Press Release

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CARE REVISES THE RATING OF NCD ISSUE OF VICEROY HOTELS LTD. AND ASSIGNS 'BBB+' & 'PR2 RATING TO BANK LOAN FACILITIES

CARE has revised the rating assigned to the outstanding NCDs of Viceroy Hotels Limited (VHL) from '**CARE A- [Single A Minus]**' to **'CARE BBB+' [Triple B Plus]**. CARE has also assigned CARE BBB+ [Triple B Plus] rating to the long term bank facilities of VHL. This rating is applicable for facilities having tenure of over one year. Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol. CARE has also assigned a **'PR2' [PR Two]** rating to the Short term bank facilities aggregating Rs.5.50 crore of VHL. This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to facilities rated higher. The details of rated bank facilities are given below

Instrument	Amount (Rs. crore)	Rating
Non-Convertible Debentures	50.00	**BBB+**
Long Term Bank facilities	524.00	**BBB+**
Short Term Bank facilities	5.50	**PR2**
Total	**579.50**	

Rating Rationale

The rating revision factors in the significant deterioration in the industry scenario which has markedly increased the risk arising out of execution of debt funded projects which are much larger as compared to the existing size of company. The rating also takes into account VHL's relatively small size of operations and high level of competition in the industry. The ratings are supported by experienced management, long standing presence in the hotel industry, management agreement with Marriott bringing associated benefits of brand, marketing support, quality systems and expected increase in scale once the new hotel projects start operations.

Company Profile

Viceroy Hotels Limited was originally incorporated as a private limited company in 1965. During 1991-92, VHL started its operations by setting up a 150-room 3-star category hotel at Hyderabad. Later, VHL took up expansion-cum-renovation of the hotel during 1996 to 1998, after which it was upgraded to a 4-star hotel and later to a 5-star category in Feb'02. With a view to upgrading its positioning to 'Branded premium hotel segment' and with a view to attracting foreign business travelers and tourists, VHL entered into a management agreement in September 2003 with "Marriott International Hotel Licensing Company", Netherlands for operating the hotel under "Marriott" brand. Along with this, VHL also increased the number of rooms from 188 to 297 in 2007. Apart from Hyderabad Marriot, VHL also operates a 58-room hotel, Minerva catering to the

midsize segment. Currently VHL is setting up 5-star deluxe category hotels at Chennai and Bangalore and a four star hotel in Hyderabad

VHL is a relatively small but an influential brand of hotel in Hyderabad and has long experience in the industry. Added to this, the company's tie up with the 'Marriot' brand also augers well to improve the brand image and also attract foreign visitors through shared resources of Marriot. However, the ongoing capacity expansion plans of VHL at substantially high leverage (D/E of 2.22x) at a time when the industry is experiencing a prolonged period of slow down causes some concerns over the immediate prospects of the company. The ability of VHL to complete the projects without any time and cost overrun and its ability to operate these properties profitably in the existing environment would be the key rating sensitivities.

Analyst Contact

Name: Pradeep Kumar
Tel: # 044 28600876/7812
Mobile# +919840754521
Email: pradeep.kumar@careratings.com

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