 847,229 resulting in a net foreign exchange earned/ used of Rs. 3,15,33,394 for the year.

During the year the company used foreign exchange to the tune of Rs.10,954,746.00 (Rs.14,597,000 previous year) towards capital expenditure.

DEPOSITS:

During the year under review, the company has accepted deposits from the Directors, Relatives and the necessary provisions of section 58A of the Companies Act 1956 is complied.