Press Release

April 16, 2010

CARE REVISES RATING ASSIGNED TO LONG TERM BANK FACILITIES/ NCD ISSUE OF VICEROY HOTELS LIMITED

CARE has revised the rating assigned to the bank facilities of Rs 691.34 cr (enhanced from Rs 522 cr) of Viceroy Hotels Ltd. (VHL) from '**CARE BBB+ [Triple B plus]**' to '**CARE B' [Single B]**'. This rating is applicable for facilities having tenure of more than one year. Facilities with 'Single B' rating are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such facilities are susceptible to default.

Also, CARE has revised the rating of '**CARE BBB+ [Triple B plus]**' to '**CARE B' [Single B]**'to the Non-Convertible Debenture (NCD) issue of Rs.50 cr of VHL. The NCDs are repayable in 16 quarterly instalments from June 30, 2010 to June 30, 2014. Instruments with 'Single B' rating are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such instruments are susceptible to default.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position of the company within the band covered by the rating symbol.

Instrument	**Amount (Rs. Crore)**	**Rating**
Long-term Bank Facilities	691.34	**'CARE B'**
Non-Convertible Debenture	50.00	**'CARE B'**
Total	**641.34**	

Rating Rationale

The rating revision factors in marked deterioration in financial position of the company due to declining occupancy levels and average room rents, increase in debt levels due to funding of projects under execution, especially considering extensive time and cost overrun in the projects, strained liquidity position due to high repayment of term loans, restructuring of part of debt and challenging operating conditions on account of the slowdown in economy and unstable political environment in Hyderabad. The rating also factor in VHL's established position in hospitality industry and good brand image on account of association with Marriot. The company's ability to implement/complete projects without any further time and cost over run and improve its financial risk profile are the key rating sensitivities.

Company Profile

VHL presently runs a five star category, 300 room hotel viz. “Marriot Hyderabad” and a 200-room hotel ‘Courtyard’ in 4-star category at Gandhinagar, Hyderabad. VHL is also implementing two five star hotel projects simultaneously in Chennai and Bangalore.

On a total income of Rs. 67 cr, VHL earned a PAT of Rs.3 cr in FY09. VHL have registered net loss in 9M FY10 on a total income of Rs 44 cr.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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