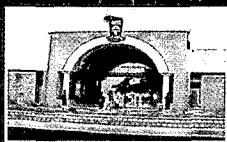
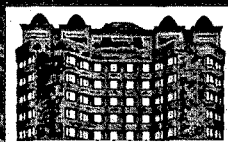


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VICEROY



VICEROY HOTELS LIMITED > 44TH ANNUAL REPORT 2008-2009

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements written and oral that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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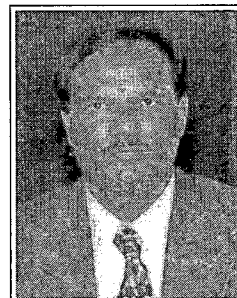
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CHAIRMAN'S SPEECH

Dear Shareholders,

It gives me pride and pleasure to present you with the 44th Annual Report of your company for the year 2008-09. The fiscal that went by has emerged as the most challenging time for economies across the globe, marking the biggest economic downturn after the Great Depression during 1930s. Just when financial crisis began unfolding, the terrorist attacks in Mumbai came as a big blow to the country, affecting the country's lucrative tourism industry and most specifically hotel sector.



Performance through diversification

Owing to the slowdown in the industry, Viceroy Hotels could not post impressive financial figures during FY09. However, F&B Business segment witnessed growth compensating the loss to some extent. This also marks the advantage of having diversified portfolio with a strategic business plan.

Unlocking the Opportunities

Ministry of Tourism is placing untiring efforts to minimize the impact of the slowdown and usher growth in tourism sector. Designating this year as the 'Visit India' year; Free air ticket for companion; travel to additional places and extended stay at hotels; Proposal for PPP (Public-Private-Partnership) model to increase hotel capacity are some among such initiatives taken up by Ministry.

Inaugurating the elite NSG hub in Hyderabad is another most crucial step taken by Government, which is aimed at safeguarding the City from terrorist attacks. This is expected to create confidence among business travelers and foreign tourists to the city.

Your company, being an established player in the industry, is going to unlock all these opportunities fully and take the vision forward.

Strategic Business Planning

This is eventually turning out to be our chief area of focus. After roping in major hotel chain, Marriott International to manage our existing five star hotel in Hyderabad, Your Company has been aggressively exploring business opportunities in the other business verticals - F&B and Service Apartments.

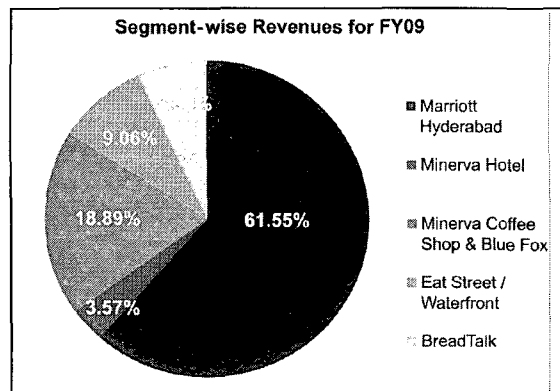


BUSINESS SEGMENTS:

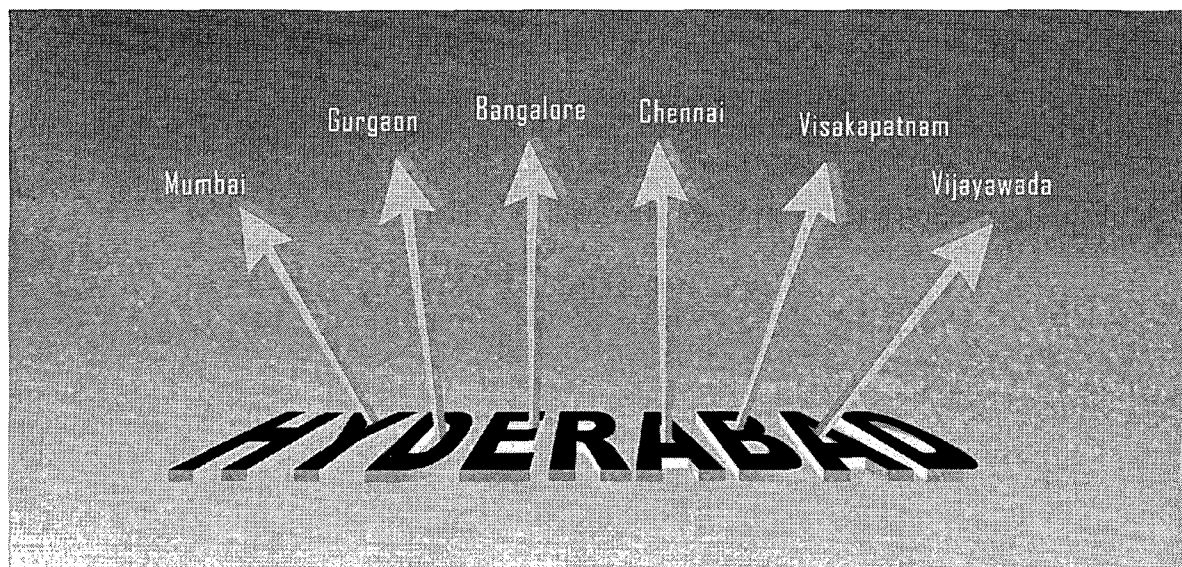
Food & Beverages (F&B) Business:

Your company runs five well established brands under two of its wholly-owned subsidiaries - Café d Lake and Crustum Products. Café d Lake runs restaurants like Minerva Coffee Shop, Blue Fox, Waterfront and Eat Street and Crustum Products comprises 'Bread Talk', which is an exclusive national franchise for 'Bread Talk', a boutique bakery chain based out of Singapore.

Having earned success under this segment in Hyderabad, your company has expanded Bread Talk outlets to other cities like Mumbai, Gurgaon, and Bangalore etc.



There is a huge growth potential for this segment in India and urban Indians are willing to experiment with new and different cuisine. Your company is hopeful of gaining out of this changing urban life style.





Journey continues...

Economic slowdown may have impacted our financial figures to some extent, but not our expansion plans. Viceroy Hotels has continued its journey, even amidst downturn, by making a significant progress in its proposed projects. The proposed 200-room business hotel, 'Courtyard' in Hyderabad was completed and is now ready for becoming operational from October 2009.

Your company has also expanded its F&B Business by establishing 'Bread Talk' outlets in places like Gurgaon and Bangalore during the period in discussion. The upcoming 5-star hotels, JW Marriott and Renaissance in Chennai and Bangalore respectively too are also progressing with an expected pace and would be operational in FY11.

Most of the expansion plans will be operational by FY2011 across all verticals of your company and the expectations on your company's financial performance thereafter would be definitely high. Competition too is expected to be very high as some of the global chains would have already initiated their operations by then and some underway. Hence, I would be looking at every moment from now on to be quite crucial for all of us to implement our strategies in most efficient way with result-oriented approach. This alone would help us to establish ourselves to be the leading player in the hospitality and F&B space in the country.

We have efficient talent pool to tap enormous opportunities and experience-backed expertise to withstand challenges. Let downturns not turn our hopes down! I recall a quote here, Tough Times Never Last, But Tough People Do!

Go, Gear Up!

Sincerely

A handwritten signature in black ink, appearing to read 'P. Prabhakar Reddy'.

P. Prabhakar Reddy



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. P.Prabhakar Reddy	--	Chairman & Managing Director
Mr. Jayabharat Reddy (IAS Retd)	--	Director
Mr. R.Subramanian	--	Director
Mr. Rakesh Jhunjhunwala	--	Director
Mr. P.Narendra	--	Director
Mr. P.Shivakumar Reddy	--	Director
Mr. A.Vijayavardhan Reddy	--	Director
Mr. A.Poornachandra Rao	--	Director
Mr. K.Narasimha Rao	--	Director
Mr. Kai Taraporewala	--	Director
Mr. Rajiv Agarwal	--	Director
(Alternate Director to Mr. Rakesh Jhunjhunwala)		

Financial Controller & Company Secretary

J.Srinivasa Murthy

Auditors:

M/s. P.MURALI & CO.,
Chartered Accountants
6-3-655/2/3, 1st Floor
Somajiguda, Hyderabad - 500 082

Share Transfer Agents:

M/s. Aarthi Consultants Private Limited
1-2-285, Domalguda,
Hyderabad - 500 029

Financial Institutions:

IDFC Limited
HDFC Limited

Bankers:

Axis Bank
State Bank of Indore
State Bank of Bikaner & Jaipur
Indian Overseas Bank
Andhra Bank
Lakshmi Vilas Bank

State Bank of India
Allahabad Bank
State Bank of Mysore
UCO Bank
Canara Bank

Registered Office:

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

Corporate Office:

D.No. 8-2-120/115/14, 5th Floor,
Shangrila Plaza, Road No. 2,
Jubilee Hills,
Hyderabad - 500 034



NOTICE

NOTICE is hereby given that the 44th Annual General Meeting of the Members of the Company will be held at Hyderabad Marriott Convention Centre, Lower Tank Bund, Gandhinagar, Hyderabad on Tuesday the 29th September, 2009 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 2009 together with the Report's of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A.Vijayavardhana Reddy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Paruchuri Narendra who retires by rotation and being eligible, offers himself for re-appointment".
4. To appoint M/s.P.MURALI & CO., Chartered Accountants, Hyderabad the retiring auditors as Statutory Auditors for the financial year 2009-10 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.

By Order of the Board
For VICEROY HOTELS LTD

J.Srinivasa Murthy
Financial Controller & Company Secretary

Place : Hyderabad

Date : 4th September, 2009

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the company. Proxy, duly executed, in order to be valid, should reach the registered office of the company at least 48 hours before the meeting.
2. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
3. Members / Proxy holders are requested to produce admission slip duly completed and signed.
4. The Register of members and share transfer books of company shall remain closed on Tuesday the 29th September, 2009.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE
FORTHCOMING ANNUAL GENERAL MEETING
(In Pursuance of Clause 49 (VI)(A) of the Listing Agreement)**

Name of the Director	A.Vijayavardhana Reddy	Paruchuri Narendra
Date of Birth	26-10-1957	23-09-1953
Date of Appointment	02-09-2004	31-12-2005
Experience in Specific Functional area	Vast Experience in Hotel/ restaurant management.	Printing Technology
Qualifications	Post Graduate	Chemical Engineer
Directorships held in other Companies	<ul style="list-style-type: none"> • Secunderabad Hotels Pvt. Ltd., • Café D'Lake Pvt.Ltd., • Minerva Grand Hotels Pvt Ltd • Vijayawada Hospitalities Pvt Ltd. 	<ul style="list-style-type: none"> • Pragati Offset (P) Ltd. • MEDRC (P) Ltd. • Pragati Flexo (P) Ltd. • Pragati Pack India (P) Ltd.
Committee positions held in other Companies.	Nil	Nil



DIRECTOR'S REPORT

To

The Members

Your Directors have pleasure in presenting the Forty Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2009.

PERFORMAMCE / FINANCIAL RESULTS OF THE COMPANY

(Amount in Lakhs)

PARTICULARS	2008-09	2007-08
Income from Operations	6995.13	7616.04
Profit before interest, depreciation and tax	4013.69	3033.28
Interest	1460.83	1167.76
Depreciation	1078.77	958.86
Provision for Tax & FBT & Deferred Tax	94.25	295.91
Profit after Tax	347.59	610.73
Balance carried to Balance Sheet	1785.10	1940.88

PROJECTS UNDER IMPLEMENTATION:

Chennai Project:

The Board is pleased to inform you that the Chennai JW Marriott hotel project is under implementation. The company proposes to construct 387 room 5- star deluxe hotel. The Hotel would be operational during FY 2010-11. The company has signed the Management Contract with M/s.Marriott International Inc, USA for the "JW Marriott" brand.

Bangalore Project:

The Board is pleased to inform you that the Bangalore Renaissance hotel project is under implementation. The company proposes to construct 277 room 5- star deluxe hotel. The Hotel would be operational during FY 2010-11. The company has signed the Management Contract with M/s.Marriott International Inc, USA for the "Renaissance" brand.

Hyderabad Courtyard Project:

The Board is pleased to inform you that the Hyderabad Courtyard hotel project is under implementation as per schedule. The company proposes to construct 200 room business class. The Hotel would be operational during FY 2009-10. The company has signed the Management Contract with M/s.Marriott International Inc, USA for the "Courtyard by Marriott" brand.



SUBSIDIARY COMPANY PERFORMANCE:

Café D Lake Private Limited:

M/s Café D'Lake Private Limited which operates all the restaurants businesses viz., Minerva Coffeeshop, Blue Fox Bar & Restaurant, Eat Street and Water Front has achieved a turn over of Rs.3008.44 lakhs for the year ended 31st March 2009 as against Rs.2951.84 lakhs for the previous year. The Net profit for the year ended 31st March 2009 is Rs.308.44 lakhs as against Rs.224.62 lakhs.

Crustum Products Private Limited:

M/s Crustum Products Private Limited is the Master Franchisee of Breadtalk Singapore, During the year under review, the company opened 3 more outlets at Ashoka Mall, Road No.1, Banjara Hills, Hyderabad, Spencers, Koramangala, Spencers, Gurgaon, NCR.

For the year ended 31st March 2009 the company achieved a turn over of Rs.796.06 lakhs as against Rs. 592.44 lakhs for the previous year. The profitability margins are very thin due to higher rentals and power costs across the outlets and the company is negotiating with the landlords to reduce the rentals in this recession period and also working out the revenue sharing mechanism so, that the fixed cost would be minimal for the company during lean months.

Minerva Hospitalities Private Limited:

M/s Minerva Hospitalities Private Limited has no operations during the year.

DIVIDEND:

As the company's profits are inadequate the Board does not recommend any dividend during the year under review.

DIRECTORS:

Mr.A.Vijayavardhana Reddy and Mr. Paruchuri Narendra retires by rotation and being eligible offers themselves for re-appointment.

AUDITORS:

M/s. P.MURALI & CO., Chartered Accountants, Auditors of the company retires at the ensuing Annual General Meeting. The Company received a letter from them expressing their willingness to be re- 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 FY2009-10.

AUDIT REPORT:

Regarding the Auditors observations and comments in their report for the financial year 2008-09,